

COVER SHEET

					3	4	0	0	1
--	--	--	--	--	---	---	---	---	---

S.E.C. Registration Number

[illegible][illegible]

(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	9
---	---

Month

3	0
---	---

Day

S	E	C	1	7	-	Q
---	---	---	---	---	---	---

Form Type

Every last Friday of the month of May

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

12,929

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

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 September 30, 2014.
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. ☐

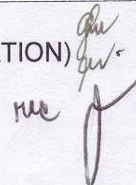
SEC FORM 17-Q

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)



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

SUBSCRIBED AND SWORN TO before me this NOV 04 2014 day of November,

2014, 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 - 02254646	02.17.2011/Manila 02.10.2014/Makati City

Doc. No. 446
Page No. 91
Book No. II
Series of 2014

Notary Public
Atty. REAGAN C. OLIVA
Notary Public for Makati City, Philippines
until 31 December 2014
Appointment No. M-389
14/F BDO North Tower, BDO Corporate Center
7899 Makati Avenue, Makati City
Roll No. 43988
IBP No. 944184, 1/2/2014, Quezon City
PTR No. 4230787, 1/3/2014, Makati City
MCLE Compliance No. IV-0017090, 4/16/2013

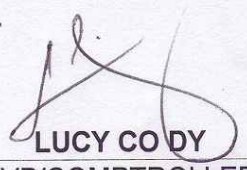
* To be signed by any of the following officers pursuant to a Board Resolution filed with the Commission

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

SIGNATURES

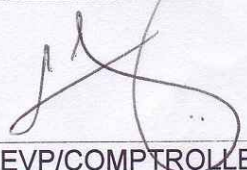
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer..... **BDO UNIBANK, INC.**

Signature and Title.....

LUCY CO DY
EVP/COMPTROLLER *mc gha gu*

Date..... **November 4, 2014** *of*

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

Signature and Title.....

LUCY CO DY
EVP/COMPTROLLER

Date..... **November 4, 2014**

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

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

		As of September 30, 2014	Audited As of December 31, 2013
<u>RESOURCES</u>			
CASH AND OTHER CASH ITEMS	P	22,218	P 27,824
DUE FROM BANGKO SENTRAL NG PILIPINAS		263,057	408,383
DUE FROM OTHER BANKS		46,814	26,939
INVESTMENT SECURITIES			
At Fair Value Through Profit or Loss		8,616	9,748
Available-for-Sale – net		186,831	218,162
LOANS AND OTHER RECEIVABLES–net		1,156,198	922,553
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – net		19,760	17,908
INVESTMENT PROPERTIES		10,284	10,381
EQUITY INVESTMENTS – net		5,219	4,839
DEFERRED TAX ASSETS		5,810	5,941
OTHER RESOURCES - net		26,186	20,100
TOTAL RESOURCES	P	1,750,993	P 1,672,778
<u>LIABILITIES AND CAPITAL FUNDS</u>			
DEPOSIT LIABILITIES	P		P
Demand		86,039	79,601
Savings		819,816	695,243
Time		519,007	570,489
Total Deposit Liabilities		1,424,862	1,345,333
BILLS PAYABLE		84,385	94,243
SUBORDINATED NOTES PAYABLE		0	3,007
OTHER LIABILITIES		68,707	65,841
Total Liabilities		1,577,954	1,508,424
<u>EQUITY</u>			
Attributable to Shareholders of the Parent Company		172,422	163,711
Minority Interest		617	643
Total Equity		173,039	164,354
TOTAL LIABILITIES AND EQUITY	P	1,750,993	P 1,672,778
<u>CONTINGENT</u>			
Trust department accounts	P	824,214	P 771,372
Unused commercial letters of credit		48,692	37,423
Outstanding guarantees issued		1,689	664
Export L/Cs Confirmed		149	39
Bills for collection		8,708	7,375
Late deposits/payment received		2,035	2,534
Spot Exchange Bought		13,432	4,774
Spot Exchange Sold		12,364	7,490
Forward Exchange Bought		180,994	117,517
Forward Exchange Sold		208,326	133,684
Interest Rate Swap Receivable		8,684	7,670
Interest Rate Swap Payable		8,684	7,670
Other Contingent Accounts		144,745	138,278
TOTAL CONTINGENT ACCOUNTS	P	1,462,716	P 1,236,490

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 nine-month Period ended September 30, 2014	For the nine-month Period ended September 30, 2013	For the Quarter ending September 30, 2014	For the Quarter ending September 30, 2013
INTEREST INCOME ON				
Loans and Receivables	P 38,994	P 33,345	P 13,620	P 11,441
Investment Securities	5,471	6,918	1,712	2,204
Due from Other Banks	1,864	829	468	535
Others	170	125	58	46
Total Interest Income	46,499	41,217	15,858	14,226
INTEREST EXPENSE ON				
Deposit liabilities	7,562	7,633	2,552	2,316
Bills Payable and Others	1,442	2,552	488	741
Total Interest Expense	9,004	10,185	3,040	3,057
NET INTEREST INCOME	37,495	31,032	12,818	11,169
IMPAIRMENT LOSSES	3,878	5,119	1,325	1,118
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	33,617	25,913	11,493	10,051
OTHER OPERATING INCOME				
Service Charges, Fees and Commissions	10,981	9,707	3,903	3,174
Trading Gain – net	4,963	9,068	957	265
Trust Fees	1,940	1,831	680	645
Foreign Exchange Gain/(Loss) – net	1,073	2,796	896	636
Miscellaneous – net	2,870	2,394	1,106	792
Total Other Operating Income	21,827	25,796	7,542	5,512
OTHER OPERATING EXPENSES				
Employee Benefits	12,157	11,306	3,919	3,662
Occupancy	4,154	3,630	1,444	1,249
Taxes and licenses	4,108	3,431	1,443	1,133
Security, Clerical, Messengerial and Janitorial	1,822	1,687	640	563
Insurance	2,095	1,479	742	518
Advertising	2,106	1,911	729	650
Litigation/Assets Acquired	423	557	137	190
Miscellaneous	10,025	8,089	3,601	3,036
Total Other Operating Expenses	36,890	32,090	12,655	11,001
INCOME BEFORE TAX	18,554	19,619	6,380	4,562
TAX EXPENSE (INCOME)	1,799	1,392	680	507
NET INCOME AFTER TAX	P 16,755	P 18,227	P 5,700	P 4,055
ATTRIBUTABLE TO:				
Equity holders of the parent	P 16,740	P 18,194	P 5,692	P 4,046
Minority Interest	15	33	8	9
	P 16,755	P 18,227	P 5,700	P 4,055
AVERAGE COMMON STOCK	3581	3581	3581	3581
INCOME PER SHARE (See annex A)				
Basic	4.58	4.99	1.59	1.13
Diluted	4.58	4.99	1.57	1.11

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 nine-month period ending September 30, 2014	For the nine-month period ending September 30, 2013
NET PROFIT	16,755	18,227
OTHER COMPREHENSIVE INCOME(LOSS)		
Net unrealized fair value gains(losses) on available-for-sale securities	(169)	(5,237)
Translation adjustment related to foreign operations	15	313
Other Comprehensive Income, net of tax	(154)	(4,924)
Items that will not be reclassified to profit or loss:		
Actuarial gains (losses) on remeasurement of retirement benefit asset, net of tax	(3)	0
	(3)	0
Total Other Comprehensive Income, Net of Tax	(157)	(4,924)
TOTAL COMPREHENSIVE INCOME(LOSS)	16,598	13,303
Attributable To:		
Shareholders of the Parent Bank	16,580	13,264
Non-controlling Interest	18	39
	16,598	13,303

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

BDO UNIBANK, INC. & SUBSIDIARIES
CASH FLOW STATEMENTS
FOR THE PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
(Amounts in Millions of Pesos)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	18,554	19,619
Adjustments for:		
Interest income	(46,499)	(41,217)
Interest received	46,749	42,956
Interest expense	9,004	10,185
Interest paid	(9,586)	(11,238)
Impairment losses	3,878	5,119
Depreciation and amortization	2,341	2,033
Share in (profit)loss of associates	(443)	(507)
Fair value loss (gain)	345	(186)
Operating loss before changes in operating resources and liabilities	24,343	26,764
Decrease (increase) in financial assets at fair value through profit or loss	596	639
Decrease (increase) in loans and other receivables	(143,834)	(85,433)
Decrease (increase) in investment properties	846	(1,325)
Decrease (increase) in other resources	(8,202)	(2,868)
Increase (decrease) in deposit liabilities	80,057	272,073
Increase (decrease) in other liabilities	2,503	9,706
Cash generated from (used in) operations	(43,691)	219,556
Cash paid for income tax	(1,438)	(1,024)
Net Cash From (Used in) Operating Activities	(45,129)	218,532
CASH FLOWS FROM INVESTING ACTIVITIES		
Net acquisitions of bank premises, furniture, fixtures and equipment	(3,764)	(3,106)
Net decrease (increase) in held-to-maturity investments	0	129,364
Net decrease (increase) in available-for-sale financial assets	30,517	(111,629)
Net Cash From (Used in) Investing Activities	26,753	14,629
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (payments of) bills payable	(9,811)	(4,110)
Net proceeds from(payment of) unsecured subordinated debts	(3,000)	(18,500)
Net effect of percentage ownership over subsidiaries	0	(33)
Dividends paid	(6,829)	(6,830)
Net Cash From (Used in) Financing Activities	(19,640)	(29,473)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(38,016)	203,688
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	27,824	21,539
Due from Bangko Sentral ng Pilipinas	408,383	156,591
Due from other banks	26,939	12,645
SPURRA	8,407	941
	471,553	191,716
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash and other cash items	22,218	18,724
Due from Bangko Sentral ng Pilipinas	263,057	339,057
Due from other banks	46,814	28,965
SPURRA	101,448	8,658
	433,537	395,404

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

STATEMENTS OF CHANGES IN EQUITY
COMPARATIVE PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
(Amounts in Millions of Pesos)

	Common Stock	Preferred Stock	Additional Paid- in Capital	Surplus Reserves	Other Reserves	Surplus Free	Net Unrealized Fair Value Gain(Losses) on Available-for- sale Securities	Accumulated Actuarial Gains/ (Losses)	Revaluation Increment	Accumulate d Translation Adjustment	Total Atributable to Shareholders of the Parent Bank	Non- Controlling Interest	Total Equity
Balance at January, 2014	P 35,808	P 5,150	P 63,908	P 2,994	P 12	P 55,756	P 2,609	(P 3,407)	P 1,027	(P 146)	P 163,711	P 643	P 164,354
Transactions with owners													
Cash Dividend						(7,859)					(7,859)	(44)	(7,903)
Total transactions with owners	0	0	0	0	0	(7,859)	0	0	0	0	(7,859)	(44)	(7,903)
Total comprehensive income						16,740	(167)	(3)		10	16,580	18	16,598
Transfer to/(from) Surplus Free													
Additional appropriation				167		(167)					0		0
Trust reserve				36		(36)					0		0
	0	0	0	203	0	(203)	0	0	0	0	0	0	0
Other Adjustments													
Consolidation of a new subsidiary						(10)		0			(10)		(10)
	0	0	0	0	0	(10)	0	0	0	0	(10)	0	(10)
Balance at September 30, 2014	P 35,808	P 5,150	P 63,908	P 3,197	P 12	P 64,424	P 2,442	(P 3,410)	P 1,027	(P 136)	P 172,422	P 617	P 173,039
Balance at January, 2013	P 35,808	P 5,150	P 63,908	P 2,254		P 41,748	P 7,641	(P 3,484)	P 1,116	(P 427)	P 153,714	P 657	P 154,371
Transactions with owners													
Net effect of percentage ownership over subsidiaries				3		1					4	(37)	(33)
Cash Dividends						(7,860)					(7,860)	(44)	(7,904)
Audit Adjustments						(39)					(39)	1	(38)
Total transactions with owners	0	0	0	3	0	(7,898)	0	0	0	0	(7,895)	(80)	(7,975)
Total comprehensive income						18,194	(5,243)			313	13,264	39	13,303
Transfer to/(from) Surplus Free													
Additional appropriation				551		(551)					0		0
Trust reserve				29		(29)					0		0
	0	0	0	580	0	(580)	0	0	0	0	0	0	0
Other Adjustments													
Consolidation of a new subsidiary											0	41	41
	0	0	0	0	0	0	0	0	0	0	0	41	41
Balance at September 30, 2013	P 35,808	P 5,150	P 63,908	P 2,837	P -	P 51,464	P 2,398	(P 3,484)	P 1,116	(P 114)	P 159,083	P 657	P 159,740

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

AGING OF LOANS AND ACCOUNTS RECEIVABLE
As of September 30, 2014
(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	28,220	P	0	P	0	P	0	P	0	P	28,220
B. LOANS AND RECEIVABLES	P	1,128,064	P	4,928	P	2,791	P	6,114	P	3,150	P	1,145,047
Loans & Discounts		881,512		2,870		1,501		2,993		2,609		891,485
Agra-Agri Loans		38,013		17		0		20		0		38,050
Bills Purchased		17,568		0		0		24		2		17,594
Customers Liability on Draft under LC/TR		44,050		92		178		471		207		44,998
Customers Liability for this Bank's Acceptances		2,125		0		0		0		0		2,125
Credit Card Receivables		29,774		1,850		1,001		497		202		33,324
Restructured Loans		40		0		37		996		99		1,172
Other Loans & Receivables		5,727		99		74		943		31		6,874
Reverse Repurchase Agreement		101,448		0		0		0		0		101,448
Unquoted Debt Securities Classified as Loans		7,807		0		0		170		0		7,977
C. ACCOUNTS RECEIVABLE	P	11,736	P	421	P	155	P	733	P	4	P	13,049
TOTAL	P	1,168,020	P	5,349	P	2,946	P	6,847	P	3,154	P	1,186,316

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 September	2014		2013	
	Outstanding Balance of Common Shares	Average Number of Common Shares	Outstanding Balance of Common Shares	Average Number of Common Shares
January	3,581		3,581	
February	3,581		3,581	
March	3,581		3,581	
April	3,581		3,581	
May	3,581		3,581	
June	3,581		3,581	
July	3,581		3,581	
August	3,581		3,581	
September	3,581	3,581	3,581	3,581
Weighted Average		<u>3,581</u>		<u>3,581</u>
Basic Earnings per share				
Net profit attributable to shareholders of the Parent Bank		16,740		18,194
Less: Dividends on preferred shares		339		340
Net profit available to common shares		<u>16,401</u>		<u>17,854</u>
Divided by the weighted average number of outstanding common shares		<u>3,581</u>		<u>3,581</u>
Basic Earnings per share		<u>4.58</u>		<u>4.99</u>
Diluted Earnings Per Share				
Net profit attributable to shareholders of the Parent Bank		16,401		17,854
Divided by the weighted average number of outstanding common shares:				
Weighted Average number of common shares		3,581		3,581
Potential common shares from assumed conversion of preferred shares		0		0
Potential common shares from assumed conversion of stock option plan		0		0
Total weighted average number of common shares after assumed conversion of convertible preferred shares		<u>3,581</u>		<u>3,581</u>
Diluted Earnings Per Share		<u>4.58</u>		<u>4.99</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 converted. Potential common shares from assumed conversion of these preferred shares are anti-dilutive in 2014 and 2013.*

CHECKLIST OF REQUIRED DISCLOSURES

BANCO DE ORO UNIBANK, INC.

For the nine months ended: September 30, 2014

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 2013 and 2014 financial reporting. An impact evaluation was conducted on the second quarter of 2014 using the audited financial data as of December 31, 2013. The next impact evaluation study will be done on the second quarter of 2015 using audited financial data as of December 31, 2014.

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

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

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

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

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

Remarks: NONE

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

Remarks: NONE

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

On March 21, 2014, the Bank redeemed its P3.0 billion Series 3 Tier 2 Notes.

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

On January 4, 2014, the Board of Directors approved the declaration of cash dividends in the amount of P0.30 per common share for each quarter in 2014, or a total of P1.20 per common share. BSP approval was obtained on Jan. 27, 2014 and the first, second and third quarter cash dividends were paid on March 24, 2014, June 27, 2014 and September 26, 2014, respectively. The fourth quarter cash dividend is set to be paid on December 29, 2014.

On January 25, 2014, 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 P339 million. BSP approval was obtained on February 13, 2014 and the dividends were paid on March 11, 2014.

On April 25, 2014, the Bank's Board of Directors approved the declaration of a P0.90 special cash dividend per common share. BSP approval was obtained on June 3, 2014 and the dividends were paid on July 25, 2014.

- 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.

Remarks: NONE

- 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.

On February 24, 2014, the Parent Bank entered into a definitive agreement for the acquisition of the trust business of Deutsche Bank AG's Manila branch comprising of trust, fiduciary and investment management activities. This transaction has been completed as of the end of the interim period.

On March 25, 2014, the Bank completed the acquisition of 99.99% of the outstanding shares of Citibank Savings, Incorporated. The purchase enhances the Bank's branch distribution network.

On June 28, 2014, the Bank's Board of Directors approved the acquisition of The Real Banks' recorded assets and the assumption of all its recorded liabilities. The transaction is still subject to closing conditions.

- 7.j Changes in contingent liabilities or contingent assets from December 31, 2013.

- Total Contingent Accounts climbed 18% to P1.5 trillion due to the following:
 - Trust Department Accounts grew 7% to P824.2 billion on account of a larger portfolio of funds managed.


- Unused L/Cs, Outstanding Guarantees Issued and Export L/Cs Confirmed soared 30%, 154% and 282% to P48.7 billion, P1.7 billion and P149 million, respectively, from higher volume of trade transactions.
- Bills for Collection went up 18% to P8.7 billion while Late Deposits and Payments Received went down 20% to P2.0 billion year-on-year, based on outstanding levels of transactions as of the cut-off date.
- Increased treasury activities gave rise to the following:
 - Spot Exchange Bought and Sold jumped 181% and 65% to P13.4 billion and P12.4 billion, respectively
 - Forward Exchange Bought and Sold hiked 54% and 56% to P181.0 billion and P208.3 billion, respectively
 - Interest Rate Swap Receivable and Payable rose 13% each to P8.7 billion

MANAGEMENT'S DISCUSSION & ANALYSIS

I. Balance Sheet – September 2014 vs. December 2013

- Cash and Other Cash Items dropped 20% to P22.2 billion coming from a high year-end 2013 level resulting from deposits generated during the Christmas season.
- Due from Other Banks climbed 74% to P46.8 billion owing to larger placements and working balances with correspondent banks.
- Due from BSP and Investment Securities slid 36% and 14% to P263.1 billion and P195.4 billion, respectively, due to reinvestment of funds in higher yielding loan assets.
- Net Loans and Other Receivables, in turn, jumped 25% to P1.2 trillion, as customer receivables, Interbank Loans, Securities Purchased under Reverse Repurchase Agreements as well as Other Receivables expanded 13%, 42%, 1107% and 73%, respectively.
- Bank Premises increased 10% to P19.8 billion owing to enhancements and expansion in the Bank's distribution network.
- Equity Investments went up 8% to P5.2 billion primarily from earnings of associates engaged in real estate and insurance.
- Other Resources climbed 30% to P26.2 billion due to higher levels of miscellaneous assets.
- Deposit Liabilities grew 6% to P1.4 trillion as deposit mix improved with Demand and Savings deposits rising 8% and 18%, respectively, while Time deposits declined by 9%.
- Bills Payable dropped 10% to P84.4 billion from reduced levels of interbank borrowings and deposit substitutes. The Bank also redeemed its remaining P3 billion Subordinated Notes Payable on March 21, 2014.
- Total Equity went up 5% to P173.0 billion owing to profitable operations.

II. Balance Sheet – September 2014 vs. September 2013

- Total Resources went up 16% to P1.8 trillion year-on-year from loan portfolio expansion funded by deposit growth.
 - Cash and Other Cash Items went up 19% corresponding to the increase in deposits.
 - Due from Other Banks climbed 62% from higher volume of placements and deposits with correspondent banks.
- 

- Due from BSP and Investment Securities dropped 22% and 8%, respectively, as the Bank re-allocated funds into higher yielding loan assets.
- Net Loans and Other Receivables, consequently, jumped 36% mainly owing to a 22% increase in gross customer receivables, buoyed by continued demand for corporate and consumer loans. Interbank Loans, Securities Purchased Under Reverse Repurchase Agreements, Unquoted Debt Securities Classified as Loans and Other Receivables likewise soared by 105%, 1072%, 259% and 81%, respectively.
- Bank Premises increased 14% brought about by capital expenditures for the Bank's distribution network.
- Equity Investments went up 10% from earnings of associates.
- Investment Properties decreased 5% to P10.3 billion on continued ROPA disposal programs.
- Deferred Tax Assets slid 5% to P5.8 billion primarily from written-off accounts as well as prior period accounting adjustments.
- Other Resources hiked 40% due to higher levels of miscellaneous assets.
- Deposit Liabilities expanded 18% resulting from continued marketing efforts. Demand, Savings and Time deposits grew 21%, 25% and 9%, respectively.
- Bills Payable increased 24% on higher levels of interbank borrowings year-on-year.
- Subordinated Notes Payable, representing 2 tranches, amounted to P9.6 billion, as of the third quarter of 2013. These were redeemed on October 7, 2013 and March 21, 2014.
- Other Liabilities went up 5% to P68.7 billion on increased levels of bills purchased contra-account.
- Total Equity rose 8% billion from continued profitable operations.

III. Income Statement – September 2014 vs. September 2013

- Reported Net Income attributable to Equity holders of the Parent Company slid 8% to P16.7 billion year-on-year.
- However, this represents a 20% year-on-year growth from a normalized nine-month 2013 profits, discounting extraordinary trading and FX gains.
- Net Interest Income expanded 21% to P37.5 billion resulting from loan portfolio expansion and improved funding mix.
- The Bank maintained its conservative impairment provisioning, allocating P3.9 billion for loans, securities, ROPA and other assets.
- Other income went down 15% to P21.8 billion on account of the following:
 - Trading Gain declined 45% from the previous year's level, which included extraordinary trading gains from its securities portfolio.
 - Foreign Exchange (FX) Gain dropped 62% year-on-year, representing partial offsetting gains in some trading positions of the Bank.
 - Service Charges and Fees climbed 13% to P11.0 billion owing to recurring fee income from the Bank's major business lines.
 - Trust Fees improved 6% to P1.9 billion resulting from an expansion in portfolio of funds managed.
 - Miscellaneous Income grew 20% to P2.9 billion mainly due to higher ROPA gains and rental income.
- Operating Expenses increased 15% to P36.9 billion coming from the following:
 - Employee Benefits went up 8% year-on-year from salary increases and a higher manpower count from business expansion.

- Occupancy expenses grew 14% from higher depreciation and rent expenses resulting from improvements in the Bank's distribution network.
- Taxes and Licenses jumped 20% owing to higher gross receipts tax on improved income levels and higher documentary stamp taxes on a larger time deposit base.
- Insurance expenses soared 42% corresponding to higher deposit levels.
- Advertising expenses increased 10% coming from sustained marketing, promotional and advertising campaigns.
- Litigation/Assets Acquired expenses fell 24% on a smaller ROPA portfolio.
- Security, Clerical and Janitorial expenses as well as Other Expenses rose 8% and 24%, respectively from increased business volumes and an expanded distribution network.
- Tax Expense grew 29% due to a higher taxable income base.

IV. Comprehensive Income – September 2014 vs. September 2013

- From a Net Income of P16.8 billion, Total Comprehensive Income for the first half of 2014 registered at P16.6 billion owing to a P169 million decline in unrealized gain on AFS Securities, a P15 million translation adjustment related to foreign operations and a P3 million actuarial loss on retirement benefit asset.
- The Total Comprehensive Income represents a 25% improvement from the P13.3 billion for the same period last year, which included a P5.2 billion decline in unrealized gain on AFS Securities and a P313 million translation adjustment.

1. Key Performance Indicators

Indicator	9M 2014	9M 2013	Inc/(Dec)
Return on Average Common Equity (%)	13.54%	15.41%	-1.87%
Return on Average Assets(%)	1.32%	1.83%	-0.51%
Net Interest Margin	3.14%	3.33%	-0.19%
Liquidity Ratio	37.98%	41.45%	-3.47%
Debt to Equity	911.91%	842.51%	69.40%
Asset to Equity	1011.91%	942.51%	69.40%
Interest Rate Coverage	306.06%	292.63%	13.43%
Profit Margin	24.52%	27.20%	-2.68%
Capital Adequacy Ratio	14.14%	17.14%	-3.00%
Basic Earnings per Share	4.58	4.99	(0.41)

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 went down to 13.54% and 1.32%, respectively, from lower net income.
- Net Interest Margin decreased to 3.14% due to competitive pricing pressures.
- Liquidity Ratio was reduced to 37.98% mainly owing to the hike in customer loans ,
- Debt to Equity and Assets to Equity climbed to 911.91% and 1011.91%, respectively, resulting from the growth in deposit liabilities.
- Interest Rate Coverage went up to 306.06% due to the lower interest expense year-on-year.
- Profit Margin declined to 24.52% on account of lower bottomline profit.

- Capital Adequacy Ratio, covering credit, market and operations risk, dropped to 14.14% as increases in Tier 1 capital from profitable operations were offset by the redemption of subordinated Tier 2 notes and adjustments resulting from the adoption of the Basel 3 standard starting January 2014.
- Basic earnings per share went down to P4.58, owing to lower net income.

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

Remarks: NONE

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

Remarks: NONE

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

Remarks: NONE

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

Remarks: NONE

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

Remarks: NONE

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

Remarks: NONE

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

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

Vertical Analysis-Material Changes

I. Balance Sheet – September 2014 vs. December 2013

- Net Loans and Other Receivables as a percentage of Total Assets climbed 10.9% to 66.0%, on account of re-allocation of funds to higher yielding assets.

- Consequently, Due from BSP dropped to 15.0% from 24.4%.
- Time Deposits to Total Deposits dropped to 36.4% from 42.4% as the Bank cut back on high cost deposits given the continued rise in Demand and Savings deposits.
- Accordingly, Savings Deposits rose to 57.5% of Total Deposits from 51.7% as of year-end 2013.

II. Balance Sheet – September 2014 vs. September 2013

- Net Loans and Other Receivables to Total Assets hiked 9.7% from 56.3% for the same period last year owing to substantial loan growth.
- Due from BSP, on the other hand, dropped 7.5% from the previous 22.5% of Total Assets.

III. Income Statement – September 2014 vs. September 2013

- Interest Income from Investment Securities went down 5.0% to 11.8% of total Interest Income mainly due to a year-on-year decline in the portfolio.
- Interest Expense on Deposit Liabilities grew to 84.0% of total Interest Expense as Interest Expense on Bills Payable fell to 16.0% on account of the redemption of Subordinated Notes.
- Trading Gain and FX Gain dropped to 27.7% of Other Income as the previous year's level included extraordinary trading gains. Consequently, Service Charges and Fees to Other Income grew to 50.3%.
- Provision for Impairment Losses to Net Interest Income went down to 10.3% from 16.5%, as the Bank's asset quality continued to improve.

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 UDSCL.

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

in US\$ mil	Carrying Amount	Fair Value
HTM	5.0	5.1
UDSCL	-	-
Total	5.0	5.1

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

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

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

in US\$ mil	Impact
HTM	(0.1)
UDSCL	-
Total	(0.1)

- 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.

BDO Unibank, Inc. & Subsidiaries
Balances by Segment
As of September 30, 2014
(Amounts in Millions of Pesos)

	Commercial Banking	Investment Banking	Private Banking	Leasing & Finance	Others	Total	Eliminations	Group
Statement of Income								
Total Interest Income								
External	44,335	54	951	1,078	81	46,499	0	46,499
Inter-Segment	146	3	3	0	5	157	(157)	0
	44,481	57	954	1,078	86	46,656	(157)	46,499
Total Interest Expense								
External	8,524	0	178	270	32	9,004	0	9,004
Inter-Segment	8	56	0	66	26	156	(156)	0
	8,532	56	178	336	58	9,160	(156)	9,004
Net Interest Income	35,949	1	776	742	28	37,496	(1)	37,495
Other Operating Income								
Investment Banking Fees	0	751	0	0	0	751	0	751
Others	20,640	167	485	603	1,498	23,393	(2,317)	21,076
	20,640	918	485	603	1,498	24,144	(2,317)	21,827
Other Operating Expenses								
Depreciation and Amortization	1,900	36	33	349	23	2,341	0	2,341
Impairment Losses	3,803	0	0	75	0	3,878	0	3,878
Others	32,249	552	743	378	728	34,650	(101)	34,549
	37,952	588	776	802	751	40,869	(101)	40,768
Profit before Tax	18,637	331	485	543	775	20,771	(2,217)	18,554
Tax Expense	1,301	116	111	166	105	1,799	0	1,799
Net Profit	17,336	215	374	377	670	18,972	(2,217)	16,755
Statements of Financial Position								
Total Resources								
Segment Assets	1,672,925	12,274	41,128	28,323	10,041	1,764,691	(20,793)	1,743,898
Intangible Assets	1,105	101	16	52	11	1,285	0	1,285
Deferred Tax Assets	5,988	(194)	73	(48)	(9)	5,810	0	5,810
	1,680,018	12,181	41,217	28,327	10,043	1,771,786	(20,793)	1,750,993
Total Liabilities	1,517,308	9,189	35,546	23,534	2,324	1,587,901	(9,947)	1,577,954
Other Segment Information								
Capital expenditures	3,105	13	29	768	22	3,937	0	3,937
Investment in associate under equity method	5,732	46	0	0	0	5,778	0	5,778
Share in the Profit of associates	433	10	0	0	0	443	0	443

BDO Unibank, Inc. & Subsidiaries
Balances by Segment
As of September 30, 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	39,479	57	674	952	55	41,217	0	41,217
Inter-Segment	172	2	2	0	7	183	(183)	0
	39,651	59	676	952	62	41,400	(183)	41,217
Total Interest Expense								
External	9,887	7	100	191	0	10,185	0	10,185
Inter-Segment	9	28	1	124	21	183	(183)	0
	9,896	35	101	315	21	10,368	(183)	10,185
Net Interest Income	29,755	24	575	637	41	31,032	0	31,032
Other Operating Income								
Investment Banking Fees	0	853	0	0	0	853	0	853
Others	22,056	243	1,354	439	1,532	25,624	(681)	24,943
	22,056	1,096	1,354	439	1,532	26,477	(681)	25,796
Other Operating Expenses								
Depreciation and Amortization	1,754	3	31	230	15	2,033	0	2,033
Impairment Losses	4,430	0	32	79	(48)	4,493	626	5,119
Others	28,220	381	634	364	556	30,155	(98)	30,057
	34,404	384	697	673	523	36,681	528	37,209
Profit before Tax	17,407	736	1,232	403	1,050	20,828	(1,209)	19,619
Tax Expense	901	186	98	93	114	1,392	0	1,392
Net Profit	16,506	550	1,134	310	936	19,436	(1,209)	18,227
Statements of Financial Position								
Total Resources								
Segment Assets	1,443,005	5,700	34,984	22,774	11,852	1,518,315	(19,970)	1,498,345
Intangible Assets	985	98	5	0	1	1,089	0	1,089
Deferred Tax Assets	6,219	(155)	76	9	(25)	6,124	0	6,124
	1,450,209	5,643	35,065	22,783	11,828	1,525,528	(19,970)	1,505,558
Total Liabilities	1,300,731	2,976	28,857	18,146	2,175	1,352,885	(7,067)	1,345,818
Other Segment Information								
Capital expenditures	2,463	1,461	14	748	1,204	5,890	0	5,890
Investment in associate under equity method	5,264	34	0	0	0	5,298	0	5,298
Share in the Profit of associates	494	13	0	0	0	507	0	507