

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 6 3 0  
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

12,864  
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 June 30, 2016.
2. Commission identification number 34001      3. BIR Tax Identification No. 000-708-174-000

BDO UNIBANK, INC.

4. Exact name of issuer as specified in its charter

Makati City, Philippines

5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code (For SEC Use Only)

BDO Corporate Center, 7899 Makati Avenue, Makati City

7. Address of issuer's principal office Postal Code

856-7434/840-7000 LOC 4575

8. Issuer's Telephone number, including area code

NA

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

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

Title of each class	Number of shares of common stock outstanding	Amount of Debt Outstanding
<b>Common stock</b>	<b>3,647,223,038</b>	

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

Yes ☒ No. ☐

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

12. Indicate by check mark whether the registrant:

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


Yes ☒ No. ☐

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

Yes ☒ No. ☐

SEC FORM 17-Q

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

  
\_\_\_\_\_  
**LUCY CO DY (EVP Comptroller)**  
Authorized Signatory  
(PRINTED NAME & DESIGNATION) *mc ml f*

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

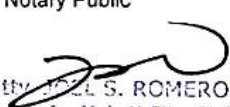
SUBSCRIBED AND SWORN TO before me this AUG 01 2016 day of August,

2016, the above affiant exhibiting to me his/her described Competent Evidence of Identity ("CEI"):

Name	CEI	Date & Place Issued
Lucy Co Dy	SSS No. - 03-4074342-5 CTC - 15276882	Quezon City 02.29.2016/Makati City

Notary Public

Doc. No. 84  
Page No. 18  
Book No. I  
Series of 2016

  
Atty. JOEL S. ROMERO  
Notary Public for Makati City, Philippines  
until 31 December 2016  
Appointment No. M-377  
14/F BDO North Tower, SDO Corporate Center  
7899 Makati Avenue, Makati City  
RCL No. 47510  
BSP No. 1010472, 1/7/2016, PPLM  
PTR No. 5329234, 1/6/2016, Makati City  
MCLE Compliance No. V - 0013185, 12/8/2015

\* 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 *ml*

Date.....

August 1, 2016 *mc j*

Principal Financial /Accounting  
Officer/Comptroller.....

LUCY CO DY

Signature and Title.....

  
EVP/COMPTROLLER

Date.....

August 1, 2016

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

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

	As of June 30, 2016	Audited As of December 31, 2015
<b><u>RESOURCES</u></b>		
CASH AND OTHER CASH ITEMS	P 30,902	P 42,729
DUE FROM BANGKO SENTRAL NG PILIPINAS	318,003	271,808
DUE FROM OTHER BANKS	40,659	24,837
INVESTMENT SECURITIES		
At Fair Value Through Profit or Loss	15,955	13,567
Available-for-Sale – net	117,076	212,192
Held-to-Maturity – net	134,269	0
LOANS AND OTHER RECEIVABLES—net	1,417,546	1,382,752
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – net	25,825	24,995
INVESTMENT PROPERTIES	15,029	14,633
EQUITY INVESTMENTS – net	4,510	5,702
DEFERRED TAX ASSETS	6,004	6,079
OTHER RESOURCES - net	29,831	31,960
<b>TOTAL RESOURCES</b>	<b>P 2,155,609</b>	<b>P 2,031,254</b>
<b><u>LIABILITIES AND CAPITAL FUNDS</u></b>		
DEPOSIT LIABILITIES	P	P
Demand	102,032	104,066
Savings	1,128,133	1,033,652
Time	541,478	526,135
Total Deposit Liabilities	1,771,643	1,663,853
BILLS PAYABLE	82,398	97,543
SUBORDINATED NOTES PAYABLE	10,030	10,030
INSURANCE CONTRACT LIABILITIES	17,910	0
OTHER LIABILITIES	62,492	60,215
Total Liabilities	1,944,473	1,831,641
<b><u>EQUITY</u></b>		
Attributable to Shareholders of the Parent Company	210,437	198,990
Minority Interest	699	623
Total Equity	211,136	199,613
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P 2,155,609</b>	<b>P 2,031,254</b>
<b><u>CONTINGENT</u></b>		
Trust department accounts	P 955,817	P 917,347
Unused commercial letters of credit	45,067	41,888
Outstanding guarantees issued	26,776	18,916
Export L/Cs Confirmed	1,181	2,577
Bills for collection	4,433	5,213
Late deposits/payment received	2,792	2,404
Spot Exchange Bought	3,774	3,000
Spot Exchange Sold	18,528	6,738
Forward Exchange Bought	150,036	94,826
Forward Exchange Sold	153,409	104,736
Interest Rate Swap Receivable	19,912	16,554
Interest Rate Swap Payable	19,912	16,554
Other Contingent Accounts	176,425	149,600
<b>TOTAL CONTINGENT ACCOUNTS</b>	<b>P 1,578,062</b>	<b>P 1,380,353</b>

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

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

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

	For the six-month Period ended June 30, 2016	For the six-month Period ended June 30, 2015	For the Quarter ending June 30, 2016	For the Quarter ending June 30, 2015
INTEREST INCOME ON				
Loans and Receivables	P 35,569	P 30,042	P 17,948	P 15,481
Investment Securities	4,026	3,723	2,186	1,849
Due from Other Banks	339	499	205	167
Others	<u>12</u>	<u>7</u>	<u>7</u>	<u>4</u>
Total Interest Income	<u>39,946</u>	<u>34,271</u>	<u>20,346</u>	<u>17,501</u>
INTEREST EXPENSE ON				
Deposit liabilities	6,742	5,863	3,387	3,017
Bills Payable and Others	<u>1,468</u>	<u>1,336</u>	<u>695</u>	<u>668</u>
Total Interest Expense	<u>8,210</u>	<u>7,199</u>	<u>4,082</u>	<u>3,685</u>
NET INTEREST INCOME	<u>31,736</u>	<u>27,072</u>	<u>16,264</u>	<u>13,816</u>
IMPAIRMENT LOSSES	<u>1,742</u>	<u>2,133</u>	<u>915</u>	<u>965</u>
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	<u>29,994</u>	<u>24,939</u>	<u>15,349</u>	<u>12,851</u>
OTHER OPERATING INCOME				
Service Charges, Fees and Commissions	9,094	7,580	5,076	3,987
Trading Gain – net	1,960	4,388	968	1,221
Trust Fees	1,537	1,411	779	720
Foreign Exchange Gain/(Loss) – net	943	984	483	720
Miscellaneous – net	<u>8,572</u>	<u>2,058</u>	<u>7,320</u>	<u>1,001</u>
Total Other Operating Income	<u>22,106</u>	<u>16,421</u>	<u>14,626</u>	<u>7,649</u>
OTHER OPERATING EXPENSES				
Employee Benefits	10,731	9,252	6,232	5,435
Occupancy	3,724	3,116	1,900	1,606
Taxes and licenses	3,570	2,980	1,852	1,445
Security, Clerical, Messengerial and Janitorial	1,423	1,263	741	651
Insurance	1,841	1,585	928	796
Advertising	1,536	1,292	870	613
Litigation/Assets Acquired	154	66	101	32
Miscellaneous	<u>11,973</u>	<u>7,149</u>	<u>7,326</u>	<u>2,826</u>
Total Other Operating Expenses	<u>34,952</u>	<u>26,703</u>	<u>19,950</u>	<u>13,404</u>
Net income before Pre-acquisition	17,148	14,657	10,025	7,096
Pre-acquisition Income	<u>(489)</u>	<u>0</u>	<u>(489)</u>	<u>0</u>
NET INCOME BEFORE INCOME TAX	<u>16,659</u>	<u>14,657</u>	<u>9,536</u>	<u>7,096</u>
TAX EXPENSE (INCOME)	3,411	2,916	1,773	1,482
NET INCOME AFTER TAX	P <u>13,248</u>	P <u>11,741</u>	P <u>7,763</u>	P <u>5,614</u>
ATTRIBUTABLE TO:				
Equity holders of the parent	P 13,231	P 11,723	P 7,753	P 5,602
Minority Interest	<u>17</u>	<u>18</u>	<u>10</u>	<u>12</u>
	P <u>13,248</u>	P <u>11,741</u>	P <u>7,763</u>	P <u>5,614</u>
AVERAGE COMMON STOCK	3,645	3,581	3645	3581
INCOME PER SHARE (See annex A)				
Basic	3.54	3.18	2.13	1.56
Diluted	3.54	3.18	2.11	1.55

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

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

STATEMENTS OF COMPREHENSIVE INCOME  
(Amounts in Millions of Pesos)

	For the six-month period ending June 30, 2016	For the six-month period ending June 30, 2015
NET PROFIT	<u>13,248</u>	<u>11,741</u>
OTHER COMPREHENSIVE INCOME(LOSS)		
Net unrealized fair value gains(losses) on available-for-sale securities	451	(2,884)
Translation adjustment related to foreign operations	108	(22)
Other Comprehensive Income, net of tax	<u>559</u>	<u>(2,906)</u>
Items that will not be reclassified to profit or loss:		
Reversal of revaluation increment	0	(19)
Actuarial gains (losses) on remeasurement of retirement benefit asset, net of tax	<u>1</u>	<u>(4)</u>
	<u>1</u>	<u>(23)</u>
Total Other Comprehensive Income, Net of Tax	<u>560</u>	<u>(2,929)</u>
TOTAL COMPREHENSIVE INCOME(LOSS)	<u><u>13,808</u></u>	<u><u>8,812</u></u>
Attributable To:		
Shareholders of the Parent Bank	13,796	8,773
Non-controlling Interest	<u>12</u>	<u>39</u>
	<u><u>13,808</u></u>	<u><u>8,812</u></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

STATEMENTS OF CHANGES IN EQUITY  
COMPARATIVE PERIODS ENDED JUNE 30, 2016  
(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	Accumulated Translation Adjustment	Total Attributable to Shareholders of the Parent Bank	Non- Controlling Interest	Total Equity
Balance at January, 2016	P 36,453	P 5,150	P 69,936	P 2,696	P 12	P 88,118	(P 715)	(P 3,608)	P 1,008	(P 60)	P 198,990	P 623	P 199,613
Transactions with owners													
Issuance of primary shares	19		75								94		94
Premium on issuance of new shares, net of listing fees											0		0
Stock dividend declaration for common & preferred stocks											0		0
Common Stocks Redemption											0		0
Cash Dividend						(2,527)					(2,527)	(50)	(2,577)
Audit Adjustments											0		0
Total transactions with owners	19	0	75	0	0	(2,527)	0	0	0	0	(2,433)	(50)	(2,483)
Total comprehensive income						13,231	447	1	0	117	13,796	12	13,808
Transfer to/(from) Surplus Free													
Trust reserve				59		(59)					0		0
Self Insurance				14		(14)					0		0
	0	0	0	73	0	(73)	0	0	0	0	0	0	0
Other Adjustments													
Net effect of percentage of ownership over subsidiaries											0	114	114
Consolidation of new subsidiary							88	(4)			84		84
	0	0	0	0	0	0	88	(4)	0	0	84	114	198
Balance at June 30, 2016	P 36,472	P 5,150	P 70,011	P 2,769	P 12	P 98,749	(P 180)	(P 3,611)	P 1,008	P 57	P 210,437	P 699	P 211,136
Balance at January, 2015	P 35,808	P 5,150	P 63,908	P 3,454	P 12	P 70,242	P 2,965	(P 3,454)	P 1,027	(P 76)	P 179,036	P 633	P 179,669
Transactions with owners													
Common Stocks Redemption											0	(27)	(27)
Cash Dividends						(7,859)					(7,859)	(43)	(7,902)
Total transactions with owners	0	0	0	0	0	(7,859)	0	0	0	0	(7,859)	(70)	(7,929)
Total comprehensive income						11,723	(2,898)	(4)	(19)	(29)	8,773	39	8,812
Transfer to/(from) Surplus Free													
Additional appropriation				900		(900)					0		0
Trust reserve				44		(44)					0		0
Self Insurance				13		(13)					0		0
	0	0	0	957	0	(957)	0	0	0	0	0	0	0
Balance at June 30, 2015	P 35,808	P 5,150	P 63,908	P 4,411	P 12	P 73,149	P 67	(P 3,458)	P 1,008	(P 105)	P 179,950	P 602	P 180,552



BDO UNIBANK, INC. & SUBSIDIARIES  
CASH FLOW STATEMENTS  
FOR THE PERIODS ENDED JUNE 30, 2016 AND 2015  
(Amounts in Millions of Pesos)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	16,659	14,657
Adjustments for:		
Interest income	(39,946)	(34,271)
Interest received	39,829	34,698
Interest expense	8,210	7,199
Interest paid	(8,303)	(7,426)
Impairment losses	1,692	2,133
Depreciation and amortization	2,289	1,845
Share in (profit)loss of associates	(257)	(383)
Fair value loss (gain)	92	288
Operating profit before changes in operating resources and liabilities	20,265	18,740
Decrease (increase) in financial assets at fair value through profit or loss	(2,529)	(2,185)
Decrease (increase) in loans and other receivables	(85,657)	(17,207)
Decrease (increase) in investment properties	(636)	1,048
Decrease (increase) in other resources	240	(1,676)
Increase (decrease) in deposit liabilities	107,815	28,356
Increase (decrease) in insurance contract liabilities	17,910	0
Increase (decrease) in other liabilities	4,996	(21,742)
Cash generated from (used in) operations	62,404	5,334
Cash paid for income tax	(3,428)	(1,874)
Net Cash From (Used in) Operating Activities	58,976	3,460
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of premises, furniture, fixture and equipment	(2,517)	(2,396)
Proceeds from disposals of premises, furniture, fixture and equipment	25	120
Net decrease (increase) in held-to-maturity investments	(132,580)	0
Proceeds from disposal of available-for-sale securities	163,377	236,611
Acquisition of available-for-sale securities	(69,128)	(255,983)
Net Cash From (Used in) Investing Activities	(40,823)	(21,648)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of common stock	94	0
Net proceeds from(payment of) bills payable	(15,078)	(1,926)
Dividends paid	(2,577)	(2,531)
Net Cash From (Used in) Financing Activities	(17,561)	(4,457)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	592	(22,645)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		
Cash and other cash items	42,729	41,342
Due from Bangko Sentral ng Pilipinas	271,808	269,542
Due from other banks	24,837	45,621
SPURRA	69,490	86,173
FCNC	3,244	3,406
	412,108	446,084
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		
Cash and other cash items	30,902	29,449
Due from Bangko Sentral ng Pilipinas	318,003	257,996
Due from other banks	40,659	32,375
SPURRA	20,434	101,110
FCNC	2,702	2,509
	412,700	423,439

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

AGING OF LOANS AND ACCOUNTS RECEIVABLE  
As of June 30, 2016  
(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 48,531	P 0	P 0	P 0	P 0	48,531
B. LOANS AND RECEIVABLES	P 1,372,820	P 7,412	P 2,817	P 7,330	P 2,630	1,393,009
Loans & Discounts	1,194,963	5,241	2,019	4,222	2,320	1,208,765
Agra-Agri Loans	54,290	159	41	63	0	54,553
Bills Purchased	9,809	0	0	24	2	9,835
Customers Liability on Draft under LC/TR	43,949	168	0	531	21	44,669
Customers Liability for this Bank's Acceptances	2,465	0	0	0	0	2,465
Credit Card Receivables	38,320	1,581	488	285	216	40,890
Restructured Loans	249	90	62	982	52	1,435
Other Loans & Receivables	7,558	173	207	1,053	19	9,010
Reverse Repurchase Agreement	20,434	0	0	0	0	20,434
Unquoted Debt Securities Classified as Loans	783	0	0	170	0	953
C. ACCOUNTS RECEIVABLE	P 3,580	P 604	P 301	P 716	P 15	5,216
TOTAL	P 1,424,931	P 8,016	P 3,118	P 8,046	P 2,645	1,446,756

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

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

NO. OF SHARES – COMMON As of June	2016		2015	
	Outstanding Balance of Common Shares	Average Number of Common Shares	Outstanding Balance of Common Shares	Average Number of Common Shares
January	3,645		3,581	
February	3,645		3,581	
March	3,645		3,581	
April	3,645		3,581	
May	3,645	3,044	3,581	
June	3,647	601	3,581	3,581
Weighted Average		<u>3,645</u>		<u>3,581</u>
Basic Earnings per share				
Net profit attributable to shareholders of the Parent Bank		13,231		11,723
Less: Dividends on preferred shares		<u>339</u>		<u>339</u>
Net profit available to common shares		<u>12,892</u>		<u>11,384</u>
Divided by the weighted average number of outstanding common shares		<u>3,645</u>		<u>3,581</u>
<b>Basic Earnings per share</b>		<b><u>3.54</u></b>		<b><u>3.18</u></b>
Diluted Earnings Per Share				
Net profit attributable to shareholders of the Parent Bank		12,892		11,384
Divided by the weighted average number of outstanding common shares:				
Weighted Average number of common shares		3,645		3,581
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>3,645</u>		<u>3,581</u>
<b>Diluted Earnings Per Share</b>		<b><u>3.54</u></b>		<b><u>3.18</u></b>

Note:

*\*Net profit attributable to shareholders of the Parent Bank is reduced by dividends on preferred shares as these were not assumed to be converted. Potential common shares from assumed conversion of these preferred shares are anti-dilutive in 2016 and 2015.*

CHECKLIST OF REQUIRED DISCLOSURES  
BDO UNIBANK, INC.

For the six months ended: June 30, 2016

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.

With the issuance of BSP Circular No. 912 dated May 27, 2016 citing the Mandatory Implementation Date and Closure of Early Adoption Window of Philippine Financial Reporting Standards 9 Financial Instrument, the Bank no longer conducted impact evaluation study on the early adoption of PFRS 9 for the second quarter of 2016. The Bank will adopt the full provisions of PFRS 9 Financial Instruments on its mandatory effectivity date of January 1, 2018.

- 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.

On June 30, 2016, BDO acquired full interest in Generali Pilipinas Holdings Company Inc. (GPHCI) to refocus its insurance strategy towards the broad-based middle income market. Consequently, GPHCI was renamed BDO Life Assurance Holdings, Corp. (BDO Life).

- 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 redeemed a US\$300 million Senior Note issue last April 21, 2016

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

On January 30, 2016, 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. The dividends were paid on February 16, 2016.

On February 27, 2016 and on May 28, 2016, the Board of Directors approved the declaration of quarterly cash dividends in the amount of P0.30 per common share for the first quarter and another P0.30 per common share for the second quarter. The dividends were paid on March 28, 2016 and June 27, 2016, respectively.

- 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.

On July 13, 2016, the Bank disclosed that the SEC has approved the consolidation of two inactive savings bank subsidiaries into BDO Capital and Investment Corp.

- 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 June 14, 2016, BDO announced the acquisition from SB Cards Corp. its exclusive rights as issuer and acquirer of Diners Club International credit cards in the Philippines. The transaction is pending regulatory approval.

On June 20, 2016, BDO announced that TPG Growth will acquire a 40% stake in One Network Bank, Inc. (ONB), BDO's Davao-based rural bank. The transaction is pending regulatory approval.

On June 30, 2016, BDO acquired full interest in GPHCI, which was subsequently renamed BDO Life Assurance Holdings, Corp.

- 7.j Changes in contingent liabilities or contingent assets from December 31, 2015.

- Total Contingent Accounts expanded 14% to P1.6 trillion owing to the following:
  - Unused L/Cs and Outstanding Guarantees Issued grew 8% and 42% to P45.1 billion and P26.8 billion, respectively, as volume of trade transactions increased.
  - Late Deposits and Payments Received went up 16% owing to a higher volume of non-cash deposits received after clearing cut-off time.
  - Increased treasury activities resulted in the following:
    - Spot Exchange Bought and Sold surged 26% and 175% to P3.8 billion and 18.5 billion, respectively.
    - Forward Exchange Bought and Sold jumped 58% and 46% to P150.0 billion and P153.4 billion, respectively.
    - Interest Rate Swap Receivable and Payable rose 20% apiece to P19.9 billion.





- Other Contingent Accounts moved up 18% to P176.4 billion due to a higher level of committed credit lines.
- Export L/Cs Confirmed and Bills for Collection dropped 54% and 15% to P1.2 billion and P4.4 billion due to a lower number of outstanding transactions as of the cut-off date.

## MANAGEMENT'S DISCUSSION & ANALYSIS

### I. Balance Sheet – June 2016 vs. December 2015

- Cash and Other Cash Items declined 28% to P30.9 billion, from a high year-end 2015 level owing to deposits generated during the Christmas season.
- Due from BSP increased 17% to P318.0 billion resulting from growth in peso deposits.
- Due from Other Banks soared 64% to P40.7 billion due to higher placements and working balances with foreign banks.
- Investment Securities grew 18% to P267.3 billion as Financial Assets at Fair Value Through Profit and Loss went up 18% and a portion of Available for Sale Securities were reclassified as Held-to-Maturity Securities.
- Net Loans and Other Receivables inched up 3% to P1.4 trillion owing to a 7% increase in gross customer loans. Interbank Loans, Securities Purchased Under Reverse Repurchase Agreements (SPURRA), Unquoted Debt Securities Classified as Loans (UDSCL) and Other Receivables went down 7%, 71%, 4% and 19%, respectively.
- Equity Investments slid 21% to P4.5 billion due to the accounting consolidation of BDO Life.
- Other Resources fell 7% to P29.8 billion mainly owing to lower miscellaneous assets.
- Total Deposits went up 6% to P1.8 trillion as Savings and Time deposits grew by 9% and 3%, respectively.
- Bills Payable declined 16% to P82.4 billion owing to the redemption of US\$ 300 million Senior Notes in April.
- Insurance Contract Liabilities of P17.9 billion was reflected in the Bank's balance sheet following the accounting consolidation of BDO Life.
- Total Equity rose 6% to P211.1 billion from the first semester Net Income.

### II. Balance Sheet – June 2016 vs. June 2015

- Total Resources climbed 15% year-on-year to P2.2 trillion as gross customer loans expanded by 21% funded primarily by low cost deposit growth.
- Cash and Other Cash Items as well as Due from BSP went up 5% and 23% following the growth in deposits.
- Due from Other Banks rose 26% from increased working balances and placements with correspondent banks.
- Investment Securities grew 11% as Financial Assets at Fair Value Through Profit and Loss climbed 50% and a portion of Available for Sale Securities were reclassified as Held-to-Maturity Securities.
- Net Loans and Other Receivables hiked 14% primarily from the growth in customer loans as well as a 50% increase in Interbank Loans. SPURRA, UDSCL and Other Receivables dropped 80%, 7% and 33%, respectively.
- Equity Investments fell 21% owing to the accounting consolidation of BDO Life.

- Bank Premises went up 17% to P25.8 billion with the addition of ONB's distribution network.
- Investment Properties hiked 20% to P15.0 billion on foreclosures and dacion payments.
- Other Resources rose 21% year-on-year due to goodwill from the purchase of ONB and miscellaneous assets.
- Deposit Liabilities climbed 17% spurred by a 20% and 23% expansion in Demand and Savings deposits, respectively.
- Bills Payable fell 16% as the Bank reduced its dollar borrowings.
- Insurance Contract Liabilities of P17.9 billion was reflected in the Bank's balance sheet following the accounting consolidation of BDO Life.
- Total Equity grew 17% from continued profitability as well as the issuance in July 2015 of approximately 64 million new shares for the acquisition of ONB.

### III. Income Statement – June 2016 vs. June 2015

- Reported Net Income attributable to Equity holders of the Parent Company improved 13% year-on-year, registering at P13.2 billion for the first half of 2016.
- Net Interest Income increased 17% to P31.7 billion following an increase in the Bank's earning assets as well as an improvement in funding mix.
- The Bank set aside P1.7 billion as Provision for Impairment Losses for loans, securities, ROPA and other assets.
- Other income surged 35% to P22.1 billion from the following:
  - Trading Gain normalized to P2.0 billion, consistent with prevailing market conditions.
  - Service Charges and Fees went up 20% to P9.1 billion due to recurring fee income from major business lines.
  - Trust Fees rose 9% to P1.5 billion from an improved portfolio mix.
  - Miscellaneous Income soared 317% to P8.6 billion from the accounting consolidation of BDO Life as well as a non-recurring gain from the acquisition of the full interest in BDO Life.
- Operating Expenses went up 31% to P35.0 billion inclusive of ONB and BDO Life:
  - Employee Benefits rose 16% due to salary increases and a higher manpower count from business expansion.
  - Occupancy expenses grew 20% on account of an expanded distribution network.
  - Taxes and Licenses went up 20% from higher GRT and fringe benefit taxes.
  - Insurance expenses increased 16% following a larger deposit base.
  - Litigation/Assets Acquired expenses climbed 133% to P154 million due to higher costs from litigation and maintenance of acquired assets.
  - Advertising expenses hiked 19% from increased spending on marketing, promotional and advertising campaigns.
  - Security, Clerical and Janitorial expenses as well as Other Operating Expenses grew 13% and 67%, respectively, resulting from increased business volumes as well as an expanded distribution network.
- Tax Expense went up 17% to P3.4 billion on a higher taxable income base.

### IV. Comprehensive Income – June 2016 vs. June 2015

- Total Comprehensive Income for the first half of 2016 stood at P13.8 billion. This is comprised of a P13.2 billion Net Income, a P451 million increase in unrealized gain on





AFS Securities, a P108 million translation adjustment related to foreign operations and a P1 million actuarial gain on retirement benefit asset.

- This represents a 57% improvement from an P8.8 billion Total Comprehensive Income for the same period last year, which consisted of an P11.7 billion Net Income, a P2.9 billion decline in unrealized gain on AFS Securities, a negative P22 million translation adjustment, a P19 million reversal of revaluation increment and a P4 million loss on retirement benefit asset.

#### 1. Key Performance Indicators

Indicator	6M 2016	6M 2015	12M 2015
Return on Average Common Equity (%)	13.12%	13.23%	13.64%
Return on Average Assets(%)	1.27%	1.26%	1.31%
Net Interest Margin	3.24%	3.09%	3.17%
Liquidity Ratio	33.71%	37.05%	33.84%
Debt to Equity	920.96%	937.48%	917.60%
Asset to Equity	1020.96%	1037.48%	1017.60%
Interest Rate Coverage	302.91%	303.60%	302.80%
Profit Margin	21.35%	23.16%	24.08%
Capital Adequacy Ratio	13.15%	13.60%	13.30%
Basic Earnings per Share	3.54	3.18	6.84

#### 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 went down to 13.12% as the increase in bottomline profits was outpaced by the increase in equity.
- Return on Average Assets improved to 1.27% year-on-year, from higher net income.
- Net Interest Margin hiked to 3.24% from the expansion in loan portfolio and an improvement in funding mix.
- Liquidity Ratio slid to 33.71% as loan growth outpaced the increase in liquid assets.
- Debt to Equity and Assets to Equity dropped year-on-year to 920.96% and 1020.96%, respectively, as growth in total equity grew faster than both liabilities and total assets.
- Interest Rate Coverage slightly declined year-on-year to 302.91% from higher interest expense on a larger deposit base.
- Profit Margin went down to 21.35% on account of the lower trading income compared to 2015.
- Capital Adequacy Ratio, covering credit, market and operations risk dropped to 13.15% as the increase in Tier 1 capital from profitable operations were offset by the faster expansion in risk-weighted assets.
- Basic earnings per share climbed P0.36 to P3.54 owing to a higher 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.

The Bank recognized a non-recurring gain from the acquisition of the full interest in BDO Life.

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

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

#### Vertical Analysis-Material Changes

##### I. Balance Sheet – June 2016 vs. December 2015

- Available for Sale securities to Total Assets dropped 5.0% while Held-to-Maturity securities as a percentage of Total Assets increased by 6.2%, as the Bank reclassified a portion of its Investment Securities portfolio.

##### II. Balance Sheet – June 2016 vs. June 2015

- From 12.2% of Total Assets, Available for Sale securities now account for 5.4% to Total Assets as the Bank reclassified a portion of its portfolio to Held-to-Maturity. Consequently, Held-to-Maturity securities account for 6.2% of Total Assets.

##### III. Income Statement – March 2015 vs. March 2015

- Miscellaneous Income as a percentage of Other Income surged to 38.8% resulting from the accounting consolidation of BDO Life as well as a non-recurring gain from the



acquisition of the full interest in BDO Life. Consequently, Trading Gain as well as Service Charges and Fees as percentages of Other Income went down to 8.9% and 41.1%, respectively.

- Miscellaneous Expenses to Total Operating Expenses went up to 34.3% from 26.8% owing to the consolidation of BDO Life.

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

Remarks: NONE



BDO Unibank, Inc. & Subsidiaries  
Balances by Segment  
As of June 30, 2016  
(Amounts in Millions of Pesos)

	Commercial Banking	Investment Banking	Private Banking	Leasing & Finance	Insurance	Others	Total	Eliminations	Group
<b>Statement of Income</b>									
Total Interest Income									
External	37,966	35	718	860	343	24	39,946	0	39,946
Inter-Segment	68	2	0	0	3	1	74	(74)	0
	<u>38,034</u>	<u>37</u>	<u>718</u>	<u>860</u>	<u>346</u>	<u>25</u>	<u>40,020</u>	<u>(74)</u>	<u>39,946</u>
Total Interest Expense									
External	7,659	0	209	304	38	0	8,210	0	8,210
Inter-Segment	6	28	0	23	0	18	75	(75)	0
	<u>7,665</u>	<u>28</u>	<u>209</u>	<u>327</u>	<u>38</u>	<u>18</u>	<u>8,285</u>	<u>(75)</u>	<u>8,210</u>
Net Interest Income	<u>30,369</u>	<u>9</u>	<u>509</u>	<u>533</u>	<u>308</u>	<u>7</u>	<u>31,735</u>	<u>1</u>	<u>31,736</u>
Other Operating Income									
Investment Banking Fees	0	632	0	0	0	0	632	0	632
Others	13,094	143	685	547	5,699	543	20,711	763	21,474
	<u>13,094</u>	<u>775</u>	<u>685</u>	<u>547</u>	<u>5,699</u>	<u>543</u>	<u>21,343</u>	<u>763</u>	<u>22,106</u>
Other Operating Expenses									
Depreciation and Amortization	1,847	28	11	359	34	10	2,289	0	2,289
Impairment Losses	1,611	0	0	30	101	0	1,742	0	1,742
Others	27,033	340	626	308	4,346	100	32,753	(90)	32,663
	<u>30,491</u>	<u>368</u>	<u>637</u>	<u>697</u>	<u>4,481</u>	<u>110</u>	<u>36,784</u>	<u>(90)</u>	<u>36,694</u>
Profit before pre-acquisition	<u>12,972</u>	<u>416</u>	<u>557</u>	<u>383</u>	<u>1,526</u>	<u>440</u>	<u>16,294</u>	<u>854</u>	<u>17,148</u>
Pre-acquisition Income	0	0	0	0	0	0	0	(489)	(489)
Profit before Tax	<u>12,972</u>	<u>416</u>	<u>557</u>	<u>383</u>	<u>1,526</u>	<u>440</u>	<u>16,294</u>	<u>365</u>	<u>16,659</u>
Tax Expense	<u>2,886</u>	<u>106</u>	<u>128</u>	<u>101</u>	<u>185</u>	<u>5</u>	<u>3,411</u>	<u>0</u>	<u>3,411</u>
Net Profit	<u>10,086</u>	<u>310</u>	<u>429</u>	<u>282</u>	<u>1,341</u>	<u>435</u>	<u>12,883</u>	<u>365</u>	<u>13,248</u>
<b>Statements of Financial Position</b>									
Total Resources									
Segment Assets	2,042,551	6,304	51,302	35,896	29,801	9,266	2,175,120	(33,321)	2,141,799
Intangible Assets	4,678	102	25	45	49	1	4,900	2,906	7,806
Deferred Tax Assets	6,165	(199)	52	(1)	16	(29)	6,004	0	6,004
	<u>2,053,394</u>	<u>6,207</u>	<u>51,379</u>	<u>35,940</u>	<u>29,866</u>	<u>9,238</u>	<u>2,186,024</u>	<u>(30,415)</u>	<u>2,155,609</u>
Total Liabilities	<u>1,851,096</u>	<u>4,175</u>	<u>45,131</u>	<u>30,831</u>	<u>21,926</u>	<u>1,876</u>	<u>1,955,035</u>	<u>(10,562)</u>	<u>1,944,473</u>
<b>Other Segment Information</b>									
Capital expenditures	2,741	15	7	325	84	269	3,441	0	3,441
Investment in associate under equity method	4,249	0	0	300	0	0	4,549	0	4,549
Share in the Profit of associates	257	0	0	0	0	0	257	0	257

BDO Unibank, Inc. & Subsidiaries  
Balances by Segment  
As of June 30, 2015  
(Amounts in Millions of Pesos)

	Commercial Banking	Investment Banking	Private Banking	Leasing & Finance	Insurance	Others	Total	Eliminations	Group
<b>Statement of Income</b>									
Total Interest Income									
External	32,850	42	601	748	0	30	34,271	0	34,271
Inter-Segment	103	1	0	0	4	1	109	(109)	0
	<u>32,953</u>	<u>43</u>	<u>601</u>	<u>748</u>	<u>4</u>	<u>31</u>	<u>34,380</u>	<u>(109)</u>	<u>34,271</u>
Total Interest Expense									
External	6,860	0	127	212	0	0	7,199	0	7,199
Inter-Segment	5	36	0	52	0	17	110	(110)	0
	<u>6,865</u>	<u>36</u>	<u>127</u>	<u>264</u>	<u>0</u>	<u>17</u>	<u>7,309</u>	<u>(110)</u>	<u>7,199</u>
Net Interest Income	<u>26,088</u>	<u>7</u>	<u>474</u>	<u>484</u>	<u>4</u>	<u>14</u>	<u>27,071</u>	<u>1</u>	<u>27,072</u>
Other Operating Income									
Investment Banking Fees	0	477	0	0	0	0	477	0	477
Others	15,450	201	658	486	596	(328)	17,063	(1,119)	15,944
	<u>15,450</u>	<u>678</u>	<u>658</u>	<u>486</u>	<u>596</u>	<u>(328)</u>	<u>17,540</u>	<u>(1,119)</u>	<u>16,421</u>
Other Operating Expenses									
Depreciation and Amortization	1,474	18	26	315	6	6	1,845	0	1,845
Impairment Losses	2,081	2	0	50	0	0	2,133	0	2,133
Others	23,366	323	530	258	300	150	24,927	(69)	24,858
	<u>26,921</u>	<u>343</u>	<u>556</u>	<u>623</u>	<u>306</u>	<u>156</u>	<u>28,905</u>	<u>(69)</u>	<u>28,836</u>
Profit before Tax	<u>14,617</u>	<u>342</u>	<u>576</u>	<u>347</u>	<u>294</u>	<u>(470)</u>	<u>15,706</u>	<u>(1,049)</u>	<u>14,657</u>
Tax Expense	2,485	95	134	95	92	15	2,916	0	2,916
Net Profit	<u>12,132</u>	<u>247</u>	<u>442</u>	<u>252</u>	<u>202</u>	<u>(485)</u>	<u>12,790</u>	<u>(1,049)</u>	<u>11,741</u>
<b>Statements of Financial Position</b>									
Total Resources									
Segment Assets	1,797,585	6,638	38,593	30,906	1,004	8,821	1,883,547	(20,899)	1,862,648
Intangible Assets	4,428	102	16	57	18	1	4,622	0	4,622
Deferred Tax Assets	6,115	(213)	73	(39)	12	(33)	5,915	0	5,915
	<u>1,808,128</u>	<u>6,527</u>	<u>38,682</u>	<u>30,924</u>	<u>1,034</u>	<u>8,789</u>	<u>1,894,084</u>	<u>(20,899)</u>	<u>1,873,185</u>
Total Liabilities	<u>1,638,388</u>	<u>3,125</u>	<u>32,720</u>	<u>25,942</u>	<u>749</u>	<u>1,705</u>	<u>1,702,629</u>	<u>(9,996)</u>	<u>1,692,633</u>
<b>Other Segment Information</b>									
Capital expenditures	2,269	6	12	634	3	11	2,935	0	2,935
Investment in associate under equity method	5,639	89	0	0	0	0	5,728	0	5,728
Share in the Profit of associates	374	9	0	0	0	0	383	0	383