Asia United Bank

August 12, 2013

Disclosures Department
Philippine Stock Exchange, Inc.
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Ms. JANET ENCARNACION**
Head – Disclosure Department

RE: **SEC Form 17-Q**

Dear Ms. Encarnacion,

We furnish you with this letter the copy of SEC Form 17-Q or the Quarterly Report of Asia United Bank Corp., as of June 30, 2013, submitted to the Securities and Exchange Commission.

Sincerely yours,

Herminia C. Musico
SVP/Controller

Joy~Nostalg Center, 17 ADB Avenue, Ortigas Center, Pasig City
Tel. Nos. 638-6888 • 631-3333

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended **JUNE 30, 2013**.

2. Commission identification number : **A -1997-18963** 3. BIR Tax Identification No.**005-011-651-000**

4. Exact name of issuer as specified in its charter: **ASIA UNITED BANK CORP**

5. Province, country or other jurisdiction of incorporation or organization: **PASIG CITY, PHILIPPINES**

6. Industry Classification Code: [ ] (SEC Use Only)

7. **17 ADB AVENUE, JOY-NOSTALG CENTER, ORTIGAS CENTER, PASIG CITY** **1605**
   Address of issuer's principal office Postal Code

8. **(02) 631-3333**.
   Issuer's telephone number, including area code

9. **NOT APPLICABLE**
   Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stocks and amount of debt outstanding
COMMON	**323,540,360**

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

    Yes [**X**] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
    PHILIPPINE STOCK EXCHANGE **COMMON SHARES OF 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 Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [/] No [ ]

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

    Yes [ ] No [/]

PART I- FINANCIAL INFORMATION

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PART II- OTHER INFORMATION

Item 1. Financial Highlights and Indicators
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There are no material disclosures that have not been reported under SEC Form 17-C during the period covered by this report.

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: **ASIA UNITED BANK CORP**

ABRAHAM T. CO
President and CEO

Date............................

HERMINIA C. MUSICO
SVP/Comptrolller

Date ....

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying consolidated financial statements of Asia United Bank Corporation (AUB) and its subsidiaries which comprise the consolidated statements of financial condition as of June 30, 2013 and December 31, 2012 and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the six months ended June 30, 2013 and June 30, 2012, have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

ASIA UNITED BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands)

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited as Restated – Note 2)
ASSETS		
Cash and Other Cash Items	**1,167,363**	1,729,912
Due from Bangko Sentral ng Pilipinas	**10,387,048**	9,493,667
Due from Other Banks	**979,238**	1,558,088
Interbank Loans Receivable and Securities Purchased Under Resale Agreement	**4,156,469**	6,695
Financial Assets at Fair Value Through Profit or Loss	**4,749,284**	1,441,975
Available for Sale Investments	**16,824,124**	10,774,808
Loans and Receivable	**35,928,393**	34,100,789
Property and Equipment	**1,114,039**	939,441
Investment Properties	**1,661,707**	1,688,566
Deferred Tax Assets	**205,405**	205,405
Goodwill	**1,477,613**	1,477,612
Intangible Assets	**1,518,333**	1,500,740
Other Assets	**134,628**	80,651
TOTAL ASSETS	**80,303,644**	64,998,349
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	**21,565,050**	18,193,263
Savings	**24,978,860**	20,360,120
Time	**8,219,956**	8,761,468
	54,763,866	47,314,851
Bills Payable	**3.497,229**	2,474,346
Manager's Checks	**293,129**	190,299
Income Tax Payable	**2,631**	3,308
Accrued Taxes, Interest and Other Expenses	**374,184**	328,346
Derivative Liabilities	**244.872**	58,837
Other Liabilities	**3,013,362**	3,051,769
	62,189,273	53,421,756

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited as Restated – Note 2)
Equity Attributable to Equity Holders of the Parent Company)		
Capita stock	**3,235,404**	2,400,000
Additional Paid In Capital	**6,622,819**	
Surplus Reserves	**96,393**	95,894
Surplus	**9,250,448**	8,447,107
Cumulative translation adjustment	**(34,605)**	(66,083)
Net unrealized gain on available for sale investment	**(1,235,301)**	533,701
	17,935,158	11,410,619
Non- controlling interest	**179,213**	165,974
	18,114,371	11,576,593
TOTAL LIABILITIES AND EQUITY	**80,303,644**	64,998,349

See accompanying Notes to Unaudited Interim Financial Statements

ASIA UNITED BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR SIX MONTH ENDED JUNE 30, 2013 AND 2012
(in thousands)

	SIX MONTH ENDED		QUARTER ENDED	
	June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)	**June 30, 2013 (Unaudited)**	June 30, 2012 (Unaudited)
INTEREST INCOME				
Loans and Receivable	**1,091,367**	902,458	**568,674**	489,333
Trading and Investment Securities	**491,193**	354,479	**276,934**	179,004
Interbank Loans receivable and securities purchased under resale agreements	**32,434**	24,906	**27,072**	12,170
Deposit with banks and others	**21,910**	17,849	**9,458**	2,952
	1,636,904	1,299,692	**882,138**	683,459
INTEREST EXPENSE				
Deposit Liabilities	**349,339**	352,261	**161,115**	183,035
Bills payable and other borrowings	**48,629**	6,848	**23,660**	3,495
	397,968	359,109	**184,775**	186,530
NET INTEREST INCOME	**1,238,936**	940,583	**697,363**	496,929
Trading and Securites gain net	**600,146**	541,047	**127,888**	145,273
Service Charges, fees and commissions	**251,500**	132,700	**149,512**	42,436
Miscellaneous	**10,275**	48,010	**(47,230)**	30,538
TOTAL OPERATING INCOME	**2,100,857**	1,662,340	**927,533**	715,176
Compensation and fringe benefits	**414,167**	296,157	**215,614**	152,361
Taxes and licenses	**126,288**	80,463	**57,860**	35,248
Depreciation and Amortization	**139,711**	92,000	**77,633**	46,399
Provision for credit and impairment losses	**61,191**	215,285	**16,697**	48,555
Occupancy and other equipment related expenses	**197,000**	138,535	**98,580**	70,323
Other Operating Expenses	**298,487**	214,986	**163,249**	107,636
TOTAL OPERATING EXPENSES	**1,236,844**	1,037,426	**629,633**	460,522
INCOME BEFORE INCOME TAX	**864,013**	624,914	**297,900**	254,654
PROVISION FOR (BENEFIT FROM) INCOME TAX	**46,932**	29,599	**24,745**	2,820
NET INCOME	**817,081**	595,315	**273,155**	251,834
Attributable to:				
Equity holders of the Parent Company	**803,841**	587,896	**265,615**	250,026
Non-controlling interest	**13,240**	7,419	**7,540**	1,808
NET INCOME	**817,081**	595,315	**273,155**	251,834
Basic and Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	**6.16**	4.49		

See accompanying Notes to Unaudited Interim Financial Statements

Note: IPO last May 17, 2013

ASIA UNITED BANK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTH ENDED JUNE 30, 2013 AND 2012
(in thousands)

	Six-Month - Ended	
	June 30, 2013	June 30, 2012
NET INCOME	**817,081**	595,315
OTHER COMPREHENSIVE INCOME		
Changes in net unrealized gain (loss) on available for sale investment	**(1,769,002)**	381,382
Cumulative translation adjustment	**31,479**	175
	(1,737,524)	381,557
TOTAL COMPREHENSIVE INCOME	**(920,443)**	976,872
Attributable to:		
Equity holders of the Parent Company	**(933,683)**	969,453
Non-Controlling Interest	**13,240**	7,419
	(920,443)	976,872

See accompanying Notes to Unaudited Interim Financial Statements

ASIA UNITED BANK CORP

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2013 AND 2012

(in thousands)

	Equity Attributable to Equity holders of the Group								
	Capital Stock	Additional Paid in Capital	Surplus Reserve	Surplus	Cumulative Translation Adjustment	Net Unrealized Gain (Loss) on available for Sale Investments	Total	Non-Controlling Interest	Total Equity
Balance at December 31, 2012 (audited, as previously reported)	₱ **2,400,000**	₱	₱ **95,894**	₱ **8,566,083**	₱ **(66,083)**	₱ **533,701**	₱ **11,529,595**	₱ **165,974**	₱ **11,695,568**
Impact of adoption of new accounting standard				**(118,976)**			**(118,976)**		**(118,976)**
Balance at December 31, 2012 (as restated)	**2,400,000**		**95,894**	**8,447,107**	**(66,083)**	**533,701**	**11,410,619**	**165,974**	**11,576,592**
Issuance of Common Stock	**835,404**	**6,622,819**					**7,458,223**		**7,458,223**
Total comprehensive income (loss) for the year				**803,841**	**31,479**	**(1,769,002)**	**(933,683)**	**13,240**	**(920,443)**
Transfer from surplus to surplus reserves			**500**	**(500)**			**-**		**-**
Balance at June 30, 2013	₱ **3,235,404**	₱ **6,622,819**	₱ **96,393**	₱ **9,250,448**	₱ **(34,605)**	₱ **(1,235,301)**	₱ **17,935,158**	₱ **179,213**	₱ **18,114,371**
Balance at December 31, 2011 (audited, as previously reported)	₱ 2,400,000		₱ 43,748	₱ 7,193,956	₱ (12,360)	₱ (417,913)	₱ 9,207,430	₱ 157,151	₱ 9,364,581
Impact of adoption of new accounting standard				(46,573)			(46,573)		(46,573)
Balance at December 31, 2011 (as restated)	2,400,000		43,748	7,147,383	(12,360)	(417,913)	9,160,857	157,151	9,318,008
Total comprehensive income (loss) for the year				587,896	175	381,382	969,453	7,419	976,872
Balance at June 30, 2012	₱ **2,400,000**		₱ **43,748**	₱ **7,735,279**	₱ **(12,185)**	₱ **(36,532)**	₱ **10,130,310**	₱ **164,571**	₱ **10,294,880**

ASIA UNITED BANK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

FOR THE SIX MONTH ENDED JUNE 30, 2013 AND 2012
(in thousands)

	June 30, 2013 (Unaudited)	June 30, 2012 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**864,012**	624,914
Adjustments for:		
Depreciatiom and Amortization	**133,244**	88,340
Impairment Losses	**61,191**	215,285
Change in Operating Assets and Liabilities		
Decrease (Increase) in the amounts of:		
Financial Assets at FVPL	**(3,307,309)**	(2,254,924)
Loans and Receivable	**(1,943,315)**	(4,204,140)
Other Resources	**(122,561)**	(2,657,286)
Deposit Liabilites	**7,449,015**	10,949,509
Accrued expenses and Other liabilities	**465,584**	831,897
Cash Generated from (used in) Operations	**3,599,861**	3,593,595
Cash Paid for Income Taxes	**(165,907)**	(196,024)
Net Cash from (Used In) Operating Activities	**3,433,954**	3,397,571
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/(acquisition)		
Availablle for Sale (AFS) Securities	**(7,818,318)**	(1,397,288)
Investment Properties	**56,785**	(523,353)
Property and Equipment	**(283,248)**	(135,308)
Net Cash from (Used In) Investing Activities	**(8,044,781)**	(2,055,949)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (payment) of Bills Payable	**1,022,883**	1,318,261
Issuance of Common Stock	**7,458,222**	
Net Cash from (Used In) Investing Activities	**8,481,105**	1,318,261
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENT	**31,478**	175
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,901,756**	2,660,058
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
Cash and other cash items	**1,729,912**	982,690
Due from Bangko Sentral ng Pilipinas	**9,493,667**	5,539,786
Due from other banks	**1,558,088**	1,751,651
Interbank loan receivable and securities purchased under resale agreements	**6,695**	2,348,102
	12,788,362	10,622,229
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Cash and other cash items	**1,167,363**	916,200
Due from Bangko Sentral ng Pilipinas	**10,387,048**	7,813,575
Due from other banks	**979,238**	1,118,298
Interbank loan receivable and securities purchased under resale agreements	**4,156,469**	3,434,214
	16,690,118	13,282,287

See accompanying Notes to Unaudited Interim Financial Statements

1. CORPORATE MATTERS

Incorporation and Operations

Asia United Bank Corp. (Bank or the Parent Company) was granted authority as a commercial bank under the Monetary Board (MB) Resolution No. 119 dated September 3, 1997 and commenced operations on October 31, 1997.

The Parent Company is a domestic corporation registered with Securities and Exchange Commission (SEC) on October 3, 1997. The Parent Company provides commercial banking services such as deposit products, loan and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services. In addition, the Parent Company is licensed to enter into regular financial derivatives as a means of reducing and managing the Parent Company's and its customer's foreign exchange exposure.

In a meeting on February 28, 2013, the Monetary Board of the BSP approved the Bank's application for a universal banking license. The universal banking license authorizes AUB, in addition to its general powers as a commercial bank, to exercise the following: (i) the power of an investment house, including securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity securities, project finance and direct equity investment; and (ii) the power to invest in allied and non-allied enterprises, subject to regulatory caps on the amount of investment relative to Bank's capital and ownership percentage.

As of June 30, 2013, the Bank operates within the Philippines with 117 branches and with a total of 116 Automated Tellering Machines (ATM) located nationwide.

The Bank's registered address, which is also its principal place of business, is at Joy-Nostalg Center, 17 ADB Avenue, Ortigas Center, Pasig City.

The Bank's unissued common shares were initially offered to the public and were listed at the main board of the Philippine Stock Exchange (PSE) last May 17, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The interim condensed consolidated financial statements of the Group as at June 30, 2013 and December 31, 2012 and for the six-month period ended June 30, 2013 and 2012 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements of the Group do not include all of the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2012.

The interim condensed consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL), available-for- sale (AFS) investments and derivative financial instruments that are measured at fair value. The interim condensed financial statements are presented in Philippine peso, rounded to the nearest thousands, except when otherwise indicated.

The accompanying financial statements of the Parent Company reflect the accounts maintained in the Regular Banking Unit (RBU) and FCDU. The financial statements individually prepared for these units are combined after eliminating inter-unit accounts. The books of accounts of the RBU are maintained in Philippine peso, the RBU's functional currency, while those of the FCDU are maintained in United States dollars (USD), the FCDU's functional currency. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine peso (see policy on the Foreign Currency Translation).

Each entity in the Group determines its own functional currency and the items included in the financial statements of each entity are measured using that functional currency. The functional currency of each of the Parent Company's subsidiaries is the Philippine peso.

Basis of Consolidation

The Group's financial statements include the financial statements of the Parent Company and the following subsidiaries:

Subsidiary	Principal Activities	Country of Incorporation	Effective Percentage of Ownership
Cavite United Rural Bank (CURB)*	Rural banking	Philippines	100.00%
Rural Bank of Angeles (RBA)	Rural banking	- do -	96.05%
Asia United Leasing and Finance Corporation (AULFC)	Leasing and financing business	- do -	39.00%
Asia United Forex Corporation (AUFC)	Foreign exchange services	- do -	31.85%

**CURB was acquired by the Parent Company only in Oct 2012*

The financial policies and operations of the AULFC and AUFC are controlled by the Parent Company by virtue of the irrevocable voting trust agreement that has the effect of transferring the voting rights of the individual shareholders of the subsidiaries to the Parent Company.

The consolidated financial statements are prepared for the same reporting year as the Parent Company using consistent accounting policies.

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Subsidiaries are consolidated from the date on which control is transferred to the Group and ceased to be consolidated from the date on which control is transferred out of the Group.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the date of acquisition up to the date of disposal, as appropriate. When a change in ownership interest in a subsidiary occurs which results in loss of control over the subsidiary, the Parent Company:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income recorded in equity and recycle the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss.

Non-controlling Interests

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of condition, separately from Parent Company's shareholders' equity. Any losses applicable to the non -controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests that do not result in a loss of control are accounted for as equity transactions, whereby the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the Parent Company.

Changes in Accounting Policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements as of and for the year ended December 31, 2012, except for the adoption of the following Philippine Accounting Standards (PAS), PFRS and Philippine Interpretations which became effective as of January 1, 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include PAS 19 (Revised 2011) *Employee Benefits* and amendments to PAS 1, *Presentation of Financial Statements*. As required by PAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of PFRS 12,

Disclosure of Interest in Other Entities and PAS 19, *Employee Benefits* would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, these do not have a material impact on the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment is described below:

IFRS 1, *Government Loans – Amendments to PFRS 1*

These amendments required first-time adopters to apply the requirements of PAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after January 1, 2013. The amendment has no impact on the Group.

PFRS 7, *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments)

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PFRS 10, *Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements,* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The application of this new standard does not have an impact on the financial statements of the Group.

PFRS 11, *Joint Arrangements*

PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard does not have an impact on the financial statements of the Group.

PFRS 12, *Disclosure of Interests in Other Entities*

PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. None of these disclosure requirements are applicable for the interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Group has not made such disclosures.

PFRS 13, *Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

The effect of the adoption had no significant impact on the Group's financial position and performance.

PAS 19, *Employee Benefits* (Revised)

PAS 19, (Revised 2011) has been applied retrospectively from January 1, 2012. PAS 19 includes a number of amendments to the accounting for defined benefit plan, including actuarial gains and losses that are now recognized in OCI and excluded permanently from the consolidated profit or loss; expected returns on plan assets of defined benefit plans that are not recognized in consolidated profit or loss, instead, there is a requirement to recognize interest on net defined retirement obligation (asset) in the consolidated profit or loss, calculated using the discount rate used to measure the net defined retirement obligation.

Also, unvested past service costs can no longer be deferred and recognized over the future vesting period. Instead, all past service costs are recognized at the earlier of when the amendment occurs and when the Parent Company recognizes related restructuring or termination costs. Until 2012, the Parent Company's unvested past service costs were recognized as an expense on a straight-line basis over the average period until the benefits become vested. Upon transition to PAS 19, (Revised 2011), past service costs are recognized immediately if the benefits have vested immediately following the instruction of, or changes to, a pension plan.

Other amendment includes new disclosures, such as quantitative sensitivity disclosures.

The Parent Company reviewed its existing employee benefits and determined that the amended standard has a significant impact on its accounting for retirement benefits.

The effects are detailed below:

	As at Dec 31, 2012		
	As Restated	As Previously Reported	Increase (Decrease)
Consolidated statement of condition			
Net defined benefit liability	(P198,903)	(P28,937)	P169,966
Deferred tax asset	(59,671)	(8,681)	50,990
Retained earnings	194,539	313,515	(118,976)

	As at Jan 1, 2012		
	As Restated	As Previously Reported	Increase (Decrease)
Consolidated statement of condition			
Net defined benefit liability	(P123,968)	(P57,436)	P66,532
Deferred tax asset	(37,191)	(17,231)	19,960
Retained earnings	128,302	174,875	(46,573)

The Bank's policy is to obtain an actuarial valuation on an annual basis and effect the re-measurement at year-end. In its interim condensed consolidated financial statements, the Bank recognizes such items as the current service and interest costs, based on the previous actuarial estimates.

PAS 27, *Separate Financial Statements* (as revised in 2011)

As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the entities in the Group. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)

As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The application of this new standard will not have an impact on the financial statements of the Group.

Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013. This new interpretation is not relevant to the Group.

Future Changes in Accounting Policies

This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

PFRS 9, *Financial Instruments*

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

Annual Improvements to PFRSs (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

PFRS 1, *First-time Adoption of PFRS – Borrowing Costs*

The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*

The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.

PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*

The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, Income Taxes. The Group expects that this amendment will not have any impact on its financial position or performance.

PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

3. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

The following table presents a comparison by category and class of the carrying amounts and estimated fair values of the Group's financial instruments as of June 30, 2013 and December 31, 2012:

	June 30, 2013 (Unaudited)		December 31, 2012 (Audited)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables				
Corporate lending	**22,177,323**	**21,861,049**	21,171,701	21,293,453
Consumer lending	**5,495,899**	**4,691,446**	4,548,759	4,579,573
Finance lease receivables	**255,994**	**255,994**	182,537	213,271
Loans and receivables financed	**180,222**	**180,222**	163,065	120,518
Customers' liabilities under acceptances and letters of credit /trust receipts	**3,536,693**	**3,524,644**	3,594,111	3,600,935
Unquoted debt securities	**3,423,812**	**3,032,250**	3,366,438	3,403,125
Bills purchased	**772,818**	**772,818**	718,502	718,502
	35,842,761	**34,318,423**	33,745,108	P33,929,376
Financial Liabilities				
Deposit liabilities				
Demand	**21,565,050**	**21,565,050**	18,193,263	18,193,263
Savings	**24,978,860**	**24,978,860**	20,360	20,360,120
Time	**8,219,956**	**7,773,704**	8,761	9,097,539
Bills payable	**3,497,229**	**3,497,229**	2,474	2,474,346
	58,261,095	**57,814,843**	49,789,197	50,125,267

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and other cash items, due from BSP and other banks, interbank loans receivable (IBLR) and securities purchased under resale agreements (SPURA) - The carrying amounts approximate fair values considering that these accounts consist mostly of overnight deposits and floating rate placements.

Financial assets at FVPL and AFS investments

Debt securities - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology. The prevailing interest rates used range from 0.28% to 3.55% and from 0.00% to 5.38% for peso denominated securities in 2013 and 2012, respectively.

Equity securities - The Group's investments in equity securities include quoted and unquoted shares of stocks in related companies. Fair values of quoted equity securities are estimated using market prices quoted by brokers. Unquoted equity securities are carried at cost, less any accumulated impairment in value due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Loans and receivables - Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables. Prevailing rates used range from 0.17% to 5.70% in 2013 and 2012.

Derivative instruments - Fair values are estimated based on accepted market valuation models, quoted market prices or prices provided by independent parties, if available. The most frequently applied valuation techniques include forward pricing and swap model using present value calculations, as well as option binomial model using volatility assumptions. The models incorporate various inputs including the credit quality of counterparties, foreign exchange rates and interest rate curves prevailing at the statement of condition date.

Deposit liabilities (demand and savings deposits excluding time deposits) - Carrying amount approximates fair values considering that these are currently due and demandable.

Time deposits and other financial liabilities - Fair values of liabilities are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. For accrued interest and other expenses and other liabilities, carrying amount approximates fair values due to their short term nature.

Bills payable - Carrying amounts approximate fair values considering that these are short-term payables except for the PDIC financial assistance, which has already been recorded at fair value.

The following table shows financial instruments recognized at fair value, analyzed among those whose fair value is based on:

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

	June 30, 2013 (Unaudited)		
	Level 1	**Level 2**	**Total**
Financial Assets at FVPL			
Held-for-trading securities	**4,559,273**		**4,559,273**
Derivative assets		**49,653**	**49,653**
	4,559,273	**49,653**	**4,608,926**

AFS Investments			
Government securities	**7,354,203**		**7,354,203**
Private bonds and commercial papers	**9,429,529**		**9,429,529**
Quoted equity securities		**63,557**	**63,557**
	16,783,732	**63,557**	**16,847,289**
	21,343,005	**113,210**	**21,456,215**
Financial Liabilities			
Derivative liabilities		**244,872**	**244,872**

	Dec. 31, 2012 (Audited)		
	Level 1	Level 2	Total
Financial Assets at FVPL			
Held-for-trading securities	1,318,449		1,318,449
Derivative assets		123,526	123,526
	1,318,449	123,526	1,441,975
AFS Investments			
Government securities	4,271,706		4,271,706
Private bonds and commercial papers	4,610,426	1,594,359	6,204,785
Quoted equity securities	281,738		281,738
	9,163,870	1,594,359	10,758,229
	10,482,319	1,717,885	12,200,204
Financial Liabilities			
Derivative liabilities		58,827	58,837

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the statement of condition date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models.

Instruments included in Level 3 include those for which there is currently no active market. As of March 31, 2013 and December 31, 2012, the Group has no financial instruments reported within Level 3. There were no transfers among levels in the fair value hierarchy.

4. OPERATING SEGMENT

The Group's main operating businesses are organized and managed primarily, according to the current organizational structure. Each segment represents a strategic business unit that caters to the bank's identified markets. The Group's business segments are:

Commercial - this segment provides lending, trade and cash management services to corporate and institutional customers, which include large corporate, middle market clients and entrepreneurs;

Consumer - this segment offers consumer banking services to retail customers. Consumer lending products include real estate loans, salary loans, auto loans and pension loans;

Treasury - this segment is responsible for the execution of the Group's strategic treasury objective set forth in the Group's Treasury Operating Plan, which outlines the Group's strategies in terms of proprietary trading, liquidity, risk, capital, tax management, among others. Treasury segment's functions include managing the Group's reserve and liquidity position and maintaining its balance sheet by investing in sovereign and corporate debt instruments, commercial paper and other securities in the Philippines and other emerging markets. The Treasury segment is also responsible for managing the Group's foreign currency exposure, engaging in proprietary trading of currencies and offering foreign exchange instruments to the Group's corporate customers, as well as the Group's investment portfolio, which is managed with a view to maximizing efficiency and return on capital;

Branch Banking - this segment offers retail deposit products, including current accounts (interest bearing and non-interest bearing demand deposits), savings accounts and time deposits in pesos and U.S. dollars. Branch banking segment also provides lending to corporate and institutional customers through its own lending centers situated in select branches; and

Others - this segment includes the Group's income from trust activities, remittances and subsidiaries' operations.

The President, being the Group's Chief Operation Decision Maker (CODM), monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment assets are those operating assets employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense.

The Group's revenue-producing assets are located in the Philippines (i.e., one geographical location); therefore, geographical segment information is no longer presented. The Group has no significant customers which contribute 10.00% or more of the consolidated revenue, net of interest expense.

The segment results include internal transfer pricing adjustments across business units as deemed appropriate by management. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to the business units based on agreed upon benchmark rates.

Segment information of the Group as at June 30, 2013 and December 31, 2012, and for the six month periods ended June 30, 2013 and June 30, 2012 follow:

	Six Months Ended June 30, 2013 (Unaudited) in thousands					
	Commercial	**Consumer**	**Treasury**	**Others**	**Branches**	**Total Bankwide**
Statement of income						
Net interest income	**229,076**	**170,204**	**20,106**	**40,990**	**778,560**	**1,238,936**
Other income	**37,941**	**21,539**	**496,950**	**183,358**	**122,133**	**861,921**
Total operating income	**267,017**	**191,743**	**517,056**	**224,348**	**900,693**	**2,100,857**
Other operating expense	**166,610**	**86,723**	**122,592**	**161,946**	**698,973**	**1,236,844**
Provision for income tax	**1,051**	**702**	**39,936**	**3,714**	**1,529**	**46,932**
Net income for the year	**99,356**	**104,318**	**354,528**	**58,688**	**200,191**	**817,081**
Other segment information						
Depreciation and amortization	**12,061**	**5,559**	**2,341**	**35,289**	**84,461**	**139,711**
Provision for allowance on credit and impairment loss	**13,150**	**1,270**	**33,787**	**3,084**	**9,900**	**61,191**
Total assets (in P millions)	**17,763**	**5,849**	**38,272**	**5,040**	**13,380**	**80,304**
Total liabilities (in P millions)	**8,724**	**57**	**7,405**	**2,585**	**43,418**	**62,189**

	Six Months Ended June 30, 2012 (Unaudited) In thousands					
	Commercial	Consumer	Treasury	Others	Branches	Total Bankwide
Statement of income						
Net interest income	194,769	137,325	42,278	31,226	534,985	940,583
Other income	41,127	11,705	488,705	126,008	54,212	721,757
Total operating income	235,896	149,030	530,983	157,234	589,197	1,662,340
Other operating expense	115,926	76,500	189,396	115,083	540,521	1,037,426
Provision for income tax	243		26,732	1,686	938	29,599
Net income for the year	119,727	72,530	314,855	40,465	47,738	595,315
Other segment information						
Depreciation and Amortization	4,290	4,437	2,264	30,698	50,311	92,000
Provision for allowance on credit and impairment loss	43,187	9,965	130,047	120	31,966	215,285
As of December 31, 2012						
Total assets (in millions)	15,889	3,315	25,005	7,226	13,563	64,998
Total liabilities (in millions)	8,909	85	2,220	2,549	39,659	53,422

5) COMMITMENTS AND CONTINGENT LIABILITIES

The following is a summary of various commitments and contingent accounts as of June 30, 2012 and December 31, 2012 at their equivalent peso contractual amounts:

	June 30, 2013	Dec. 31, 2012
Trust department accounts	**₱ 11,936,303**	₱ 12,573,626
Unused commercial letters of credit	**848,254**	893,014
Standby letters of credit	**839,251**	921,157
Outstanding guarantees issued	**428,904**	445,124
Inward bills for collection	**302,390**	716,080
Late deposits/payment received	**92,975**	183,596
Outward bills for collection	**14,519**	4,676
Others	**141**	645

6) MATERIAL CONTINGENCIES

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such specific disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets.* The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

7) EARNING PER SHARE

The earnings per share of the Group, attributable to equity holders of the Parent Company, are calculated as follows:

	Semester Ended June 30, 2013	Semester Ended June 30, 2012
a. Net Income attributable to equity holders of the Parent Company	803,841	587,896
b. Net income attributable minority interest	13,240	7,419
c. Number of outstanding common shares	323,540,360	240,000,000
d. Basic EPS *(Annualized Net Income/ average no of outstanding common shares)*	6.16	4.49

8) EQUITY TRANSACTIONS

The Parent Company's authorized capital stock amounted to P5.00 billion, consisting of 500 million shares with par value of P10 per share. Issued and outstanding capital stock amounted to P3.24 billion, consisting of 323.5 million shares.

On February 22, 2013, the Board of Directors of the Parent Company and the stockholders representing more than 2/3 of the outstanding capital stock of the Parent Company approved a 10:1 stock split, wherein each common share of the Parent Company with a par value of P100.00 shall be replaced with ten (10) shares with a par value of P10.00. As a result, the number of authorized common shares of the company increased to 500,000,000 common shares with a par value of P10.00 per share. The BSP granted the Certificate of Authority to the Parent Company to implement the increase in the number of authorized common shares and corresponding reduction in par value of the capital stock on March 6, 2013. On March 20, 2013, the SEC approved the stock split.

The Parent's Company's shares were listed and commenced trading at the PSE on May 17, 2013. Total proceeds after deduction of direct cost related to equity issuance amounted to 7.4 billion.

9) RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- subsidiaries, joint ventures and associates and their respective subsidiaries, and
- post-employment benefit plans for the benefit of the Group's employees.

The Parent Company has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

As of June 30, 2013, outstanding DOSRI loans and receivables amounted to P138.6 million. The ratio of DOSRI loans and receivables to total loan portfolio is 0.38%. There were no non-performing DOSRI loans as of reporting date.

28. **OTHER MATTERS**

The Group has no significant matters to report in 2013 on the following:

a. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues.
b. Explanatory comments about the seasonality or cyclicality of operations. The Parent Company's banking operations is cyclical in nature.
c. Issuances, repurchases and repayments of debt and equity securities except for the 10:1 stock split on the common shares of the Parent Company as discussed in Note 8.
d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows.
e. Effect of changes in the composition of the Group, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

PART I – FINANCIAL INFORMATION
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

A. Financial Condition

- The group's consolidated assets jumped to ₱80,303 million as of June 30, 2013, ₱15,305 million or 23.5% higher compared to ₱64,998 million as of December 31, 2012. The growth in resources was primarily driven by the increase in deposits and the increase in equity resulting from the proceeds of the IPO consummated on May 17, 2013. The significant changes in assets were registered in the following accounts:

    - Total liquid assets (cash and due from other banks) dropped in the aggregate amount of P1,141 million, from P3,288 million as of end 2012 to P2,146 million as of June 30, 2013. The decrease was brought about by the enhancement in the cash management handling implemented effective this year.

    - Amounts due from Bangko Sentral ng Pilipinas (BSP) rose by 9.4% , from P9,494 million as of December 31, 2012 to P10,387 million resulting from increase in reserve requirements due to higher peso deposits.

    - Interbank Loans Receivable and Securities Purchased Under Resale Agreements increased by ₱4,149 million from ₱7 million to ₱4,156 million.

    - Financial Assets at Fair Value Through Profit or Loss was higher by ₱3,307 million from ₱1,442 million to ₱4,749 million attributed to the growth of bank's treasury trading portfolio.

    - Available for Sale Investments went up by ₱6,049 million from ₱10,775 million to ₱16,824 million accounted by purchases of investment in bonds and government securities.

    - Total loans grew by 5.4% to P35,928 million from December 31, 2012 loan portfolio level as the bank booked commercial lonas to top-tier and medium sized corporations and started to grow its consumer loan portfolio comprised of auto, housing and salary loans, among others.

    - Property and Equipment increased by ₱175 million from ₱939 million to ₱1,114 million primarily due to branch network expansion.

    - Other Assets increased by ₱54 million from ₱81 million to ₱134 million.

- Total liabilities increased by ₱8,767 million from ₱53,422 million as of December 31, 2012 to ₱62,189 million as of June 30, 2013. The changes in liability accounts are as follows:

    - Total deposits grew by ₱7,449 million or 15.7% from ₱47,315 million to ₱54,764 million with low–cost CASA accounting for 52% of total deposits. The bank has started to reap the benefits of the expanded branch network and intensified deposit generation campaigns

    - Bills and Acceptances Payable increased by ₱1,023 million, from ₱2,474 million to ₱3,497 million.

    - Derivative Liabilities increased by P186 million from ₱59 million to ₱245 million resulting from mark to market valuation of free standing derivatives.

    - Other liabilities (Manager's Checks, Income Tax Payable, Accrued Taxes, Interest and Other Expenses and Miscellaneous liabilities slightly increased by P109 million from ₱3,574 million to ₱3,683 million.

- Total equity stood at ₱18,114 million as of June 30, 2013, from ₱11,577 million as of end 2012 basically on account of the IPO in May 2013.

B. Results of Operations

The Group posted a consolidated net income of ₱817 million for the first semester of 2013 representing a 37% increase compared to the ₱595 million registered for the same period last year.

- NET interest margin for the first half of 2013 amounted to P1,238 million, higher by ₱298 million compared to the P941 million last year.

  Gross interest income grew by P377 million or 26% compared to last year resulting from the combined increase in interest income from loans and Treasury assets by P189 million and P137 million, respectively given the growth in their portfolios.

  Interest expense , on the other hand, increased by P39 million or 10.9%, from ₱359 million to ₱398 million this year due higher deposit volume but offset by the average funding cost. Average cost of deposits continued to drop with the bank's strategy to grow its low cost funding base.

- NON Interest income amounted to P862 million for the first half of this year, representing a 19% increase compared to same period last year.

  Trading and securities gain jumped by P59 million or 11%, from P 541 million to P600 million this year as the bank took advantage of market opportunities with the decreasing interest rate.

  Service fees and commissions increased by P119 million or 90% resulting from the increased branch transactions and remittance volume.

- Total Operating expenses for the first half of 2013 increased by ₱199 million or 19%, from ₱1,037 million to ₱1,237. The increase was primarily due to higher compensation and fringe benefits resulting from the higher manpower count to support additional branches. Other branch–related expenses such as rent, depreciation and amortization, power light and water, security expenses likewise increased due to branch network expansion.

- Provision for income tax for the six months ended June 30, 2013 and 2012 amounted to ₱47 million and ₱30 million, respectively.

C. Key Performance Indicators

- Capital Adequacy

  The Group's consolidated risk-based capital adequacy ratios (CAR) stood at 24.4% and 15.4% as of June 30, 2013 and December 31, 2012, respectively, consistently exceeding the minimum regulatory 10% CAR. The increase is on account of the higher equity resulting from IPO in May 2013 and accumulated net income for the period covered.

- Credit Quality

  The Bank-solo GROSS NPL ratio declined to 3.9% as of June 30, 2013 from 5.1% as of the same period last year on account of improved portfolio quality and growth in loan portfolio. Net NPL ratio stood at 1.3% as of June 30, 2013, better than industry average of 1.9% as of May 2013.

  Note: BSP issued new guideline in the computation of NPL ratio effective January 1, 2013. NPL ratio is now calculated as Gross NPL less Specific allowance over total loan portfolio.

- Profitability

	Six Months Ended	
	6/30/13	6/30/12
Return on equity 1/	**12.3%**	**12.2%**
Return on assets 2/	**2.2%**	**2.1%**
Net interest margin 3/	**3.6%**	**3.5%**

1/ Annualized net income divided by average total equity for the period indicated
2/ Annualized net income divided by average total assets for the period indicated

3/ Net interest income divided by average interest-earning assets for the period indicated.

- Liquidity

The ratio of liquid assets to total assets increased to 65.7% as of June 30, 2013 compared to 50.2% as of December 31, 2012, respectively. The bank has consistently complied with the liquidity and legal reserve requirements for deposit liabilities.

D. Known trends, demands, commitments, events or uncertainties

There are no known demands, commitments, events or uncertainties that will have a material impact on the Bank's liquidity within the next twelve (12) months.

Neither are there known events that might result to direct or contingent financial obligation that is material to the Bank, including any acceleration or default of a financial obligation.

E. Material off-balance sheet transactions, arrangements or obligations

There are no significant off-balance sheet transactions, arrangements, contingent obligations and other transactions of the bank during the reporting periods other than those disclosed in the financial statements as of June 30, 2013.

F. Capital Expenditures

The Bank has commitments for capital expenditures. The Bank plans to enhance its technical hardware and software, including, among others, the replacement of personal computers, printers and projectors at its offices and branches, the purchase of new servers and storage upgrades for AUB's data centers, upgrades in software for AUB's virtualization systems, credit card systems, auto signature verifiers, critical system protection, server monitoring tools, application delivery solutions and anti-virus protections software; and the creation of new mobile banking system.

G. Significant Elements of Income or Loss

Significant elements of the consolidated net income of the Group for the six months ended June 30, 2013 and 2012 came from its continuing operations.

H. Seasonal Aspects

There are no seasonal aspects that had a material effect on the Group's financial condition and results of operations.

I. Other Information

- **New AUB Branches**

  AUB continuously expands its branch network throughout the country and improves on its service delivery and inventory of products and services attuned to the demands of the market. For the period covered, the Bank opened eleven (11) new branches; eight (8) in Metro Manila, located in Malanday , Caloocan; Paseo de Roxas and Bangkal in Makati City; Better Living in Paranaque City, Aurora Blvd and St. Ignatius in Quezon City; Wack-wack and Greenfields in Mandaluyong City AND three (3) in the provinces in Laoag, Ilocos Norte, Bocaue Bulacan and Balibago Angeles City.

- **Branch Network and Headcount**

  As of June 30, 2013, the bank has a total of 117 branches and 116 ATM units located in the key cities and strategic sites in Metro Manila and provinces all over the country. Total headcount is at 1,419.

<u>Vertical and Horizontal Analysis of Material Changes for the Period</u>

A. Statements of Financial Position – June 30, 2013 vs December 31, 2012

- Cash and Due from other banks decreased by 34.7% to P2,146 million due to the enhanced cash management handling implemented during the period.
- Due from BSP increased by 9.4% to P10,387 million due to additional reserve requirement.
- Interbank Loans Receivable and Securities Purchased under resale agreements increased by P4,149 million due to higher overnight placements with the BSP.
- Financial Assets at Fair value through profit or Loss was higher by 229.4% to P4,749 million attributed to the growth of bank's treasury trading portfolio.
- Available for sale investments increased by 56.1% to P16,824 million due to acquisitions of investment in bonds and government securities.
- Loans and Receivables increased by 5.4% to P35,928 million due to the booking of commercial loans to top-tier and medium sized corporation and growth in the consumer loans such as auto, housing, and salary among others.
- Property and equipment rose to P1,114 million or 18.6% increase due to branch expansion program of the Bank.
- Deposit Liabilities increased by 15.7% to P54,764 million which is due to expanded branch network.
- Bills and acceptances payable increased by 41.3% to P3,497 million due to higher volume of interbank borrowing.
- Derivative Liabilities increased by 316.2% to P245 million due to mark to market valuation of free standing derivatives.

B. Statement of income – June 30, 2013 vs June 30, 2012

- Interest income increased by 26% to P1,637 million in the first half of 2013 from P1,300 million in the same period last year primarily due to an increase in lending activities and of treasury assets.
- Interest expenses increased by 10.9% to P398 million due to higher deposit volume.
- Trading and Securities gain increased by 11% to P600 million as the bank took advantage of the favorable market conditions during the start of the year.
- Service fees and commissions increased by 90% to P252 million due to the increase in the volume of remittance and branch transactions.
- Miscellaneous income decreased by 79% to P10 million due to loss in Foreign Exchange.
- Total operating expenses increased by 19% to P1,237 primarily due to higher compensation and fringe benefits resulted by the higher manpower count to support additional branches. Other expenses also increased due to branch network expansion.

PART II – OTHER INFORMATION

Item 1. Financial Highlights and Indicators

	June 30, 2013	**Dec. 31, 2012**
Liquidity Ratio *	65.7%	50.2%
Total Debt to Equity Ratio**	321.6%	430.1%
Asset To Equity Ratio	443.3%	561.5%
Capital to Asset Ratio	22.6%	17.8%
Gross Loans to Deposit	70.2%	77.4%
NPL Ratio	1.3%	1.2%
NPL coverage Ratio	114.1%	120.0%
Total Capital Adequacy Ratio	24.4%	15.4%
Total Assets *(in millions)*	80,304	64,998
Total Equity *(in millions)*	18,114	11,577
	June 30, 2013	**June 30,2012**
Interest Rate Cover Ratio***	350.6%	298.6%
Net Interest Margin on Ave Earning Assets****	3.6%	3.5%
Return on Ave Equity *****	12.3%	12.2%
Return on Average Assets	2.2%	2.1%
Cost to Income Ratio	56.0%	50.0%
Net income *(in thousands)*	817,081	595,315

* *Liquid Assets over Total Deposits and Bills Payable*

** *Total Deposits + Bills Payable over Total Equity*

*** *Net Income Before income Tax add back interest Expense and Depreciation over Interest Expense*

**** *In April 2012, BSP stopped paying interest on reserves on customer deposits of banks. Should this be considered as non-earning asset in the calculation of NIM, the NIM would be 4.5% for June 2013*

***** *Regular Income (Annualized) over average Equity*

PART II – OTHER INFORMATION

Item 2. Aging of Loans and Other Receivables
(PSE Requirement per Circular No. 2164-99)
As of June 30, 2013
(in thousands)

Up to 12 months	26,405,757
Over 1 year to 3 years	6,022,698
Over 3 years to 5 years	1,120,539
Over 5 years	4,571,622
Past due and items in litigations	171,860
Loans Receivables (gross)	38,292,476
Less:	
Allowance for credit losses	2,364,083
Loans Receivables (Net)	**35,928,393**

PART II – OTHER INFORMATION

Item 3. Use of IPO Proceeds as of June 30, 2013

Relative to the Initial Public Offering (IPO) of Asia United Bank Corp. (AUB) on May 17, 2013, following is a summary of the initial use of the net IPO proceeds as of June 30, 2013:

Use of Proceeds	Amount in Pesos
Cash & Other Liquid Assets	6,259,459,485
Branch Expansion	6,185,328
Payment of Branch Licenses	0.00
General Corporate Purpose	1,169,882,635
Information technology Infrastructure	596,991
Total	**7,436,124,439**

General Corporate Purpose pertains to the funding of various assets of the bank particularly loan portfolio. A report on this was certified by SGV and Co. and submitted to PSE on July 15, 2013.