



WEALTH SECURITIES

Backed by a research group of analysts with over 25 years of experience in equity securities

Consistently ranked among the top 20 brokerages in the Philippines since opening in 1986

Recipient of the Euro Money Award for Excellence as the "Best Domestic Securities House in the Philippines"



THE WEALTH VAULT

A Product of Wealth Securities, Inc.

THURSDAY, 02 August 2012

Index	Value	Change	% Chg
PSEi	5,298.72	-8.94	0.17▼
All Shares	3,498.96	-4.34	0.12▼
Financials	1,323.77	3.45	0.26▲
Industrial	7,878.06	-27.76	0.35▼
Holding Firms	4,427.90	-49.88	1.11▼
Services	1,802.27	4.06	0.23▲
Mining and Oil	23,406.61	-272.48	1.15▼
Property	2,017.20	15.7	0.94▲

WORLD INDICES

Dow Jones	12,971.06	-0.29%
FTSE 100	5,692.63	+1.18%
NIKKEI 225	8,635.44	+0.80%

TRADING SNAPSHOT

Index Movers	Points
Ayala Land Inc.	+10.77
PLDT	+9.98
JG Summit Inc.	-6.25
Bank of the Philippine Islands	+5.69
Ayala Corp.	-5.55

Index Out-performers	Up
Ayala Land Inc.	2.97%
SM Development Corp.	2.26%
Bank of the Philippine Islands	1.79%
PLDT	1.32%
Universal Robina Corp.	1.28%

Index Under-performers	Down
JG Summit Inc.	3.85%
Jollibee Foods Corp.	3.01%
Alliance Global Inc.	2.57%
Ayala Corp.	2.34%
ICTSI	2.13%

CALENDAR

Jul 26	Monetary Policy Stance Press Release
Jul 27	May '12 UB, KB NPL
Jul 31	Jun '12 Template on Int'l Reserves and Foreign Currency
Aug 07	Jul'12 CPI, Inflation Rate



PSEi Index

01 Aug 2012:	5,298.72 - 8.94
Value T/O, net	Php 4,086 million
52-week High	5,403.16
Low	3,715.01
Foreign Buying:	Php 3,501 million
Foreign Selling:	Php 3,185 million



HEADLINES

US stocks end lower as Fed offers no new actions to shore up the economy

Ø US stocks ended lower yesterday (Aug 01) as the Federal Reserve's meeting failed to offer new actions to stimulate the economy. All three major indices fell with the Dow and the S&P both declining 0.29%; and the Nasdaq ending 0.66% lower. Markets rallied last week partly on hopes of new stimulus measures being announced by the Fed. With yesterday's meeting offering no new monetary stimulus, investors now turn to The ECB which is set to meet today. The ECB is expected to detail actions to bring down the borrowing costs of Italy and Spain. An electronic glitch from market maker Knight Capital meanwhile added to the session's volatility. Shares of Knight tumbled 32.8% to US\$6.94, a nine year low.

Asian countries' manufacturing slows but investments increase with hopes of easing

Ø HSBC said that inventory build-up is going to slow down primarily because of the absence of the final demand that is needed to keep things going. Domestic demand is poor in many Asian countries and external demand is largely affected by the US and Europe. China's Purchasing Managers Index fell to 50.1 in July from 50.2 in June. This figure represents an 8-month low but is still above 50 and thus considered an expansion within the month rather than contraction. A separate PMI gauge conducted by HSBC showed that China's PMI was 49.3 in July from 48.2 in June. The Yen strengthened to Y77.99 per dollar from Y78.08. According to HSBC's PMI, only Indonesia showed an improvement with PMI of 51.4 in July from 50.2 in June while the following countries showed slowing and/or contractions in July: India with PMI of 52.9 in July from 55 in June; South Korea with PMI of 47.2 in July from 49.4 in June; Taiwan with PMI of 47.5 in July from 49.2 in June. According to Deutsche Bank, investment flows increased in July despite the deceleration in manufacturing. This is due to people's expectation of monetary easing in the US, Europe and China.

BPI Reports 52% Increase in Net Profits

Ø BPI reported a net income of P9.4 billion for the first half of the year, 52% higher than the P6.2 billion realized in the same period last year. This translated to a 21% Return on Equity and a 2.3% Return on Assets. Net income for the second quarter was P3.6 billion, 8% higher than a year ago due to the 9.4% increase in net interest income but tempered by the higher tax line. For the first semester, the significant growth in profits was mainly driven by the 24% improvement in revenues. Net interest income rose by 9% while non-interest income surged by 51%.

EastWest Bank receives COA to operate as Universal Bank

Ø EastWest Bank announced in a disclosure that the Bangko Sentral ng Pilipinas confirmed the approval of the issuance of the Certificate of Authority for EW to operate as a Universal Bank.

Dividends Calendar

CODE	STOCK	CASH	SPLITS	RIGHTS	EX-DIVIDEND	RECORD	PAYABLE	ANNOUNCED
LAND	20%				TBA	TBA	TBA	15-May-2012
CDC	10%				TBA	TBA	TBA	07-May-2012
NIKL	50%				TBA	TBA	TBA	28-Mar-2012
ATN	2%				TBA	TBA	TBA	28-Dec-2011
EEL		0.025			27-Nov-2012	03-Dec-2012	28-Dec-2012	23-Mar-2012
ACPA		11.1			25-Oct-2012	30-Oct-2012	25-Nov-2012	09-Dec-2011
FJP		0.05			03-Oct-2012	08-Oct-2012	02-Nov-2012	17-Jul-2012
PERC		0.1			18-Sep-2012	21-Sep-2012	17-Oct-2012	26-Apr-2012
EEL		0.025			29-Aug-2012	03-Sep-2012	27-Sep-2012	23-Mar-2012
PPREF		2.382			13-Aug-2012	16-Aug-2012	05-Sep-2012	07-Mar-2012
FJP		0.07			09-Aug-2012	14-Aug-2012	07-Sep-2012	17-Jul-2012
ABA		0.1			08-Aug-2012	11-Aug-2012	07-Sep-2012	19-Jul-2012
ABA				Abacus Goldmines common shares as would be equivalent to P0.10 per share - prop. div.	08-Aug-2012	11-Aug-2012	TBA	19-Jul-2012
MB		0.05			03-Aug-2012	08-Aug-2012	03-Sep-2012	12-Jul-2012
ACPA		11.1			26-Jul-2012	31-Jul-2012	25-Aug-2012	09-Dec-2011
IPO		0.06			24-Jul-2012	27-Jul-2012	09-Aug-2012	29-Jun-2012
MFIN	1.06%				23-Jul-2012	26-Jul-2012	20-Aug-2012	28-Jun-2012
MFIN		0.010618854			23-Jul-2012	26-Jul-2012	20-Aug-2012	28-Jun-2012

Source: Technistock

CURRENCIES

US, Dollar	41.9070
Japan, Yen	0.5361
UK, Pound	65.8359
Hong Kong, Dollar	5.4040
EU, Euro	51.3780
Bahrain, Dinar	111.1651
Saudi Arabia, Rial	11.1746
China, Yuan	6.5691

As of 7/31/2012

COMMODITIES

NYMEX		
Crude	88.06	-1.92%
Futures		
%NY Gold		
Spot (\$/t oz.)	1,615.30	-0.45%
Silver Comex		
(\$/t oz.)	27.96	-0.60%
London		
Copper Spot	7,551.50	+0.20%

As of 07/31/2012



Bank of the Philippine Islands (BPI)

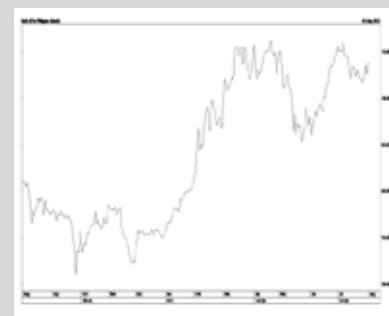
Buy

Company Snapshot

Price (P)	73.90
Price Target (P)	83.30
Shares O/S (million)	3,556
Market Cap (P million)	262.815
52-week High (P)	76.80
Low (P)	50.00
12-mo Avg. Value T/O (P'm)	123.718
Shareholders	
Ayala Corporation	21.8%
Ayala DBS Holdings	21.3%
Free float	42.0%

Price Performance

	1m	6m	12m
BPI	-0.9%	+21.0%	+21.2%
PSEi	+1.0%	+12.4%	+16.4%



Consistently Great

- Ø **Impressive 1H2012 Results.** BPI reported that its 1H2012 Net Income reached P9.4B, 52% higher YOY. This translated to an ROE of 21% and ROA of 2.3%. This was driven by a 9% YOY increase in Net Interest Income to P14.5B and a 51% YOY increase in Non-Interest Income to P11.9B. Operating Expenses increased by 9% YOY to P13.2B, while Provisions for Losses increased by 36% YOY to P1.6B. In the table below, we summarize how BPI's 1H2012 results fared vs. our FY2012 estimates.

	1H2012A	FY2012E	% of FY2012E
Net Interest Income	14.5	31.1	47%
Non-Interest Income	11.9	14.6	81%
Operating Expenses	13.2	22.9	58%
Provisions for Losses	1.6	2.0	81%
Net Income	9.4	15.6	60%

Amounts in billions

Sources: Company data, Wealth Securities estimates

We think that BPI's Net Interest Income has been impressive so far and is in-line with our forecasts. The bank's Non-Interest Income has been a very positive surprise, largely due to the extraordinarily high Trading Gains that the bank booked in 1Q2012. This was able to offset the modest increase in Operating Expenses and has allowed the bank to accelerate its provisioning. Because of these, BPI's 1H2012 Net Income is trending ahead of our estimates.

- Ø **1Q2012 Hangover.** While BPI's 1H2012 results look very impressive, most of it can be attributed to the bank's stellar bottomline in 1Q2012. Of the P9.4B in BPI's 1H2012 Net Income, ~P5.9B (+102% YOY) was delivered in 1Q2012 while ~P3.6B (+8% YOY) was delivered in 2Q2012.

Financial and Valuation Highlights

in P'million	2009A	2010A	2011A	2012E	2013E
Net Revenues	22,746	25,022	27,500	31,086	37,216
Operating Expenses	12,004	14,545	16,995	14,559	16,054
PPOP	12,858	16,061	18,175	22,794	27,537
Net Income	8,665	11,479	12,800	15,595	19,153
ROE	13.2%	15.3%	15.1%	16.3%	17.7%
ROA	1.2%	1.4%	1.5%	1.8%	1.9%
EPS	2.62	3.18	3.61	4.30	5.28
BVPS	20.57	22.78	25.07	27.76	32.03
PE	18.30	18.56	16.70	17.20	14.00
P/BV	2.33	2.59	2.40	2.66	2.31

Sources: Company data, Wealth Securities estimates

A = Actual calendar/fiscal year results; C = Bloomberg consensus; I = Annualized interim results; E = Wealth Securities estimates

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Ø **Maintaining BUY, Upgrading TP.** If BPI continues to execute well, we think that it can meet or even exceed our FY2012E Net Income of P15.6B. Though its performance in 1Q2012 is unlikely to be replicated anytime soon, we think that BPI is capable of delivering strong and steady results, similar to what it delivered in 2Q2012. Considering these, we maintain our BUY rating on BPI, with an upgraded TP of P83.30. Our TP equates to 2.6x 2013E P/BV.

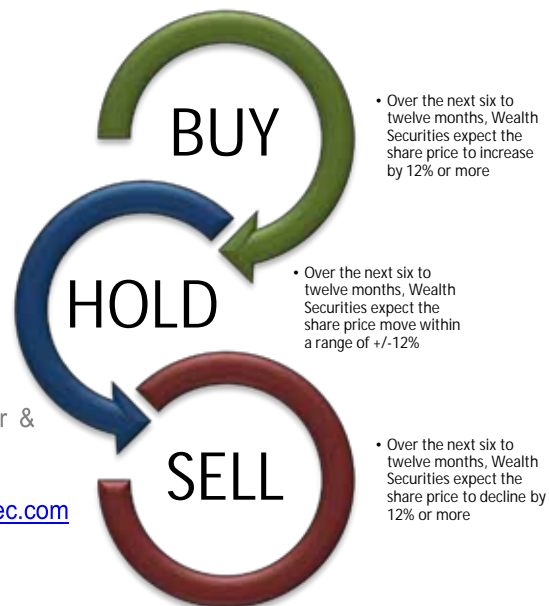
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RATINGS DEFINITION



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