
Bank of the Philippine Islands and Subsidiaries

**Unaudited Condensed Consolidated Interim
Financial Statements**

**As at and for the six-month period ended June 30, 2023
(With comparative figures and notes as at December 31, 2022
and for the six-month period ended June 30, 2022)**



Report on the Review of Interim Financial Statements

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala Triangle Gardens Tower 2
Paseo De Roxas corner Makati Ave., Bel-Air
Makati City

Introduction

We have reviewed the accompanying unaudited condensed consolidated interim statement of condition of the Bank of the Philippine Islands and Subsidiaries (the “BPI Group”) as at June 30, 2023, and the related unaudited condensed consolidated interim statements of income, of total comprehensive income, of changes in capital funds and of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these unaudited condensed consolidated interim financial statements in accordance with Philippine Accounting Standard 34, ‘Interim Financial Reporting’ as issued by the Financial and Sustainability Reporting Standards Council. Our responsibility is to express a conclusion on these unaudited condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, www.pwc.com/ph*



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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with Philippine Accounting Standard 34, 'Interim Financial Reporting' as issued by the Financial and Sustainability Reporting Standards Council.

Isla Lipana & Co.

A handwritten signature in black ink that reads "John John Patrick V. Lim". The signature is written in a cursive style with a large, sweeping flourish at the end.

John-John Patrick V. Lim
Partner

CPA Cert. No. 83389

P.T.R. No. 0007706; issued on January 9, 2023 at Makati City

SEC A.N. (individual) as general auditors 83389-SEC, Category A; valid to audit
2022 to 2026 financial statements

SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit
2020 to 2024 financial statements

T.I.N. 112-071-386

BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
September 20, 2023

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CONDITION

June 30, 2023

(With Comparative Audited Consolidated December 31, 2022 Figures)

(In Millions of Pesos)

	Notes	June 30, 2023	December 31, 2022
<u>ASSETS</u>			
CASH AND OTHER CASH ITEMS	3	31,982	39,613
DUE FROM BANGKO SENTRAL NG PILIPINAS (BSP)	3	203,721	182,869
DUE FROM OTHER BANKS	3	39,354	45,190
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (SPAR), net	3	21,114	12,382
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)	4	61,202	22,133
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)	5	134,677	95,267
INVESTMENT SECURITIES AT AMORTIZED COST, net	6	392,733	420,533
LOANS AND ADVANCES, net	7	1,720,528	1,702,990
ASSETS HELD FOR SALE, net		4,179	3,760
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	8	18,856	19,355
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, net		7,883	7,227
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS		18,046	19,060
DEFERRED INCOME TAX ASSETS, net		16,875	16,752
OTHER ASSETS, net		13,520	16,830
Total assets		2,684,670	2,603,961

(forward)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CONDITION

June 30, 2023

(With Comparative Audited Consolidated December 31, 2022 Figures)

(In Millions of Pesos)

	Notes	June 30, 2023	December 31, 2022
<u>LIABILITIES AND CAPITAL FUNDS</u>			
DEPOSIT LIABILITIES	9	2,144,064	2,096,001
DERIVATIVE FINANCIAL LIABILITIES		4,645	4,297
BILLS PAYABLE AND OTHER BORROWED FUNDS	10	106,513	97,503
DUE TO BSP AND OTHER BANKS		3,533	2,887
MANAGER'S CHECKS AND DEMAND DRAFTS OUTSTANDING		7,469	6,755
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		13,455	10,587
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS		13,926	14,919
DEFERRED CREDITS AND OTHER LIABILITIES		52,999	51,208
Total liabilities		2,346,604	2,284,157
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI	11		
Share capital		49,303	49,193
Share premium		113,140	104,123
Treasury shares		-	(33,043)
Reserves		639	644
Accumulated other comprehensive loss		(13,358)	(14,256)
Surplus		186,329	211,061
		336,053	317,722
NON-CONTROLLING INTERESTS		2,013	2,082
Total capital funds		338,066	319,804
Total liabilities and capital funds		2,684,670	2,603,961

(The notes on pages 1 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(In Millions of Pesos, Except Per Share Amounts)**

	Notes	2023	2022
INTEREST INCOME			
On loans and advances		56,299	38,076
On investment securities		10,313	7,738
On deposits with BSP and other banks		1,462	598
		68,074	46,412
INTEREST EXPENSE			
On deposits		15,651	5,262
On bills payable and other borrowings		2,315	1,810
		17,966	7,072
NET INTEREST INCOME		50,108	39,340
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	7	2,000	5,000
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		48,108	34,340
OTHER INCOME			
Fees and commissions		6,164	5,680
Income from foreign exchange trading		1,344	1,273
Securities trading gain		906	80
Income attributable to insurance operations		454	562
Net gains on disposals of investment securities at amortized cost		5	201
Other operating income	7,8	6,606	10,506
		15,479	18,302
OTHER EXPENSES			
Compensation and fringe benefits		11,098	9,521
Occupancy and equipment-related expenses		9,667	7,992
Other operating expenses		10,626	8,336
		31,391	25,849
INCOME BEFORE INCOME TAX		32,196	26,793
INCOME TAX EXPENSE			
Current		7,074	6,874
Deferred		(131)	(644)
		6,943	6,230
NET INCOME FOR THE PERIOD		25,253	20,563
Income attributable to			
Equity holders of BPI		25,154	20,447
Non-controlling interests		99	116
		25,253	20,563
Basic and diluted earnings per share attributable to the equity holders of BPI		5.09	4.53

(The notes on pages 1 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM
STATEMENTS OF TOTAL COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(In Millions of Pesos)

	2023	2022
NET INCOME FOR THE PERIOD	25,253	20,563
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be subsequently reclassified to profit or loss		
Net change in fair value reserve on investments in debt instruments measured at FVOCI, net of tax effect	539	(3,823)
Share in other comprehensive income (loss) of associates	266	(964)
Fair value reserve on investments of insurance subsidiaries, net of tax effect	33	(162)
Currency translation differences and others	(86)	(124)
Items that will not be reclassified to profit or loss		
Actuarial gain on defined benefit plan, net of tax effect	32	44
Share in other comprehensive income of associates	137	248
Total other comprehensive gain (loss), net of tax effect	921	(4,781)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	26,174	15,782
Total comprehensive income attributable to:		
Equity holders of BPI	26,052	15,707
Non-controlling interests	122	75
	26,174	15,782

(The notes on pages 1 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN CAPITAL FUNDS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(In Millions of Pesos)**

	Attributable to equity holders of BPI (Note 11)							
	Share capital	Share premium	Treasury shares	Reserves	Surplus	Accumulated other comprehensive loss	Non-controlling interests	Total capital funds
Balance, January 1, 2022	45,131	74,934	-	564	181,101	(8,670)	2,096	295,156
Comprehensive income	-	-	-	-	20,447	-	116	20,563
Net income for the period	-	-	-	-	-	(4,740)	(41)	(4,781)
Other comprehensive loss for the period	-	-	-	-	-	(4,740)	75	15,782
Total comprehensive income for the period	-	-	-	-	20,447	(4,740)	-	-
Transactions with owners	-	-	-	-	-	-	-	-
Issuance of shares as a consideration of the merger	4,062	28,981	(33,043)	-	-	-	-	-
Executive stock plan amortization	-	106	-	4	-	-	-	110
Cash dividends	-	-	-	-	(4,784)	-	-	(4,784)
Total transactions with owners	4,062	29,087	(33,043)	4	(4,784)	-	-	(4,674)
Other movements	-	-	-	-	-	-	-	-
Transfer from reserves to surplus	-	-	-	(2)	2	-	-	-
Transfer from surplus to reserves	-	-	-	18	(18)	-	-	-
Others	-	-	-	-	(18)	-	-	(18)
Total other movements	-	-	-	16	(34)	-	-	(18)
Balance, June 30, 2022	49,193	104,021	(33,043)	584	196,730	(13,410)	2,171	306,246
Balance, December 31, 2022	49,193	104,123	(33,043)	644	211,061	(14,256)	2,082	319,804
Comprehensive income	-	-	-	-	25,154	-	99	25,253
Net income for the period	-	-	-	-	-	898	23	921
Other comprehensive income for the period	-	-	-	-	-	898	-	898
Total comprehensive income for the period	-	-	-	-	25,154	898	122	26,174
Transactions with owners	-	-	-	-	-	-	-	-
Executive stock plan amortization	110	68	-	(18)	-	-	-	160
Cash dividends	-	-	-	-	(7,626)	-	(191)	(7,817)
Dividends - treasury shares	-	8,949	33,043	-	(42,364)	-	-	(372)
Total transactions with owners	110	9,017	33,043	(18)	(49,990)	-	(191)	(8,029)
Other movements	-	-	-	-	-	-	-	-
Transfer from surplus to reserves	-	-	-	13	(13)	-	-	-
Others	-	-	-	-	117	-	-	117
Total other movements	-	-	-	13	104	-	-	117
Balance, June 30, 2023	49,303	113,140	-	639	186,329	(13,358)	2,013	338,066

(The notes on pages 1 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(In Millions of Pesos)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		32,196	26,793
Adjustments for:			
Provision for credit and impairment losses	7	2,000	5,000
Depreciation and amortization		2,844	2,365
Share in net income of associates	2	(238)	(439)
Dividend income		(52)	(30)
Share-based compensation		(18)	5
Profit from assets sold	8	(51)	(5,379)
Realized gain - investment securities		(752)	(248)
Interest income		(68,074)	(46,412)
Interest received		68,205	45,018
Interest expense		18,121	7,072
Interest paid		(16,725)	(7,026)
(Increase) decrease in:			
Interbank loans and receivable and SPAR		5,980	3,058
Financial assets at FVTPL		(39,040)	(10,686)
Loans and advances		(20,106)	(84,294)
Assets held for sale		(391)	(319)
Assets attributable to insurance operations		1,361	(841)
Other assets		1,683	6,268
Increase (decrease) in:			
Deposit liabilities		48,063	37,790
Due to BSP and other banks		192	1,862
Manager's checks and demand drafts outstanding		714	906
Accrued taxes, interest and other expenses		(331)	159
Liabilities attributable to insurance operations		(1,162)	501
Derivative financial instruments		348	2,988
Deferred credits and other liabilities		3,068	(317)
Net cash from (used in) operations		37,835	(16,206)
Income taxes paid		(5,263)	(4,752)
Net cash from (used in) operating activities		32,572	(20,958)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of bank premises, furniture, fixtures and equipment		(2,312)	(539)
Disposal of bank premises, furniture, fixtures and equipment		1,022	868
Dividends received		52	30
Placements in:			
Investment securities		(105,148)	(71,121)
Proceeds from:			
Maturities/sales of investment securities		95,286	30,309
Net gains on sale of investment properties		-	4,726
Decrease (increase) in:			
Investment in subsidiaries and associates, net		(9)	1,386
Assets attributable to insurance operations		(347)	183
Net cash used in investing activities		(11,456)	(34,158)
<i>(forward)</i>			

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022
(In Millions of Pesos)

	Notes	2023	2022
<i>(forwarded)</i>			
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid	11	(7,626)	(4,784)
Dividends issuance cost		(372)	-
Proceeds from share issuance		178	106
Increase (decrease) in bills payable and other borrowed funds		9,010	(14,861)
Payments for principal portion of lease liabilities		(1,046)	(774)
Net cash from (used in) financing activities		144	(20,313)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		21,260	(75,429)
CASH AND CASH EQUIVALENTS			
	3		
Beginning of period		273,120	365,953
End of period		294,380	290,524

(The notes on pages 1 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

(With comparative figures and notes as at December 31, 2022 and for the six-month period ended
June 30, 2022)

(In Millions of Pesos, unless otherwise stated)

Note 1 - General information

Bank of the Philippine Islands (“BPI” or the “Parent Bank”) is a domestic commercial bank with an expanded banking license and was registered with the Securities and Exchange Commission (SEC) on January 4, 1943. The Parent Bank’s license was extended for another 50 years on January 4, 1993.

In July 2023, the Parent Bank’s office address, which also serves as its principal place of business, was fully transferred to Ayala Triangle Gardens Tower 2, Paseo De Roxas corner Makati Ave., Bel-Air, Makati City. Prior to July 2023, BPI’s registered office address and principal place of business were both located at Ayala North Exchange, Ayala Avenue corner Salcedo Street, Legazpi Village, Makati City.

BPI and its subsidiaries (collectively referred to as the “BPI Group”) offer a whole breadth of financial services that include corporate banking, consumer banking, investment banking, wealth management, corporate finance, securities distribution, and insurance services. At June 30, 2023, the BPI Group has 18,139 employees (December 31, 2022 - 17,573 employees) and operates 1,192 branches and 2,064 automated teller machines (ATMs) and cash accept machines (CAMs) (December 31, 2022 - 1,189 branches and 2,080 ATMs and CAMs) to support its delivery of services. The BPI Group also serves its customers through digital channels and is a major provider of financial services through online and mobile banking.

The Parent Bank is considered a public company under Rule 3.1 of Implementing Rules and Regulations of the SEC, which, among others, defines a public company as any corporation with a class of equity securities listed on an exchange, or with assets of at least P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities. As at June 30, 2023, the Parent Bank has 11,822 common shareholders (December 31, 2022 - 11,864).

On September 30, 2022, the Board of Directors (BOD) of BPI approved the execution of an agreement between the Bank, Robinsons Bank Corporation (RBC), and Robinsons Retail Holdings, Inc. and JG Summit Capital Services Corporation, as RBC Shareholders, for the merger of BPI and RBC, with BPI as the surviving entity, which was approved by the shareholders on January 17, 2023 and subject to regulatory approvals. On September 13, 2023, the Parent Bank received the signed decision of the Philippine Competition Commission clearing the proposed merger of BPI and RBC pursuant to Republic Act No. 10667, *Philippine Competition Act*. As of reporting date, the merger is still subject to the approval of the BSP and SEC.

Approval and authorization for issuance of financial statements

The condensed consolidated interim financial statements have been approved by the BOD of the Parent Bank on September 20, 2023.

These condensed consolidated interim financial statements have been reviewed, not audited.

Note 2 - Segment information

Operating segments are reported in accordance with the internal reporting provided to the Chief Executive Officer (CEO), who is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments used by the BPI Group individually meet the definition of a reportable segment under Philippine Financial Reporting Standard (PFRS) 8, 'Operating Segments'.

The BPI Group has determined the operating segments based on the nature of the services provided and the different clients/markets served representing a strategic business unit.

The BPI Group's main operating business segments follow:

- Consumer banking - this segment serves the individual and retail markets. Services cover deposit taking and servicing, consumer lending such as home mortgages, auto loans and credit card finance as well as the remittance business. The segment also includes the entire transaction processing and service delivery infrastructure consisting of network of branches and ATMs as well as phone and internet-based banking platforms.
- Corporate banking - this segment caters both high-end corporations and middle market clients. Services offered include deposit taking and servicing, loan facilities, trade and cash management for corporate and institutional customers.
- Investment banking - this segment includes the various business groups operating in the investment markets and dealing in activities other than lending and deposit taking. These services cover corporate finance, securities distribution, asset management, trust and fiduciary services as well as proprietary trading and investment activities.

The performance of the Parent Bank is assessed as a single unit using financial information presented in the separate or Parent only financial statements. Likewise, the CEO assesses the performance of its insurance business as a separate segment from its banking and allied financial undertakings.

The BPI Group mainly derives revenue within the Philippines; accordingly, no geographical segment is presented.

The segment report forms part of management's assessment of the performance of the segment, among other performance indicators.

There were no changes in the reportable segments during the period. Transactions between the business segments are carried out at arm's length. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue-sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis. Inter-segment revenues, however, are deemed insignificant for financial reporting purposes, thus, not reported in segment analysis below.

The BPI Group's management reporting is based on a measure of operating profit comprising net interest income, impairment charge, fees and commission income, other income and operating expenses.

Segment assets and liabilities comprise majority of operating assets and liabilities, measured in a manner consistent with that shown in the statement of condition, but exclude items such as taxation.

The segment assets and liabilities as at June 30, 2023 and December 31, 2022 and results of operations of the reportable segments of the BPI Group for the six-month periods ended June 30, 2023 and 2022 follow:

	June 30, 2023			Total per management reporting
	Consumer banking	Corporate banking	Investment banking	
Net interest income	29,928	13,540	8,681	52,149
(Provision for) reversal of credit and impairment losses	(2,816)	781	19	(2,016)
Net interest income after (provision for) reversal of credit and impairment losses	27,112	14,321	8,700	50,133
Fees, commissions and other income, net	9,367	1,294	4,439	15,100
Total income	36,479	15,615	13,139	65,233
Compensation and fringe benefits	8,149	1,434	825	10,408
Occupancy and equipment-related expenses	2,815	178	264	3,257
Other operating expenses	13,894	1,855	926	16,675
Total operating expenses	24,858	3,467	2,015	30,340
Operating profit	11,621	12,148	11,124	34,893
Income tax expense				6,943
Net income				25,253
Share in net income of associates				238
Total assets	606,673	1,380,528	661,169	2,648,370
Total liabilities	1,587,477	621,709	129,817	2,339,003
	June 30, 2022			Total per management reporting
	Consumer banking	Corporate banking	Investment banking	
Net interest income	21,357	13,696	5,740	40,793
(Provision for) reversal of credit and impairment losses	752	(5,755)	4	(4,999)
Net interest income after (provision for) reversal of credit and impairment losses	22,109	7,941	5,744	35,794
Fees, commissions and other income, net	7,685	1,348	3,614	12,647
Total income	29,794	9,289	9,358	48,441
Compensation and fringe benefits	7,104	1,200	566	8,870
Occupancy and equipment-related expenses	2,669	46	187	2,902
Other operating expenses	10,141	1,421	736	12,298
Total operating expenses	19,914	2,667	1,489	24,070
Operating profit	9,880	6,622	7,869	24,371
Income tax expense				6,230
Net income				20,563
Share in net income of associates				439
December 31, 2022				
Total assets	579,926	1,390,803	658,828	2,629,557
Total liabilities	1,534,471	618,008	142,236	2,294,715

Reconciliation of segment results to consolidated results of operations:

	June 30, 2023		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
Net interest income	52,149	(2,041)	50,108
(Provision for) reversal of credit and impairment losses	(2,016)	16	(2,000)
Net interest income after (provision for) reversal of credit and impairment losses	50,133	(2,025)	48,108
Fees, commissions and other income, net	15,100	379	15,479
Total income	65,233	(1,646)	63,587
Compensation and fringe benefits	10,408	690	11,098
Occupancy and equipment-related expenses	3,257	6,410	9,667
Other operating expenses	16,675	(6,049)	10,626
Total operating expenses	30,340	1,051	31,391
Operating profit	34,893	(2,697)	32,196
Income tax expense	6,943		6,943
Net income	25,253		25,253
Share in net income of associates	238		238
Total assets	2,648,370	36,300	2,684,670
Total liabilities	2,339,003	7,601	2,346,604

	June 30, 2022		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
Net interest income	40,793	(1,453)	39,340
(Provision for) reversal of credit and impairment losses	(4,999)	(1)	(5,000)
Net interest income after (provision for) reversal of credit and impairment losses	35,794	(1,454)	34,340
Fees, commissions and other income, net	12,647	5,655	18,302
Total income	48,441	4,201	52,642
Compensation and fringe benefits	8,870	651	9,521
Occupancy and equipment-related expenses	2,902	5,090	7,992
Other operating expenses	12,298	(3,962)	8,336
Total operating expenses	24,070	1,779	25,849
Operating profit	24,371	2,422	26,793
Income tax expense	6,230		6,230
Net income	20,563		20,563
Share in net income of associates	439		439
December 31, 2022			
Total assets	2,629,557	(25,596)	2,603,961
Total liabilities	2,294,715	(10,558)	2,284,157

“Consolidation adjustments/Other” pertain to balances of support units and inter-segment elimination in accordance with BPI Group’s internal reporting.

Note 3 - Cash and cash equivalents

Cash and cash equivalents consist of:

	June 30, 2023	December 31, 2022
Cash and other cash items	31,982	39,613
Due from BSP	203,721	182,869
Due from other banks	39,354	45,190
Interbank loans receivable and SPAR	19,063	5,156
Cash and cash equivalents attributable to insurance operations	260	292
	294,380	273,120

Due from BSP and interbank loans receivable and SPAR increased mainly due to the growth in BPI Group's deposits. The increase supports the BPI Group's liquidity needs and interest income generation.

As at June 30, 2023, interbank loans receivable and SPAR amounts to P21,114 million (December 31, 2022 - P12,382 million), of which P19,063 million (December 31, 2022 - P5,156 million) are expected to mature within 90 days from the date of acquisition and are classified as cash equivalents in the statement of cash flows.

Note 4 - Financial assets at FVTPL

The account consists of:

	June 30, 2023	December 31, 2022
Debt securities		
Government securities	50,530	10,974
Commercial papers of private companies	4,320	3,820
Listed equity securities	344	192
Derivative financial assets	6,008	7,147
	61,202	22,133

The increase in the account is a result of the BPI Group's strategy of focusing on short-term and immediate-term highly-liquid FVTPL securities such as government securities.

Derivatives held by the BPI Group for non-hedging purposes mainly consist of foreign exchange forwards, foreign exchange swaps, interest rate swaps, cross-currency swaps and foreign exchange options. In 2022, the Parent Bank began trading foreign exchange options as part of the BPI Group's strategy subsequent to the granting of Type 1 Derivative License by the BSP. The decrease is due to lower volume of transactions for the six-month period ended June 30, 2023.

Note 5 - Financial assets at FVOCI

The account consists of:

	June 30, 2023	December 31, 2022
Debt securities		
Government securities	117,941	85,143
Commercial papers of private companies	12,684	6,701
	130,625	91,844
Accrued interest receivable	1,120	603
	131,745	92,447
Equity securities		
Listed	1,788	1,709
Unlisted	1,144	1,111
	2,932	2,820
	134,677	95,267

The movement in the account is mainly attributable to the acquisition of debt securities during the year aligned with the BPI Group's strategy of maintaining liquidity buffers while improving net interest margins.

Note 6 - Investment securities at amortized cost, net

The account consists of:

	Note	June 30, 2023	December 31, 2022
Government securities		315,490	338,323
Commercial papers of private companies		73,553	78,345
		389,043	416,668
Accrued interest receivable		3,695	3,876
		392,738	420,544
Allowance for credit losses	7	(5)	(11)
		392,733	420,533

The decrease in the account is a result of the BPI Group's strategy of reducing exposure to investment securities at amortized cost as the monetary tightening of global central banks is expected to be nearing its end. The BPI Group has favored government securities over commercial papers of private companies in the composition of the account due to the abundant supply and preference for liquidity.

Note 7 - Loans and advances, net

The account consists of:

	June 30, 2023	December 31, 2022
Corporate loans		
Large corporate customers	1,337,117	1,348,210
Small and medium enterprise (SME)	73,200	76,046
Retail loans		
Real estate mortgages	162,755	158,137
Credit cards	116,643	99,680
Auto loans	64,605	58,009
Others	21,335	16,675
	1,775,655	1,756,757
Accrued interest receivable	10,680	11,189
Unearned discount/income	(7,912)	(7,189)
	1,778,423	1,760,757
Allowance for impairment	(57,895)	(57,767)
	1,720,528	1,702,990

At June 30, 2023 and December 31, 2022, the BPI Group has no outstanding loans and advances used as security for bills payable (Note 10).

Loans and advances include amounts due from related parties (Note 13).

The increase in loans and advances is due to the higher demand, increased customer confidence, and increased volume of transactions in corporate, credit cards, auto loans and real estate mortgages.

For the six-month period ended June 30, 2023, there has been a noted increase in the volume of credit card transactions and number of cardholders, which contributed to higher credit card income pertaining to membership fees, interchange fees and service charges, which amounts to P3,108 million (2022 - P2,147 million) and forms part of Other operating income in the statement of total comprehensive income.

The movements in allowance for credit losses are summarized below:

	June 30, 2023	December 31, 2022
Beginning balance	57,767	53,764
Provision for credit losses	1,923	8,215
Transfers	(154)	(176)
Write-off/Disposal	(1,640)	(4,015)
Accretion/Unwinding of discount	(1)	(21)
Ending balance	57,895	57,767

Provision for (reversal of) credit and impairment losses

The BPI Group's provision for (reversal of) credit and impairment losses for the six-month periods ended June 30 are attributable to the following accounts:

	2023	2022
Loans and advances	1,923	4,613
Assets held for sale	(29)	29
Investment securities and amortized cost	(6)	2
Interbank loans receivable and SPAR	2	(6)
Undrawn loan commitments	128	29
Accounts receivable	(19)	316
Other assets	1	17
	2,000	5,000

The expected credit loss allowance related to undrawn loan commitments is recognized as part of "Deferred credits and other liabilities".

Provision for credit and impairment losses recognized during the six-month period ended June 30, 2023 is attributable to lower collective provisions on account of improved macroeconomic environment.

Note 8 - Bank premises, furniture, fixtures and equipment, net

The details and movements in the account are summarized below:

	June 30, 2023			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
Cost				
January 1, 2023	3,015	31,087	16,400	50,502
Additions	-	976	1,471	2,447
Disposals	(11)	(80)	(1,313)	(1,404)
Transfers	-	(16)	(4)	(20)
Other changes	-	-	(1)	(1)
June 30, 2023	3,004	31,967	16,553	51,524
Accumulated depreciation				
January 1, 2023	-	16,622	14,525	31,147
Depreciation and amortization	-	1,467	496	1,963
Disposals	-	(72)	(354)	(426)
Transfers	-	-	(2)	(2)
Other changes	-	(14)	-	(14)
June 30, 2023	-	18,003	14,665	32,668
Net book value, June 30, 2023	3,004	13,964	1,888	18,856

	December 31, 2022			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
Cost				
January 1, 2022	3,048	26,192	16,941	46,181
Additions	5	5,196	951	6,152
Disposals	(38)	(552)	(1,492)	(2,082)
Transfers	-	(6)	(2)	(8)
Other changes	-	257	2	259
December 31, 2022	3,015	31,087	16,400	50,502
Accumulated depreciation				
January 1, 2022	-	13,827	14,829	28,656
Depreciation and amortization	-	3,054	938	3,992
Disposals	-	(391)	(1,243)	(1,634)
Transfers	-	(4)	(1)	(5)
Other changes	-	136	2	138
December 31, 2022	-	16,622	14,525	31,147
Net book value, December 31, 2022	3,015	14,465	1,875	19,355

As at June 30, 2023, the BPI Group has recognized construction-in-progress amounting to P1.04 billion in relation to the redevelopment of its main office. Construction-in-progress is initially recognized at cost and will be depreciated once completed and available for use. The cost of construction-in-progress includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items on the site on which it is located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalized as part of the cost of those assets during the construction period. The construction-in-progress is internally funded by the Parent Bank hence, no borrowing costs were capitalized. The construction-in-progress is recorded as part of Buildings and leasehold improvements in the table above.

On June 15, 2022, the Parent Bank sold two properties located at Pasong Tamo, Makati City with a net book value of P126 million for a purchase price of P5.49 billion resulting in a gain on sale of P4.99 billion, net of gross receipts tax, which forms part of the realized gain recorded within Other operating income. Out of the total gain of P4.99 billion, P4.31 billion pertains to the portion of the property classified as investment property under Other assets.

Other changes pertain to additions and remeasurement of right-of-use assets due to renewal of lease agreements, extension of lease terms and deferral of escalation clause on existing lease contracts.

Note 9 - Deposit liabilities

The account consists of:

	June 30, 2023	December 31, 2022
Demand	374,028	376,337
Savings	1,131,717	1,182,071
Time	638,319	537,593
	2,144,064	2,096,001

The increase in deposit liabilities is attributable to higher interest rates offered by the Parent Bank.

Note 10 - Bills payable and other borrowed funds

The account consists of:

	June 30, 2023	December 31, 2022
Bills payable		
Local banks	-	3,471
Foreign banks	9,762	17,056
Other borrowed funds	96,751	76,976
	106,513	97,503

The increase in this account is primarily due to the issuance of the Reinforcing Inclusive Support for Micro, Small and Medium Enterprises (“BPI RISE”) Bonds on January 30, 2023 offset by maturities of bills payable. The details of such bonds are discussed as part of item (a) below.

Other borrowed funds represent funds raised via the BPI Group’s debt issuance programs as follows:

a) Peso Bond and Commercial Paper Program

In 2018, the Parent Bank established a Peso Bond and Commercial Paper Program in the aggregate amount of up to P50,000 million. On November 20, 2019, BPI’s BOD approved the issuance of Peso-denominated bonds and commercial papers up to P100 billion under an updated Bank Bond Issuance Program with outstanding drawdown as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount	
					June 30, 2023	December 31, 2022
Fixed rate bonds, unconditional, unsecured and unsubordinated bonds	January 31, 2022	2.81%	January 31, 2024	27,000	26,936	26,874

Bonds with a total face value of P36,828 which were issued in two tranches under this Program matured in 2022.

Likewise, on October 31, 2019, the BOD of BFB approved the establishment of a Peso Bond Program in the aggregate amount of P35,000 million. In line with the said program, on December 16, 2019, BFB issued P9,600 million with a coupon of 4.30% per annum, payable quarterly. Effective January 1, 2022, the bond was assumed by BPI following the merger and matured on June 16, 2022 with a carrying amount of P9,854 million as at December 31, 2021.

On May 18, 2022, the BOD of the Parent Bank approved a new P100,000 million Bond Program. On January 30, 2023, the Parent Bank issued the first tranche amounting to P20,300 million of BPI Rise Bonds. The bonds, which will mature in July 2024, pay interest quarterly at 5.75%. As at June 30, 2023, the carrying amount of these bonds amounts to P20,173 million.

b) Medium-Term Note (MTN) Program

On June 21, 2018, the BOD of the Parent Bank approved the establishment of the MTN Program in the aggregate amount of up to US\$2,000 million with drawdowns as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount	
					June 30, 2023	December 31, 2022
US\$ 600 million, 5-year senior unsecured Bonds	September 4, 2018	4.25%	September 4, 2023	32,000	33,111	33,417
US\$ 300 million, 5-year senior unsecured Green Bonds	September 10, 2019	2.50%	September 10, 2024	15,572	16,531	16,685

On July 31, 2023, the Parent Bank signed a facility agreement for an unsecured syndicated term loan amounting to US\$300 million. The three-year loan which was drawn down on August 24, 2023 bears a floating interest payable on a quarterly basis commencing in November 2023. The Parent Bank incurred origination costs amounting to US\$2.35 million.

On August 25, 2023, the Parent Bank issued a green bond amounting to US\$250 million with the International Finance Corporation as the sole subscriber. The bond carries floating interest payable on a semiannual basis. The bond is unconditional, unsecured and unsubordinated and is expected to mature on August 25, 2026. Bond issuance costs amounted to US\$0.38 million.

The floating interest rates on the syndicated loan and green bond are based on term Secured Overnight Financing Rates.

Note 11 - Capital funds

(a) Share capital, share premium and treasury shares

Details of authorized share capital of the Parent Bank follow:

	June 30, 2023	December 31, 2022
Authorized capital (at P10 par value per share)		
Common shares	50,000	50,000
Preferred A shares	600	600
	50,600	50,600

On September 30, 2022, the BOD of the Bank approved the increase in authorized share capital in the amount of P4,000 million divided into 400 million common shares with a par value of P10 per share. As at reporting date, the Bank is still in the process of securing approvals from the regulators.

Details of the Parent Bank's subscribed common shares are as follows:

	June 30, 2023	December 31, 2022
	(In absolute number of shares)	
Common shares		
At January 1	4,919,307,531	4,513,128,255
Subscription of shares during the period	25,889,760	406,179,276
	4,945,197,291	4,919,307,531
	(In absolute amount)	
Subscription receivable	149,349,833	-

There are no preferred shares issued and outstanding as at June 30, 2023 and December 31, 2022.

(b) Reserves

The account consists of:

	June 30, 2023	December 31, 2022
Reserve for trust business	400	387
Executive stock option plan amortization	114	132
Reserve for trading participants	73	73
Reserve for self-insurance	34	34
Others	18	18
	639	644

The appropriation for general loan loss provision (GLLP) is recognized to comply with BSP Circular 1011 (the “Circular”). Under the Circular, banks are required to set up GLLP equal to 1% of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. Further, the Circular states that if the PFRS 9 loan loss provision is lower than the required GLLP, the deficiency shall be recognized as an appropriation of retained earnings or surplus. As at June 30, 2023 and December 31, 2022, the GLLP appropriation is nil as the loan loss provision for both periods are higher than the required GLLP.

In compliance with existing BSP regulations, 10% of BPI Asset Management and Trust Corporation’s (AMTC), a wholly-owned subsidiary of the Parent Bank, income from trust business should be appropriated to surplus reserve. This appropriation is required until the surplus reserve for trust business reaches 20% of BPI AMTC’s regulatory net worth.

Reserve for trading participants represents the required annual minimum appropriation of net income of the BPI Group’s broker/dealer activities through BPI Securities Corporation, a wholly-owned subsidiary of the Parent Bank, to a reserve fund in compliance with SEC Memorandum Circular No. 16-2004.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of personnel and third parties.

Share-based compensation plan

In 2023, the BOD of the Parent Bank approved the 2023 Executive Stock Purchase Plan to qualified beneficiaries/participants. Subsequent to the April 26, 2023 grant date, total shares of 7,767,610 were subscribed.

(c) Dividend declarations

Details of cash dividends declared by the Parent Bank follow:

Date declared	Amount of dividends	
	Per Share	Total
		(In millions of Pesos)
May 18, 2022	1.06	4,784
November 16, 2022	1.06	4,784
May 17, 2023	1.68	7,626

On March 15, 2023, the BOD approved the declaration of property dividends amounting to P42,264 million consisting of 406.18 million common shares for P0.09 per BPI share held in treasury. These treasury shares were declared as dividends as a result of the merger between the Parent Bank and BPI Family Savings Bank, Inc., which took effect last January 1, 2022. The distribution of treasury shares as property dividends on June 21, 2023 is based on the relevant SEC rules and guidelines. These are considered as non-cash financing activities.

Note 12 - Commitments and contingencies

At present, there are lawsuits, claims and tax assessments pending against the BPI Group. In the opinion of management, after reviewing all actions and proceedings and court decisions with legal counsels, the aggregate liability or loss, if any, arising therefrom will not have a material effect on the BPI Group’s financial position or financial performance.

BPI and some of its subsidiaries are defendants in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the financial statements.

In the normal course of business, the BPI Group makes various commitments that are not presented in the financial statements. The BPI Group does not anticipate any material losses from these commitments.

Note 13 - Related party transactions

In the normal course of the business, the Parent Bank transacts with related parties consisting of its subsidiaries and associates. Likewise, the BPI Group has transactions with Ayala Corporation (AC) and its subsidiaries (Ayala Group). AC has a significant influence over the BPI Group as at reporting date.

These transactions include loans and advances, deposit arrangements, trading of government securities and commercial papers, sale of assets, lease of bank premises, investment advisory/management, service arrangements and advances for operating expenses. Transactions with related parties are made in the normal banking activities and have terms and conditions comparable to those offered to non-related parties or to similar transactions in the market.

Details of directors, officers, stockholders, and their related interests (DOSRI) loans follow:

	June 30, 2023	December 31, 2022
Outstanding DOSRI loans	14,457	19,571
	In percentage (%)	
% to total outstanding loans and advances	0.82	1.12
% to total outstanding DOSRI loans		
Unsecured DOSRI loans	3.11	2.40
Past due DOSRI loans	0.05	0.02
Non-performing DOSRI loans	0.02	0.03

The BPI Group is in full compliance with the General Banking Act and the BSP regulations on DOSRI loans as at June 30, 2023 and December 31, 2022.

Note 14 - Critical accounting estimates and judgments

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and income and expenses. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial statements, the significant accounting estimates and judgments made by management in applying the BPI Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2022.

Note 15 - Fair value measurements of financial instruments

This note provides an update on the judgments and estimates made by the BPI Group in determining the fair values on the financial instruments since the last annual financial report.

a. Fair value hierarchy

The BPI Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Philippine Stock Exchange, Inc., Philippine Dealing and Exchange Corp., etc.).
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter (OTC) derivative contracts. The primary source of input parameters like yield curve or counterparty credit risk is Bloomberg.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The BPI Group considers relevant and observable market prices in its valuations where possible. The BPI Group has no liabilities classified under Level 3 as at and for the periods ended June 30, 2023 and December 31, 2022. A subsidiary of the Parent Bank has investments in non-marketable equity securities classified under Level 3 as at June 30, 2023 and December 31, 2022.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The following tables present the carrying value and fair value hierarchy of the BPI Group's assets and liabilities measured at fair value at June 30, 2023 and December 31, 2022:

June 30, 2023	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Recurring measurements					
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	6,008	-	6,008	-	6,008
Trading assets					
- Debt securities	54,850	54,850	-	-	54,850
- Equity securities	344	176	168	-	344
Financial assets at FVOCI					
- Debt securities	131,745	131,745	-	-	131,745
- Equity securities	2,932	1,788	346	798	2,932
	195,879	188,559	6,522	798	195,879
Financial liabilities					
Derivative financial liabilities	4,645	-	4,645	-	4,645
Non-recurring measurements					
Assets held for sale, net	4,179	-	13,272	-	13,272

December 31, 2022	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Recurring measurements					
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	7,147	-	7,147	-	7,147
Trading assets					
- Debt securities	14,794	14,794	-	-	14,794
- Equity securities	192	191	1	-	192
Financial assets at FVOCI					
- Debt securities	92,447	92,317	130	-	92,447
- Equity securities	2,820	1,709	346	765	2,820
	117,400	109,011	7,624	765	117,400
Financial liabilities					
Derivative financial liabilities	4,297	-	4,297	-	4,297
Non-recurring measurements					
Assets held for sale, net	3,760	-	12,607	-	12,607

There were no transfers between Level 1 and Level 2 during the periods ended June 30, 2023 and December 31, 2022.

b. Valuation techniques used to derive Level 2 fair values

The fair values of financial instruments that are not quoted in active markets are determined by using generally accepted valuation techniques. Where valuation techniques (for example, discounted cash flow models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. Inputs used in these models are from observable data and quoted market prices in respect of similar financial instruments.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets including recent market transactions, and valuation techniques (for example for structured notes), including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, yield curve, forex rates, volatilities and counterparty spreads) existing at reporting dates. The BPI Group uses widely recognized valuation models for determining fair values of non-standardized financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable.

For more complex instruments, the BPI Group uses internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Valuation models are used primarily to value derivatives transacted in the OTC market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

c. Fair values of other financial instruments carried at cost

The BPI Group also holds financial instruments that are not measured at fair value in the statement of condition as follows:

	June 30, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Investment securities at amortized cost	392,733	368,264	420,533	391,540
Loans and advances, net	1,720,528	1,781,507	1,702,990	2,060,167
Financial liabilities				
Deposit liabilities	2,144,064	2,127,870	2,096,001	2,073,323

Note 16 - Basis of preparation

These unaudited condensed consolidated interim financial statements as at and for the six-month period ended June 30, 2023 have been prepared in accordance with PAS 34, 'Interim Financial Reporting'. These unaudited condensed consolidated interim financial statements do not include all the notes normally included in an annual financial report. Accordingly, these unaudited condensed consolidated interim financial statements are to be read in conjunction with the annual audited consolidated financial statements of the BPI Group as at and for the year ended December 31, 2022, which have been prepared in accordance with PFRSs.

New standard and amendments to existing standards

The following new accounting standards and amendments to existing standards are not mandatory for December 31, 2022 reporting period and have not been early adopted by the BPI Group in its annual audited consolidated financial statements as at and for the year then ended:

- Amendments to PAS 1, 'Presentation of Financial Statements' (effective for annual periods beginning on or after January 1, 2025)
- Amendment to PAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after January 1, 2025)
- Amendments to PAS 12, 'Income Taxes' (effective for annual periods beginning on or after January 1, 2025)
- PFRS 17, 'Insurance Contracts' (effective for annual periods beginning on or after January 1, 2025)

The BPI Group continually assesses the impact of the adoption of the above amendments, which are not expected to materially affect the consolidated financial statements.

Additional accounting policy relevant to the BPI Group for the period ended June 30, 2023

Treasury shares

Except for dividends to be settled through BPI's own shares which are recognized in equity, dividends on common shares are recognized as a liability in the BPI Group's financial statements in the period in which the dividends are approved by the BOD.

Cash dividends are measured based on the amount declared by the BPI Group. Treasury shares declared as dividends are measured at its fair value at the time of declaration. Any costs attributable to the distribution of treasury shares are deducted from fair value and recognized within equity.