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Bank of the Philippine Islands and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements
As at and for the nine-month period ended September 30, 2022
(With comparative figures as at December 31, 2021 and for the nine-month period ended September 30, 2021)

Isla Lipana & Co.

Isla Lipana & Co.

Report on Review of Interim Financial Statements

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala North Exchange
Ayala Avenue corner Salcedo Street, Legaspi Village,
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 September 30, 2022, 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 nine-month periods ended September 30, 2022 and 2021, and notes, comprising 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.

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.

Isla Lipana & Co.

John John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706; issued on January 6, 2022 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 January 21, 2023

Makati City
December 14, 2022

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CONDITION
SEPTEMBER 30, 2022
(With Comparative Audited Consolidated December 31, 2021 Figures)
(In Millions of Pesos)

	Notes	**September 30, 2022**	December 31, 2021
A S S E T S			
CASH AND OTHER CASH ITEMS	3	**29,399**	35,143
DUE FROM BANGKO SENTRAL NG PILIPINAS (BSP)	3	**187,115**	268,827
DUE FROM OTHER BANKS	3	**50,541**	34,572
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL, net	3	**3,347**	30,852
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	4	**50,457**	21,334
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	5	**81,715**	134,741
INVESTMENT SECURITIES AT AMORTIZED COST, net	6	**446,750**	338,672
LOANS AND ADVANCES, net	7	**1,600,386**	1,476,527
ASSETS HELD FOR SALE, net		**3,807**	3,282
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	8	**15,790**	17,525
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, net		**6,618**	7,165
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS		**17,194**	17,563
DEFERRED INCOME TAX ASSETS, net		**16,209**	15,819
OTHER ASSETS, net		**18,895**	19,893
Total assets		**2,528,223**	2,421,915

(forward)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CONDITION
SEPTEMBER 30, 2022
(With Comparative Audited Consolidated December 31, 2021 Figures)
(In Millions of Pesos)

	Notes	**September 30, 2022**	December 31, 2021
LIABILITIES AND CAPITAL FUNDS			
DEPOSIT LIABILITIES	9	**2,033,934**	1,955,147
DERIVATIVE FINANCIAL LIABILITIES		**9,649**	3,632
BILLS PAYABLE AND OTHER BORROWED FUNDS	10	**84,155**	95,039
DUE TO BSP AND OTHER BANKS		**4,375**	953
MANAGER’S CHECKS AND DEMAND DRAFTS OUTSTANDING		**7,517**	6,931
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		**9,174**	8,413
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS		**13,225**	13,242
DEFERRED CREDITS AND OTHER LIABILITIES		**50,805**	43,402
Total liabilities		**2,212,834**	2,126,759
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI	11		
Share capital		**49,193**	45,131
Share premium		**104,074**	74,934
Treasury shares		**(33,043)**	-
Reserves		**663**	564
Accumulated other comprehensive loss		**(14,303)**	(8,670)
Surplus		**206,789**	181,101
		313,373	293,060
NON-CONTROLLING INTERESTS		**2,016**	2,096
Total capital funds		**315,389**	295,156
Total liabilities and capital funds		**2,528,223**	2,421,915

(The notes on pages 1 to 22 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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(In Millions of Pesos, Except Per Share Amounts)

	Notes	**2022**	2021
INTEREST INCOME			
On loans and advances		**60,069**	53,836
On investment securities		**12,203**	7,505
On deposits with BSP and other banks		**932**	1,262
		73,204	62,603
INTEREST EXPENSE			
On deposits		**8,980**	7,494
On bills payable and other borrowings		**2,578**	3,941
		11,558	11,435
NET INTEREST INCOME		**61,646**	51,168
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	7	**7,500**	10,251
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		**54,146**	40,917
OTHER INCOME			
Fees and commissions		**8,477**	8,448
Income from foreign exchange trading		**1,967**	1,565
Income attributable to insurance operations		**878**	1,299
Trading gain on securities		**633**	257
Net gains on disposals of investment securities at amortized cost		**213**	1,499
Other operating income	8	**13,644**	7,386
		25,812	20,454
OTHER EXPENSES			
Compensation and fringe benefits		**14,354**	13,785
Occupancy and equipment-related expenses		**12,609**	11,522
Other operating expenses		**13,128**	11,183
		40,091	36,490
INCOME BEFORE INCOME TAX		**39,867**	24,881
INCOME TAX EXPENSE			
Current		**9,562**	5,881
Deferred		**(397)**	1,357
		9,165	7,238
NET INCOME FOR THE PERIOD		**30,702**	17,643
Income attributable to			
Equity holders of BPI		**30,547**	17,475
Non-controlling interests		**155**	168
		30,702	17,643
Basic and diluted earnings per share attributable to the equity holders of BPI		**6.77**	3.87

(The notes on pages 1 to 22 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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(In Millions of Pesos)

	2022	2021
NET INCOME FOR THE PERIOD	**30,702**	17,643
OTHER COMPREHENSIVE 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	**(4,723)**	(1,388)
Share in other comprehensive loss of associates	**(1,094)**	(650)
Fair value reserve on investments of insurance subsidiaries, net of tax effect	**(206)**	(122)
Currency translation differences and others	**(170)**	593
Items that will not be reclassified to profit or loss		
Share in other comprehensive gain of associates	**455**	285
Remeasurements of defined benefit obligation, net of tax effect	**47**	(423)
Total other comprehensive loss, net of tax effect	**(5,691)**	(1,705)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**25,011**	15,938
Total comprehensive income attributable to:		
Equity holders of BPI	**24,914**	15,808
Non-controlling interests	**97**	130
	25,011	15,938

(The notes on pages 1 to 22 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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(In Millions of Pesos)

	Attributable to equity holders of BPI (Note 11)								
	Share capital	Share premium	Treasury Shares	Reserves	Accumulated other comprehensive loss	Surplus	Total	Non-controlling interests	Total equity
Balance, January 1, 2021	45,045	74,764	-	416	(5,899)	165,509	279,835	2,122	281,957
Comprehensive income									
Net income for the period	-	-	-	-	-	17,475	17,475	168	17,643
Other comprehensive loss for the period	-	-	-	-	(1,667)	-	(1,667)	(38)	(1,705)
Total comprehensive income for the period	-	-	-	-	(1,667)	17,475	15,808	130	15,938
Transaction with owners									
Executive stock plan amortization	86	106	-	34	-	-	226	-	226
Cash dividends	-	-	-	-	-	(4,062)	(4,062)	(184)	(4,246)
Total transactions with owners	86	106	-	34	-	(4,062)	(3,836)	(184)	(4,020)
Other movements	-	-	-	84	-	(84)	-	-	-
Balance, September 30, 2021	45,131	74,870	-	534	(7,566)	178,838	291,807	2,068	293,875
Balance, December 31, 2021	45,131	74,934	-	564	(8,670)	181,101	293,060	2,096	295,156
Comprehensive income									
Net income for the period	-	-	-	-	-	30,547	30,547	155	30,702
Other comprehensive loss for the period	-	-	-	-	(5,633)	-	(5,633)	(58)	(5,691)
Total comprehensive income for the period	-	-	-	-	(5,633)	30,547	24,914	97	25,011
Transactions with owners									
Issuance of shares as a consideration of the merger	4,062	28,981	(33,043)	-	-	-		-	-
Executive stock plan amortization	-	159	-	10	-	-	169	-	169
Cash dividends	-	-	-	-	-	(4,784)	(4,784)	(177)	(4,961)
Total transactions with owners	4,062	29,140	(33,043)	10	-	(4,784)	(4,615)	(177)	(4,792)
Other movements									
Transfer from surplus to reserves	-	-	-	91	-	(91)	-	-	-
Transfer from reserve to surplus	-	-	-	(2)	-	2	-	-	-
Other movements	-	-	-	-	-	14	14	-	14
Total other movements	-	-	-	89	-	(75)	14	-	14
Balance, September 30, 2022	49,193	104,074	(33,043)	663	(14,303)	206,789	313,373	2,016	315,389

(The notes on pages 1 to 22 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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(In Millions of Pesos)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**39,867**	24,881
Adjustments for:			
Provision for credit and impairment losses	7	**7,500**	10,251
Depreciation and amortization		**3,634**	4,522
Share in net income of associates		**(760)**	(745)
Dividend income		**(36)**	(4)
Share based compensation		**10**	34
Profit from assets sold	8	**(5,390)**	-
Realized gain - investment securities		**(263)**	-
Interest income		**(73,204)**	(62,603)
Interest received		**71,050**	64,752
Interest expense		**11,750**	11,666
Interest paid		**(11,695)**	(12,212)
(Increase) decrease in:			
Interbank loans and receivable and securities purchased under agreement to resell		**1,982**	1,396
Financial assets at fair value through profit or loss		**(29,105)**	(13,799)
Loans and advances		**(129,692)**	9,053
Assets held for sale		**(547)**	(280)
Assets attributable to insurance operations		**(107)**	1,130
Other assets		**(703)**	(6,897)
Increase (decrease) in:			
Deposit liabilities		**78,787**	80,789
Due to BSP and other banks		**3,301**	(186)
Manager's checks and demand drafts outstanding		**586**	(31)
Accrued taxes, interest and other expenses		**488**	2,192
Liabilities attributable to insurance operations		**(178)**	(1,420)
Derivative financial instruments		**6,017**	(1,273)
Deferred credits and other liabilities		**8,210**	(3,038)
Net cash (used in) from operations		**(18,498)**	108,178
Income taxes paid		**(9,338)**	(8,423)
Net cash (used in) from operating activities		**(27,836)**	99,755
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of bank premises, furniture, fixtures and equipment		**(1,092)**	(3,316)
Disposal of bank premises, furniture, fixtures and equipment		**1,095**	752
Placements in investment securities		**(104,179)**	(126,993)
Proceeds from:			
Maturities/sales of investment securities		**45,525**	142,494
Net gains on sale of investment properties		**4,729**	3
Decrease (increase) in:			
Investment in subsidiaries and associates, net		**694**	1,522
Assets attributable to insurance operations		**213**	(257)
Dividends received		**36**	4
Net cash (used in) from investing activities		**(52,979)**	14,209

(forward)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(In Millions of Pesos)

	Notes	**2022**	2021
(forwarded)			
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends	11	**(4,784)**	(4,062)
Issuance of shares via exercise of stock options		**159**	192
Decrease in bills payable and other borrowed funds		**(10,884)**	(58,207)
Payments for principal portion of lease liabilities		**(1,184)**	(1,228)
Net cash used in financing activities		**(16,693)**	(63,305)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(97,508)**	50,659
CASH AND CASH EQUIVALENTS	3		
Beginning of period		**365,953**	330,586
End of period		**268,445**	381,245

(The notes on pages 1 to 22 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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022
(With comparative figures as at December 31, 2021 and for the nine-month period ended September 30, 2021)
(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 has its registered office address, which is also its principal place of business, at Ayala North Exchange, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City. The Parent Bank was registered with the Securities and Exchange Commission (SEC) on January 4, 1943. This license was extended for another 50 years on January 4, 1993.

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, asset management, corporate finance, securities distribution, and insurance services. At September 30, 2022, the BPI Group has 18,240 employees (September 30, 2021 - 19,376 employees) and operates 1,122 branches and 2,077 automated teller machines (ATMs) and cash accept machines (CAMs) (September 30, 2021 - 1,176 branches and 2,503 ATMs and CAMs) to support its delivery of services. The BPI Group also serves its customers through alternative electronic banking channels such as telephone, mobile phone and the internet.

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 September 30, 2022, the Parent Bank has 11,912 common shareholders (September 30, 2021 - 12,158).

Effective January 1, 2022, the merger between BPI and BPI Family Savings Bank, Inc. ("BFB"), a wholly-owned subsidiary, was consummated, with the Parent Bank as the surviving entity (Note 14).

On September 30, 2022, the Board of Directors (BOD) of BPI approved the execution of an agreement between the Parent Bank and Robinsons Bank Corporation (RBC), 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, subject to shareholders and regulatory approvals.

Coronavirus pandemic

As health protocols and mobility restrictions have relaxed to usher in the reopening of the Philippine economy, the BPI Group's business model has also continued to evolve in the new normal. Certain business continuity plans enacted during the pandemic have now formed part of the Parent Bank's current operating environment. These include, but are not limited to, changes in the workforce arrangements and set-up of corporate offices, allowing for hybrid schedules, split operations, and alternative work sites, all duly supported by the use of mobility tools and virtual communications. The BPI Group's accelerated shift to digitalization has also ensured continuous client service through its various distribution platforms while maintaining back-office efficiency. The Parent Bank's robust risk management continues to guard against increasing cybersecurity risks heightened by remote and virtual work arrangements.

To mitigate risks arising from the pandemic to the BPI Group's core businesses, the Parent Bank has taken a pro-active stance by constantly monitoring vulnerable industries and sectors that have been affected by COVID-19, identifying new opportunities in other industries and sectors, and having regular conversations with its clients. Asset quality is constantly monitored and the Parent Bank continues to uphold its stringent credit process while also enhancing aspects of its underwriting, monitoring, and collections, in consideration of the changes in regulatory, economic, and customer behaviors post-crisis. The Parent Bank's asset quality has remained resilient and more favorable than industry averages. Since June 2021, asset quality has been showing improvement across all metrics. The Parent Bank's robust capital and liquidity levels also serve as sufficient buffers for any adverse scenario during the ongoing pandemic.

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 December 14, 2022.

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 for individual customers.

- Corporate banking - this segment caters to both high-end corporations and middle market clients. Services offered include deposit taking and servicing, loan facilities, trade, cash management and internet-based banking platforms 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 and the Parent Bank mainly derive 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 September 30, 2022 and December 31, 2021 and the results of operations of the reportable segments of the BPI Group for the nine-month periods ended September 30, 2022 and 2021 follow:

	September 30, 2022			
	Consumer banking	**Corporate banking**	**Investment banking**	**Total per management reporting**
Net interest income	34,746	20,942	8,396	**64,084**
Provisions for credit and impairment losses	51	7,457	(5)	**7,503**
Net interest income after provisions for credit and impairment losses	34,695	13,485	8,401	**56,581**
Fees, commissions and other income, net	12,091	2,193	5,565	**19,849**
Total income	46,786	15,678	13,966	**76,430**
Compensation and fringe benefits	10,892	1,792	835	**13,519**
Occupancy and equipment-related expenses	4,061	76	291	**4,428**
Other operating expenses	16,751	2,167	1,118	**20,036**
Total operating expenses	31,704	4,035	2,244	**37,983**
Operating profit	15,082	11,643	11,722	**38,447**
Income tax expense				**9,165**
Net income				**30,702**
Share in net income of associates				**760**
Total assets				
September 30, 2022	540,637	1,298,216	707,980	**2,546,833**
Total liabilities				
September 30, 2022	1,471,850	623,433	120,750	**2,216,033**

	September 30, 2021			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	27,223	20,797	5,884	53,904
Provisions for credit and impairment losses	897	9,400	(45)	10,252
Net interest income after provisions for credit and impairment losses	26,326	11,397	5,929	43,652
Fees, commissions and other income, net	11,383	1,978	5,976	19,337
Total income	37,709	13,375	11,905	62,989
Compensation and fringe benefits	10,462	1,686	764	12,912
Occupancy and equipment-related expenses	4,567	71	269	4,907
Other operating expenses	14,063	2,187	1,115	17,365
Total operating expenses	29,092	3,944	2,148	35,184
Operating profit	8,617	9,431	9,757	27,805
Income tax expense				7,238
Net income				17,643
Share in net income of associates				763
Total assets December 31, 2021	495,878	1,205,841	679,536	2,381,255
Total liabilities December 31, 2021	1,334,077	667,821	101,686	2,103,584

Reconciliation of segment results to consolidated results of operations:

	September 30, 2022		
	Total per management reporting	**Consolidation adjustments/ Others**	**Total per consolidated financial statements**
Net interest income	**64,084**	(2,438)	**61,646**
Provisions for credit and impairment losses	**7,503**	(3)	**7,500**
Net interest income after provisions for credit and impairment losses	**56,581**	(2,435)	**54,146**
Fees, commissions and other income, net	**19,849**	5,963	**25,812**
Total income	**76,430**	3,528	**79,958**
Compensation and fringe benefits	**13,519**	835	**14,354**
Occupancy and equipment-related expenses	**4,428**	8,181	**12,609**
Other operating expenses	**20,036**	(6,908)	**13,128**
Total operating expenses	**37,983**	2,108	**40,091**
Operating profit	**38,447**	1,420	**39,867**
Income tax expense	**9,165**		**9,165**
Net income	**30,702**		**30,702**
Share in net income of associates (included in Other income)	**760**		**760**
Total assets September 30, 2022	**2,546,833**	(18,610)	**2,528,223**
Total liabilities September 30, 2022	**2,216,033**	(3,199)	**2,212,834**

	September 30, 2021		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	53,904	(2,736)	51,168
Provisions for credit and impairment losses	10,252	(1)	10,251
Net interest income after provisions for credit and impairment losses	43,652	(2,735)	40,917
Fees, commissions and other income, net	19,337	1,117	20,454
Total income	62,989	(1,618)	61,371
Compensation and fringe benefits	12,912	873	13,785
Occupancy and equipment-related expenses	4,907	6,615	11,522
Other operating expenses	17,365	(6,182)	11,183
Total operating expenses	35,184	1,306	36,490
Operating profit	27,805	(2,924)	24,881
Income tax expense	7,238		7,238
Net income	17,643		17,643
Share in net income of associates (included in Other income)	763		763
Total assets December 31, 2021	2,381,255	40,660	2,421,915
Total liabilities December 31, 2021	2,103,584	23,175	2,126,759

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

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents consist of:

	September 30, 2022	December 31, 2021
Cash and other cash items	**29,399**	35,143
Due from BSP	**187,115**	268,827
Due from other banks	**50,541**	34,572
Interbank loans receivable and securities purchased under agreements to resell (SPAR)	**1,036**	26,999
Cash and cash equivalents attributable to insurance operations	**354**	412
	268,445	365,953

Due from BSP and interbank loans receivables and SPAR decreased by P81,712 million and P25,963 million, respectively, on account of lower volume of placements in BSP deposits and to deploy excess funds to support loan growth.

As at September 30, 2022, interbank loans receivable and SPAR amounts to P3,347 million (December 31, 2021 - P30,852 million), of which P1,036 million (December 31, 2021 - P26,999 million) are expected to mature within 90 days from the date of acquisition and are classified as cash equivalents for purposes of cash flow presentation.

For cash flow statement purposes, cash and cash equivalents consist of:

	September 30, 2022	September 30, 2021
Cash and other cash items	**29,399**	28,549
Due from BSP	**187,115**	257,305
Due from other banks	**50,541**	55,381
Interbank loans receivable and SPAR	**1,036**	39,536
Cash and cash equivalents attributable to insurance operations	**354**	474
	268,445	381,245

Note 4 - Financial Assets at Fair Value through Profit or Loss (FVTPL)

The account consists of:

	September 30, 2022	December 31, 2021
Debt securities		
Government securities	**35,817**	14,343
Commercial papers of private companies	**3,896**	3,250
Equity securities - listed	**133**	188
Derivative financial assets	**10,611**	3,553
	50,457	21,334

The increase in the account is a result of the BPI Group's strategy of focusing on short-term and intermediate-term investments by reinvesting funds into highly-liquid 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. During the period, 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 increase is due to higher volume of transactions for the nine-month period ended September 30, 2022.

Note 5 - Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

The account consists of:

	September 30, 2022	December 31, 2021
Debt securities		
Government securities	**73,027**	122,966
Commercial papers of private companies	**5,286**	7,869
	78,313	130,835
Accrued interest receivable	**457**	555
	78,770	131,390
Equity securities		
Listed	**1,612**	1,982
Unlisted	**1,333**	1,369
	2,945	3,351
	81,715	134,741

The movement in the account is largely driven by the deliberate strategy of reducing the FVOCI securities exposures as a pre-emptive move to protect valuations from the negative effect of rising market yields and to strengthen the Parent Bank's liquidity profile in anticipation of tighter monetary conditions.

Note 6 - Investment Securities at Amortized Cost, net

The account consists of:

	Note	**September 30, 2022**	December 31, 2021
Government securities		**360,029**	293,751
Commercial papers of private companies		**82,876**	42,039
		442,905	335,790
Accrued interest receivable		**3,854**	2,888
		446,759	338,678
Allowance for credit losses	7	**(9)**	(6)
		446,750	338,672

The increase in the account is a result of the BPI Group's strategy of reinvesting excess funds into higher yielding securities as market yields adjust to monetary policy tightening.

Note 7 - Loans and Advances, net

The account consists of:

	September 30, 2022	December 31, 2021
Corporate loans		
Large corporate customers	**1,275,813**	1,169,551
Small and medium enterprises (SMEs)	**62,167**	66,594
Retail loans		
Credit cards	**90,961**	76,048
Real estate mortgages	**157,145**	153,303
Auto loans	**55,968**	51,182
Others	**14,688**	11,952
	1,656,742	1,528,630
Accrued interest receivable	**9,108**	7,819
Unearned discount/income	**(6,812)**	(6,158)
	1,659,038	1,530,291
Allowance for credit losses	**(58,652)**	(53,764)
	1,600,386	1,476,527

At September 30, 2022 and December 31, 2021, 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.

The movements in allowance for credit losses are summarized below:

	September 30, 2022	December 31, 2021
Beginning balance	**53,764**	46,758
Provision for credit losses	**6,987**	12,765
Transfers	**84**	(333)
Write-off/Disposal	**(2,165)**	(5,415)
Accretion/Unwinding of discount	**(18)**	(11)
Ending balance	**58,652**	53,764

Provision for (reversal of) credit and impairment losses

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

	2022	2021
Loans and advances	**6,987**	9,743
Assets held for sale	**22**	97
Investment securities at amortized cost	**3**	-
Interbank loans receivable and SPAR	**(6)**	(3)
Undrawn loan commitments	**136**	(88)
Accounts receivable	**341**	(6)
Other assets	**17**	508
	7,500	10,251

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

The movement in provision for credit and impairment losses recognized during the nine-month period ended September 30, 2022 is attributable to lower collective provisions on account of improved macroeconomic environment.

Note 8 - Bank Premises, Furniture, Fixtures and Equipment, net

Movements of the account are summarized as follows:

	September 30, 2022			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
Cost				
January 1, 2022	3,048	26,192	16,941	**46,181**
Additions	5	735	565	**1,305**
Disposals	(38)	(436)	(1,083)	**(1,557)**
Other changes	-	256	1	**257**
September 30, 2022	3,015	26,747	16,424	**46,186**
Accumulated depreciation				
January 1, 2022	-	13,827	14,829	**28,656**
Depreciation and amortization	-	2,110	704	**2,814**
Disposals	-	(296)	(917)	**(1,213)**
Other changes	-	137	2	**139**
September 30, 2022	-	15,778	14,618	**30,396**
Net book value, September 30, 2022	**3,015**	**10,969**	**1,806**	**15,790**

	December 31, 2021			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
Cost				
January 1, 2021	3,013	24,305	17,038	44,356
Additions	47	2,306	1,504	3,857
Disposals	(13)	(286)	(1,601)	(1,900)
Transfers	1	(24)	(2)	(25)
Effect of deconsolidation	-	-	-	-
Other changes	-	(109)	2	(107)
December 31, 2021	3,048	26,192	16,941	46,181
Accumulated depreciation				
January 1, 2020				
Depreciation and amortization	-	11,084	14,440	25,524
Disposals	-	2,946	1,313	4,259
Transfers	-	(187)	(924)	(1,111)
Effect of deconsolidation	-	-	(2)	(2)
Other changes	-	(16)	2	(14)
December 31, 2021	-	13,827	14,829	28,656
Net book value, December 31, 2021	3,048	12,365	2,112	17,525

As at September 30, 2022, the BPI Group has recognized construction-in-progress amounting to P851 million 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 P5.36 billion and recorded as part of Other operating income.

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

Deposit liabilities consist of:

	September 30, 2022	December 31, 2021
Demand	**376,173**	369,079
Savings	**1,171,541**	1,137,124
Time	**486,220**	448,944
	2,033,934	1,955,147

The increase in deposit liabilities is attributable to additional products offered by BPI and higher interest rates offered.

Note 10 - Bills payable and other borrowed funds

The account consists of:

	September 30, 2022	December 31, 2021
Bills payable - Foreign banks	**4,652**	2,906
Other borrowed funds	**79,503**	92,133
	84,155	95,039

The reduction in other borrowed funds is primarily due to maturities of certain bonds issued by the Parent Bank.

Other borrowed funds

These 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, out of which a total of P25,000 million notes were issued with a coupon of 6.797% per annum, payable quarterly which matured on March 6, 2020. On November 20, 2019, BPI's BOD approved the issuance of peso-denominated bonds and commercial papers of up to P100 billion, of which P97 billion has been drawndown in multiple tranches, under an updated Bank Bond Issuance Program with drawdowns as at September 30, 2022 and December 31, 2021 as follows:

					Carrying amount	
Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	**September 30, 2022**	December 31, 2021
Fixed rate bonds, unconditional, unsecured and unsubordinated bonds	January 24, 2020	4.24%	January 24, 2022	15,328	**-**	15,328
BPI CARe bonds, unconditional, unsecured and unsubordinated bonds	August 7, 2020	3.05%	May 7, 2022	21,500	**-**	21,463
Fixed rate bonds, unconditional, unsecured and unsubordinated bonds	January 31, 2022	2.81%	January 31, 2024	27,000	**26,843**	-

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 (Note 14) and matured on June 16, 2022. The bond has a carrying amount of P9,584 million as at December 31, 2021.

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:

					Carrying amount	
Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	**September 30, 2022**	December 31, 2021
US$ 600 million, 5-year senior unsecured Bonds	September 4, 2018	4.25%	September 4, 2023	32,000	**35,123**	30,519
US$ 300 million, 5-year senior unsecured Green Bonds	September 10, 2019	2.50%	September 10, 2024	15,572	**17,537**	15,240

Note 11 - Capital funds

(a) Share capital, share premium and treasury shares

Details of authorized share capital of the Parent Bank follow:

	September 30, 2022	December 31, 2021
	(In Millions of Pesos, except par value per share)	
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 Parent 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 Parent Bank is still in the process of securing approvals from regulators.

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

	September 30, 2022	December 31, 2021
	(In absolute number of shares)	
Common shares		
At January 1	**4,513,128,255**	4,513,101,605
Subscription of shares during the period	**406,179,276**	26,650
	4,919,307,531	4,513,128,255

There are no preferred shares issued as at September 30, 2022 and December 31, 2021.

BPI and BFB merger (Note 14)

The Parent Bank issued 406,179,276 treasury shares on January 1, 2022 at a price of P81.35 per share as a consideration for the merger. The number of treasury shares issued was computed based on the net assets of BFB as at December 31, 2020 over the share price of the Parent Bank as at December 29, 2020.

Pursuant to the issuance of shares due to the merger as at January 1, 2022, the Parent Bank's share capital and share premium increased by P4,062 million and P28,981 million, respectively, as at January 1, 2022.

As at September 30, 2022, the Parent Bank is securing regulatory approvals regarding its plan to dispose the treasury shares.

(b) Reserves

The account consists of:

	September 30, 2022	December 31, 2021
Reserve for trust business	**387**	389
Executive stock option plan amortization	**151**	141
Reserve for trading participants	**73**	-
Reserve for self-insurance	**34**	34
Others	**18**	-
	663	564

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 September 30, 2022 and December 31, 2021, 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 the 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 the 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.

(c) Dividend declarations

Details of cash dividends declared by the Parent Bank follow:

	Amount of dividends	
Date declared	Per Share	Total
	(In millions of Pesos)	
May 19, 2021	0.90	4,062
November 17, 2021	0.90	4,062
May 18, 2022	1.06	4,784

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:

	September 30, 2022	December 31, 2021
Outstanding DOSRI loans	**19,136**	15,230
	In percentage (%)	
% to total outstanding loans and advances	**1.16**	1.00
% to total outstanding DOSRI loans		
Unsecured DOSRI loans	**2.69**	3.11
Past due DOSRI loans	**0.03**	0.01
Non-performing DOSRI loans	**0.03**	0.02

At September 30, 2022 and December 31, 2021, the BPI Group is in full compliance with the General Banking Act and the BSP regulations on DOSRI loans.

Note 14 - BPI and BFB Merger

On January 1, 2022, the merger of BPI and BFB, its wholly owned thrift bank subsidiary, officially took effect, with BPI as the surviving entity. The Parent Bank has secured all necessary approvals for the transaction from its regulatory agencies and shareholders.

The integration of both entities will provide considerable advantages to the customers and employees of BPI and BFB, and present potential synergies that will benefit shareholders. The accelerated shift to digital, the focus on operational efficiency and the expected reduction in the gap in regulatory reserve requirements between commercial banks and thrift banks were factors in the timing of the transaction.

Purchase consideration

On January 1, 2022, the Parent Bank issued common shares to BFB shareholders amounting to the net assets of the latter as reflected in its standalone financial statements as at December 31, 2020.

The Parent Bank, owning 100% of the shares of BFB, issued treasury shares as a consideration of the merger. The number of treasury shares issued was based on the net assets of BFB as at December 31, 2020 over the share price of the Parent Bank as at December 29, 2020. The details are as follows:

	Note	Amount
		(In Thousands of Pesos, except share price and treasury shares)
Net assets of BFB as at December 31, 2020		
Total assets		287,090,333
Total liabilities		254,047,648
		33,042,685
Share price of BPI as at December 29, 2020		P81.35
Number of treasury shares issued	11	406,179,276

Net assets acquired

Details of BFB assets and liabilities as at acquisition date (January 1, 2022) and December 31, 2020 are as follows:

	January 1, 2022	December 31, 2020
	(In Thousands of Pesos)	
Assets acquired		
Cash and other cash items	982,150	1,004,339
Due from BSP	67,065,132	17,846,031
Due from other banks	10,152,692	4,935,660
Interbank loans receivable and securities purchased under agreements to resell	-	3,631,258
Financial assets at fair value through profit or loss	101,960	-
Financial assets at fair value through other comprehensive income	16,220,549	6,802,621
Investment securities at amortized cost, net	-	24,233,039
Loans and advances, net	228,649,520	219,636,857
Assets held for sale, net	2,639,361	2,452,159
Bank premises, furniture, fixtures and equipment, net	1,713,807	1,791,553
Deferred income tax assets	3,448,694	3,885,474
Other assets, net	686,981	871,342
	331,660,846	287,090,333
Liabilities assumed		
Deposit liabilities	274,766,919	234,582,648
Other borrowed funds	9,583,528	9,544,988
Manager's checks and demand drafts outstanding	1,676,663	1,644,409
Accrued taxes, interest and other expenses	1,698,772	1,734,264
Deferred credits and other liabilities	11,018,995	6,541,339
	298,744,877	254,047,648
Net assets	32,915,969	33,042,685

Goodwill; Other reserves

As the transaction is outside the scope of PFRS 3, *Business Combinations*, the merger was accounted for using the pooling of interests method following the guidance under the PIC Q&A No. 2018-06. In applying the pooling of interests method, all assets and liabilities of BFB are taken into the merged business at their carrying values with no restatement of comparative 2020 figures. Likewise, no goodwill was recognized as a result of the business combination.

The difference between the carrying amount of the net assets acquired and the purchase consideration shall be an addition/deduction to the other reserves or other items within capital funds as follows:

	Amount
	(In Thousands of Pesos)
Purchase price	33,042,685
Carrying amount of net assets acquired	32,915,969
Other reserves (addition to capital funds)	126,716

The Parent Bank in the stand-alone financial statements recognized P18 million as part of merger reserves. The remaining amounts are included in the specific other comprehensive income items within capital funds.

i. Contingencies and commitments acquired

As a result of the merger, the Parent Bank acquired certain off-balance sheet items pertaining to undrawn loan commitments within the scope of PFRS 9. Details of such liabilities are as follows:

	Amount
	(In Thousands of Pesos)
Undrawn loan commitments	6,422,982
Loss allowance	(18,984)
Carrying amount	6,403,998

ii. Acquired receivables

The details of loans and advances, net, acquired as a result of the business combination and its related fair value is as follows:

	Amount
	(In Thousands of Pesos)
Corporate loans	
Large corporate customers	15,135,453
Small and medium enterprises	17,916,051
Retail loans	
Real estate mortgages	151,807,726
Auto loans	51,177,718
Credit cards	1,922,634
Others	174
	237,959,756
Accrued interest receivable	1,972,675
Unearned discount/income	(107,809)
	239,824,622
Allowance for impairment	(11,175,102)
Net carrying amount	228,649,520
Fair value	292,693,036

The details of other receivables, net, which form part of Other assets, net, acquired as a result of the business combination and its related fair value is as follows:

	Amount
	(In Thousands of Pesos)
Gross carrying amount	256,831
Allowance for impairment	(136,311)
Net carrying amount	120,520
Fair value	120,520

iii. Revenue and profit contribution

In accordance with the Plan of Merger between the Parent Bank and BFB, any net income earned by the latter from January 1, 2021 until the effective date shall be declared and paid as dividends to the Parent Bank. In 2021, the BOD of BFB declared cash dividends amounting to P3,532 million (P353 per share) out of its unrestricted surplus payable to the Parent Bank as at December 29, 2021. The remaining net income after dividend declaration amounting to P18 million formed part of Other reserves (Note 11) upon effectivity of the merger.

The Parent Bank considers it impracticable to disclose with sufficient reliability the contributed revenue and net profit of BFB for the period from January 1, 2022 to September 30, 2022 as customer accounts and transactions were substantially migrated to the Parent Bank.

iv. Cash flows as a result of the merger

Cash and cash equivalents acquired as a result of the business combination formed part of the net cash inflows from investing activities in the statement of cash flows for the period beginning January 1, 2022. The breakdown of cash and cash equivalents acquired are as follows:

	Amount
	(In Thousands of Pesos)
Cash and other cash items	982,150
Due from BSP	67,065,132
Due from other banks	10,152,692
	78,199,974

v. Acquisition-related costs

Acquisition-related costs of P121 million that were not directly attributable to the issue of shares were included in other operating expenses in the statement of income and in operating cash flows in the statement of cash flows for the period beginning January 1, 2021 until effectivity of the merger.

Note 15 - 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, income and expense. 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, 2021.

Note 16 - 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 September 30, 2022 and December 31, 2021. A subsidiary of the Parent Bank has investments in non-marketable equity securities classified under Level 3 as at September 30, 2022 and December 31, 2021.

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 September 30, 2022 and December 31, 2021:

	Carrying	Fair value			
September 30, 2022	Amount	Level 1	Level 2	Level 3	**Total**
Recurring measurements					
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	10,611	-	10,611	-	**10,611**
Trading assets					
- Debt securities	39,713	36,397	3,316	-	**39,713**
- Equity securities	133	133	-	-	**133**
Financial assets at FVOCI					
- Debt securities	78,770	78,770	-	-	**78,770**
- Equity securities	2,945	1,633	610	702	**2,945**
	132,172	116,933	14,537	702	**132,172**
Financial liability					
Derivative financial liabilities	9,649	-	9,649	-	**9,649**
Non-recurring measurements					
Assets held for sale, net	3,807	-	12,098	-	**12,098**

	Carrying	Fair value			
December 31, 2021	Amount	Level 1	Level 2	Level 3	Total
Recurring measurements:					
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	3,553	-	3,553	-	3,553
Trading assets					
- Debt securities	17,593	14,784	2,809	-	17,593
- Equity securities	188	188	-	-	188
Financial assets at FVOCI					
- Debt securities	131,390	131,390	-	-	131,390
- Equity securities	3,351	1,338	1,369	644	3,351
	156,075	147,700	7,731	644	156,075
Financial liability					
Derivative financial liabilities	3,632	-	3,632	-	3,632
Non-recurring measurements					
Assets held for sale, net	3,282	-	10,630	-	10,630

There were no transfers between Level 1 and Level 2 during the periods ended September 30, 2022 and December 31, 2021.

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 amortized cost

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

	September 30, 2022		December 31, 2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Investment securities at amortized cost	**446,750**	**415,914**	338,672	339,189
Loans and advances, net	**1,600,386**	**1,928,736**	1,476,527	1,524,826
Financial liabilities				
Deposit liabilities	**2,033,934**	**2,014,902**	1,955,147	1,944,825

Note 17 - Basis of preparation

These unaudited condensed consolidated interim financial statements as at and for the nine-month period ended September 30, 2022 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 for the year ended December 31, 2021, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

(a) Amendments to existing standards adopted by the BPI Group

The BPI Group has adopted the following amendments to existing standards effective January 1, 2022:

- Amendments to PAS 16, *'Property, Plant and Equipment'*

  The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

- Amendments to PFRS 3, *'Business Combinations'*

  Amendments were made to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37, '*Provisions, Contingent Liabilities and Contingent Assets*' and Interpretation 21, '*Levies*'.

- PAS 37, *'Provisions, Contingent Liabilities and Contingent Assets'*

  The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- *Annual Improvements to PFRS Standards 2018-2020*

  The following improvements were finalized in May 2020:

  i. PFRS 9, *'Financial Instruments'*, clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

  ii. PFRS 16, *'Leases'*, amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The adoption of the above amendments did not have a material impact on the financial statements of the BPI Group.

Effective January 1, 2021, the BPI Group has also adopted amendments to PFRS 9, 'Financial Instruments', PFRS 7 'Financial Instruments: Disclosures', PFRS 4, 'Insurance Contracts' and PFRS 16 'Leases' issued in August 2020 to address issues that arise during the reform of an interest rate benchmark rate (IBOR), including the replacement of one benchmark rate with an alternative one.

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD, GBP and EUR LIBOR and other inter-bank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

As part of the reforms noted above, the international regulators have decided to no longer compel panel banks to participate in the LIBOR submission process after the end of 2021 - although it acknowledges that COVID-19 might impact on these plans - and to cease oversight of these benchmark interest rates. Regulatory authorities and private sector working groups, including the International Swaps and Derivatives Association ('ISDA') and the Working Group on Sterling and Risk-Free Reference Rates, continue to discuss alternative benchmark rates for LIBOR.

It is currently expected that SOFR (Secured Overnight Financing Rate), SONIA (Sterling Overnight Index Average) and €STR (Euro Short Term-Rate) (collectively, "replacement rates") will replace USD LIBOR, GBP LIBOR and EUR LIBOR, respectively. There remain key differences between LIBOR and the replacement rates. LIBOR is a 'term rate', which means that it is published for a borrowing period (such as three months or six months) and is 'forward looking', because it is published at the beginning of the borrowing period. The replacement rates are currently 'backward-looking' rates, based on overnight rates from actual transactions, and it is published at the end of the overnight borrowing period. Furthermore, LIBOR includes a credit spread over the risk-free rate, which the replacement rates currently do not. To transition existing contracts and agreements that reference LIBOR to their respective replacement rates, adjustments for term differences and credit differences might need to be applied to the replacement rates, to enable the two benchmark rates to be economically equivalent on transition.

The Philippine Interbank Reference Rate (PHIREF) is the benchmark rate used by key local players in setting the reset value for the Philippine Peso floating leg of interest rate swaps. This is derived from done deals in the interbank foreign exchange swap market and computed using USD LIBOR.

As at December 31, 2021, the BPI Group has approved SOFR and SONIA as the replacement rates for USD and GBP LIBOR, respectively, while the remaining exposure on EUR LIBOR matured prior to the cessation of the related benchmark rate. The adoption of the above changes in interest rate benchmark did not have a material impact on the financial statements of the BPI Group.

The following table contains details of all financial instruments that BPI Group holds which reference LIBOR:

			Of which: have reference to a currency LIBOR* (In Millions of Pesos)							
	Carrying Value		USD Libor		PHIREF		GBP Libor		Total	
September 30, 2022	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Non-derivative assets and liabilities										
Measured at amortized cost										
Cash and other cash items	29,399	-	-	-	-	-	-	-	-	-
Due from BSP	187,115	-	-	-	-	-	-	-	-	-
Due from other banks	50,541	-	-	-	-	-	-	-	-	-
Interbank loans receivable and SPAR	3,347	-	-	-	-	-	-	-	-	-
Investment securities at amortized cost	446,750	-	6,607	-	-	-	-	-	6,607	-
Loans and advances, net	1,600,386	-	69,520	-	-	-	-	-	69,520	-
Other financial assets	3,796	-	-	-	-	-	-	-	-	-
Deposit liabilities	-	2,033,934	-	-	-	-	-	-	-	-
Bills payable and other borrowed funds	-	84,155	-	-	-	-	-	-	-	-
Due to BSP and other banks	-	4,375	-	-	-	-	-	-	-	-
Manager's checks and demand drafts outstanding	-	7,517	-	-	-	-	-	-	-	-
Lease liabilities	-	6,350	-	-	-	-	-	-	-	-
Other financial liabilities	-	8,120	-	-	-	-	-	-	-	-
	2,321,334	2,144,451	76,127	-	-	-	-	-	76,127	-
Measured at fair value										
Financial assets at FVTPL	39,846	-	-	-	-	-	-	-	-	-
Financial assets at FVOCI	81,715	-	-	-	-	-	-	-	-	-
	121,561	-	-	-	-	-	-	-	-	-
Total carrying value of non-derivative assets and liabilities	2,442,895	2,144,451	76,127	-	-	-	-	-	76,127	-
Derivative assets and liabilities	10,611	9,649	104,915	-	11,950	-	-	-	116,865	-
Total carrying value of assets and liabilities exposed	2,453,506	2,154,100	181,042	-	11,950	-	-	-	192,992	-

**Based on the notional amounts of their related contracts*

			Of which: have reference to a currency LIBOR* (In Millions of Pesos)							
	Carrying Value		USD Libor		PHIREF		GBP Libor		Total	
December 31, 2021	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Non-derivative assets and liabilities										
Measured at amortized cost										
Cash and other cash items	35,143	-	-	-	-	-	-	-	-	-
Due from BSP	268,827	-	-	-	-	-	-	-	-	-
Due from other banks	34,572	-	-	-	-	-	-	-	-	-
Interbank loans receivable and SPAR	30,852	-	-	-	-	-	-	-	-	-
Investment securities at amortized cost	338,672	-	4,421	-	-	-	-	-	4,421	-
Loans and advances, net	1,476,527	-	68,787	-	-	-	2,069	-	70,856	-
Other financial assets	2,338	-	-	-	-	-	-	-	-	-
Deposit liabilities	-	1,955,147	-	774	-	-	-	-	-	774
Bills payable and other borrowed funds	-	95,039	-	-	-	-	-	-	-	-
Due to BSP and other banks	-	953	-	-	-	-	-	-	-	-
Manager's checks and demand drafts outstanding	-	6,931	-	-	-	-	-	-	-	-
Lease liabilities	-	7,326	-	-	-	-	-	-	-	-
Other financial liabilities	-	7,256	-	-	-	-	-	-	-	-
	2,186,931	2,072,652	73,208	774	-	-	2,069	-	75,277	774
Measured at fair value										
Financial assets at FVTPL	17,781	-	-	-	-	-	-	-	-	-
Financial assets at FVOCI	134,741	-	-	-	-	-	-	-	-	-
	152,522	-	-	-	-	-	-	-	-	-
Total carrying value of non-derivative assets and liabilities	2,339,453	2,072,652	73,208	774	-	-	2,069	-	75,277	774
Derivative assets and liabilities	3,553	3,632	150,842	-	9,900	-	785	-	161,527	-
Total carrying value of assets and liabilities exposed	2,343,006	2,076,284	224,050	774	9,900	-	2,854	-	236,804	774

**Based on the notional amounts of their related contracts* *(b) New standard and amendments to existing standards not yet adopted*

The following new accounting standard is not mandatory for September 30, 2022 reporting period and has not been early adopted by the BPI Group:

- PFRS 17*, 'Insurance Contracts' (effective for annual periods beginning on or after January 1, 2025)*

  PFRS 17 was issued in May 2017 as replacement for PFRS 4, Insurance Contracts. PFRS 17 represents a fundamental change in the accounting framework for insurance contracts requiring liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of (1) discounted probability-weighted cash flows, (2) an explicit risk adjustment, and (3) a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognizing changes in discount rates either in the statement of income or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

  The Insurance Commission, in coordination with Philippine Insurers and Reinsurers Association, is currently reviewing the impact of PFRS 17 across the entire industry and has established a project team to manage the implementation approach. The Insurance Commission (IC), considering the extension of IFRS 17 and the challenges of the COVID-19 pandemic to the insurance industry, has deferred the implementation of PFRS 17 to January 1, 2025, granting an additional two-year period from the date of effectivity proposed by the International Accounting Standards Board (IASB). The BPI Group is assessing the quantitative impact of PFRS 17 as at reporting date.

Likewise, the following amendments to existing standards are not mandatory for the September 30, 2022 reporting period and have not been early adopted by the BPI Group:

- Amendments to PAS 1, *'Presentation of Financial Statements'*

  The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

  In addition, PAS 1 requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. The amendments are effective January 1, 2023.

- Amendment to PAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'*

  The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The amendment is effective January 1, 2023.

- Amendments to PAS 12, *'Income Taxes'*

  The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities; and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate. The amendments are effective January 1, 2023.

The adoption of the above amendments is not expected to have a material impact on the financial statements of the BPI Group.