

# ***Bank of the Philippine Islands and Subsidiaries***

**Unaudited Condensed Consolidated Interim  
Financial Statements**

**As at and for the six-month period ended June 30, 2019  
(With comparative figures as at December 31, 2018 and for the  
six-month period ended June 30, 2018)**



**Report on Review of Interim Financial Statements**

To the Board of Directors and Shareholders of  
**Bank of the Philippine Islands**  
Ayala North Exchange Tower 1, Ayala Avenue  
Makati City

***Introduction***

We have reviewed the accompanying unaudited condensed consolidated interim statement of condition of the Bank of the Philippine Islands and its subsidiaries (the “BPI Group”) as at June 30, 2019, and the related unaudited condensed consolidated interim statements of income, statements of comprehensive income, statements of changes in capital funds and statements of cash flows for the six-month periods ended June 30, 2019 and 2018, and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these unaudited condensed consolidated interim financial statements in accordance with Philippine Accounting Standard 34, ‘Interim Financial Reporting’ as issued by the Financial Reporting Standards Council (FRSC). 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.

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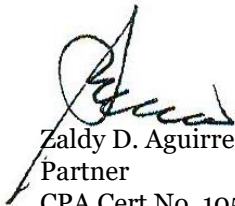
## Isla Lipana & Co.

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To the Board of Directors and Shareholders of  
Bank of the Philippine Islands  
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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.

### **Isla Lipana & Co.**

A handwritten signature in black ink, appearing to read "Zaldy D. Aguirre", is written over a light blue horizontal line.

Zaldy D. Aguirre  
Partner

CPA Cert No. 105660

P.T.R. No. 0024447, issued on January 8, 2019, Makati City

SEC A.N. (individual) as general auditors 1176-AR-2, Category A; effective until June 20, 2021

SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021

TIN 221-755-698

BIR A.N. 08-000745-077-2018, issued on January 29, 2018; effective until January 28, 2021

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City  
August 23, 2019

**BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES**

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CONDITION  
 JUNE 30, 2019  
 (With Comparative Audited Consolidated December 31, 2018 Figures)  
 (In Millions of Pesos)

	Notes	<b>2019</b>	2018
<u>RESOURCES</u>			
CASH AND OTHER CASH ITEMS	3	<b>30,967</b>	43,536
DUE FROM BANGKO SENTRAL NG PILIPINAS	3	<b>217,415</b>	225,907
DUE FROM OTHER BANKS	3	<b>10,422</b>	12,477
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	3	<b>28,716</b>	34,323
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	4	<b>34,624</b>	16,721
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	5	<b>76,972</b>	37,206
INVESTMENT SECURITIES AT AMORTIZED COST, net	6	<b>295,706</b>	287,571
LOANS AND ADVANCES, net	7	<b>1,354,350</b>	1,354,896
ASSETS HELD FOR SALE, net		<b>3,355</b>	3,363
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	8	<b>16,168</b>	16,252
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, net		<b>6,818</b>	5,659
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS		<b>16,368</b>	16,582
DEFERRED INCOME TAX ASSETS, net		<b>8,761</b>	8,536
OTHER RESOURCES, net		<b>34,103</b>	22,199
Total resources		<b>2,134,745</b>	2,085,228

(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 CONDITION

JUNE 30, 2019

(With Comparative Audited Consolidated December 31, 2018 Figures)

(In Millions of Pesos)

	Notes	2019	2018
<u>LIABILITIES AND CAPITAL FUNDS</u>			
DEPOSIT LIABILITIES	9	1,658,450	1,585,746
DERIVATIVE FINANCIAL LIABILITIES	4	3,235	3,891
BILLS PAYABLE AND OTHER BORROWED FUNDS	10	136,577	166,901
DUE TO BANGKO SENTRAL NG PILIPINAS AND OTHER BANKS		3,123	3,988
MANAGER'S CHECKS AND DEMAND DRAFTS OUTSTANDING		7,378	6,931
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		10,236	9,057
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS		13,222	14,056
DEFERRED CREDITS AND OTHER LIABILITIES		39,382	43,120
Total liabilities		1,871,603	1,833,690
CAPITAL FUNDS ATTRIBUTABLE TO THE			
EQUITY HOLDERS OF BPI			
Share capital	11	44,979	44,961
Share premium		74,307	74,181
Reserves	11	3,729	4,096
Surplus		137,750	127,459
Accumulated other comprehensive loss		(888)	(2,176)
		259,877	248,521
NON-CONTROLLING INTEREST		3,265	3,017
Total capital funds		263,142	251,538
Total liabilities and capital funds		2,134,745	2,085,228

(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, 2019 AND 2018  
(In Millions of Pesos, Except Per Share Amounts)

	Notes	2019	2018
<b>INTEREST INCOME</b>			
On loans and advances		43,924	31,775
On investment securities		5,588	4,509
On deposits with BSP and other banks		803	530
On trading securities		188	134
		<b>50,503</b>	<b>36,948</b>
<b>INTEREST EXPENSE</b>			
On deposits		14,542	10,004
On bills payable and other borrowings		3,599	871
		<b>18,141</b>	<b>10,875</b>
<b>NET INTEREST INCOME</b>		<b>32,362</b>	<b>26,073</b>
<b>PROVISIONS FOR CREDIT AND IMPAIRMENT LOSSES</b>	7	<b>3,482</b>	<b>1,913</b>
<b>NET INTEREST AFTER PROVISIONS FOR CREDIT AND IMPAIRMENT LOSSES</b>		<b>28,880</b>	<b>24,160</b>
<b>OTHER INCOME</b>			
Fees and commissions		4,358	3,717
Trading gain on securities		1,318	567
Income from foreign exchange trading		1,165	1,060
Income attributable to insurance operations		727	602
Other operating income		5,972	5,201
		<b>13,540</b>	<b>11,147</b>
<b>OTHER EXPENSES</b>			
Compensation and fringe benefits		8,603	7,595
Occupancy and equipment-related expenses		7,927	6,608
Other operating expenses		7,747	7,017
		<b>24,277</b>	<b>21,220</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>18,143</b>	<b>14,087</b>
<b>INCOME TAX EXPENSE</b>			
Current		4,716	3,243
Deferred		(436)	(276)
		<b>4,280</b>	<b>2,967</b>
<b>NET INCOME FOR THE PERIOD</b>		<b>13,863</b>	<b>11,120</b>
Attributable to:			
Equity holders of BPI		13,737	11,026
Non-controlling interest		126	94
		<b>13,863</b>	<b>11,120</b>
Earnings per share for net income attributable to the equity holders of BPI during the period:			
Basic and diluted		<b>3.05</b>	<b>2.45</b>

(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 COMPREHENSIVE INCOME  
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018  
(In Millions of Pesos)

	Note	2019	2018
<b>NET INCOME FOR THE PERIOD</b>		<b>13,863</b>	11,120
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Net change in fair value reserve on FVOCI securities, net of tax effect	12	<b>261</b>	(790)
Fair value reserve on investments of insurance subsidiaries, net of tax effect	12	<b>410</b>	(370)
Share in other comprehensive income (loss) of an associate		<b>1,008</b>	(1,009)
Currency translation differences		<b>(78)</b>	175
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Actuarial gains (losses) on defined benefit plan, net of tax effect	12	<b>41</b>	(5)
Share in other comprehensive (loss) gain of associates		<b>(2)</b>	286
Total other comprehensive income (loss), net of tax effect		<b>1,640</b>	(1,713)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>15,503</b>	9,407
Attributable to:			
Equity holders of BPI		<b>15,254</b>	9,370
Non-controlling interest		<b>249</b>	37
		<b>15,503</b>	9,407

(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, 2019 AND 2018  
(In Millions of Pesos)

	Attributable to equity holders of BPI (Note 11)					Total	Non-controlling interest	Total equity
	Share capital	Share premium	Reserves	Surplus	Accumulated other comprehensive income (loss)			
<b>Balance, January 1, 2018</b>	<b>39,336</b>	<b>29,771</b>	<b>254</b>	<b>116,415</b>	<b>(5,088)</b>	<b>180,688</b>	<b>2,863</b>	<b>183,551</b>
Impact of PFRS 9 adoption	-	-	-	(413)	4,246	3,833	(12)	3,821
<b>Restated balance, January 1, 2018</b>	<b>39,336</b>	<b>29,771</b>	<b>254</b>	<b>116,002</b>	<b>(842)</b>	<b>184,521</b>	<b>2,851</b>	<b>187,372</b>
<b>Comprehensive income</b>								
Net income for the period	-	-	-	11,026	-	11,026	94	11,120
Other comprehensive loss for the period	-	-	-	-	(1,656)	(1,656)	(57)	(1,713)
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,026</b>	<b>(1,656)</b>	<b>9,370</b>	<b>37</b>	<b>9,407</b>
<b>Transactions with owners</b>								
Proceeds from stock rights offering (Note 11)	5,587	44,363	-	-	-	49,950	-	49,950
Executive stock plan amortization	22	(68)	(48)	-	-	(94)	-	(94)
Cash dividends	-	-	-	(4,052)	-	(4,052)	-	(4,052)
Others	-	-	-	(1)	-	(1)	-	(1)
<b>Total transactions with owners</b>	<b>5,609</b>	<b>44,295</b>	<b>(48)</b>	<b>(4,053)</b>	<b>-</b>	<b>45,803</b>	<b>-</b>	<b>45,803</b>
<b>Balance, June 30, 2018</b>	<b>44,945</b>	<b>74,066</b>	<b>206</b>	<b>122,975</b>	<b>(2,498)</b>	<b>239,694</b>	<b>2,888</b>	<b>242,582</b>
<b>Balance, January 1, 2019</b>	<b>44,961</b>	<b>74,181</b>	<b>4,096</b>	<b>127,459</b>	<b>(2,176)</b>	<b>248,521</b>	<b>3,017</b>	<b>251,538</b>
<b>Comprehensive income</b>								
Net income for the period	-	-	-	13,737	-	13,737	126	13,863
Other comprehensive income for the period	-	-	-	-	1,517	1,517	123	1,640
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,737</b>	<b>1,517</b>	<b>15,254</b>	<b>249</b>	<b>15,503</b>
<b>Transactions with owners</b>								
Executive stock plan amortization	18	126	19	-	-	163	-	163
Cash dividends	-	-	-	(4,056)	-	(4,056)	-	(4,056)
<b>Total transactions with owners</b>	<b>18</b>	<b>126</b>	<b>19</b>	<b>(4,056)</b>	<b>-</b>	<b>(3,893)</b>	<b>-</b>	<b>(3,893)</b>
<b>Other movements</b>								
Transfer from surplus to reserves	-	-	56	(56)	-	-	-	-
Transfer from reserves to surplus	-	-	(442)	442	-	-	-	-
Other changes	-	-	-	224	(229)	(5)	(1)	(6)
<b>Total other movements</b>	<b>-</b>	<b>-</b>	<b>(386)</b>	<b>610</b>	<b>(229)</b>	<b>(5)</b>	<b>(1)</b>	<b>(6)</b>
<b>Balance, June 30, 2019</b>	<b>44,979</b>	<b>74,307</b>	<b>3,729</b>	<b>137,750</b>	<b>(888)</b>	<b>259,877</b>	<b>3,265</b>	<b>263,142</b>

(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, 2019 AND 2018  
(In Millions of Pesos)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>18,143</b>	14,087
Adjustments for:		
Provisions for credit and impairment losses	<b>3,482</b>	1,913
Depreciation and amortization	<b>2,616</b>	2,291
Share in net income of associates	<b>(153)</b>	(320)
Dividend income	<b>(22)</b>	(37)
Share based compensation	<b>21</b>	(49)
Interest income	<b>(52,247)</b>	(38,312)
Interest received	<b>50,309</b>	37,164
Interest expense	<b>18,141</b>	10,875
Interest paid	<b>(17,381)</b>	(10,205)
(Increase) decrease in:		
Interbank loans and receivable and securities purchased under agreement to resell	<b>1,098</b>	80
Financial assets at fair value through profit or loss	<b>(18,763)</b>	(13,221)
Loans and advances	<b>(1,793)</b>	(21,307)
Assets held for sale	<b>7</b>	207
Assets attributable to insurance operations	<b>833</b>	205
Other resources	<b>(12,602)</b>	(4,558)
(Decrease) increase in:		
Deposit liabilities	<b>72,704</b>	(27,224)
Due to Bangko Sentral ng Pilipinas and other banks	<b>(864)</b>	308
Manager's checks and demand drafts outstanding	<b>447</b>	(596)
Accrued taxes, interest and other expenses	<b>419</b>	64
Liabilities attributable to insurance operations	<b>(834)</b>	(62)
Derivative financial instruments	<b>295</b>	134
Deferred credits and other liabilities	<b>(7,819)</b>	(3,827)
Net cash from (used in) operations	<b>56,037</b>	(52,390)
Income taxes paid	<b>(4,505)</b>	(3,241)
Net cash from (used in) operating activities	<b>51,532</b>	(55,631)

(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, 2019 AND 2018  
(In Millions of Pesos)

	Note	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(Increase) decrease in:			
Investment securities		<b>(46,655)</b>	19,529
Bank premises, furniture, fixtures and equipment		<b>(1,975)</b>	(1,871)
Investment in subsidiaries and associates, net		<b>251</b>	(218)
Assets attributable to insurance operations		<b>(594)</b>	381
Investment property, net		<b>(2)</b>	(15)
Dividends received		<b>22</b>	37
Net cash (used in) from investing activities		<b>(48,953)</b>	17,843
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash dividends		<b>(4)</b>	(3,545)
Issuance of shares via exercise of stock options		<b>145</b>	49,904
Decrease in bills payable		<b>(30,324)</b>	(31,774)
Net cash (used in) from financing activities		<b>(30,183)</b>	14,585
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(27,604)</b>	(23,203)
<b>CASH AND CASH EQUIVALENTS</b>	3		
Beginning of period		<b>313,270</b>	322,129
End of period		<b>285,666</b>	298,926

(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, 2019  
(With comparative figures as at December 31, 2018 and for the six-month period ended June 30, 2018)  
(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 BPI Building, Ayala Avenue corner Salcedo St., 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, asset management, corporate finance, securities distribution, and insurance services. At June 30, 2019, the BPI Group has 19,428 employees (June 2018 - 17,674 employees) and operates 1,091 branches and 3,015 ATMs and CAMs (June 2018 - 988 branches and 3,141 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 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.

The Parent Bank is considered a public company under Rule 3.1 of Implementing Rules and Regulations of the Securities Regulation Code, 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. Likewise, BPI is a listed entity with its shares traded in the Philippine Stock Exchange (PSE) since October 12, 1971. As at June 30, 2019, the Parent Bank has 12,421 common shareholders (June 2018 - 11,649).

The condensed consolidated interim financial statements have been approved by the Board of Directors of the Parent Bank on August 20, 2019. There are no material events that occurred subsequent to August 20, 2019 until August 23, 2019.

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 meet the definition of a reportable segment under 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. It covers deposit taking and servicing, consumer lending such as home mortgages, auto loans and credit card finance as well as the remittance business. Likewise, this segment includes the entire transaction processing and service delivery infrastructure consisting of the BPI, BPI Family Savings Bank and BPI Direct BanKo network of branches and ATMs as well as phone and internet-based banking platforms.
- Corporate banking - this segment addresses both high-end corporations as well as middle market clients. It covers deposit taking and servicing, the entire lending, leasing, trade and cash management services provided by the BPI Group to 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 (more than 90%) within the Philippines, accordingly, no geographical segment is presented.

Revenues of the BPI Group's segment operations are derived mainly from the lending business in the form of interest (net interest income). 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. Interest charged for these funds is based on the BPI Group's cost of capital.

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, commissions, 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, 2019 and December 31, 2018 and results of operations of the reportable segments of the BPI Group as at and for the six-month periods ended June 30, 2019 and 2018 follow:

	June 30, 2019			Total per management reporting
	Consumer banking	Corporate banking	Investment banking	
	(In Millions of Pesos)			
Net interest income	20,583	6,751	7,507	<b>34,841</b>
Provisions for credit and impairment losses	1,919	1,568	(6)	<b>3,481</b>
Net interest income after provisions for credit and impairment losses	18,664	5,183	7,513	<b>31,360</b>
Fees, commissions and other income, net	6,799	1,878	3,435	<b>12,112</b>
Total income	25,463	7,061	10,948	<b>43,472</b>
Compensation and fringe benefits	6,666	1,131	515	<b>8,312</b>
Occupancy and equipment-related expenses	3,993	1,064	130	<b>5,187</b>
Other operating expenses	7,739	1,559	843	<b>10,141</b>
Total operating expenses	18,398	3,754	1,488	<b>23,640</b>
Operating profit	7,065	3,307	9,460	<b>19,832</b>
Share in net income of associates				<b>314</b>
Income tax expense				<b>4,280</b>
<b>Total resources</b>				
June 30, 2019	480,247	1,118,253	489,444	<b>2,087,944</b>
December 31, 2018	534,234	1,113,367	409,797	<b>2,057,398</b>
<b>Total liabilities</b>				
June 30, 2019	1,156,837	565,818	134,372	<b>1,857,027</b>
December 31, 2018	1,124,800	552,969	137,872	<b>1,815,641</b>

	June 30, 2018			Total per management reporting
	Consumer banking	Corporate banking	Investment banking	
	(In Millions of Pesos)			
Net interest income	15,122	6,043	7,120	28,285
Provisions for credit and impairment losses	1,360	544	10	1,914
Net interest income after provisions for credit and impairment losses	13,762	5,499	7,110	26,371
Fees, commissions and other income, net	5,728	1,719	2,868	10,315
Total income	19,490	7,218	9,978	36,686
Compensation and fringe benefits	5,969	1,255	506	7,730
Occupancy and equipment-related expenses	3,405	956	107	4,468
Other operating expenses	6,133	1,522	718	8,373
Total operating expenses	15,507	3,733	1,331	20,571
Operating profit	3,983	3,485	8,647	16,115
Share in net income of associates				389
Income tax expense				2,967
Total resources				
June 30, 2018	478,270	1,013,971	378,288	1,870,529
December 31, 2017	476,749	1,007,058	389,085	1,872,892
Total liabilities				
June 30, 2018	1,081,651	503,068	52,667	1,637,386
December 31, 2017	1,063,069	550,367	85,946	1,699,382

Reconciliation of segment results to consolidated results of operations:

	<b>June 30, 2019</b>		
	<b>Total per management reporting</b>	<b>Consolidation adjustments/ Others</b>	<b>Total per consolidated financial statements</b>
	(In Millions of Pesos)		
Net interest income	34,841	(2,479)	<b>32,362</b>
Provisions for credit and impairment losses	3,481	1	<b>3,482</b>
Net interest income after provisions for credit and impairment losses	31,360	(2,480)	<b>28,880</b>
Fees, commissions and other income, net	12,112	1,428	<b>13,540</b>
<b>Total income</b>	<b>43,472</b>	<b>(1,052)</b>	<b>42,420</b>
Compensation and fringe benefits	8,312	291	<b>8,603</b>
Occupancy and equipment-related expenses	5,187	2,740	<b>7,927</b>
Other operating expenses	10,141	(2,394)	<b>7,747</b>
<b>Total operating expenses</b>	<b>23,640</b>	<b>637</b>	<b>24,277</b>
<b>Operating profit</b>	<b>19,832</b>	<b>(1,689)</b>	<b>18,143</b>
Share in net income of associates (included in Other income)			<b>314</b>
Income tax expense			<b>4,280</b>
<b>Total resources</b>			
June 30, 2019	2,087,944	46,801	<b>2,134,745</b>
December 31, 2018	2,057,398	27,830	<b>2,085,228</b>
<b>Total liabilities</b>			
June 30, 2019	1,857,027	14,576	<b>1,871,603</b>
December 31, 2018	1,815,641	18,049	<b>1,833,690</b>

	June 30, 2018		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	28,285	(2,212)	26,073
Provisions for credit and impairment losses	1,914	(1)	1,913
Net interest income after provisions for credit and impairment losses	26,371	(2,211)	24,160
Fees, commissions and other income, net	10,315	832	11,147
Total income	36,686	(1,379)	35,307
Compensation and fringe benefits	7,730	(135)	7,595
Occupancy and equipment - related expenses	4,468	2,140	6,608
Other operating expenses	8,373	(1,356)	7,017
Total operating expenses	20,571	649	21,220
Operating profit	16,115	(2,028)	14,087
Share in net income of associates (included in Other income)	389		389
Income tax expense	2,967		2,967
Total resources			
June 30, 2018	1,870,529	30,430	1,900,959
December 31, 2017	1,872,892	31,013	1,903,905
Total liabilities			
June 30, 2018	1,637,386	20,991	1,658,377
December 31, 2017	1,699,382	20,972	1,720,354

“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, 2019	December 31, 2018
	(In Millions of Pesos)	
Cash and other cash items	30,967	43,536
Due from BSP	217,415	225,907
Due from other banks	10,422	12,477
Interbank loans receivable and securities purchased under agreements to resell	26,747	31,261
Cash and cash equivalents attributable to insurance operations	115	89
	<b>285,666</b>	<b>313,270</b>

The decline in Due from BSP of P8,492 million is due to the change in the BSP’s regulatory reserve requirement against the BPI Group’s deposit and deposit substitute liabilities from 18% to 16.5% as of June 30, 2019. Interbank loans receivable and SPAR decreased due to lower volume of placements in Reverse Repurchase Agreements (RRP) and interbank term loans.



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

	<b>June 30, 2019</b>	June 30, 2018
	(In Millions of Pesos)	
Cash and other cash items	<b>30,967</b>	31,009
Due from BSP	<b>217,415</b>	230,369
Due from other banks	<b>10,422</b>	8,219
Interbank loans receivable and securities purchased under agreements to resell	<b>26,747</b>	29,050
Cash and cash equivalents attributable to insurance operations	<b>115</b>	279
	<b>285,666</b>	298,926

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

The account consists of:

	<b>June 30, 2019</b>	December 31, 2018
	(In Millions of Pesos)	
Debt securities		
Government securities	<b>27,410</b>	8,953
Commercial papers of private companies	<b>3,941</b>	3,497
Equity securities - listed	<b>191</b>	238
Derivative financial assets	<b>3,082</b>	4,033
	<b>34,624</b>	16,721

The increase in the account is mainly due to higher volume of government securities acquired in the early part of 2019 in line with the BPI Group's expectation of lower interest rates.

Derivatives held by the BPI Group for non-hedging purposes mainly consist of foreign exchange forwards, foreign exchange swaps, interest rate swaps and cross-currency swaps. The decrease is due to lower volume of transactions and settlements during the period ended June 30, 2019.

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

The account consists of:

	<b>June 30, 2019</b>	December 31, 2018
	(In Millions of Pesos)	
Debt securities		
Government securities	<b>64,721</b>	32,718
Commercial papers of private companies	<b>8,840</b>	2,695
	<b>73,561</b>	35,413
Accrued interest receivable	<b>866</b>	118
	<b>74,427</b>	35,531
Equity securities		
Listed	<b>2,299</b>	1,129
Unlisted	<b>246</b>	546
	<b>2,545</b>	1,675
	<b>76,972</b>	37,206

The increase in the portfolio of debt securities is in line with the BPI Group's expectation of declining interest rates.

**Note 6 - Investment securities at amortized cost, net**

The account consists of:

	<b>June 30, 2019</b>	December 31, 2018
	(In Millions of Pesos)	
Government securities	<b>209,381</b>	196,957
Commercial papers of private companies	<b>82,361</b>	86,826
	<b>291,742</b>	283,783
Accrued interest receivable	<b>3,964</b>	3,790
	<b>295,706</b>	287,573
Allowance for credit losses	-	(2)
	<b>295,706</b>	287,571

The increase in the account of P8,135 million is mainly attributable to acquisitions of debt securities due to higher investible funds during the period.

**Note 7 - Loans and advances, net**

The account consists of:

	<b>June 30, 2019</b>	December 31, 2018
	(In Millions of Pesos)	
Corporate loans		
Large corporate customers	<b>1,027,152</b>	1,043,855
Small and medium enterprise	<b>82,012</b>	87,998
Retail loans		
Real estate mortgages	<b>129,987</b>	126,088
Credit cards	<b>67,087</b>	60,843
Auto loans	<b>52,025</b>	51,845
Others	<b>18,871</b>	5,145
	<b>1,377,134</b>	1,375,774
Accrued interest receivable	<b>9,393</b>	8,454
Unearned discount/income	<b>(6,791)</b>	(6,430)
	<b>1,379,736</b>	1,377,798
Allowance for credit losses	<b>(25,386)</b>	(22,902)
	<b>1,354,350</b>	1,354,896

The expansion in gross loans is driven by higher demand for retail loans, specifically credit cards and housing loans.

Higher provision recognized during the period is mainly attributable to the specific provisions recognized for corporate loans as well as incremental collective provisions on account of growing loan portfolio.

The movements in allowance for credit losses are summarized below:

	June 30, 2019	December 31, 2018
	(In Millions of Pesos)	
Beginning balance	22,902	20,674
Provision for credit losses	3,394	4,504
Transfers	(129)	(164)
Write off/Disposal	(752)	(2,092)
Accretion/Unwind of discount	(29)	(20)
Ending balance	25,386	22,902

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

Movements of the account are summarized as follows:

	June 30, 2019				
	Land	Buildings and leasehold improvements	Furniture and equipment	Equipment for lease	Total
	(In Millions of Pesos)				
Cost					
January 1, 2019	3,028	10,889	16,496	5,580	35,993
Additions	-	812	572	834	2,218
Disposals	(10)	(110)	(307)	(456)	(883)
June 30, 2019	3,018	11,591	16,761	5,958	37,328
Accumulated depreciation					
January 1, 2019	-	5,511	13,040	1,190	19,741
Depreciation	-	352	867	701	1,920
Amortization	-	133	-	10	143
Disposals	-	(144)	(166)	(334)	(644)
June 30, 2019	-	5,852	13,741	1,567	21,160
<b>Net book value, June 30, 2019</b>	<b>3,018</b>	<b>5,739</b>	<b>3,020</b>	<b>4,391</b>	<b>16,168</b>
	December 31, 2018				
	Land	Buildings and leasehold improvements	Furniture and equipment	Equipment for lease	Total
	(In Millions of Pesos)				
Cost	3,028	10,889	16,496	5,580	35,993
Accumulated depreciation	-	5,511	13,040	1,190	19,741
Net book value	3,028	5,378	3,456	4,390	16,252

### Note 9 - Deposit liabilities

Deposit liabilities increased mainly due to the growth in time deposit placements from clients.

### Note 10 - Bills payable and other borrowed funds

The reduction in bills payable of P30,324 million at June 30, 2019 is primarily due to settlement of short-term interbank borrowings which were not renewed upon maturities. This is in line with the BPI Group's strategy to manage cost of funds by resorting to low-cost deposit products.

#### *Other borrowed funds*

Other borrowed funds include the US\$600 million, 5-year Senior Unsecured Fixed Rate Reg S Notes issued on September 4, 2018 bearing coupon of 4.25% to mature on September 4, 2023. This debt issuance was part of the Medium Term Note Programme established by the Parent Bank on June 21, 2018 in the aggregate amount of up to US\$2,000 million.

Likewise, on September 19, 2018, the BOD of the Parent Bank approved the establishment of a Peso Bond and Commercial Paper Program in the aggregate amount of up to P50,000 million. On December 6, 2018, the Parent Bank issued P25,000 million with a coupon of 6.7970% per annum, payable quarterly to mature on March 6, 2020.

### Note 11 - Capital funds

#### (a) Share capital

Details of authorized capital stock of the Parent Bank follow:

	<b>June 30, 2019</b>	December 31, 2018
	(In Millions of Pesos Except Par Value Per Share)	
Authorized capital (at P10 par value per share)		
Common shares	<b>49,000</b>	49,000
Preferred A shares	<b>600</b>	600
	<b>49,600</b>	49,600

The outstanding common shares as at June 30, 2019 and December 31, 2018 are 4,506,944,439 and 4,502,448,426, respectively.

On April 25, 2018, the Parent Bank completed its P50 billion stock rights offer, which paved the way for the issuance of 558,659,210 new common shares at P89.50 per share. The new shares were issued to shareholders as of record date April 6, 2018, with a ratio of 1:7.0594, or 1 new common share for every 7 shares held, or 14.2% of BPI's outstanding common shares. These new shares were listed on the Philippine Stock Exchange on May 4, 2018.

There are no preferred shares issued as at June 30, 2019 and December 31, 2018.

(b) Reserves

The account consists of:

	<b>June 30, 2019</b>	December 31, 2018
	(In Millions of Pesos)	
General loan loss provision (GLLP)	<b>3,424</b>	3,867
Executive stock option plan amortization	<b>126</b>	105
Reserve for trust business	<b>145</b>	90
Reserve for self-insurance	<b>34</b>	34
	<b>3,729</b>	4,096

The appropriation for 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.

In compliance with existing BSP regulations, 10% of the BPI AMTC’s income from trust business is 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 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:

Date Declared	Amount of Dividends	
	Per Share	Amounts in millions of Pesos
June 20, 2018	0.90	4,052
December 19, 2018	0.90	4,052
May 15, 2019	0.90	4,056

### Note 12 - Commitments and contingencies

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

### 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, 2019	December 31, 2018
	(In Millions of Pesos)	
Outstanding DOSRI loans	10,228	8,248
	In percentage (%)	
% to total outstanding loans and advances	0.75	0.60
% to total outstanding DOSRI loans		
Unsecured DOSRI loans	17.24	21.51
Past due DOSRI loans	-	-
Non-performing DOSRI loans	-	-

At June 30, 2019 and December 31, 2018, the BPI Group is in full compliance with the General Banking Act and the BSP regulations on DOSRI loans.

### 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, 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 for the year ended December 31, 2018.

## 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 LIBOR 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 assets or liabilities classified under Level 3 as at and for the period ended June 30, 2019 and December 31, 2018.

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, 2019:

	Carrying Amount	Fair value		Total
		Level 1	Level 2	
(In Millions of Pesos)				
<b>Recurring measurements</b>				
<b>Financial assets</b>				
Financial assets at FVTPL				
Derivative financial assets	3,082	-	3,082	<b>3,082</b>
Trading assets				
- Debt securities	31,351	30,925	426	<b>31,351</b>
- Equity securities	191	191	-	<b>191</b>
Financial assets at FVOCI				
- Debt securities	74,427	74,289	138	<b>74,427</b>
- Equity securities	2,545	2,299	246	<b>2,545</b>
	<b>111,596</b>	<b>107,704</b>	<b>3,892</b>	<b>111,596</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	3,235	-	3,235	<b>3,235</b>
<b>Non-recurring measurements</b>				
Assets held for sale, net	3,355	-	10,242	<b>10,242</b>

There were no transfers between Level 1 and Level 2 during the periods ended June 30, 2019 and December 31, 2018.

**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, LIBOR 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 at June 30, 2019 as follows:

	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial assets</b>		
Investment securities at amortized cost	295,706	289,699
Loans and advances, net	1,354,350	1,364,269
<b>Financial liabilities</b>		
Deposit liabilities	1,658,450	1,637,052



## **Note 16 - Basis of preparation**

These unaudited condensed consolidated interim financial statements as at and for the six-month period ended June 30, 2019 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, 2018, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

### *(a) New and amended standards adopted by the BPI Group*

#### PFRS 16, Leases (effective for annual periods beginning on or after January 1, 2019)

PFRS 16 replaces the current guidance in PAS 17, *Leases*, effective beginning January 1, 2019 and affects primarily the accounting by lessees and will result in the recognition of almost all leases in the balance sheet. PFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right-of-use asset) and a lease liability to pay rentals for virtually all lease contracts. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An optional exemption exists for short-term and low-value leases.

On adoption of PFRS 16, the BPI Group will recognize lease liabilities in relation to leases which had previously been classified as operating leases under the principles of PAS 17, *Leases*. These liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The BPI Group is still in the process of completing its inventory and assessment to facilitate the calculation and eventual booking of PFRS 16 transition adjustment. However, based on the BPI Group's initial assessment, the financial impact of PFRS 16 is deemed to be insignificant.

#### Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after January 1, 2019)

It has been clarified previously that PAS 12, not PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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

*(b) New standards, amendments and interpretations not yet adopted*

The following new accounting standards and interpretations are not mandatory for June 30, 2019 reporting period and have not been early adopted by the BPI Group:

*PFRS 17, Insurance Contracts (effective for annual periods beginning on or after January 1, 2022)*

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 income statement 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 BPI Group is assessing the quantitative impact of PFRS 17 on its insurance subsidiaries as of reporting date.