



108082019001066

**SECURITIES AND EXCHANGE COMMISSION**

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Company Information

SEC Registration No. PW00000121

Company Name BANK OF THE PHIL. ISLANDS

Industry Classification

Company Type Stock Corporation

Document Information

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Remarks

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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Josenia Jessica Nemeño

Contact Person

(632) 246-5902

Company Telephone Number

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Month **Day**
Fiscal Year

1	7	-	Q	
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FORM TYPE

0	4
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2	5
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Month **Day**
Annual Meeting

	N/A
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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

Amended Articles Number/Section

12,421

Total No. of Stockholders

Total Amount of Borrowings

Domestic

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Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document I.D.

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Cashier

STAMPS

**STANDARD DOCUMENT COVER SHEET
FOR SEC FILINGS**

All documents should be submitted under a cover page which clearly identifies the company and the specific document form as follows:

SEC Number PW-121

File Number

**BANK OF THE PHILIPPINE ISLANDS
AYALA NORTH EXCHANGE TOWER 1, AYALA AVE. CORNER SALCEDO ST.,
LEGASPI VILLAGE, MAKATI CITY, METRO MANILA
(632) 246-5902**

FISCAL YEAR ENDING DECEMBER 31

(indicate if anything above is new and the date it was changed)

**SEC FORM 17-Q QUARTERLY REPORT
AMENDMENT DESIGNATION (if applicable)**

PERIOD-ENDED JUNE 30, 2019

(if a report, financial statement, GIS, or related amendment or show-cause filing)

NONE

EACH ACTIVE SECONDARY LICENSE TYPE AND FILE NUMBER

(state "NONE" if that is the case)

SECURITIES AND EXCHANGE COMMISSION

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

1. For the quarterly period ended **June 30, 2019**
2. Commission identification number **PW-121**
3. BIR Tax Identification No. - **TIN: 000-438-366-000**
4. **BANK OF THE PHILIPPINE ISLANDS**
Exact name of registrant as specified in its chart
5. **Manila, Philippines**
Province, country or other jurisdiction of incorporation
6. Industry Classification Code: (SEC Use Only)
7. **AYALA NORTH EXCHANGE TOWER 1**
Ayala Avenue corner Salcedo St., Legaspi Village
Makati City **ZIP Code 1229**
Address of principal office Postal Code
8. **(632) 246-5902**
Registrant's telephone number, including area code
9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code

Title of each class	Number of shares of common stock outstanding and amount of debt outstanding
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Common	4,506,944,439
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11. Are any or all of the securities listed on the Philippine Stock Exchange? Yes [x] No []
If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange

Common

12. Indicate by check mark whether the registrant:

(a) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such reports) Yes ☒ No ☐

(b) Has been subject to such filing requirements for the last 90 days Yes ☒ No ☐

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENT OF CONDITION
JUNE 30, 2019 AND DECEMBER 31, 2018
(in Thousands of Pesos)

	UNAUDITED	AUDITED
	JUNE 30, 2019	DECEMBER 31, 2018
<u>RESOURCES</u>		
Cash and Other Cash Items	30,966,915	43,535,901
Due from Bangko Sentral ng Pilipinas	217,415,183	225,906,630
Due from Other Banks	10,422,252	12,477,144
Interbank Loans Receivable and Securities		
Purchased under Agreements to Resell	28,716,420	34,323,163
Financial Assets at Fair Value through Profit or Loss	34,623,702	16,721,273
Financial Assets at Fair Value through OCI	76,972,402	37,206,323
Financial Assets at Amortized Cost	295,705,624	287,570,984
Loans and Advances, net	1,354,349,754	1,354,895,821
Assets Held for Sale, net	3,355,117	3,363,158
Bank Premises, Furniture, Fixtures and Equipment, net	16,168,346	16,252,495
Investments in Subsidiaries and Associates, net	6,817,708	5,658,998
Assets Attributable to Insurance Operations	16,367,894	16,581,610
Deferred Income Tax Assets, net	8,760,902	8,535,578
Other Resources, net	34,102,959	22,199,024
TOTAL RESOURCES	2,134,745,178	2,085,228,103
<u>LIABILITIES AND CAPITAL FUNDS</u>		
Deposit Liabilities		
Demand	257,780,013	256,279,413
Savings	874,806,028	883,650,416
Time	525,863,505	445,816,430
Sub-total	1,658,449,546	1,585,746,258
Derivative Financial Liabilities	3,234,581	3,890,829
Other Borrowed Funds	136,576,790	166,901,167
Due to Bangko Sentral ng Pilipinas and Other Banks	3,123,299	3,987,619
Manager's Checks and Demand Drafts Outstanding	7,378,012	6,930,687
Accrued Taxes, Interest and Other Expenses	10,236,330	9,056,726
Liabilities Attributable to Insurance Operations	13,221,916	14,056,333
Deferred Credits and Other Liabilities	39,382,276	43,120,583
TOTAL LIABILITIES	1,871,602,750	1,833,690,201
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI		
Share Capital	44,979,135	44,961,078
Share Premium	74,307,326	74,180,826
Reserves	3,729,336	4,095,256
Surplus	137,750,160	127,459,401
Accumulated Other Comprehensive Income/ (Loss)	(888,140)	(2,175,676)
	259,877,817	248,520,885
NON-CONTROLLING INTERESTS	3,264,611	3,017,017
TOTAL CAPITAL FUNDS	263,142,428	251,537,902
TOTAL LIABILITIES AND CAPITAL FUNDS	2,134,745,178	2,085,228,103

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENTS OF INCOME
For the Quarter Ended June 30, 2019 and 2018
(In Thousands of Pesos)

	2019	2018
INTEREST INCOME		
On loans and advances	22,244,060	16,476,893
On FA at amortized cost	2,559,355	2,196,485
On FA at FV through OCI	434,570	50,034
On deposits with BSP and other banks	349,102	253,127
On FA at FV through profit or loss	96,856	70,003
	25,683,944	19,046,542
INTEREST EXPENSE		
On Deposits	7,595,549	4,955,687
On Bills Payable and other borrowings	1,779,740	478,500
	9,375,289	5,434,187
NET INTEREST INCOME	16,308,655	13,612,355
IMPAIRMENT LOSSES	1,679,108	1,128,445
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	14,629,547	12,483,910
OTHER INCOME		
Fees and commissions	2,289,560	1,895,316
Income from foreign exchange trading	616,502	495,450
Trading gain (loss) on securities	826,032	74,771
Income attributable to insurance operations	375,114	219,409
Other operating income	2,700,895	2,472,321
	6,808,103	5,157,268
OTHER EXPENSES		
Compensation and fringe benefits	4,549,118	3,939,538
Occupancy and equipment-related expenses	3,605,239	3,745,586
Other operating expenses	4,054,454	3,787,192
	12,208,811	11,472,316
INCOME BEFORE INCOME TAX	9,228,838	6,168,862
PROVISION FOR INCOME TAX		
Current	2,739,418	1,677,419
Deferred	(586,403)	(329,023)
	2,153,016	1,348,397
NET INCOME FOR THE QUARTER	7,075,822	4,820,465
Attributable to:		
Equity holders of BPI	7,014,512	4,778,979
Non-controlling interest	61,310	41,486
	7,075,822	4,820,465

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Quarter Ended June 30, 2019 and 2018
(In Thousands of Pesos)

	<u>2019</u>	<u>2018</u>
NET INCOME BEFORE MINORITY INTEREST	7,075,822	4,820,465
Other Comprehensive Income:		
Items that may be reclassified subsequently to profit or loss		
Net change in fair value reserve on FVOCI securities, net of tax effect	(560,246)	(93,923)
Fair value reserve on investments of insurance subsidiaries, net of tax effect	118,221	(185,404)
Share in other comprehensive income of associates	254,653	(306,281)
Currency translation differences	(111,384)	(39,205)
Items that will not be reclassified to profit or loss		
Actuarial gains (losses) on defined benefit plan, net of tax effect	49,351	1,016
Share in other comprehensive gain (loss) of associates	13,013	137,306
Total Other Comprehensive Income (Loss), net of tax effect	(236,392)	(486,491)
Total Comprehensive Income for the Year	6,839,430	4,333,974
Attributable to:		
Equity holders of BPI	6,733,850	4,313,742
Non-Controlling Interest	105,580	20,232
	6,839,430	4,333,974

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENTS OF INCOME
For the Six Months Ended June 30, 2019 and 2018
(In Thousands of Pesos)

	Unaudited 2019	Unaudited 2018
INTEREST INCOME		
On loans and advances	43,924,159	31,775,141
On FA at amortized cost	4,982,114	4,397,633
On FA at FV through OCI	605,997	111,418
On deposits with BSP and other banks	802,999	529,895
On FA at FV through profit or loss	188,118	133,873
	50,503,386	36,947,960
INTEREST EXPENSE		
On Deposits	14,542,366	10,003,897
On Bills Payable and other borrowings	3,599,095	870,817
	18,141,461	10,874,714
NET INTEREST INCOME	32,361,925	26,073,246
IMPAIRMENT LOSSES	3,482,080	1,913,445
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	28,879,845	24,159,801
OTHER INCOME		
Fees and commissions	4,358,155	3,716,842
Income from foreign exchange trading	1,164,986	1,060,137
Trading gain (loss) on securities	1,317,780	566,731
Income attributable to insurance operations	726,645	601,667
Other operating income	5,972,071	5,201,196
	13,539,636	11,146,573
OTHER EXPENSES		
Compensation and fringe benefits	8,603,459	7,594,551
Occupancy and equipment-related expenses	7,927,212	6,608,222
Other operating expenses	7,746,046	7,016,855
	24,276,716	21,219,627
INCOME BEFORE INCOME TAX	18,142,765	14,086,746
PROVISION FOR INCOME TAX		
Current	4,716,155	3,243,031
Deferred	(436,255)	(276,337)
	4,279,900	2,966,694
NET INCOME FOR THE PERIOD	13,862,865	11,120,052
Attributable to:		
Equity holders of BPI	13,737,084	11,026,264
Non-controlling interest	125,781	93,788
	13,862,865	11,120,052

Earnings per share:

Based on 4,506,944,439 shares as of June 30, 2019
and 4,502,448,426 shares in 2018

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BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Six Months Ended June 30, 2019 and 2018
(In Thousands of Pesos)

	<u>Unaudited 2019</u>	<u>Unaudited 2018</u>
NET INCOME BEFORE MINORITY INTEREST	13,862,865	11,120,052
Other Comprehensive Income		
Items that may be reclassified subsequently to profit or loss		
Net change in fair value reserve on FVOCI securities, net of tax effect	261,133	(790,123)
Fair value reserve on investments of insurance subsidiaries, net of tax effect	409,715	(369,840)
Share in other comprehensive income of associates	1,007,819	(1,008,782)
Currency translation differences	(77,572)	174,703
Items that will not be reclassified to profit or loss		
Actuarial gains (losses) on defined benefit plan, net of tax effect	40,876	(4,940)
Share in other comprehensive gain (loss) of associates	(2,657)	286,346
Total Other Comprehensive Income (Loss), net of tax effect	1,639,314	(1,712,636)
Total Comprehensive Income for the Year	15,502,179	9,407,416
Attributable to:		
Equity holders of BPI	15,253,593	9,370,335
Non-Controlling Interest	248,586	37,081
	15,502,179	9,407,416

BANK OF THE PHILIPPINE ISLANDS
STATEMENT OF CHANGES IN CAPITAL FUNDS
FOR THE PERIOD ENDED JUNE 30, 2019 & JUNE 30, 2018
(In Thousands of Pesos)

	Consolidated							
	Attributable to equity holders of BPI							
	Share Capital	Share Premium	Reserves	Surplus	Accumulated Other Comprehensive Income (Loss)	Total	Non-controlling Interests	Total Equity
Balance, December 31, 2018	44,961,078	74,180,826	4,095,256	127,459,401	(2,175,676)	248,520,885	3,017,017	251,537,902
Comprehensive Income								
Net Income for the year				13,737,084		13,737,084	125,781	13,862,865
Other Comprehensive Income for the year					1,516,508	1,516,508	122,805	1,639,314
Total Comprehensive Income for the year	-	-	-	13,737,084	1,516,508	15,253,593	248,586	15,502,179
Transactions with owners								
Executive Stock Plan amortization	18,057	126,501	20,738	-	-	165,296	-	165,296
Cash Dividends	-	-	-	(4,056,251)	-	(4,056,251)	-	(4,056,251)
Total transactions with owners	18,057	126,501	20,738	(4,056,251)	-	(3,890,955)	-	(3,890,955)
Other movements								
Reversal of Excess Surplus Reserves	-	-	(442,332)	442,332	-	-	-	-
Transfer from Surplus Free to Reserves	-	-	55,673	(55,673)	-	-	-	-
Prior Period Adjustment	-	-	-	223,267	(228,973)	(5,705)	(993)	(6,698)
Total other movements	-	-	(386,658)	609,926	(228,973)	(5,705)	(993)	(6,698)
Balance, JUNE 30, 2019	44,979,135	74,307,326	3,729,336	137,750,160	(888,140)	259,877,817	3,264,611	263,142,428

	Consolidated							
	Attributable to equity holders of BPI							
	Share Capital	Share Premium	Reserves	Surplus	Accumulated Other Comprehensive Income (Loss)	Total	Non-controlling Interests	Total Equity
Balance, December 31, 2017	39,336,269	29,770,688	254,371	116,415,390	(5,087,969)	180,688,750	2,862,296	183,551,046
Impact of PFRS 9 adoption				(411,706)	4,245,561	3,833,855	(10,981)	3,822,874
Restated balance, January 1, 2018	39,336,269	29,770,688	254,371	116,003,684	(842,409)	184,522,605	2,851,315	187,373,920
Comprehensive Income								
Net Income for the year				11,026,264		11,026,264	93,788	11,120,052
Other Comprehensive Income for the year					(1,655,929)	(1,655,929)	(56,707)	(1,712,636)
Total Comprehensive Income for the year	-	-	-	11,026,264	(1,655,929)	9,370,335	37,081	9,407,416
Transactions with owners								
Proceeds from the stock rights offering	5,586,592	44,362,907				49,949,499		49,949,499
Executive Stock Plan amortization	21,826	(67,357)	(48,913)			(94,444)		(94,444)
Cash Dividends Adjustment				(4,052,206)		(4,052,206)		(4,052,206)
Total Transactions with owners	5,608,418	44,295,550	(48,913)	(4,052,206)	-	45,802,849	-	45,802,849
Other movements								
Transfer from Surplus Free to Surplus Reserves			200	(200)	-	-		-
Others	-	-	-	(1,256)	-	(1,256)		(1,256)
Total other movements	-	-	200	(1,456)	-	(1,256)	-	(1,256)
Balance, JUNE 30, 2018	44,944,687	74,066,238	205,659	122,976,286	(2,498,337)	239,694,533	2,888,396	242,582,929

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER ENDED JUNE 30, 2019 AND JUNE 30, 2018
(In Thousands of Pesos)

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income tax	9,228,838	6,168,862
Adjustments for:		
Impairment losses	1,679,108	1,128,445
Depreciation and amortization	1,307,421	1,178,065
Share in net income of associates	(124,066)	(59,555)
Share based compensation	10,788	11,458
Dividend income	(8,215)	(26,907)
Interest income	(26,565,453)	(19,775,114)
Interest expense	9,375,289	5,434,187
Operating income before changes in operating assets and liabilities	(5,096,290)	(5,940,559)
Changes in operating assets and liabilities		
(Increase) decrease in:		
Due from Bangko Sentral ng Pilipinas	0	0
Interbank loans receivable and securities purchased under agreements to resell	(15,713)	(339,888)
FA at Fair Value through Profit or Loss	(6,338,853)	6,776,790
Loans and advances	(6,090,332)	(13,624,384)
Assets held for sale	101,591	86,446
Assets attributable to insurance operations	313,223	156,502
Other resources	(12,484,912)	(1,831,867)
Increase (decrease) in:		
Deposit liabilities	50,119,077	(52,206,965)
Due to Bangko Sentral ng Pilipinas and other banks	(110,382)	(437,592)
Manager's checks demand drafts outstanding	(255,933)	280,328
Accrued taxes, interest and other expenses	(332,269)	(353,902)
Liabilities attributable to insurance operations	(423,864)	130,279
Derivative financial instrument	359,392	195,709
Deferred credits and other liabilities	(247,844)	(1,794,681)
Net cash from (used in) operations	19,496,889	(68,903,784)
Income taxes paid	(2,543,685)	(1,682,822)
Interest paid	(8,834,015)	(5,111,799)
Interest received	24,079,969	18,421,835
Net cash from (used in) operating activities	32,199,159	(57,276,570)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in:		
FA at Fair Value through OCI	(46,623,368)	(179,771)
FA at Amortized Cost	4,527,860	1,149,855
Bank, premises, furniture, fixtures and equipment	(1,115,577)	(703,710)
Equity investments	11,036	(225,238)
Assets attributable to insurance operations	(249,094)	303,697
Investment property	-	(10,571)
Proceeds from sale of investments	0	0
Dividends received	8,215	26,907
Net cash from (used in) investing activities	(43,440,928)	361,169
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Dividends	(4,056,251)	0
Collection on stock subscriptions	71,204	49,876,368
Increase (decrease) in bills payable	(2,189,513)	(13,176,805)
Net cash from (used in) financing activities	(6,174,561)	36,699,563
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,416,330)	(20,215,838)
CASH AND CASH EQUIVALENTS		
January 1	303,286,669	319,142,533
June 30	285,870,339	298,926,695

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND JUNE 30, 2018
(In Thousands of Pesos)

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income tax	18,142,765	14,086,746
Adjustments for:		
Impairment losses	3,482,080	1,913,445
Depreciation and amortization	2,616,478	2,291,163
Share in net income of associates	(152,628)	(319,918)
Share based compensation	20,738	(48,913)
Dividend income	(21,888)	(36,990)
Interest income	(52,247,425)	(38,311,678)
Interest expense	18,141,461	10,874,714
Operating income before changes in operating assets and liabilities	(10,018,419)	(9,551,431)
Changes in operating assets and liabilities		
(Increase) decrease in:		
Due from Bangko Sentral ng Pilipinas	0	0
Interbank loans receivable and securities purchased under agreements to resell	1,302,452	80,399
FA at Fair Value through Profit or Loss	(18,762,706)	(13,221,080)
Loans and advances	(1,792,729)	(21,307,408)
Assets held for sale	6,599	207,188
Assets attributable to insurance operations	833,195	204,735
Other resources	(12,601,784)	(4,557,839)
Increase (decrease) in:		
Deposit liabilities	72,704,200	(27,225,402)
Due to Bangko Sentral ng Pilipinas and other banks	(864,319)	307,884
Manager's checks demand drafts outstanding	447,325	(596,465)
Accrued taxes, interest and other expenses	419,238	64,403
Liabilities attributable to insurance operations	(834,417)	(61,366)
Derivative financial instrument	294,823	134,010
Deferred credits and other liabilities	(7,819,057)	(3,826,746)
Net cash from (used in) operations	23,314,400	(79,349,117)
Income taxes paid	(4,505,224)	(3,240,886)
Interest paid	(17,381,095)	(10,205,229)
Interest received	50,353,259	37,164,147
Net cash from (used in) operating activities	51,781,339	(55,631,085)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in:		
FA at Fair Value through OCI	(38,746,484)	15,188,334
FA at Amortized Cost	(7,953,001)	4,341,344
Bank, premises, furniture, fixtures and equipment	(1,974,615)	(1,870,619)
Investment in subsidiaries and associates, net	251,469	(218,304)
Assets attributable to insurance operations	(594,003)	381,009
Investment property, net	(2,185)	(15,164)
Proceeds from sale of investments	0	0
Dividends received	21,888	36,990
Net cash from (used in) investing activities	(48,996,931)	17,843,590
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Dividends	(4,047)	(3,545,471)
Collection on stock subscriptions	144,558	49,903,968
Increase (decrease) in bills payable	(30,324,376)	(31,773,720)
Net cash from (used in) financing activities	(30,183,865)	14,584,776
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,399,458)	(23,202,721)
CASH AND CASH EQUIVALENTS		
January 1	313,269,796	322,129,415
June 30	285,870,339	298,926,694

BANK OF THE PHILIPPINE ISLANDS
Financial Indicators
As of June 30, 2019 and 2018

		2019	2018
a)	Liquidity Ratio *	52.9%	52.9%
b)	Debt to Equity Ratio **	52.6%	21.6%
c)	Asset to Equity Ratio	821.4%	793.1%
d)	Interest Rate Coverage Ratio ***	214.4%	250.6%
e)	Net Interest Margin on Average Earning Assets	3.4%	3.0%
f)	Return on Average Equity	10.7%	10.8%
g)	Return on Average Assets	1.3%	1.2%
h)	Cost to Income Ratio	52.9%	57.0%
i)	Cost to Assets Ratio	2.4%	2.3%
j)	Capital to Assets Ratio	12.2%	12.6%

* Liquid Assets over Total Deposits

** Bills Payable and Unsecured Subordinated Debt over Total Equity

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

SEC REQUIREMENT	DISCLOSURE
Disclosure that the issuer's interim financial report is in compliance with generally accepted accounting principles	The Bank's interim financial statements have been prepared in accordance with the Phil. Financial Reporting Standards (PFRS) which includes applicable PFRS, PAS (Phil. Accounting Standards) and interpretations approved by the FRSC (Financial Reporting Standards Council).
The following information, as a minimum, should be disclosed in the notes to financial statements, if material and if not disclosed elsewhere in the interim financial report:	
A statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change.	The Bank's interim financial statements have been prepared consistent with its most recent annual financial statements as of December 31, 2018 which was in accordance with the PFRS adopted by the SEC.
Explanatory comments about the seasonality or cyclicity of interim operations	Nothing to report
The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents	Nothing to report
The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.	The mandatory effective date of PFRS 16, Leases, is for annual periods beginning January 1, 2019. The Bank 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 Bank's initial assessment, the financial impact of PFRS 16 is deemed to be insignificant. Our independent validation team

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

SEC REQUIREMENT	DISCLOSURE
	is simultaneously conducting their review, assessment and validation of the Bank's inventory and assessment
• Issuances, repurchases, and repayments of debt and equity securities	• Nothing to report
• Dividends paid (aggregate per share) separately for ordinary shares and other shares	• On January 29, 2019, total cash dividends paid to Common Stockholders of record as January 8, 2019 amounted to P4.1 billion. • On May 15, 2019, the Board declared a regular cash dividend of P0.90 per share on the total outstanding Common shares of the capital stock of BPI, payable to all Common stockholders of record as of May 29, 2019 and payable/distributable on June 19, 2019. Total dividends declared amounted to P4.1 billion.
• Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting. (This shall be provided only if the issuer is required to disclose segment information in its annual financial statements).	• Attached
• Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period	• Nothing to report
• The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.	• Nothing to report

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

SEC REQUIREMENT	DISCLOSURE
Changes in contingent liabilities or contingent assets since the last annual balance sheet date	Changes in contingent liabilities and contingent assets are in the normal course of business and are not anticipated to cause any material losses from those commitments/contingent liabilities.
Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.	Nothing to report
Assess the financial risk exposures of the company and its subsidiaries particularly on currency, interest, credit, market and liquidity risks. If any change thereof would materially affect the financial condition and results of operation of the company, provide a discussion in the report on the qualitative and quantitative impact of such risks and include a description of any enhancement in the company's risk management policies to address the same;	The BPI Group measures and monitors financial risks according to three major classifications: credit, market and liquidity, and operational and IT risks. The Bank is exposed to these financial risks primarily through lending activities, trading and investment in bonds, currencies, financial derivatives and structured investment products, and engaging in operating activities, infrastructure and technology to support the Bank's day-to-day business. The risks associated with these activities are closely monitored through the various key risk indicators (KRIs) and metrics, risk appetite and limits, and management triggers defined and set by the Board through its Risk Management Committee (RMC). The Bank's Risk Management Office (RMO), led by the BPI Group Chief Risk Officer, supports the RMC in identifying, measuring, controlling, and reporting the Bank's financial and non-financial risks at the Management and business line levels. BPI has since maintained its disciplined risk appetite by establishing and implementing prudent risk management policies and standards, concentrating on sovereign-issued and investment-grade securities, and by ensuring that controls are generally in place and working effectively, thus, allowing the Bank and its key subsidiaries to manageable credit, market, liquidity, operational and IT risks which are within the RMC approved risk-appetite (BPI subsidiary

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

SEC REQUIREMENT	DISCLOSURE
	Board-level RMCs, in the case of key BPI subsidiaries). Dedicated and skilled risk managers, including business risk and subsidiary risk officers, fully support the Bank's three lines-of-defense (3LoD) risk organization. • The persistent challenges observed in the global and local financial markets have resulted to more active risk management strategies in the Bank. Sensitivity analyses, forward-looking simulations and stress testing, regular risk monitoring and escalation procedures, risk MIS reporting and in-depth discussions involving business units, Senior Management, and the Board of Directors are measures to strengthen the effectiveness of the Bank's enterprise risk management (ERM) framework. Moreover, the levels of risk exposures and limits are continuously reviewed to reflect the Board's overall risk appetite and strategy. • The BPI Group is able to manage overall credit risk and maintain asset quality for the period, evidenced by generally acceptable NPL ratios relative to the Bank's total loan portfolio, diversified portfolio across key industries, adequate loan loss provisioning, and general compliance to BSP guidelines and regulatory ceilings on credit risk (including single borrower's limit and related party transactions). Credit portfolio reviews, internal and regulatory credit stress tests, and regular risk reporting to Senior Management and the RMC were conducted to ensure that the Bank practices sound credit risk management. Furthermore, starting January 2018, the Bank adopted the accounting classification and measurement under PFRS 9 guidelines. The Bank began recognizing credit losses upon initial recognition

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

SEC REQUIREMENT	DISCLOSURE
	of its assets through the Expected Credit Loss (ECL) models. The Bank also complies with BSP's requirement of maintaining 1% general loan loss provisions for Stage 1 loans as prescribed by BSP 1011. • The Bank closely monitors the risk exposures of both trading and non-trading portfolios. Assets in both on- and off-balance sheet trading portfolios are marked-to-market and the resulting gains and losses are recognized through profit or loss. Market risk exposures are measured using the historical simulation value-at-risk (VaR) models complemented by several risk metrics such as Stop Loss and DV01. As of the second quarter of 2019, the Bank's VaR is well within the RMC-approved limit. • The Bank conducts regular price stress tests that measure the potential impact of the adverse movements in interest rates on the Bank's trading and banking book and the corresponding impact on the Bank's CAR and CET1 ratios. The results of the second quarter 2019 price stress test on both the trading and banking book revealed that the Bank's post-shock CAR and CET1 levels are well above the minimum regulatory requirement given adverse movements in risk factors. • Interest rate risk exposure arising from the core banking activities is measured by (a) earnings-at-risk (EaR), or the potential deterioration in net interest income over the next 12 months due to adverse movements in interest rates, and (b) balance sheet value-at-risk (BSVaR), or the impact on the economic value of the future cash flows in the banking book due to changes in interest rates. As of the second quarter of 2019,

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

SEC REQUIREMENT	DISCLOSURE
	BPI Group's BSVaR and EaR levels are well below the RMC-approved limits. • The Bank's liquidity profile is measured and monitored through its internal metric, the Minimum Cumulative Liquidity Gap (MCLG) supplemented by liquidity risk monitoring tools, as well as through regulatory metrics, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The MCLG measures the smallest net cumulative cash inflow (if positively gapped) or the largest net cumulative cash outflow (if negatively gapped) over the next three months. The LCR promotes the short-term resilience of the Bank's liquidity risk profile and requires the Bank to hold adequate level of high-quality liquid assets (HQLA) to cover net cash outflows in the next 30 days. NSFR, on the other hand, requires the Bank to maintain a stable funding profile so as to cover its assets over a horizon of one year. Moreover, both the LCR and NSFR are designed to strengthen the resilience of the Bank against liquidity shocks. As of second quarter of 2019, BPI Group's MCLG is well above the RMC-approved floors while actual LCR and NSFR figures exceed the prescribed minimum requirement set by the BSP. The Bank also regularly conducts liquidity stress tests which have consistently revealed ample liquidity to meet its obligations under both name-specific and systemic crisis scenarios. • The Bank continuously improves its risk models and model assumptions and regularly conducts independent back testing to assess the accuracy and effectiveness of its models and metrics. Enterprise risk systems are continuously enhanced and/or upgraded in light of increasing regulatory expectations and the Bank's risk data

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

SEC REQUIREMENT	DISCLOSURE
	aggregation initiatives towards the completeness, accuracy, timeliness and quality of risk data, dashboards and reporting. - On the Bank's management of operational and IT risks, for the second quarter of 2019, the Bank has maintained estimated operational and IT losses related to the Bank's operating activities to less than 1% of gross income. Such minimal losses are well within the Senior Management and Board/RMC's conservative and prudent risk appetite, and are generally attributed as inherent risks in executing the Bank's day-to-day business operations. The Bank is conscientiously aware of new and emerging industry-wide risks, and duly considers these in regular risk assessments and in updating the Bank's risk strategies. - The Bank, to the best of its knowledge, deems that there are no anticipated and significant changes in risk exposures that shall materially affect the Bank's financial condition and results of operations.
The significant judgments made in classifying a particular financial instrument in the fair value hierarchy.	The assumptions/judgments made in the Bank's interim financial statements are consistent with the most recent annual financial statements as of December 31, 2018.
A comparison of the fair values as of date of the recent interim financial report and as of date of the preceding interim period, and the amount of gain/loss recognized for each of the said periods	- In accordance with PFRS 9, Financial Assets at Fair Value through Profit and Loss (FVPL) are marked to market as profit and loss. As such, these are reflected in Other Income – Trading gain (loss) on securities including realized gains (losses) from opportunistic sell down of inventory. - Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) are marked to market against capital funds and reflected as

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

SEC REQUIREMENT	DISCLOSURE									
	Accumulated Other Comprehensive Income (Loss). The movements of these accounts are recognized as Other Comprehensive Income – Net Change in Fair Value Reserve for the banking books and Fair Value Reserve on investments of insurance subsidiaries. The table below summarizes the carrying amount and fair value of Financial Assets at Amortized Cost, net: <table><tr><th></th><th>Carrying Amount</th><th>Fair Value</th></tr><tr><td>June 30, 2019 (unaudited)</td><td>295,706</td><td>289,699</td></tr><tr><td>Dec 31, 2018 (audited)</td><td>287,571</td><td>258,652</td></tr></table>		Carrying Amount	Fair Value	June 30, 2019 (unaudited)	295,706	289,699	Dec 31, 2018 (audited)	287,571	258,652
	Carrying Amount	Fair Value								
June 30, 2019 (unaudited)	295,706	289,699								
Dec 31, 2018 (audited)	287,571	258,652								

BANK OF THE PHILIPPINE ISLANDS
SEGMENT REPORT
For the Quarter Ended June 30, 2019

In P Mn	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Net interest income	10,092	3,736	3,693	(1,213)	16,309
Impairment charge	1,076	603	1	(0)	1,679
Net interest income after impairment charge	9,016	3,134	3,692	(1,213)	14,629
Fees and commission	1,976	325	235	(62)	2,474
Other income	1,897	560	1,867	482	4,805
GRT	(294)	(33)	(133)	(12)	(471)
Other Income, net	3,579	851	1,969	409	6,808
Compensation and fringe benefits	3,364	558	266	361	4,550
Occupancy and equipment- related expenses	1,909	529	61	1,106	3,605
Other operating expenses	4,045	812	448	(1,251)	4,054
Total operating expenses	9,318	1,899	776	216	12,209
Operating profit	3,278	2,086	4,886	(1,020)	9,229
Share in net income of associates					155
Provision for Income Tax					2,153
Total Assets	480,247	1,118,253	489,444	46,801	2,134,745
Total Liabilities	1,156,837	565,818	134,372	14,576	1,871,603

BANK OF THE PHILIPPINE ISLANDS
SEGMENT REPORT
For the Six Months Ended June 30, 2019

In P Mn	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Net interest income	20,583	6,751	7,507	(2,479)	32,362
Impairment charge	1,919	1,568	(6)	(0)	3,482
Net interest income after impairment charge	18,663	5,183	7,513	(2,479)	28,880
Fees and commission	3,761	696	377	(114)	4,720
Other income	3,521	1,255	3,242	1,701	9,718
GRT	(483)	(73)	(183)	(159)	(899)
Other Income, net	6,799	1,878	3,435	1,427	13,540
Compensation and fringe benefits	6,666	1,131	515	292	8,603
Occupancy and equipment-related expenses	3,993	1,064	130	2,740	7,927
Other operating expenses	7,739	1,559	843	(2,395)	7,746
Total operating expenses	18,398	3,754	1,488	637	24,277
Operating profit	7,065	3,307	9,459	(1,689)	18,143
Share in net income of associates					314
Provision for Income Tax					4,280
Total Assets	480,247	1,118,253	489,444	46,801	2,134,745
Total Liabilities	1,156,837	565,818	134,372	14,576	1,871,603

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition as of June 30, 2019 versus as of December 31, 2018

Total resources increased P49.52 billion, or 2.4%, to end at P2.13 trillion, despite **loans and advances, net** ending flat to 2018 year-end at P1.35 trillion. Significant upward movements driving the overall increase in resources were as follows:

- **Financial assets at fair value through OCI** at P76.97 billion, increased P39.77 billion, or 106.9%, due to the net effect of the increase in the Bank's various holdings in hold to collect and sell debt securities;
- **Financial assets at fair value through profit or loss** at P34.62 billion, increased P17.90 billion, or 107.1%, due to increase in holdings of securities intended for trading on outlook of lower interest rates;
- **Other resources, net** at P34.10 billion, increased P11.90 billion, or 53.6%, primarily from the increase in miscellaneous assets;
- **Investments in subsidiaries and associates, net** at P6.82 billion, increased P1.16 million, or 20.5%, as a result of higher equity income from the thrift bank subsidiary and bancassurance affiliates.

Notable downward movements which partly offset the above increases were the following:

- **Cash and other cash items** at P30.97 billion, decreased P12.57 billion, or 28.9%, on account of lower cash placements this period as compared to year end 2018;
- **Interbank loans receivable and securities purchased under agreement to resell** at P28.72 billion, decreased P5.61 billion, or 16.3%, driven by the lower volume of placement in Reverse Repurchase Agreements (RRP) and interbank term loans;
- **Due from other banks** at P10.42 billion, decreased P2.05 billion, or 16.5%, mainly from the lower net decrease in the account balances with various banks.

Total liabilities increased P37.91 billion, or 2.1%, primarily driven by the P72.70 billion, or 4.6%, increase in **total deposits**, to P1.66 trillion, as the Bank's time deposits ended at P525.86 billion for the period, up P80.05 billion, or 18.0%. Significant increases were also registered by the following:

- **Accrued taxes, interest and other expenses** at P10.24 billion, up P1.18 billion, or 13.0%, due to higher accrued interest payable and higher income tax accruals;
- **Manager's checks and demand drafts outstanding** at P7.38 billion, up P447.32 million, or 6.5%, on the back of higher inward and outward remittances of foreign funds and level of manager's checks issued.

These increases in liabilities were partly tempered by the following:

- **Other borrowed funds** at P136.58 billion, down P30.32 billion, or 18.2%, on account of lower deposit substitutes and borrowings from foreign banks;

- **Deferred credits and other liabilities** at P39.38 billion, down P3.74 billion, or 8.7%, primarily from the decrease in miscellaneous liabilities;
- **Due to Bangko Sentral ng Pilipinas (BSP) and other banks** at P3.12 billion, down P864.32 million, or 21.7%, attributable to lower balances with various banks and tax collected for the Bureau of Internal Revenues (BIR);
- **Liabilities attributable to insurance operations** at P13.22 billion, down P834.42 million, or 5.9%, owing to lower reserves and other balances;
- **Derivative financial liabilities** at P3.23 billion, down P656.25 million, or 16.9%, caused by lower negative value on certain derivative positions.

Total capital at P259.88 billion, increased P11.36 billion or 4.6%, from year-end 2018 because of:

- the P10.29 billion increase in **surplus** as a result of accumulated profits net of cash dividend payments; and
- a P1.29 billion decrease in **accumulated other comprehensive loss**, in relation to the increase in fluctuation reserves and higher unrealized gains on certain financial assets at fair value through other comprehensive income; albeit
- slightly tempered by the decrease in **reserves** of P365.92 million, due to the appropriation of the 1% reserves of stage 1 loan portfolio as required by BSP.

RESULTS OF OPERATIONS

For the Quarters ended June 30, 2019 and 2018

Net income for the second quarter of 2019 at P7.01 billion, was up P2.24 billion, or 46.8%, from the profit earned in the same period of 2018. The robust results were primarily due to the increase in total revenues of P4.35 billion, or 23.2%, to P23.12 billion, underpinned by solid core income and higher fee income. Earnings were further improved by the tempered growth in **other expenses**, up only 6.4% this quarter compared to the 20.4% recorded in the same period last year.

Net interest income at P16.31 billion, increased P2.70 billion, or 19.8%, on account of the P181.15 billion expansion in average asset base and 25-basis point increase in spreads.

Interest income, net of GRT stood at P25.68 billion, up P6.64 billion, or 34.8%, on the back of across-the-board increases in all categories. Both higher average asset volume and asset yield, boosted the interest income in the following, unless otherwise specified:

- **on loans and advances** at P22.24 billion, up P5.77 billion, or 35.0%;
- **on FA at fair value through OCI** at P434.57 million, up P384.54 million, or 768.6%;
- **on FA at amortized cost** at P2.56 billion, up P362.87 million or 16.5%;
- **on deposits with BSP and other banks** at P349.10 million, up P95.98 million, or 37.9%, on higher asset yield despite the drop in average asset volume;
- **on FA at fair value through profit and loss** at P96.86 million, up P26.85 million, or 38.4%.

Interest expense at P9.38 billion, increased P3.94 billion, or 72.5%, attributable to increases in both interest expense:

- **on deposits** at P7.60 billion, which rose P2.64 billion, or 53.3%, mainly driven by the increase in the average volume and cost of time deposits, and
- **on bills payable and other borrowings** at P1.78 billion, which climbed P1.30 billion, or 271.9%, largely from the higher average volume and cost of BSP borrowings, foreign currency borrowings, and bonds payable.

Other income, net of GRT at P6.81 billion, was up P1.65 billion, or 32.0%, higher than the P5.16 billion earned in the same period of 2018, on the back of increases in all categories as follows:

- **Trading gain on securities** at P826.03 million, jumped P751.26 million, or 1,004.7%, due to profit taking on favorable trading opportunities;
- **Fees and commissions** at P2.29 billion, increased P394.24 million, or 20.8%, mainly from the higher transaction-based service charges and stock brokerage fees;
- **Other operating income** at P2.70 billion, increased P228.57 million, or 9.2%, led by increases in income from credit card and rental businesses;
- **Income attributable to insurance operations** at P375.11 million, increased P155.70 million, or 71.0%, due to the higher income contribution of the bancassurance affiliates;
- **Income from foreign exchange trading** at P616.50 million, increased P121.05 million, or 24.4%, mainly due to favorable trading opportunities.

Other expenses at P12.21 billion, grew P736.50 million, or 6.4%, due to increased spending on the following:

- **Compensation and fringe benefits** at P4.55 billion, up P609.58 million, or 15.5%, on the back of higher salaries and wages due to increased headcount and CBA-related costs incurred in May 2019;
- **Other operating expenses** at P4.05 billion, increased P267.26 million, or 7.1%, due to higher transaction servicing costs and product-related expenses.

Tempering the above increases, was the year-on-year decrease in **occupancy and equipment-related expenses** of P140.35 million, or 3.7%, to P3.60 billion, due to lower contractual services and outsourced technology services.

Impairment losses increased P550.66 million, or 48.8%, on additional provisioning for Hanjin.

Provision for income tax at P2.15 billion, increased P804.62 million or 59.7%, composed of the movements in:

- **Current income tax** at P2.74 billion, increased P1.06 billion, or 63.3%, on account of higher taxable income subject to regular corporate income tax;
- **Deferred income tax** at (P586.40) million versus last year's (P329.02) million, decreased P257.38 million, or 78.2%, on higher provisioning.

Income attributable to non-controlling interest at P61.31 million, increased P19.83 million, or 47.8%, largely attributable to the higher income contribution from the non-life insurance affiliate.

Total comprehensive income at P6.84 billion, increased P2.51 billion, or 57.8%, due to the increases in **net income before minority interest** of P2.25 billion, or 46.8%, and **total other comprehensive loss, net of tax effect** of P250.10 million, up 51.4%.

For items that may be reclassified subsequently to profit or loss:

- **Share in other comprehensive income of associates** at P254.65 million, increased P560.93 million, or 183.1%, due to the upward market valuation of the investments of the bancassurance affiliate;
- **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at P118.22 million, increased P303.63 million, or 163.8%, as a result of higher market valuation of the non-life insurance affiliates' investment funds;
- **Currency translation differences** at (P111.38) million, decreased P72.18 million, or 184.1%, due to the weakening of the US and Hong Kong Dollar currencies;
- **Net change in fair value reserve on FVOCI securities, net of tax effect** at (P560.25) million, dropped P466.32 million, or 496.5%, on account of lower market valuation of the Bank's investment securities.

For items that will not be reclassified to profit or loss:

- **Actuarial gains (losses) on defined benefit plan net of tax effect**, at P49.35 million, increased P48.33 million, or 4,756.7%, due to the adjustments in actuarial valuation of the bank contribution to the retirement fund;
- **Share in other comprehensive gain/(loss) of associates** at P13.01 million, decreased P124.29 million, or 90.5%, on account of the lower market valuation of the life insurance affiliate's investment securities.

Income attributable to non-controlling interest at P6.73 billion, increased P2.42 billion, or 56.1%, due to higher market valuation of the insurance subsidiaries' investment funds.

For the Six Months ended June 30, 2019 and 2018

Net income in the first half of 2019 was P13.74 billion, up P2.71 billion, or 24.6%, from the P11.03 billion registered in the same period last year. The robust results owing to a combination of strong revenues, up P8.68 billion, or 23.3%, to P45.90 billion, and moderation in **operating expenses**, growing 14.4% year-on-year, slightly lower than the 16.4% recorded in the same period last year.

Net interest income stood at P32.36 billion, increased P6.29 billion or 24.1%, on account of the P172.55 billion, or 9.1%, expansion in average asset base, and 38-basis point expansion in margins.

Interest income, net of GRT stood at P50.50 billion, up P13.55 billion, or 36.7%, on the back of higher interest income in all categories. Both higher average asset volume and asset yield accounted for this, unless otherwise specified in the following:

- **on loans and advances** at P43.92 billion, up P12.15 billion, or 38.2%;
- **on FA at amortized cost** at P4.98 billion, climbed P584.48 million, or 13.3%;
- **on FA at FV through OCI** at P606.00 million, jumped P494.58 million, or 443.9%;

- **on deposits with BSP and other banks** at P803.00 million, increased P273.10 million, or 51.5%, owing to higher asset yield despite the lower average asset volume;
- **on FA at FV through profit or loss** at P188.12 million, up P54.24 million, or 40.5%.

Interest expense at P18.14 billion, increased P7.27 billion, or 66.8%, driven by the increases in both interest expense **on deposits** at P14.54 billion, up P4.54 billion, or 45.4%, and **on bills payable and other borrowings** at P3.60 billion, up P2.73 billion, or 313.3%, due to expansion on higher average volume and interest cost.

Other income, net of GRT at P13.54 billion, up P2.39 billion, or 21.5%, higher than the P11.15 billion earned in the same period of 2018, due to significant improvement in all categories as follows:

- **Other operating income** at P5.97 billion, increased P770.87 million, or 14.8%, due to increases in fees from the credit card and rental businesses, and asset sales;
- **Trading gain (loss) on securities** at P1.32 billion, increased P751.05 million, or 132.5%, on account of realized gains on government securities and a higher trading position;
- **Fees and commissions** at P4.36 billion, increased P641.31 million, or 17.3%, due to increases in transaction-based service charges and bank commissions;
- **Income attributable to insurance operations** at P726.65 million, increased P124.98 million, or 20.8%, due to life insurance subsidiary's higher premium income and investment income;
- **Income from foreign exchange trading** at P1.16 billion, increased P104.85 million, or 9.9%, due to gains in various realized and unrealized trading positions.

Other expenses at P24.28 billion, grew P3.06 billion, or 14.4%, due to increased spending of the following:

- **Occupancy and equipment-related expenses** at P7.93 billion, up P1.32 billion, or 20.0%, on account of continued expansion of microfinance branches and branch-lite units and increased premises and technology-related costs;
- **Compensation and fringe benefits** at P8.60 billion, up P1.01 billion, or 13.3%, on increased headcount in the microfinance business and CBA-related expenses paid during the second quarter;
- **Other operating expenses** at P7.75 billion, increased P729.19 million, or 10.4%, due to higher transaction servicing costs and regulatory expenses.

Impairment losses stood at P3.48 billion, which includes specific reserves for Hanjin.

Provision for income tax at P4.28 billion, increased P1.31 billion, or 44.3%, resulting from the ff. movements in:

- **Current income tax** at P4.72 billion, up P1.47 billion, or 45.4%, on account of higher taxable income subject to regular corporate income tax;
- **Deferred income tax** at (P436.25) million, down P159.92 million, or 57.9%, on higher provisioning.

Income attributable to non-controlling interest at P125.78 million, increased P31.99 million, or 34.1%, largely attributable to higher income contribution from the non-life insurance affiliate.

Total comprehensive income at P15.50 billion, increased P6.09 billion, or 64.8%, due to increases in both **net income before minority interest** by P2.74 billion, or 24.7% and **total other comprehensive income, net of tax effect** by P3.35 billion, or 195.7%.

For items that may be reclassified subsequently to profit or loss:

- **Share in other comprehensive income of associates** at P1.01 billion, jumped P2.02 billion, or 199.9%, on higher valuation of the bancassurance affiliate's investments relative to last year;
- **Net change in fair value reserve on FVOCI securities, net of tax effect** at P261.13 million, rose P1.05 billion, or 133.0%, on account of higher market valuation of the Bank's investment securities;
- **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at P409.72 million, increased P779.55 million, or 210.8%, as a result of higher market valuation of the insurance subsidiaries' investment funds;
- **Currency translation differences** at (P77.57) million, decreased P252.28 million, or 144.4%, due to the decrease of the accumulated translation investments of BPI's foreign subsidiaries;

For items that will not be reclassified to profit or loss:

- **Actuarial gains (losses) on defined benefit plan net of tax effect** at P40.88 million, increased P45.82 million, or 927.4%, on account of higher actuarial valuation of bank contribution on retirement fund;
- **Share in other comprehensive gain/(loss) of associates** at (P2.66) million, declined P289.00 million, or 100.9%, on account of the lower market valuation of the life insurance affiliate's investment securities.

Income attributable to non-controlling interest at P248.59 million, increased P211.50 million, or 570.4%, due to higher income contribution by the bancassurance affiliates.

Key Performance Indicators

The following ratios, applied on a consolidated basis, are used to assess the performance of the Bank and its majority owned subsidiaries:

	June 30, 2018	June 30, 2019
Return on Equity (%)	10.8	10.7
Return on Assets (%)	1.2	1.3
Net Interest Margin (%)	3.0	3.4
Operating Efficiency Ratio (%)	57.0	52.9
Capital Adequacy Ratio (%) - Basel III	17.3	16.4

Return on equity (ROE), the ratio of net income to average equity, was lower at 10.7%, compared to last year's 10.8%, still sustaining the impact of the dilution from the May 2018 SRO.

Return on assets (ROA), the ratio of net income to average assets, was slightly higher at 1.3%, versus 1.2% last year, due to the growth in net income of 24.6% outpacing the growth in average assets of 9.1%.

Net interest margin (NIM), net interest income divided by average interest bearing assets, at 3.4% was higher by 38 basis points than the first half of 2018 on higher loan yields tempered by increasing cost of funds.

Operating efficiency (cost to income) ratio, the ratio of operating expenses to income, improved to 52.9% from 57.0%, owing to the moderation in operating expenses, which focused spending on digital initiatives and expansion in microfinance branches and manpower.

Capital adequacy ratio (CAR), the ratio of total qualifying capital to total risk-weighted assets, was lower at 16.4% versus last year's 17.3%, owing to the impact of the May 2018 SRO. The CET 1 ratio at 15.5%, was also lower than 16.4% last year, and above the minimum regulatory requirement. Both of the Bank's capital ratios are above the BSP's minimum requirement.

Material Events and Uncertainties

The Bank has nothing to report on the following:

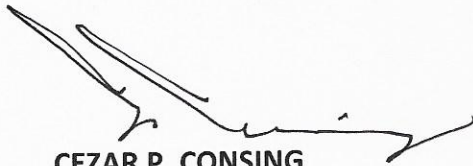
1. Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.
2. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
3. Other material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period other than those mentioned above.
4. Material commitments for capital expenditures.
5. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
6. Events that will cause material change in the relationship between costs and revenues (such as known future increases in cost of labor or materials or price increases or inventory adjustments).
7. Any significant elements of income or loss that did not arise from the registrant's continuing operations.
8. Any seasonal aspects that had a material effect on the financial condition or results of operations.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BANK OF THE PHILIPPINE ISLANDS

Issuer



CEZAR P. CONSING
President &
Chief Executive Officer

Date: August 7, 2019



MARIA THERESA MARCIAL JAVIER
Executive Vice President &
Chief Finance Officer

Date: August 7, 2019

BPI UNIBANK
CONSOLIDATED AGING OF ACCOUNTS RECEIVABLE
June 30, 2019

No. of Days Outstanding		Amount (In Thousands)
	0-90	P 1,573,558
	91-180	236,628
	181-360	208,156
	Over 360	745,346
Total		2,763,688
Less : Allow. For Probable Losses		404,149
Net of Allowance		P 2,359,540

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