

FINANCIAL PERFORMANCE

RESULTS OF OPERATIONS

Net income for 2009 was P8.5 billion, P2.1 billion or 33% higher than the previous year's P6.4 billion on increased revenues partly offset by higher operating expenses, impairment losses and income taxes. Return on equity improved to 13.0% from 10.0% and return on assets also increased from last year's 1.1% to 1.3% this year.

46

Revenues of P34.4 billion were P4.6 billion or 15% better than the previous year. Revenue growth was attributed to the increases in both net interest and non interest income by P1.9 billion and P2.7 billion, respectively.

Net interest income rose to P21.4 billion, up by 10% due to the P52.4 billion expansion in average assets.

Other income at P13.0 billion was 26% higher than the previous year largely from the P2.0 billion rise in securities trading gain. Service charges and commissions and the pre-tax income of the insurance subsidiaries were also up by P374 million and P210 million, respectively. Increases were also reflected in gains on asset sale, rental income and income from the credit card business.

Impairment losses reached P2.5 billion, P605 million or 31% more than previous year due to additional reserves set-up for some corporate accounts and typhoon related credit losses.

Operating expenses were at P19.7 billion or 7% up against last year. Manpower cost rose by P1.1 billion on higher retirement fund contribution, early retirement program expenses and salary increases. Premises costs were up due to depreciation and maintenance costs.

Income taxes were higher by P534 million mainly due to higher final taxes and write-off of deferred income taxes on expiring net operating loss carryover.

FINANCIAL CONDITION

Total resources ended at P724.4 billion, P57.8 billion or 9% above 2008 driven by the increases in deposits of P39.1 billion or 7% and bills payable of P22.1 billion. Demand and savings deposits (CASA) expanded by a combined P55.8 billion while time deposits contracted by P16.7 billion, resulting in a favorable deposit mix of 54:46 in favor of CASA.

Total capital was P67.8 billion, P3.9 billion or 6% up against last year. Higher capital funds came from this year's better earnings net of cash dividends paid and the upward valuation of the investments of the insurance companies and the bank's available for sale securities. The bank's capital adequacy ratio under the Basel II framework was at 14.7%. BPI share price moved up by 25% to P48.0, thereby increasing the bank's market capitalization to P155.8 billion. This year's closing price was 2.3x the book value per share of P20.57.

Loans, net of impairment loss reserves, of P327.5 billion was only 2% up from last year due to a 22% decline in loans to multinational, high level of liquidity and access to the capital markets. Excluding the multinational, loans grew by 9% with the strong growth of the middle market, SMEs, and consumer loans. The non-performing loans ratio improved to 2.8% against 2008's 3.0%.

Liquid assets were at P194.5 billion, P52.4 billion or 37% up against the previous year on higher interbank loans, trading securities and balances with BSP.

Investment securities increased by P10.0 billion or 7% to P146.7 billion on higher inventory of government and private securities.