

FINANCIAL PERFORMANCE

RESULTS OF OPERATIONS

BPI's net income for the year 2011 ended at Php12.8 billion, Php1.5 billion or 13.4% higher compared to 2010's Php11.3 billion. Our improved performance was due to higher revenues and lower impairment losses, partly reduced by the increment in our operating expenses. Our return on equity of 15.2% approximated previous year's 15.6% while our return on assets was better at 1.6% from last year's 1.5%.

Our total revenues reached Php41.8 billion, Php3.3 billion or 8.7% above last year's Php38.4 billion. Our revenue growth was driven by the increases in both net interest and non interest income by Php2.2 billion and Php1.1 billion, respectively.

Net interest income amounted to Php25.9 billion, 9.5% more than last year due to the Php48.7 billion average asset base expansion and the 12 basis points improvement in net interest margin.

Non interest income rose by 7.5% to Php15.9 billion from 2010's Php14.8 billion. The major contributor to this was other operating income which increased by Php862 million or 14.8% on higher trust fees and credit card income. Fees and commissions also went up by Php447 million or 10.8% on higher service charges brought about by increases in ATM and remittance fees.

Impairment losses at Php2.1 billion was Php1.3 billion or 37.7% less than the previous year in view of the Bank's relatively stable asset quality and the sufficient reserve cover on NPLs.

Operating expenses ended at Php23.5 billion, Php2.5 billion or 12.0% ahead of last year's Php21.0 billion. Compensation and fringe benefits were up by Php1.2 billion or 13.6% on salary increases and CBA related expenses. Other operating expenses grew by Php876 million or 15.3% on ex-ING investment management business acquisition related expenses and higher advertising, regulatory and miscellaneous expenses. Occupancy and equipment-related expenses likewise rose by Php393 million or 6.5% due to increased equipment depreciation, software costs, rent and contractual costs.

Income taxes advanced by Php610 million or 24.2% to Php3.1 billion largely due to the Bank's higher taxable income.

FINANCIAL CONDITION

Our total assets ended at Php842.6 billion, Php35.5 billion or 4.0% lower than last year. We focused on the safety of our assets and the maintenance of yields at the expense of assets growth. Total deposits contracted by Php38.7 billion or 5.4% to Php681.1 billion. Time deposits went down by Php95.1 billion while current and savings deposits grew by a total of Php56.5 billion in line with our thrust to grow low cost deposits to fund our loan growth.

Our total capital funds at Php90.5 billion improved by Php8.2 billion or 10.0% from last year. The growth in capital was largely derived from higher profits from operation, net of cash dividends paid. Accumulated other comprehensive income also rose by Php1.7 billion due to the upward market valuation of the Bank's and the insurance subsidiaries' available-for-sale securities. Our CAR based on the Basel II framework ended lower at 14.9% from last year's 15.4% as the risk weighted assets increased on higher loan portfolio. This year's CAR remained substantially higher than the regulatory minimum requirement of 10%. At year end, our share price was at Php55.2 resulting into a market capitalization of Php196.3 billion, the highest in the industry. Our closing price was 2.2x the book value per share of Php25.07.

Loans, net of impairment loss reserves, reached Php454.5 billion, Php75.8 billion or 20.0% ahead of the previous year's Php378.7 billion. All market segments recorded double-digit growth rates. NPL ratio further improved this year to 1.9% from 2.1% in 2010 and was better than industry average of 2.2%.

Liquid assets at Php163.0 billion were Php68.5 billion or 29.6% lower than last year on reduced balances with BSP and decreased interbank loans receivable and securities purchased under agreements to resell.

Investment securities ended at Php163.8 billion, Php44.2 billion or 21.2% lower than last year on maturities and sale of peso and foreign currency securities.