

## RESULTS OF OPERATIONS

BPI earned a net income of Php 18.8 billion in 2013, representing a Php 2.5-billion, or 15.0%, increase relative to Php 16.4 billion earned last year. This increase in net income was achieved through a Php 5.1-billion, or 10.8%, increase in total revenues but was partly reduced by the Php 1.9 billion and Php 995 million increases in operating expense and taxes, respectively. Return on equity improved to 18.1% from last year's 17.9%, while return on assets declined to 1.87% from previous year's 1.91%.

Total revenue growth to Php 52.5 billion from last year's Php 47.4 billion was sustained by the increases in both net interest and non-interest income, up by Php 2.9 billion and Php 2.2 billion, respectively.

Net interest income closed at Php 30.3 billion, representing a 10.4% increase from last year. This increase in net interest income was the result of a Php 151.4 billion, or 17.7%, expansion in average asset base partly tempered by the 26 basis points drop in net interest spreads.

Non-interest income of Php 22.2 billion increased 11.3% from last year's Php 19.9 billion. Other operating income increased Php 1.6 billion, or 20.8%, mainly due to increases in trust fees, bank premises rental, profit from assets sold and miscellaneous income. Fees and commissions, income from the insurance business and income from foreign exchange trading likewise increased by Php 774 million, or 15.1%, Php 755 million, or 108.8%, and Php 360 million, or 21.4%, respectively. Fees and commissions' increase was attributed to increases in service charges, bank commissions, and underwriting fees. Trading gain on securities ended Php 1.1 billion, or 18.1%, lower than last year due to lower securities inventory level as tempered by market corrections.

Impairment losses at Php 2.6 billion, decreased Php 275 million, or 9.4%, from 2012 due to last year's provisions for non-credit related items and foreclosed assets.

Other expenses at Php 26.7 billion, increased Php 1.9 billion, or 7.7%, from last year's Php 24.8 billion. Occupancy and equipment-related expenses increased Php 847 million, or 11.8%, due to increases in computer equipment and software costs, contractual, rental, and depreciation cost. Other operating expenses increased Php 883 million, or 12.4%, on higher regulatory cost, fines and penalties, litigation expenses, management and other professional fees, and other miscellaneous transaction related expenses.

## FINANCIAL CONDITION

The Bank's total resources reached Php 1.2 trillion, Php 210.1 billion, or 21.3%, higher than last year's Php 985.2 billion. This increase was attributed largely to the Php 186.3 billion, or 23.2%, increase in total deposits, which reached Php 988.6 billion. Current and savings deposits increased Php 194.2 billion or 39.5%.

Total capital funds increased Php 7.7 billion, or 7.8%, to Php 105.8 billion from the previous year's Php 98.1 billion. This growth in capital came from the increase in profits from operation, net of cash dividends paid. Accumulated other comprehensive income(loss) decreased Php 4.6 billion, or 322.7% on lower market valuation of the Bank's available-for-sale securities and the higher actuarial losses on the Bank's defined benefit plan. The Bank's capital adequacy ratio using Basel II framework at 13.7% declined from last year's 14.2% as the risk weighted assets increased at a faster rate than the qualifying capital. This year's CAR remained substantially higher than BSP's 10% requirement.

BPI's market capitalization remained the largest in the industry at Php 302.5 billion. The Bank's share price traded at a premium of 2.9x its book value per share of Php 29.37.

Loans, net of impairment losses, stood at Php 635.2 billion, representing a Php 108.6 billion, or 20.6%, increase from prior year's Php 526.6 billion. This increase in loans was brought about by the higher loan demand from multinationals and conglomerates. Non-performing loans ratio at 0.49% improved from last year's 1.5% and below the industry's 2.4% (November 2013).

Liquid assets increased Php 93.3 billion, or 44.2%, to Php 304.2 billion largely on higher balances with BSP.

Investment securities at Php 183.7 billion increased Php 1.1 billion from prior year's Php 182.6 billion. Held-to-maturities securities increased Php 19.9 billion, or 26.1% due to additional investments, while available-for-sale securities decreased Php 18.8 billion, or 17.7%, due to reduction in local and foreign securities position.