



**BPI International Finance Ltd.**

**(A wholly owned subsidiary of the Bank of the Philippine Islands)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED  
30TH JUNE 2014**

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## **INTERIM RESULTS**

The Directors of BPI International Finance Limited (the "Company") are pleased to announce that the unaudited consolidated interim results of the Company's and its subsidiaries (the "Group") operations for the six months ended 30th June 2014 are as follows:-

### **A. Consolidated Statement Of Comprehensive Income (Unaudited)**

	Note	For the six months ended	
		30/06/2014	30/06/2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Interest income	4	3,039	3,720
Interest expense		(1,073)	(1,437)
Net interest income		1,966	2,283
Other operating income	5	11,873	10,879
Operating income		13,839	13,162
Operating expenses	6	(9,258)	(7,751)
Profit before taxation		4,581	5,411
Taxation	7	(759)	(921)
Profit for the year		3,822	4,490

**B. Consolidated Statement of Financial Position(Unaudited)**

	As at 30/06/2014 HK\$'000 (Unaudited)	As at 31/12/2013 HK\$'000 (Audited)
<b>Assets</b>		
Cash and short-term funds	145,681	135,942
Placements with banks and other financial institutions maturing between one and twelve months	83,476	118,973
Available-for-sale securities	65,959	26,225
Held-to-maturity securities	66,218	79,685
Financial assets at fair value through profit or loss		
Advances and other accounts	86,627	86,129
Property, plant and equipment	142	156
Prepaid tax	215	61
Deferred tax assets	78	72
<b>Total assets</b>	<b>448,396</b>	<b>447,243</b>
<b>Liabilities</b>		
Deposit from customers		
Time deposits	263,051	269,315
Balances with the ultimate holding company	-	-
Other accounts and provisions	11,932	9,155
Taxation	908	201
Deferred tax liabilities	-	5
<b>Total liabilities</b>	<b>275,891</b>	<b>278,676</b>
<b>Capital Resources</b>		
Share capital	75,000	75,000
Retained earnings	97,478	93,612
Other reserves	27	(45)
	<b>172,505</b>	<b>168,567</b>
<b>Total liabilities and capital resources</b>	<b>448,396</b>	<b>447,243</b>



Jose Esteban J. Salvan  
Director



Mario Antonio V. Paner  
Director

**B. Statement Of Financial Position (Unaudited)**

	As at 30/06/2014 HK\$'000 (Unaudited)	As at 31/12/2013 HK\$'000 (Audited)
<b>Assets</b>		
Cash and short-term funds	134,820	123,486
Placements with banks and other financial institutions maturing between one and twelve months	83,476	118,973
Available-for-sale securities	65,959	26,225
Held-to-maturity securities	66,218	79,685
Financial assets at fair value through profit or loss	-	-
Advances and other accounts	85,860	85,314
Subsidiaries	500	500
Property, plant and equipment	47	43
Prepaid tax	-	-
Deferred tax assets	78	72
<b>Total assets</b>	<b>436,958</b>	<b>434,298</b>
<b>Liabilities</b>		
Deposit from customers		
Time deposits	270,069	276,326
Balances with the ultimate holding company	-	-
Other accounts and provisions	11,543	5,892
Deferred tax liabilities	-	201
<b>Total liabilities</b>	<b>281,612</b>	<b>282,419</b>
<b>Capital Resources</b>		
Share capital	75,000	75,000
Retained earnings	80,319	76,924
Other reserves	27	(45)
	155,346	151,879
<b>Total liabilities and capital resources</b>	<b>436,958</b>	<b>434,298</b>



Jose Esteban J. Saivan  
Director



Mario Antonio V. Paner  
Director

**C. Consolidated Statement Of Changes In Equity (Unaudited)**

	Share capital	Property revaluation reserves	Investment revaluation reserves	Retained earnings *	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st January 2013	75,000	-	88	85,641	160,729
Total comprehensive income/(loss) for the period	-	-	(133)	7,971	7,838
As 31st December 2013	<u>75,000</u>	<u>-</u>	<u>(45)</u>	<u>93,612</u>	<u>168,567</u>

	Share capital	Property revaluation reserves	Investment revaluation reserves	Retained earnings *	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st January 2014	75,000	-	(45)	93,612	168,567
Total comprehensive income/(loss) for the period	-	-	72	3,866	3,938
As 30th June 2014	<u>75,000</u>	<u>-</u>	<u>27</u>	<u>97,478</u>	<u>172,505</u>

\* As at 30th June 2014, an amount of HK\$1,691,649 (2013: HK\$1,691,649) was earmarked from retained earnings as a regulatory reserve. The regulatory reserve is maintained to satisfy the provisions of the Banking Ordinance for prudential supervision purpose. Movements in the reserve are made directly through retained earnings following consultation with the Hong Kong Monetary Authority.

**D. Review of Activities**

The Group's main activities are deposit-taking and dealing in securities as well as granting of loans. Its normal activities generated a net operating profit of HK\$4.58M mainly from interest differential income and service fees.

## E. Notes to the Financial statements

### Note 1: Basis of preparation

The interim consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs" is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities and financial assets at fair value through profit or loss.

The preparation of an interim financial report in conformity with HKFRSs requires management to exercise judgement, use estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates.

### Note 2: Accounting policies

This interim report has been prepared on a basis consistent with the accounting policies adopted in the 2013 accounts which have described under note 2 of the 2013 Annual Report and Accounts.

### Note 3: Basis of consolidation

This interim financial report covers the consolidated positions of the Company and all its subsidiaries, unless otherwise stated, and include the attributable share of the results and reserves of its associates.

Particulars of the subsidiaries, all wholly owned by the Company and incorporated in Hong Kong, are as follows:

<u>Name</u>	<u>Principal activity</u>
BPI Nominees Limited	Nominee and trustee services
BPI Remittance Centre (HK) Limited	Remittance services
Begara Company Limited	Dormant
Hilldale Company Limited	Dormant

### Note 4: Interest Income

	<u>Group</u>	
	<u>Six months ended</u>	
	<u>30/06/2014</u>	<u>30/06/2013</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Held-to-maturity Securities	946	1,217
Available-for-sale Securities	224	124
Trading Securities		
- listed	-	-
- unlisted	-	-
Loans, deposits with banks and financial institutions	1,869	2,379
Total interest income	<u>3,039</u>	<u>3,720</u>

## E. Notes to the Financial statements

### Note 5: Other Operating Income

	<b>Group</b>	
	<b>Six months ended</b>	
	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Fees and commission income	6,000	5,540
Less: fees and commission expenses	-	-
Net fees and commission income	6,000	5,540
Comprising :		
- Wealth management	5,053	4,568
- Trade and remittances	947	972
	6,000	5,540
Exchange gains	3,124	3,297
Net gain from trading securities	2,749	2,042
Net gain on disposal of fixed assets	-	-
Other income	-	-
Total other operating income	11,873	10,879

### Note 6: Operating Expenses

	<b>Group</b>	
	<b>Six months ended</b>	
	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Staff cost	4,491	3,896
Rental expenses	2,219	2,153
Other operating expenses	2,548	1,702
Total operating expenses	9,258	7,751

### Note 7: Tax expense

	<b>Group</b>	
	<b>Six months ended</b>	
	<b>30/06/2014</b>	<b>30/06/2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax - provision for Hong Kong profits tax	759	921
Tax for the period	759	921

Hong Kong profits tax has been calculated at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.



## F. Supplementary information

### 1. Cash and short-term funds

	<u>Group</u>		<u>Company</u>	
	<u>30/06/2014</u>	<u>31/12/2013</u>	<u>30/06/2014</u>	<u>31/12/2013</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash in hand	418	158	-	-
Cash and balances with banks and other financial institutions	60,279	54,445	50,839	42,147
Money at call and short notice	84,984	81,339	83,981	81,339
	<u>145,681</u>	<u>135,942</u>	<u>134,820</u>	<u>123,486</u>

### 2. Placements with banks and other financial institutions maturing between one and twelve months

	<u>Group &amp; Company</u>	
	<u>30/06/2014</u>	<u>31/12/2013</u>
	HK\$'000	HK\$'000
Placements with banks and other financial institutions		
- maturing within 3 months	48,253	61,492
- maturing beyond 3 months	35,223	57,481
	<u>83,476</u>	<u>118,973</u>

### 3. Deposit from customers

	<u>Group &amp; Company</u>	
	<u>30/06/2014</u>	<u>31/12/2013</u>
	HK\$'000	HK\$'000
Time, call and notice deposits	<u>263,051</u>	<u>269,315</u>

F. Supplementary information

4. Property, plant and equipment

	Leasehold improvement HK\$'000	Group Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost or valuation			
At 1st January 2014	629	610	1,239
Additions	-	82	82
Revaluations	-	-	-
Disposals	-	-	-
At 30th June 2014	<u>629</u>	<u>692</u>	<u>1,321</u>
Accumulated depreciation			
At 1st January 2014	572	511	1,083
Charge for the year	20	76	96
Revaluations	-	-	-
Disposals	-	-	-
At 30th June 2014	<u>592</u>	<u>587</u>	<u>1,179</u>
Net book value			
At 30th June 2014	<u>37</u>	<u>105</u>	<u>142</u>

	Leasehold improvement HK\$'000	Company Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost or valuation			
At 1st January 2014	554	395	949
Additions	-	19	19
Revaluations	-	-	-
Disposals	-	-	-
At 30th June 2014	<u>554</u>	<u>414</u>	<u>968</u>
Accumulated depreciation			
At 1st January 2014	554	352	906
Charge for the year	-	15	15
Revaluations	-	-	-
Disposals	-	-	-
At 30th June 2014	<u>554</u>	<u>367</u>	<u>921</u>
Net book value			
At 30th June 2014	<u>-</u>	<u>47</u>	<u>47</u>

F. Supplementary information

4. Property, plant and equipment (continued)

	Leasehold improvement HK\$'000	Group Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost or valuation			
At 1st January 2013	994	625	1,619
Additions	75	77	152
Revaluations	-	-	-
Disposals	-	-	-
Written off	(440)	(92)	(532)
At 31st December 2013	<u>629</u>	<u>610</u>	<u>1,239</u>
Accumulated depreciation			
At 1st January 2013	994	527	1,521
Charge for the year	18	76	94
Revaluations	-	-	-
Disposals	-	-	-
Written off	(440)	(92)	(532)
At 31st December 2013	<u>572</u>	<u>511</u>	<u>1,083</u>
Net book value			
At 31st December 2013	<u>57</u>	<u>99</u>	<u>156</u>
	Leasehold improvement HK\$'000	Company Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost or valuation			
At 1st January 2013	554	341	895
Additions	-	54	54
Revaluations	-	-	-
Disposals	-	-	-
Written off	-	-	-
At 31st December 2013	<u>554</u>	<u>395</u>	<u>949</u>
Accumulated depreciation			
At 1st January 2013	554	297	851
Charge for the year	-	55	55
Revaluations	-	-	-
Disposals	-	-	-
Written off	-	-	-
At 31st December 2013	<u>554</u>	<u>352</u>	<u>906</u>
Net book value			
At 31st December 2013	<u>-</u>	<u>43</u>	<u>43</u>

F. Supplementary information

5. Segmental information

(a). Advances and other accounts

	Group		Company	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Advances to customers	79,192	81,652	79,192	81,652
Other accounts	7,435	4,477	6,668	3,662
Total	86,627	86,129	85,860	85,314

(b). Advances to customers - by industry sectors

	Group		Group	
	30/06/2014	31/12/13	30/06/2014	31/12/13
	Amount of Loan Outstanding	Amount of Loan Covered by Collateral	Amount of Loan Outstanding	Amount of Loan Covered by Collateral
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loans for use in Hong Kong	-	-	-	-
- Individuals - others	-	-	-	-
Loans for use outside Hong Kong	79,192	79,192	81,652	81,652
Trade Finance	-	-	-	-
Total advances to customers	79,192	79,192	81,652	81,652

	Company		Company	
	30/06/2014	31/12/13	30/06/2014	31/12/13
	Amount of Loan Outstanding	Amount of Loan Covered by Collateral	Amount of Loan Outstanding	Amount of Loan Covered by Collateral
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loans for use in Hong Kong	-	-	-	-
- Individuals - others	-	-	-	-
Loans for use outside Hong Kong	79,192	79,192	81,652	81,652
Trade Finance	-	-	-	-
Total advances to customers	79,192	79,192	81,652	81,652

(c). Advances to customers - by geographical areas

Gross advances to customers by residential status of customers

	Group		Company	
	30/06/2014	31/12/13	30/06/2014	31/12/13
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	-	-	-	-
Philippines	79,192	81,652	79,192	81,652
Total	79,192	81,652	79,192	81,652

## F. Supplementary information (continued)

### 6. Overdue and rescheduled assets, Repossessed assets, Non-performing loans

There were no overdue and rescheduled assets, repossessed assets, non-performing loans as at 30th June 2014. (2013: HK\$ Nil)

### 7. Non-bank Mainland exposures

There were no non-bank Mainland exposures for the period ended 30th June 2014. (2013: HK\$ Nil).

### 8. Off-balance sheet exposures

#### (a) Contingent liabilities and commitments

The following is a summary of the contractual amounts and credit risk weighted amounts of each significant class of contingent liability and commitment as at 30th June 2014:

	Group & Company		Group & Company	
	Contractual amounts	Credit risk weighted amounts	Contractual amounts	Credit risk weighted amounts
	30/06/2014	30/06/2014	31/12/2013	31/12/2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Direct credit substitutes	-	-	-	-
Trade-related contingencies	-	-	-	-
Other commitments with an original maturity of under one year or which are unconditionally cancellable	24,332	-	21,979	-
	<u>24,332</u>	<u>-</u>	<u>21,979</u>	<u>-</u>

Direct credit substitutes mainly include the confirming of letters of credit issued by the ultimate holding company and standby letters of credit serving as financial guarantees for loans.

The Credit Risk weighted amounts are the amounts which have been calculated in accordance with the Third Schedule of the Hong Kong Banking Ordinance and guidelines issued by the Hong Kong Monetary Authority. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

The Group has no bilateral netting arrangements with its counterparties.

#### (b) Derivatives

The Company did not enter into derivatives transactions for the period ended 30th June 2014 (2013: Nil).

F. Supplementary information (continued)

9. Capital adequacy and liquidity ratios

	As at 30/06/2014	As at 31/12/2013
Common Equity Tier 1 capital ratio	81%	67%
Tier 1 capital ratio	81%	67%
Total capital ratio	82%	67%
	<b>Six months ended</b>	
	30/06/2014	30/06/2013
Liquidity ratio	258%	281%

The Capital Adequacy Ratio as at 30 June 2014 and 31 December 2013 represents the consolidated position of the Company computed on Basel III and Basel II basis respectively with reference to the Banking (Capital) Rules issued by the HKMA. The Company uses the basic approach for the calculation of the risk weighted assets for credit risk, and the standardised approach for the calculation of the risk weighted assets for operational risk and market risk. The above capital ratios are higher than the minimum capital ratios required by the HKMA.

For the purpose of compliance with the Banking (Disclosure) Rules, the following attachments are detailed disclosures on the composition of the Company's capital base:

- (a) Regulatory capital disclosures as of 30 June 2014 (Annex 1)
- (b) Reconciliation of balance sheet and capital items and regulatory deductions (Annex 2)
- (c) Main Features of capital instruments (Annex 3)

The Liquidity Ratio is calculated as the simple average of each calendar month's average Liquidity Ratio for the six months ended June computed in accordance with the Banking (Disclosure) Rules.

10. Components of capital base after deductions

The consolidated capital base after deductions used in the calculation of the above Capital Adequacy Ratios as at 30th June 2014 and 31st December 2013 and reported to the Hong Kong Monetary Authority is analysed as follows:

	30/06/2014 HK\$'000	31/12/2013 HK\$'000
Core capital		
Paid up ordinary share capital	75,000	75,000
Reserves	91,948	83,831
Income statement	3,822	8,199
Disclosed Reserve	27	(54)
<b>CET1 CAPITAL BEFORE DEDUCTIONS</b>	<b>170,797</b>	<b>166,976</b>
Supplementary capital		
Regulatory reserve for general banking risk	(1,692)	(1,692)
Deferred tax assets in excess of deferred tax liabilities	(78)	(78)
	169,027	165,206
Eligible value of supplementary capital	169,027	165,206
Total capital base	170,719	166,898

The capital base represents the capital base of the Company as at period end computed in accordance with the Third Schedule of the Banking Ordinance.

**F. Supplementary information (continued)****7. Currency concentrations**

As at 30th June 2014

	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>AUD</b>	<b>CAD</b>	<b>Total</b>
Equivalent in HK dollars	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Spot assets	302,792	1,659	2,369	44,140	-	350,960
Spot liabilities	(226,459)	(1,560)	(1,579)	(43,283)	-	(272,881)
Net long / (Short) position	<u>76,333</u>	<u>99</u>	<u>790</u>	<u>857</u>	<u>-</u>	<u>78,079</u>
Net structural assets / (liabilities)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

As at 31st December 2013

	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>AUD</b>	<b>CAD</b>	<b>Total</b>
Equivalent in HK dollars	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Spot assets	296,098	2,365	2,163	45,028	-	345,654
Spot liabilities	(225,519)	(2,055)	(1,528)	(44,869)	-	(273,971)
Net long / (Short) position	<u>70,579</u>	<u>310</u>	<u>635</u>	<u>159</u>	<u>-</u>	<u>71,683</u>
Net structural assets / (liabilities)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

F. Supplementary information (continued)

8. Cross-border claims

	Banks and other financial institutions HK\$'000	Public sector entities HK\$'000	Sovereign & Others HK\$'000	Total HK\$'000
As at 30th June 2014				
1. Asia Pacific excluding Hong Kong	261,000	-	84,000	345,000
of which Australia	81,000	-	-	81,000
of which Korea	16,000	-	2,000	18,000
of which Philippines	23,000	-	82,000	105,000
of which India	20,000	-	-	20,000
of which Singapore	95,000	-	-	95,000
of which China	26,000	-	-	26,000
2. North America	48,000	-	19,000	67,000
of which United States	48,000	-	19,000	67,000
of which Canada	-	-	-	-
3. Europe	-	-	-	-
of which France	-	-	-	-
of which Germany	-	-	-	-

As at 31st December 2013

1. Asia Pacific excluding Hong Kong	265,000	-	108,000	373,000
of which Australia	26,000	-	-	26,000
of which Japan	61,000	-	-	61,000
of which Philippines	28,000	-	84,000	112,000
of which India	16,000	-	-	16,000
of which Singapore	104,000	-	-	104,000
of which China	22,000	-	-	22,000
of which Korea	8,000	-	4,000	12,000
of which Indonesia	-	-	20,000	20,000
2. North America	42,000	-	-	42,000
of which United States	42,000	-	-	42,000
of which Canada	-	-	-	-
3. Europe	-	-	-	-
of which France	-	-	-	-
of which Germany	-	-	-	-

The geographical analysis has been taken account of transfer of risk.

G. Statement of Compliance

The Company has fully complied with the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.