

**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 **121**
File Number

**BANK OF THE PHILIPPINE ISLANDS
BPI BUILDING, 6768 AYALA AVE. CORNER PASEO DE ROXAS
MAKATI CITY, METRO MANILA
818-55-41 to 48
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, 2013
(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)

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 twelve (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 []

Item 1. Financial Statements

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENT OF CONDITION
JUNE 30, 2013 AND DECEMBER 31, 2012
(in Thousands of Pesos)

	<u>UNAUDITED</u>	<u>AUDITED</u>
	<u>JUNE 30, 2013</u>	<u>DECEMBER 31, 2012</u>
<u>RESOURCES</u>		
Cash and Other Cash Items	17,387,444	23,292,847
Due from Bangko Sentral ng Pilipinas	151,715,178	119,079,476
Due from Other Banks	8,881,942	7,582,104
Interbank Loans Receivable and Securities		
Purchased under Agreements to Resell	3,338,933	38,926,856
Financial Assets at Fair Value through Profit or Loss		
Derivative Financial Assets	16,644,362	5,920,077
Trading Securities	22,451,262	22,098,181
Available-for-Sale Securities, net	83,176,608	106,403,116
Held-to-Maturity Securities, net	90,253,981	76,243,471
Loans and Advances, net	564,534,636	526,640,254
Bank Premises, Furniture, Fixtures and Equipment, net	12,315,617	12,420,474
Investment Properties, net	1,641,101	2,581,917
Assets Held for Sale, net	6,572,918	6,886,523
Investments in Subsidiaries and Associates, net	4,270,893	3,680,385
Assets Attributable to Insurance Operations	13,373,718	13,451,426
Deferred Income Tax Assets, net	6,082,096	4,915,026
Other Resources, net	16,871,073	14,947,281
TOTAL RESOURCES	1,019,511,762	985,069,411
<u>LIABILITIES AND CAPITAL FUNDS</u>		
Deposit Liabilities		
Demand	171,705,560	149,092,008
Savings	383,684,005	341,971,406
Time	268,117,425	311,210,984
Sub-total	823,506,991	802,274,398
Derivative Financial Liabilities	17,224,661	5,826,505
Bills Payable	20,566,641	26,279,404
Due to Bangko Sentral ng Pilipinas and Other Banks	2,217,235	2,034,869
Manager's Checks and Demand Drafts Outstanding	7,947,626	5,794,310
Accrued Taxes, Interest and Other Expenses	4,413,296	4,819,295
Unsecured Subordinated Debt	5,000,000	5,000,000
Liabilities Attributable to Insurance Operations	10,243,634	10,793,385
Deferred Credits and Other Liabilities	25,167,423	23,724,571
TOTAL LIABILITIES	916,287,508	886,546,737
<u>CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI</u>		
Share Capital	35,562,265	35,562,265
Share Premium	8,316,838	8,316,838
Reserves	1,677,769	1,602,159
Surplus	58,361,498	49,614,058
Accumulated Other Comprehensive Income/ (Loss)	(1,967,709)	1,999,953
	101,950,661	97,095,273
NON-CONTROLLING INTERESTS	1,273,594	1,427,402
TOTAL CAPITAL FUNDS	103,224,254	98,522,675
TOTAL LIABILITIES AND CAPITAL FUNDS	1,019,511,762	985,069,411

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENTS OF INCOME
For the Quarter Ended June 30, 2013 and 2012
(In Thousands of Pesos)

	<u>2013</u>	<u>2012</u>
INTEREST INCOME		
On loans and advances	7,978,864	7,448,041
On held-to-maturity securities	1,173,081	1,304,067
On available-for-sale securities	652,719	872,835
On deposits with BSP and other banks	151,666	449,080
On trading securities	282,510	176,443
Gross Receipts Tax	(339,399)	(337,220)
	<u>9,899,440</u>	<u>9,913,247</u>
INTEREST EXPENSE		
On Deposits	2,108,847	2,754,207
On Bills Payable and other borrowings	254,816	236,463
	<u>2,363,663</u>	<u>2,990,670</u>
NET INTEREST INCOME	<u>7,535,778</u>	<u>6,922,577</u>
IMPAIRMENT LOSSES	<u>645,278</u>	<u>636,474</u>
NET INTEREST INCOME AFTER IMPAIRMENT		
LOSSES	<u>6,890,500</u>	<u>6,286,103</u>
OTHER INCOME		
Fees and commissions	1,528,154	1,368,699
Income from foreign exchange trading	603,700	431,768
Trading gain (loss) on securities	(1,244,566)	359,088
Income attributable to insurance operations	446,301	173,546
Other operating income	3,069,508	2,084,938
Gross Receipts Tax	(312,459)	(270,052)
	<u>4,090,638</u>	<u>4,147,988</u>
OTHER EXPENSES		
Compensation and fringe benefits	2,471,456	2,353,878
Occupancy and equipment-related expenses	1,895,736	1,685,488
Other operating expenses	1,758,634	1,766,067
	<u>6,125,825</u>	<u>5,805,433</u>
INCOME BEFORE INCOME TAX	<u>4,855,313</u>	<u>4,628,658</u>
PROVISION FOR INCOME TAX		
Current	1,411,016	860,007
Deferred	(210,461)	106,144
	<u>1,200,554</u>	<u>966,151</u>
NET INCOME FOR THE QUARTER	<u>3,654,758</u>	<u>3,662,507</u>
Attributable to:		
Equity holders of BPI	<u>3,655,143</u>	<u>3,615,503</u>
Non-controlling interest	<u>(385)</u>	<u>47,004</u>
	<u>3,654,758</u>	<u>3,662,507</u>

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Quarter Ended June 30, 2013 and 2012
(In Thousands of Pesos)

	<u>2013</u>	<u>2012</u>
NET INCOME BEFORE MINORITY INTEREST	3,654,758	3,662,507
Other Comprehensive Income:		
Items that may be reclassified subsequently to profit or loss		
Net change in fair value reserve on available-for-sale securities, net of tax effect	(3,873,455)	(53,115)
Fair value reserve on investments of insurance subsidiaries, net of tax effect	(434,004)	(99,741)
Share in other comprehensive income of associates	(708,412)	(5,646)
Currency translation differences	145,663	(78,066)
Items that will not be reclassified to profit or loss		
Actuarial gains (losses) on defined benefit plan, net of tax effect	0	0
Total Other Comprehensive Income (Loss), net of tax effect	(4,870,208)	(236,568)
Total Comprehensive Income for the Year	(1,215,450)	3,425,939
Attributable to:		
Equity holders of BPI	(1,123,491)	3,397,434
Non-Controlling Interest	(91,959)	28,505
	(1,215,450)	3,425,939

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENTS OF INCOME
For the Six Months Ended June 30, 2013 and 2012
(In Thousands of Pesos)

	Unaudited 2013	Unaudited 2012
INTEREST INCOME		
On loans and advances	15,867,592	14,841,730
On held-to-maturity securities	2,331,436	2,692,748
On available-for-sale securities	1,364,653	1,723,708
On deposits with BSP and other banks	405,274	836,313
On trading securities	545,374	325,118
Gross Receipts Tax	(689,168)	(679,629)
	19,825,161	19,739,989
INTEREST EXPENSE		
On Deposits	4,654,746	5,503,188
On Bills Payable and other borrowings	529,367	494,703
	5,184,113	5,997,891
NET INTEREST INCOME	14,641,048	13,742,098
IMPAIRMENT LOSSES	1,273,679	1,618,543
NET INTEREST INCOME AFTER IMPAIRMENT		
LOSSES	13,367,368	12,123,555
OTHER INCOME		
Fees and commissions	2,923,792	2,497,796
Income from foreign exchange trading	985,221	792,916
Trading gain (loss) on securities	4,933,092	4,316,638
Income attributable to insurance operations	816,717	479,302
Other operating income	4,829,202	3,593,166
Gross Receipts Tax	(1,003,283)	(727,428)
	13,484,741	10,952,390
OTHER EXPENSES		
Compensation and fringe benefits	5,539,307	5,367,223
Occupancy and equipment-related expenses	3,630,566	3,352,780
Other operating expenses	3,555,603	3,254,428
	12,725,476	11,974,432
INCOME BEFORE INCOME TAX	14,126,633	11,101,514
PROVISION FOR INCOME TAX		
Current	2,127,400	1,625,196
Deferred	(126,501)	(66,191)
	2,000,899	1,559,005
NET INCOME FOR THE PERIOD	12,125,734	9,542,509
Attributable to:		
Equity holders of BPI	12,023,770	9,449,181
Non-controlling interest	101,964	93,327
	12,125,734	9,542,509
Earnings per share:		
Based on 3,556,356,173 shares as of June 30, 2013	P 3.38	P 2.66
and 3,556,356,173 shares in 2012		

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Six Months Ended June 30, 2013 and 2012
(In Thousands of Pesos)

	Unaudited 2013	Unaudited 2012
NET INCOME BEFORE MINORITY INTEREST	12,125,734	9,542,509
Other Comprehensive Income		
Items that may be reclassified subsequently to profit or loss		
Net change in fair value reserve on available-for-sale securities, net of tax effect	(3,913,499)	(2,582,379)
Fair value reserve on investments of insurance subsidiaries, net of tax effect	46,859	2,008
Share in other comprehensive income of associates	221,326	96,504
Currency translation differences	51,021	(83,811)
Items that will not be reclassified to profit or loss		
Actuarial gains (losses) on defined benefit plan, net of tax effect	(360,125)	0
Total Other Comprehensive Income (Loss), net of tax effect	(3,954,418)	(2,567,678)
Total Comprehensive Income for the Year	8,171,317	6,974,831
Attributable to:		
Equity holders of BPI	8,056,109	6,884,901
Non-Controlling Interest	115,208	89,930
	8,171,317	6,974,831

BANK OF THE PHILIPPINE ISLANDS
STATEMENT OF CHANGES IN CAPITAL FUNDS
FOR THE PERIOD ENDED JUNE 30, 2013 & JUNE 30, 2012
(In Thousands of Pesos)

	Consolidated						
	Attributable to equity holders of BPI						
	Share Capital	Share Premium	Reserves	Surplus	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Equity
Balance, December 31, 2012	35,562,265	8,316,838	1,602,159	49,614,058	1,999,953	1,427,402	98,522,675
Comprehensive Income							
Net Income for the year				12,023,770		101,964	12,125,734
Other Comprehensive Income for the year					(3,967,661)	13,244	(3,954,418)
Total Comprehensive Income for the year	-	-	-	12,023,770	(3,967,661)	115,208	8,171,317
Transactions with owners							
Cash Dividends				(3,200,721)			(3,200,721)
Transfer from Surplus to Reserves			75,610	(75,610)			-
Total transactions with owners	-	-	75,610	(3,276,330)	-	(269,016)	(3,469,737)
Balance, June 30, 2013	35,562,265	8,316,838	1,677,769	58,361,498	(1,967,709)	1,273,594	103,224,254

	Consolidated						
	Attributable to equity holders of BPI						
	Share Capital	Share Premium	Reserves	Surplus	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Equity
Balance, December 31, 2011	35,562,265	8,316,838	1,461,184	41,643,604	2,167,755	1,378,178	90,529,823
Comprehensive Income							
Net Income for the year				9,449,181		93,327	9,542,509
Other Comprehensive Income for the year					(2,564,281)	(3,397)	(2,567,678)
Total Comprehensive Income for the year	-	-	-	9,449,181	(2,564,281)	89,930	6,974,831
Transactions with owners							
Cash Dividends				(4,978,899)			(4,978,899)
Transfer from Surplus to Reserves			61,827	(61,827)			-
Total transactions with owners	-	-	61,827	(5,040,726)	-	(231,466)	(5,210,365)
Balance, June 30, 2012	35,562,265	8,316,838	1,523,011	46,052,059	(396,526)	1,236,643	92,294,289

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTER ENDED JUNE 30, 2013 AND JUNE 30, 2012
(In Thousands of Pesos)

	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income tax	4,855,313	4,628,658
Adjustments for:		
Impairment losses	645,278	636,474
Depreciation and amortization	842,589	871,715
Equity in net income of associates	(314,085)	17,819
Dividend income	(8,484)	(18,801)
Interest income	(10,238,839)	(10,250,467)
Interest expense	2,363,663	2,990,670
Operating income before changes in operating assets and liabilities	(1,854,566)	(1,123,933)
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	0	0
Trading securities	16,058,544	(8,698,872)
Loans and advances	(51,320,976)	(49,482,925)
Assets held for sale	220,366	549,873
Assets attributable to insurance operations	382,054	660,021
Other resources	(2,743,706)	(527,459)
Increase (decrease) in:		
Deposit liabilities	74,167,073	88,896,487
Due to Bangko Sentral ng Pilipinas and other banks	53,816	(63,543)
Manager's checks demand drafts outstanding	1,824,027	(289,243)
Accrued taxes, interest and other expenses	17,861	(434,909)
Liabilities attributable to insurance operations	(174,331)	(258,296)
Derivative financial instrument	718,459	(18,684)
Deferred credits and other liabilities	2,066,549	1,606,605
Net cash from (used in) operations	39,415,170	30,815,121
Income taxes paid	(2,313,710)	(909,612)
Interest paid	(2,128,777)	(2,611,839)
Interest received	10,037,176	8,754,449
Net cash from (used in) operating activities	45,009,860	36,048,118
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in:		
Available for sale securities	(1,705,011)	12,165,971
Held-to-maturity securities	(20,821,181)	3,061,850
Bank, premises, furniture, fixtures and equipment	(860,187)	(606,062)
Equity investments	(581,087)	(409,931)
Assets attributable to insurance operations	49,244	(38,059)
Investment property	(84,725)	(2,390)
Dividends received	8,484	18,801
Net cash from (used in) investing activities	(23,994,462)	14,190,180
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Dividends	(3,200,721)	(4,978,899)
Increase (decrease) in bills payable	(5,592,624)	2,226,122
Net cash from (used in) financing activities	(8,793,344)	(2,752,777)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,222,053	47,485,521
CASH AND CASH EQUIVALENTS		
March 31	169,127,178	126,060,557
June 30	181,349,232	173,546,078

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SEMESTER ENDED JUNE 30, 2013 AND JUNE 30, 2012
(In Thousands of Pesos)

	2013	2012
<i>CASH FLOW FROM OPERATING ACTIVITIES</i>		
Income before income tax	14,126,633	11,101,514
Adjustments for:		
Impairment losses	1,273,679	1,618,543
Depreciation and amortization	1,673,212	1,664,568
Share in net income of associates	(370,182)	(4,701)
Dividend income	(16,136)	(20,077)
Interest income	(20,514,328)	(20,419,618)
Interest expense	5,184,113	5,997,891
Operating income before changes in operating assets and liabilities	1,356,991	(61,881)
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	0	0
Trading securities	(445,117)	(15,342,313)
Loans and advances	(39,260,020)	(26,886,397)
Assets held for sale	313,605	566,933
Assets attributable to insurance operations	704,487	512,076
Other resources	(2,423,492)	(944,269)
Increase (decrease) in:		
Deposit liabilities	21,232,592	52,481,298
Due to Bangko Sentral ng Pilipinas and other banks	182,366	(689,875)
Manager's checks demand drafts outstanding	2,153,316	1,968,266
Accrued taxes, interest and other expenses	25,257	(89,256)
Liabilities attributable to insurance operations	(549,751)	(749,601)
Derivative financial instrument	768,239	(167,130)
Deferred credits and other liabilities	1,082,728	4,045,885
Net cash from (used in) operations	(14,858,800)	14,643,735
Income taxes paid	(3,167,969)	(2,145,072)
Interest paid	(5,615,368)	(5,999,418)
Interest received	21,343,176	20,573,346
Net cash from (used in) operating activities	(2,298,961)	27,072,592
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
(Increase) decrease in:		
Available for sale securities	18,696,556	(3,443,317)
Held-to-maturity securities	(13,899,936)	8,624,871
Bank, premises, furniture, fixtures and equipment	(1,263,877)	(1,111,595)
Investment in subsidiaries and associates, net	(170,136)	(313,269)
Assets attributable to insurance operations	(706,613)	(434,904)
Investment property, net	902,695	(12,057)
Dividends received	16,136	20,077
Net cash from (used in) investing activities	3,574,825	3,329,807
<i>CASH FLOWS FROM FINANCING ACTIVITIES</i>		
Cash Dividends	(3,200,721)	(8,179,619)
Increase (decrease) in bills payable	(5,712,763)	362,686
Net cash from (used in) financing activities	(8,913,484)	(7,816,934)
<i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>	(7,637,620)	22,585,465
<i>CASH AND CASH EQUIVALENTS</i>		
January 1	188,986,851	150,960,613
June 30	181,349,232	173,546,078

BANK OF THE PHILIPPINE ISLANDS
Financial Indicators
As at June 30, 2013 and 2012

	2013	2012
a) Liquidity Ratio *	85.7 %	70.8 %
b) Debt to Equity Ratio **	25.1 %	26.9 %
c) Asset to Equity Ratio	1,000.0 %	987.4 %
d) Interest Rate Coverage Ratio ***	404.8 %	312.8 %
e) Net Interest Margin on Average Earning Assets	3.5 %	3.8 %
f) Return on Average Equity	23.7 %	21.0 %
g) Return on Average Assets	2.6 %	2.3 %
h) Cost to Income Ratio	45.2 %	48.5 %
i) Cost to Assets Ratio	2.8 %	2.9 %
j) Capital to Assets Ratio	10.0 %	10.1 %

* 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, 2013

SEC REQUIREMENT	DISCLOSURE
Disclosure that the issuer's interim financial report is in compliance with generally accepted accounting principles	<ul style="list-style-type: none"> 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:	
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> The Bank's interim financial statements have been prepared consistent with its most recent annual financial statements as of December 31, 2012 which was in accordance with the PFRS adopted by the SEC.
<ul style="list-style-type: none"> Explanatory comments about the seasonality or cyclicity of interim operations 	<ul style="list-style-type: none"> Nothing to report
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Nothing to report
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> The Bank is currently assessing the possible impact on the financial statements of adoption of PFRS 9. The Bank does not intend to early adopt PFRS 9 for the reporting year 2013.
<ul style="list-style-type: none"> Issuances, repurchases, and repayments of debt and equity securities 	<ul style="list-style-type: none"> Nothing to report
<ul style="list-style-type: none"> Dividends paid (aggregate or per share) separately for ordinary shares and other 	<ul style="list-style-type: none"> On April 17, 2013, the Board of Directors declared a regular cash dividend of P0.90 per

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SEC REQUIREMENT	DISCLOSURE
shares.	share for the first semester of 2013 on the total outstanding Common shares of the capital stock of BPI payable to Common stockholders of record as of June 1, 2013 and payable on June 16, 2013. Total dividends declared and paid amounted to P3.2 B.
<ul style="list-style-type: none"> 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) 	<ul style="list-style-type: none"> Please see attached
<ul style="list-style-type: none"> Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period 	<ul style="list-style-type: none"> Nothing to report
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Nothing to report
<ul style="list-style-type: none"> Changes in contingent liabilities or contingent assets since the last annual balance sheet date 	<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period. 	<ul style="list-style-type: none"> Nothing to report
<ul style="list-style-type: none"> Assess the financial risk exposures of the company and its subsidiaries particularly on currency, interest, credit, market and liquidity risks. If any change thereof 	<ul style="list-style-type: none"> The BPI Group is exposed to financial risks primarily through holdings and investments in Treasury products. These risks are closely monitored through the various risk limits and

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SEC REQUIREMENT	DISCLOSURE
<p>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;</p>	<p>management triggers defined and set by the Board through its Risk Management Committee (RMC).</p> <ul style="list-style-type: none"> • BPI has consistently maintained a conservative risk appetite by concentrating on sovereign-issued and investment-grade securities, thus exposing the Bank to very minimal credit risk. • Recent volatility in global financial markets; in particular, the U.S., has had an impact on the Bank's trading positions and investment portfolios. End-June 2013 price sensitivity reports revealed that the Bank's mark-to-market values may fluctuate by Php3Bn given 3 standard deviation simultaneous movements of Peso and USD rates against the Bank's trading positions. A conservative trading position closely monitored by the Risk Management Office (RMO) has been undertaken by the Bank. To further augment in the analysis, the Bank has measured the potential impact of rate shocks that occurred in historical financial crises and estimated the CAR deterioration given these scenarios. The Bank's Treasury Group has carefully been executing trading and portfolio strategies to reduce Bank's risk exposures and preserve Bank's comprehensive income. • In assessing the Bank's liquidity risk position, BPI, as an institution, is deemed to be liquid enough to serve its financial obligations to its clients and other creditors. The Bank's liquidity stress testing results as at end-June 2013 revealed that under the system-wide crisis scenario and despite stringent funding sources, the Bank would still have sufficient liquidity at Php42Bn. • The Bank's RMO continues to improve its assessment and measurement of risks by enhancing its methodologies of risk measurement and monitoring, particularly on stress testing. The RMO periodically reviews and updates the scenarios and assumptions behind the Bank's

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

SEC REQUIREMENT	DISCLOSURE									
	<p>models and regularly conducts back testing to assess the accuracy, effectiveness and relevance of its models and risk metrics. The Bank, to the best of its knowledge, deems that there are no anticipated and significant change that shall materially affect the Bank's financial condition and results of operation.</p>									
<ul style="list-style-type: none"> The significant judgments made in classifying a particular financial instrument in the fair value hierarchy. 	<ul style="list-style-type: none"> The assumptions/judgments made in Bank's interim financial statements are consistent with the most recent annual financial statements as of December 31, 2012. 									
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> In accordance with PAS 39, trading account securities 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. Available for sale securities are marked to market against capital funds and reflected as 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 Held To Maturities Securities, net <table data-bbox="808 1486 1490 1749"> <thead> <tr> <th></th> <th style="text-align: center;">Carrying Amount (in million Pesos)</th> <th style="text-align: center;">Fair Value (in million Pesos)</th> </tr> </thead> <tbody> <tr> <td>30-Jun-13 (unaudited)</td> <td style="text-align: center;">P90,254</td> <td style="text-align: center;">P100,848</td> </tr> <tr> <td>31-Dec-12 (audited)</td> <td style="text-align: center;">P76,243</td> <td style="text-align: center;">P86,549</td> </tr> </tbody> </table> 		Carrying Amount (in million Pesos)	Fair Value (in million Pesos)	30-Jun-13 (unaudited)	P90,254	P100,848	31-Dec-12 (audited)	P76,243	P86,549
	Carrying Amount (in million Pesos)	Fair Value (in million Pesos)								
30-Jun-13 (unaudited)	P90,254	P100,848								
31-Dec-12 (audited)	P76,243	P86,549								

BANK OF THE PHILIPPINE ISLANDS SEGMENT REPORT For the Six Months Ended June 30, 2013					
In P Mn	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Interest Income	13,196	3,952	2,640	37	19,825
Interest Expense	4,678	213	86	207	5,184
Net interest income	8,518	3,739	2,554	(170)	14,641
Impairment charge	1,157	520	5	(408)	1,274
Net interest income after impairment charge	7,361	3,219	2,549	238	13,367
Fees and commission income	2,370	213	433	(92)	2,924
Other income	2,500	997	6,651	1,416	11,564
GRT	(304)	(27)	(647)	(25)	(1,003)
Other Income, net	4,566	1,183	6,437	1,299	13,485
Compensation and fringe benefits	3,681	451	309	1,098	5,539
Occupancy and equipment-related expenses	2,051	588	66	925	3,630
Other operating expenses	2,519	1,645	540	(1,148)	3,556
Total operating expenses	8,251	2,684	915	875	12,725
Operating profit	3,676	1,718	8,071	662	14,127
Share in net income of associates					370
Provision for Income Tax					2,001
Total Assets	342,686	397,225	254,022	25,579	1,019,512
Total Liabilities	847,793	16,806	35,231	16,458	916,288

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

Financial Condition

Total resources as of end of first semester 2013 reached P1.0 trillion, P34.4 billion or 3.5% higher than end December 2012's level of P985.1 billion.

Total deposits grew by P21.2 billion with increases coming from **savings** and **demand deposits**, up by P41.7 billion or 12.2% and P22.6 billion or 15.2%, respectively. Growth in savings and demand deposits was offset by a P43.1 billion decrease in **time deposits**. **Derivative financial liabilities** increased by P11.4 billion or 195.6% due to the higher mark to market valuation of derivative financial instruments. **Manager's checks and demand drafts outstanding** increased by P2.1 billion or 37.2% on higher level of outstanding manager's checks issued. **Deferred Credits and Other Liabilities** likewise increased by P1.4 billion or 6.1%, due to the corresponding final taxes on securities purchased at a premium. Amounts **Due to Bangko Sentral ng Pilipinas (BSP) and other banks** increased by P182 million or 9.0% on higher collection of taxes. **Bills payable** declined by P5.7 billion or 21.7%, due to lower borrowings from foreign banks and BSP. **Liabilities Attributable to Insurance Operations** also decreased by P550 million or 5.1% on account of the non-life insurance subsidiary's lower reserves for unearned premium. **Accrued Taxes, Interest and Other Expenses** decreased by P406 million or 8.4%, due to payments of accrued interest on matured/redeemed time deposits.

Total capital funds grew by P4.7 billion, or 4.8%, largely due to the P8.7 billion, or 17.6%, increase in **surplus** on account of year to date profits, net of P3.2 billion dividends paid in the first semester. This increase was partially offset by the P4.0 billion, or 198.4%, drop in **accumulated other comprehensive income**, due to the lower market valuation of the Bank's available-for-sale securities. Non-controlling interests decreased by P154 million due to the payment of dividends of the bank's non-life subsidiary

On the asset side, **loans and advances, net** increased by P37.9 billion, or 7.2%, on higher loan demand from multinationals and local conglomerates as well as home mortgages. Amounts **Due from Bangko Sentral ng Pilipinas** increased by P32.6 billion or 27.4% on higher investments in special deposit account. **Held-to-maturity securities, net** increased by P14.0 billion or 18.4% on increased holdings of local bonds. **Derivative financial assets** grew by P10.7 billion or 181.1% due to higher mark to market valuation of derivative financial instruments. **Other resources, net** increased by P1.9 billion or 12.9% on a receivable from sale of a bank property and higher returned checks. Higher working balances maintained with correspondent banks resulted in a P1.3 billion or 17.1% increase in **due from other banks**. **Deferred Income Tax (DIT) Assets, net** was up by P1.2 billion or 23.7% largely due to the DIT on the Bank's unrealized marked to market losses on available for sale securities this year as against DIT on gains last year. **Investments in Subsidiaries and Associates, net** grew by P590 million or 16.0% on improved income of the Bank's bancassurance and realty affiliates as well as the increased market valuation of bancassurance's investments.

Interbank loans receivable and securities purchased under agreements to resell declined by P35.6 billion, or 91.4%, as placements were shifted in favor of higher yielding loans. **Available for Sale Securities, net** balances were lower by P23.2 billion, or 21.8%, due to lower foreign currency portfolio positions in view of rising interest rates. **Cash and other Cash items** also decreased by P5.9 billion, or 25.3%, due to lower cash requirements this period relative to year end. **Investment properties, net** declined by P941 million on account of the sale of a bank property. **Assets held for sale** also fell by P314 million, or 4.5%, on the continued sell down of foreclosed assets.

RESULTS OF OPERATIONS

For the Quarters ended June 30, 2013 and 2012

Net income for the second quarter of 2013 was relatively flat at P3.6 billion, only P40 million, or 1.1%, better than same period last year. Total revenues increased by P556 million, or 5.0%, to P11.6 billion, but such increase was almost offset by increases in **overhead** and **income tax** of P320 million, or 5.5%, and P234 million, or 24.3%, respectively.

Net interest income rose by P613 million, or 8.9%, to P7.5 billion, attributed largely to the average earning asset expansion of P76.9 billion, or 10.3%. While **interest income** declined by P14 million to P9.9 billion, such decline was offset by a greater decline in **interest expense** of P627 million, or 21.0%, to P2.4 billion.

- Lower **interest income** was attributable to the decreases in interest income on deposits with BSP and other banks, on available-for-sale securities and on held-to-maturity securities. Interest income **on deposits with BSP and other banks** and **on available-for-sale securities** decreased by P297 million, or 66.2%, and P220 million, or 25.2%, respectively, due to lower yields, while interest **on held-to-maturity securities** declined by P131 million, or 10.0%, on account of lower average volume. These decreases were partially offset by the increase in interest income **on loans and advances** by P531 million, or 7.1%, due to the P67.7 billion, or 15.5%, increase in average loans volume, which was partly tempered by the declining yields. Interest **on trading securities** also increased by P106 million, or 60.1%, due to higher average balances.
- **Interest expense** decreased by P627 million, or 21.0%, as interest **on deposits** fell by P645 million, or 23.4%. Aside from the decline in interest rates across peso deposits, the ratio of low yielding peso CASA deposit to peso time deposit also shifted from an average of 64:36 to 70:30, which effectively lowered the composite cost of deposits by 48 basis points. Interest expense **on bills payable and other borrowings** increased by P18 million, or 7.8%, due to an increase in average volume.

Other income for the second quarter of 2013 decreased by P57 million, or 1.4%, to P4.1 billion, largely due to a P1.6 billion decrease in **trading gain on securities**. The Bank shortened the duration of its securities portfolio. The impact of this decline was tempered by the P984 million, or

47.2%, increase in **other operating income** on account of higher trust income and gain on sale of a property. Additionally, **income attributable to insurance operations** grew by P273 million, or 157.2%, on higher pre-tax income of both the bancassurance affiliate and the pre-need subsidiary. **Income from foreign exchange trading** also increased by P172 million, or 39.8%, on revaluation gains. **Fees and commissions** rose by P159 million, or 11.6%, on higher bank commissions and service charges. **Gross receipts tax (GRT)** was higher by P42 million, or 15.7%, on this year's higher other operating income, and fees and commissions.

Other expenses, at P6.1 billion, increased by P320 million, or 5.5%, over last year's P5.8 billion. **Occupancy and equipment-related expenses** increased by P210 million, or 12.5%, on increased technology costs, real estate taxes, rent, depreciation, and security cost. **Compensation and fringe benefits** also increased by P118 million, or 5.0%, due to higher salaries and wages.

Provision for income tax ended at P1.2 billion, representing a P234 million, or 24.3%, increase in relation to the same period last year. The higher level of income taxes was largely due to the P551 million, or 64.1%, increase in **current income tax** on account of the higher taxable income of the parent company and certain subsidiaries this quarter versus that of the same period last year. This increase was partly offset by the P317 million, or 298.3%, decline in **deferred income tax** due to accounts with timing difference.

Income attributable to non-controlling interest decreased by P47 million, or 100.8%, due to the breakeven income performance of the microfinance affiliate.

Comprehensive Income

Total comprehensive loss of P1.1 billion for the second quarter of 2013 was P4.5 billion, or 133.1%, lower than last year's income of P3.4 billion. The decrease was attributed to the higher **other comprehensive losses** this quarter vis-a-vis the same period last year.

Majority of the decline in other comprehensive income by P4.6 billion is attributable to decreases in **net change in fair value reserve on available-for-sale securities**, which dipped by P3.8 billion, due to, among others, the downward valuation of the bank's inventory. **Share in other comprehensive income of associates** also decreased by P703 million, due to lower market valuation of the investments of the bancassurance affiliate. **Fair value reserve on investment of the insurance subsidiaries** likewise decreased by P334 million, or 335.1%, owing to the downward market valuation of equities and bonds of the insurance subsidiaries. **Currency translation differences**, however, increased by P224 million, or 286.6%, due to the general strengthening of the US dollar.

Total comprehensive income attributable to non-controlling interest decreased by P120 million, or 422.6%, due to lower earnings of the microfinance affiliate and the downward valuation of the non-life insurance subsidiary's investments.

For the Six Months ended June 30, 2013 and 2012

Net income for the first half of 2013 of P12.0 billion, was P2.6 billion, or 27.2%, higher than that of the same period last year of P9.4 billion, owing to strong total revenue growth of P3.4 billion, or 13.9%, to P28.1 billion. The revenue increase was, however, partly reduced by the rise in **other expenses** and **provision for income tax** which grew by P751 million and P442 million, respectively.

Net interest income increased by P899 million, or 6.5%, to P14.6 billion, notwithstanding a 24 basis points drop in net interest margin as the average asset base expanded by P106.9 billion or 13.1%. **Interest income** increased by P85 million while **interest expense** decreased by P814 million.

- The higher **interest income** was attributed to the improvement in interest income on **loans and advances** which grew by P1.0B, or 6.9%, in spite of a 65 basis point contraction in spreads, as the average loan volume increased by P79.3 billion, or 18.4%. **Trading securities** likewise contributed a P220 million, or 67.7%, increase on higher volume. These increments, however, were almost offset by the lower interest income on **deposits with BSP and other banks, held-to-maturity securities** and **available for sale securities** amounting to P431 million, P361 million and P359 million, respectively. Interest income on **deposits with BSP and other banks** decreased due to non-remuneration of reserves on deposits effective April 6, 2012 and the lower level of interbank loans. Interest income on **held-to-maturity securities** declined owing to a drop in its average volume outstanding, while lower **available for sale securities** interest income was due to drop in yields.
- The decline in **interest expense** was brought about by the lower interest expense on **deposits** by P848 million, or 15.4%, as deposit interest rates fell by 41 basis points. Interest expense on **bills payable and other borrowings**, on the other hand, increased by P35 million, or 7.0%, on account of the growth in average volume.

Other income ended at P13.5 billion, equivalent to P2.5 billion, or 23.1%, higher than same period last year. **Other operating income** contributed an increase of P1.2 billion, or 34.4%, owing to higher miscellaneous income, trust income, and gain on sale of a property. **Trading gain (loss) on securities** likewise increased by P616 million, or 14.3%, on higher trading gains on local fixed income securities. **Fees and commissions** increased by P426 million, or 17.0%, on higher service charges, bank commissions and corporate finance fees. **Income attributable to insurance operations** also rose by P337 million, or 70.4%, with all the insurance companies contributing higher pre-tax income. **Income from foreign exchange trading** increased by P192 million, or 24.2%, due to higher revaluation income. Consequent to the higher other income, **gross receipt tax** increased by P276 million, or 37.9%.

Impairment losses stood at P1.3 billion, equivalent to P345 million, or 21.3%, lower than last year after last year's additional provisions for non-credit related items.

Other expenses reached P12.7 billion, equivalent to P751 million, or 6.3%, higher than last year's P12.0 billion. **Other operating expenses** increased by P301 million, or 9.2%, on higher regulatory costs and transaction related costs. **Occupancy and equipment-related expenses** were likewise

higher by P278 million, or 8.3%, on increased technology cost, rent, depreciation, and contractual costs. **Compensation and fringe benefits** increased by P172 million, or 3.2%, due to higher salaries and wages.

Provision for income tax increased by P442 million, or 28.3%. **Current income tax** increased by P502 million, or 30.9%, due to higher taxable income of the parent company and certain subsidiaries. **Deferred income tax**, on the other hand, decreased by P60 million, or 91.1%, due to accounts with timing difference.

Income attributable to non-controlling interest increased by P9 million, or 9.2%, on higher income contribution from the non-life subsidiary.

Comprehensive Income

Total comprehensive income for the first semester of 2013 was P8.1 billion, equivalent to P1.2 billion, or 17.0%, more than last year's P6.9 billion. The growth came solely from the P2.6 billion improvement in **net income before minority interest** and was partially reduced by the P1.4 billion, or 54.0%, decline in **total other comprehensive income**.

Net change in fair value reserve on available-for-sale securities slid by P1.3 billion, or 51.5%, due to the lower valuation of the bank's available for sale securities this year compared to previous year. **Actuarial losses on defined benefit plan, net of tax effect** amounting to P360 million also added to the drop in total other comprehensive income. These decreases were slightly tempered by the P135 million, or 160.9%, increase in **currency translation differences** due to the strengthening of the US Dollar against the Philippine Peso as well as against the Euro currency and the Hongkong Dollar. **Share in other comprehensive income of associates** was likewise higher by P125 million on the higher market valuation of the investments of the bancassurance joint venture. The **fair value reserve on investments of insurance subsidiaries** also increased by P45 million, owing to increased market valuation of the investment funds of the insurance subsidiaries.

Income attributable to non-controlling interest increased by P25 million on the higher market valuation of investment funds of the bank's non-life insurance company.

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, 2013	June 30, 2012
Return on Equity (%)	23.7	21.0
Return on Assets (%)	2.6	2.3
Net Interest Margin (%)	3.5	3.8
Operating Efficiency Ratio (%)	45.2	48.5
Capital Adequacy Ratio (%) - Basel II	15.0	14.5

Return on equity (ROE), net income divided by average equity, and **return on assets (ROA)**, net income divided by average assets, increased by 2.7% and 0.3%, respectively, largely due to the higher net income this year versus last year. ROE and ROA measure the bank's efficiency in utilizing its capital and resources, respectively, to generate profits.

Net interest margin (NIM), net interest income divided by average interest bearing assets, was 24 basis points lower this year. The drop in cost of funds was not able to compensate for the higher asset yield contraction.

Operating efficiency ratio (cost to income), operating expenses divided by total revenues, improved by 3.3% to 45.2% as revenue growth outpaced the overhead increase. Cost to income ratio measures the bank's ability to utilize its overhead to generate revenues.

Capital adequacy ratio (CAR), total qualifying capital divided by total risk-weighted assets, measures the ability of the bank's capital funds to cover its various risks. The Bank's CAR at 15.0% was higher than last year's 14.5% as the total qualifying capital grew at faster pace than that of the risk weighted assets. The bank's CAR is above the BSP's minimum requirement of 10%.

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 14, 2013



JOSEPH ALBERT L. GOTUACO
Senior Vice President
Chief Financial Officer

Date: August 14, 2013

BPI UNIBANK
CONSOLIDATED AGING OF ACCOUNTS RECEIVABLE
JUNE 30, 2013

No. of Days Outstanding	Amount (In Thousands)
0-90	P 3,183,242
91-180	78,557
181-360	315,160
Over 360	1,776,425

Grand Total	P 5,353,384
Less: Allowance for Probable Losses	1,251,856

Net of Allowance for Probable Losses	P 4,101,527
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