

**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 "A"**

PERIOD-ENDED September 30, 2008
(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 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

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENTS OF CONDITION
SEPTEMBER 30, 2008 and DECEMBER 31, 2007
(In Thousands of Pesos)

RESOURCES	UNAUDITED SEPTEMBER 30, 2008	AUDITED DECEMBER 31, 2007
Cash and Other Cash Items	13,840,230	13,243,110
Due from Bangko Sentral ng Pilipinas	54,379,827	72,877,919
Due from Other Banks	8,836,316	6,969,432
Interbank Loans Receivable and Securities		
Purchased under Agreements to Resell	24,804,732	31,772,067
Derivative Financial Asset	3,083,248	3,122,536
Trading Securities	23,733,298	9,193,949
Investment Securities		
Available for Sale Securities, net	72,691,508	103,563,650
Held-to-Maturity Securities, net	44,295,699	52,431,883
Loans and Advances (Net)	299,542,646	273,756,421
Bank Premises, Furniture, Fixtures & Equipment, net	11,239,612	10,898,451
Investment Property, net	2,768,968	2,815,816
Assets Held for Sale, net	15,787,697	16,843,553
Equity Investments, net	884,650	933,001
Assets Attributable to Insurance Operations	21,528,029	22,004,405
Deferred Income Tax Assets, net	5,824,993	6,150,920
Other Resources, net	8,416,707	10,707,996
TOTAL RESOURCES	611,658,161	637,285,109
LIABILITIES AND CAPITAL FUNDS		
Deposit Liabilities		
Demand Deposits	90,607,584	86,922,961
Savings Deposits	151,466,570	129,954,877
Time Deposits	251,766,557	296,566,562
Sub-total	493,840,710	513,444,401
Derivative Financial Liability	2,985,651	3,359,778
Bills Payable	6,792,151	5,374,941
Due to Bangko Sentral ng Pilipinas and Other Banks	855,426	1,302,788
Manager's Checks and Demand Drafts Outstanding	2,987,407	2,713,487
Accrued Taxes, Interests and Other Expenses	3,692,722	4,670,534
Liabilities Attributable to Insurance Operations	18,068,147	16,484,043
Deferred Credits and Other Liabilities	19,163,207	18,803,709
TOTAL LIABILITIES	548,385,422	566,153,682
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI		
Capital Stock	32,455,965	27,043,507
Paid-in Surplus	1,373,892	1,359,812
Translation Adjustment	(373,754)	(579,968)
Reserves	(664,710)	4,402,007
Surplus	29,561,265	37,785,640
	62,352,658	70,010,998
MINORITY INTEREST IN SUBSIDIARIES	920,080	1,120,430
TOTAL CAPITAL FUNDS	63,272,739	71,131,427
TOTAL LIABILITIES AND CAPITAL FUNDS	611,658,161	637,285,109

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENTS OF INCOME
For the Quarters Ended September 30, 2008 and 2007
(In Thousands of Pesos)

	UNAUDITED	UNAUDITED
	2008	2007
INTEREST INCOME		
On loans and advances	6,236,038	5,516,954
On held-to-maturity and trading securities	1,010,583	1,123,717
On available-for-sale securities	878,885	1,164,112
On deposits with banks	568,718	563,278
Gross Receipts Tax	(337,916)	(321,334)
	8,356,309	8,046,726
INTEREST EXPENSE		
On Deposits	3,252,298	3,152,343
On Bills Payable and other borrowings	118,269	104,888
	3,370,567	3,257,231
NET INTEREST INCOME	4,985,742	4,789,494
IMPAIRMENT LOSSES	678,183	240,000
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	4,307,559	4,549,494
OTHER INCOME		
Income from foreign exchange trading and trading securities	(158,702)	235,313
Service charges and commissions	790,802	705,651
Income attributable to insurance operations	171,748	167,872
Other operating income	1,589,295	1,498,840
Gross Receipts Tax	(66,129)	(208,513)
	2,327,013	2,399,163
OTHER EXPENSES		
Compensation and fringe benefits	2,010,231	2,084,125
Occupancy and equipment-related expenses	1,310,549	1,161,262
Other operating expenses	1,265,108	1,240,920
	4,585,888	4,486,307
INCOME BEFORE INCOME TAX	2,048,684	2,462,351
PROVISION FOR INCOME TAX		
Current	471,145	483,454
Deferred	50,469	5,892
	521,614	489,346
NET INCOME FOR THE QUARTER	1,527,070	1,973,005
Attributable to:		
Equity holders of BPI	1,489,416	1,924,582
Minority interest	37,654	48,422
	1,527,070	1,973,005

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENTS OF INCOME
For the Nine Months Ended September 30, 2008 and 2007
(In Thousands of Pesos)

	<u>Unaudited 2008</u>	<u>Unaudited 2007</u>
INTEREST INCOME		
On loans and advances	17,234,546	16,086,005
On held-to-maturity and trading securities	3,176,564	3,739,760
On available-for-sale securities	2,793,575	3,516,500
On deposits with banks	1,812,584	1,672,627
Gross Receipts Tax	(967,819)	(928,544)
	<u>24,049,451</u>	<u>24,086,347</u>
INTEREST EXPENSE		
On Deposits	9,629,756	9,188,768
On Bills Payable and other borrowings	320,182	333,265
	<u>9,949,937</u>	<u>9,522,033</u>
NET INTEREST INCOME	14,099,513	14,564,314
IMPAIRMENT LOSSES	1,552,948	1,199,384
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	12,546,566	13,364,930
OTHER INCOME		
Income from foreign exchange trading and trading securities	853,609	2,021,969
Service charges and commissions	2,262,283	2,007,682
Income attributable to insurance operations	500,868	1,689,615
Other operating income	4,714,237	4,550,160
Gross Receipts Tax	(436,761)	(740,361)
	<u>7,894,235</u>	<u>9,529,065</u>
OTHER EXPENSES		
Compensation and fringe benefits	5,904,550	6,018,022
Occupancy and equipment-related expenses	3,786,972	3,488,415
Other operating expenses	3,436,859	3,873,964
	<u>13,128,381</u>	<u>13,380,400</u>
INCOME BEFORE INCOME TAX	7,312,419	9,513,595
PROVISION FOR INCOME TAX		
Current	1,471,515	1,709,845
Deferred	415,645	(29,229)
	<u>1,887,160</u>	<u>1,680,617</u>
NET INCOME FOR THE PERIOD	5,425,259	7,832,979
Attributable to:		
Equity holders of BPI	<u>5,322,762</u>	<u>7,639,652</u>
Minority interest	<u>102,497</u>	<u>193,326</u>
	<u>5,425,259</u>	<u>7,832,979</u>
Earnings per share:		
Based on 3,245,726,160 shares as of September 30, 2008	P 1.64	P 2.82
and 2,704,400,034 shares in 2007		

BANK OF THE PHILIPPINE ISLANDS							
STATEMENT OF CHANGES IN CAPITAL FUNDS							
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 & SEPTEMBER 30, 2007							
(In Thousands of Pesos)							
Consolidated							
Attributable to equity holders of BPI							
	Capital stock	Paid-in surplus	Translation adjustments	Reserves	Surplus	Minority interest	Total
Balance, December 31, 2007	Php27,043,507	Php1,359,812	(Php579,968)	Php4,402,007	Php37,785,640	Php1,120,430	Php71,131,427
Net change in available-for-sale investments, net of deferred income tax effect				(4,408,538)			(4,408,538)
Currency translation differences			206,215				206,215
Fair value reserve on investments of insurance subsidiaries				(757,093)			(757,093)
Net income (loss) recognized directly in equity	-	-	206,215	(5,165,631)	-	-	(4,959,416)
Net income for the year					5,322,762	102,497	5,425,259
Total recognized income (loss) for the year	-	-	206,215	(5,165,631)	5,322,762	102,497	465,843
Exercise of Stock Option	3,050	14,080		(23,381)			(6,252)
Value of services under stock option plan				43,818			43,818
Transfer/Adj to/from surplus				78,477	(77,720)		758
Cash dividends					(8,060,010)		(8,060,010)
Stock dividends	5,409,408				(5,409,408)		-
Other changes in minority interest						(302,846)	(302,846)
Balance, September 30, 2008	Php32,455,965	Php1,373,892	(Php373,754)	(Php664,710)	Php29,561,265	Php920,080	Php63,272,739
Consolidated							
Attributable to equity holders of BPI							
	Capital stock	Paid-in surplus	Translation adjustments	Reserves	Surplus	Minority interest	Total
Balance, December 31, 2006	Php27,042,702	Php1,355,808	(Php95,000)	Php5,543,543	Php30,591,229	Php1,048,473	Php65,486,755
Net change in available-for-sale investments, net of deferred income tax effect				(1,544,742)			(1,544,742)
Currency translation differences			(238,631)				(238,631)
Fair value reserve on investments of insurance subsidiaries				(86,596)			(86,596)
Net income (loss) recognized directly in equity	-	-	(238,631)	(1,631,338)	-	-	(1,869,969)
Net income for the year					7,639,652	193,326	7,832,979
Total recognized income (loss) for the year	-	-	(238,631)	(1,631,338)	7,639,652	193,326	5,963,010
Change in capital stock	2						2
Transfer/Adj to/from surplus				-	1,669		1,669
Value of services under stock option plan				62,255			62,255
Cash dividends					(2,433,960)		(2,433,960)
Other changes in minority interest						(143,571)	(143,571)
Balance, September 30, 2007	Php27,042,703	Php1,355,808	(Php333,631)	Php3,974,459	Php35,798,590	Php1,098,228	Php68,936,159

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED SEPTEMBER 30, 2008 AND SEPTEMBER 30, 2007
(In Thousands of Pesos)

	Unaudited 2008	Unaudited 2007
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income tax	2,048,684	2,462,351
Adjustments for:		
Impairment losses	678,183	240,000
Depreciation and amortization	550,975	507,111
Equity in net income of associates	3,508	238
Share based	15,386	20,757
Dividend income	(8,003)	(17,108)
Interest income	(8,694,224)	(8,368,060)
Interest received	9,662,408	8,248,371
Interest expense	3,370,567	3,257,231
Interest paid	(3,615,211)	(3,134,688)
Operating income before changes in operating assets and liabilities	4,012,273	3,216,203
Changes in operating assets and liabilities		
(Increase) decrease in:		
Due from Bangko Sentral in Pilipinas	4,587,552	(5,256,944)
Interbank loans receivable and securities purchased under agreeme	(9,868,700)	(3,373,050)
Trading securities	(10,637,048)	797,409
Loans and advances	(4,179,160)	6,675,136
Assets held for sale	440,343	107,306
Assets attributable to insurance operations	(203,901)	(1,285,717)
Other resources	1,995,369	(1,398,994)
Increase (decrease) in:		
Deposit liabilities	(15,857,342)	(23,748,036)
Due to Bangko Sentral ng Pilipinas and other banks	488,008	1,112,041
Manager's checks demand drafts outstanding	(36,578)	(334,160)
Accrued taxes, interest and other expenses	(26,903)	96,450
Liabilities attributable to insurance operations	956,072	1,791,247
Derivative financial instrument	(957,421)	39,719
Deferred credits and other liabilities	133,553	46,930
Net cash from operating activities before income tax	(29,153,882)	(21,514,460)
Income taxes paid	(507,008)	(447,001)
Net cash generated from operating activities	(29,660,890)	(21,961,460)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase (decrease) in:		
Available for sale securities	(7,983,806)	(11,712,358)
Held-to-maturity securities	1,950,656	2,803,463
Bank, premises, furniture, fixtures and equipment	(494,137)	(308,209)
Dividends received	8,003	17,108
Equity investments	(58,285)	1,537,482
Assets attributable to insurance operations	362,002	(315,049)
Investment property	15,616	308,009
Net cash used in investing activities	(6,199,951)	(7,669,554)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Dividends	(2,921,497)	(2,433,960)
Increase (decrease) in bills payable	1,372,079	1,407,116
Net cash (used in) provided by financing activities	(1,549,418)	(1,026,844)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(37,410,260)	(30,657,857)
CASH AND CASH EQUIVALENTS		
June 30	76,041,909	62,150,770
September 30	38,631,649	31,492,913

BANK OF THE PHILIPPINE ISLANDS		
CONSOLIDATED STATEMENTS OF CASH FLOWS		
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND SEPTEMBER 30, 2007		
(In Thousands of Pesos)		
	Unaudited 2008	Unaudited 2007
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income tax	7,312,419	9,513,595
Adjustments for:		
Impairment losses	1,552,948	1,199,384
Depreciation and amortization	1,610,401	1,377,420
Equity in net income of associates	12,457	394
Share based compensation	43,818	62,255
Dividend income	(25,972)	(32,695)
Interest income	(25,017,270)	(25,014,891)
Interest received	26,672,098	25,115,544
Interest expense	9,949,937	9,522,033
Interest paid	(10,430,871)	(9,497,065)
Operating income before changes in operating assets and liabilities	11,679,966	12,245,974
Changes in operating assets and liabilities		
(Increase) decrease in:		
Due from Bangko Sentral in Pilipinas	19,373,092	(7,897,593)
Interbank loans receivable and securities purchased under agreements to resell	(2,952,935)	9,280,083
Trading securities	(14,588,762)	8,874,428
Loans and advances	(27,422,028)	(5,759,081)
Assets held for sale	1,055,856	283,831
Assets attributable to insurance operations	1,471,924	(2,020,022)
Other resources	1,651,207	1,131,912
Increase (decrease) in:		
Deposit liabilities	(19,603,691)	(10,821,259)
Due to Bangko Sentral ng Pilipinas and other banks	(447,363)	609,844
Manager's checks demand drafts outstanding	273,920	131,885
Accrued taxes, interest and other expenses	(496,878)	(393,892)
Liabilities attributable to insurance operations	1,584,105	2,153,255
Derivative financial instrument	(334,838)	39,719
Deferred credits and other liabilities	352,191	(2,007,927)
Net cash from operating activities before income tax	(28,404,233)	5,851,157
Income taxes paid	(1,561,234)	(1,786,487)
Net cash generated from operating activities	(29,965,467)	4,064,670
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase (decrease) in:		
Available for sale securities	25,889,128	(13,641,532)
Held-to-maturity securities	7,623,969	15,158,987
Bank, premises, furniture, fixtures and equipment	(1,745,538)	(182,265)
Dividends received	25,972	32,695
Equity investments	(817,830)	(446,628)
Assets attributable to insurance operations	(930,530)	(984,126)
Investment property	46,849	(466,606)
Net cash used in investing activities	30,092,020	(529,473)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Dividends	(8,060,010)	(7,572,320)
Collection on stock subscriptions	-	1
Increase (decrease) in bills payable	1,417,210	3,024,045
Net cash (used in) provided by financing activities	(6,642,799)	(4,548,274)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,516,246)	(1,013,077)
CASH AND CASH EQUIVALENTS		
January 31	45,147,896	32,505,990
September 30	38,631,649	31,492,913

NOTES TO FINANCIAL STATEMENTS**September 30, 2008**

SEC REQUIREMENT	DISCLOSURE
Disclosure that the issuer's interim financial report is in compliance with generally accepted accounting principles	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, 2007 which was in accordance with the PRFS (Philippine Financial Reporting Standards) 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"> • In compliance with the PFRS, the Bank adopted certain accounting and measurement methods in 2007. Those changes did not materially affect the current interim period.
<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 shares 	<ul style="list-style-type: none"> • Cash dividend amounting to P5.1 B was paid by the Bank on February 20, 2008 to Common stockholders of record as of February 5, 2008. • At the regular meeting held on March 18, 2008, the Board of Directors approved to recommend to the stockholders the declaration and issuance of 20% stock dividend on the total issued and outstanding common shares of the authorized capital stock. This will be payable to stockholders of record fifteen (15) working days after the approval by the Securities & Exchange Commission of the increase in the Authorized Capital Stock. • The declaration of 20% stock dividend was approved by the stockholders on April 3, 2008.

NOTES TO FINANCIAL STATEMENTS
September 30, 2008

SEC REQUIREMENT	DISCLOSURE
	<ul style="list-style-type: none"> • Bangko Sentral ng Pilipinas has approved on June 12, 2008 the stock dividends declaration. Likewise, the Securities and Exchange Commission has approved the increase of the Authorized Capital Stock of BPI from P 29.6M to P49.6M on June 24, 2008. The 20% stock dividend shall be payable to all BPI Common shares stockholders of record as of July 15, 2008 and distributable to the said stockholders on July 30, 2008. • On June 18, 2008, the Board of Directors declared a regular cash dividend of P0.90 per share for the first semester of the year 2008 on the total outstanding Common shares of the capital stock of BPI, payable to all BPI Common shares stockholders of Record as of the 15th day from receipt by BPI of the approval by the Bangko Sentral ng Pilipinas of the said dividend declaration and distributable on the 15th day from said record date. • Cash dividend of P 2.9 B was paid on September 3, 2008 to Common stockholders of record as of August 19, 2008.
<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"> • 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

BANK OF THE PHILIPPINE ISLANDS
SEGMENT REPORT
For the Quarter Ending September 30, 2008

In P Mn	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Net Interest Income	3,726	1,626	165	(531)	4,986
Interest Income	6,983	1,722	210	(558)	8,356
Interest Expense	3,257	96	45	(27)	3,371
Other Income	1,495	291	118	422	2,327
Net Interest Income & Other Income	5,221	1,917	283	(109)	7,313
Operating and Other Expenses	3,339	842	128	277	4,586
Income Before Impairment Losses, Income Tax and Minority Interest	1,882	1,075	155	(386)	2,727
Impairment Losses	259	420	(0)	(0)	678
Income before Income Tax and Minority Interest	1,624	655	155	(386)	2,049
Provision for Income Tax					522
Minority Interest					38
Net Income					1,489

	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Assets	220,534	205,774	165,738	19,612	611,658
Liabilities	516,525	9,783	9,085	12,992	548,385
Capex	265	318	1	43	627
Depreciation	247	196	7	137	587

BANK OF THE PHILIPPINE ISLANDS
SEGMENT REPORT
For the Nine Months Ending September 30, 2008

In P Mn	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Net Interest Income	9,117	4,378	1,666	(1,061)	14,099
Interest Income	18,759	4,637	1,772	(1,118)	24,049
Interest Expense	9,642	259	106	(57)	9,950
Other Income	4,794	902	1,498	700	7,894
Net Interest Income & Other Income	13,911	5,281	3,164	(362)	21,993
Operating and Other Expenses	10,183	1,918	513	513	13,128
Income Before Impairment Losses, Income Tax and Minority Interest	3,728	3,363	2,651	(875)	8,865
Impairment Losses	770	783	(0)	(0)	1,553
Income before Income Tax and Minority Interest	2,958	2,580	2,651	(875)	7,312
Provision for Income Tax					1,887
Minority Interest					102
Net Income					5,323

	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Assets	220,534	205,774	165,738	19,612	611,658
Liabilities	516,525	9,783	9,085	12,992	548,385
Capex	611	981	8	116	1,716
Depreciation	688	547	16	359	1,610

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

Financial Condition

Total resources as of end September 2008 was P611.7 billion, P25.6 billion or 4.0% lower than end 2007 level of P637.3 billion. This can be attributed mainly to the decline in **deposits** of P19.6 billion or 3.8% and **capital funds** of P7.9 billion or 11.0%.

The drop in **deposits** came solely from the P44.8 billion or 15.1% contraction in **time deposits** as funds were shifted to high-yielding trust products. Low cost **savings** and **demand deposits** on the other hand grew by P21.5 billion or 16.5% and P3.7 billion or 4.2%, respectively.

The P7.9 billion decrease in **total capital funds** was due to the P8.2 billion decrease in **surplus**. The lower **surplus** account was due to cash dividends paid totaling P8.0 billion and the 20% stock dividend amounting to P5.4 billion but in part offset by the P5.3 billion profits for the year. Correspondingly, **capital stock** grew by P5.4 billion or 20.0% on account of the stock dividend. **Reserves** declined by P5.1 billion due to the sell down of available for sale securities and marked to market losses of the remaining inventory. The **translation adjustment** debit balance pertaining to overseas subsidiaries improved by P206 million or 35.6% as the peso weakened against the US dollar. Minority interest was also down by P200 million or 17.9% on account of the lower capital level of the insurance subsidiaries resulting from cash dividends declared and lower valuation of investments.

On the other hand, the **liabilities attributable to insurance companies** were up by P1.6 billion or 9.6% due to additional actuarial reserves set aside relative to new policies issued. **Bills payable** was also higher by P1.4 billion or 26.4% due to additional funding required by the bank's leasing subsidiaries to finance new leases. **Manager's checks and demand drafts outstanding** likewise increased by P274 million with new manager's checks issued which remained outstanding at the end of the third quarter 2008. **Due to Bangko Sentral ng Pilipinas and other banks** on the other hand dropped by P447 million or 34.3% on lower tax collections and accrual for BSP supervision & examination fees. **Accrued taxes, interest and other expenses** likewise declined by P978 million or 20.9% on payments of interest earned on matured/redeemed time deposits, expenses and income taxes. **Derivative financial liability** was also down by P374 million or 11.1% on improved market valuation of foreign exchange forward contracts sold.

On the asset side, **available for sale securities** fell by P30.9 billion or 29.8% as the bank reduced its inventory in view of the lower level of deposits and the decision to sell down some inventory following the bank's value at risk (VAR) policy. **Due from Bangko Sentral ng Pilipinas** and **held to maturity securities** also declined by P18.5 billion or 25.4% and P8.1 billion or 15.5%, respectively, due to maturities. **Interbank loans receivable and securities purchased under agreements to resell** likewise dropped by P7.0 billion or 21.9%. Part of the proceeds from these accounts funded the **net loans and advances'**

growth of P25.8 billion or 9.4% on strong demand of both corporate and retail borrowers. **Trading securities** were increased by P14.5 billion to take advantage of market movements. **Due from other banks** was higher by P1.9 billion or 26.8% due to higher incoming remittances.

Other assets decreased by P2.3 billion or 21.4% on lower miscellaneous assets. **Assets held for sale** were lower by P1.1 billion or 6.3% due to foreclosed asset sales while the P48 million or 5.2% decrease in **equity investments** was due to dividends declared by an unconsolidated subsidiary. **Deferred income tax assets** was down by P326 million or 5.3% due to the utilization of the deferred income tax on net operating loss carry over (NOLCO).

Results of Operation

For the Quarters ended September 30, 2008 and 2007

Third quarter 2008 **net income** was P1.5 billion, P435 million or 22.6% lower than the P1.9 billion profits for the same period last year. **Total revenues** grew by P124 million but was negated by higher **impairment losses, operating costs and provision for income tax** of P438 million, P100 million and P32 million, respectively.

Revenue increase came from the improvement in **net interest income** by P196 million tempered by the P72 million decrease in **non-interest income**. The **net interest income** growth was brought about by the P35.3 billion expansion in average assets. **Interest income** rose by P310 million. However, **interest expense** also grew by P113 million.

- The rise in **interest income** was primarily driven by the P719 million or 13.0% increase in **interest on loans and advances** on the back of P38.6 billion growth in average loans. Interest on **available for sale securities** declined by P285 million or 24.5% as the bank opted for shorter tenors foreign currency placements. Interest on **held to maturity and trading securities** also fell by P113 million or 10.1% due to maturities of held to maturity inventory. As a result of the increase in interest income, **gross receipts tax (GRT)** increased by P17 million or 5.2%.
- The higher **interest expense** was largely due to the P100 million or 3.2% rise in the **deposits interest expense** resulting from the P28.4 billion expansion in average deposits. Interest on **bills payable and other borrowings** also increased by P13.4 million or 12.8% on bank borrowings for gapping purposes.

Other income for the quarter was P2.3 billion, P72 million or 3.0% lower than last year's P2.4 billion. This was mainly attributed to the P394 million drop in **income from foreign exchange and securities trading** in view of losses incurred in the disposition of securities in line with the bank's VAR policy. **Other operating income** was up by P90 million or 6.0% on higher rental and credit card income. **Service charges and commissions** were higher by P85 million or 12.1% due to higher volume of transaction. **GRT** was lower by P142 million on lower realized profits.

Impairment losses were higher by P438 million on additional provisioning for certain loan accounts and recently appraised foreclosed assets.

Other expenses at P4.6 billion were P100 million ahead of last year's P4.5 billion. This was caused by the P149 million or 12.9% increase in **occupancy and equipment-related cost** on higher equipment depreciation, rentals, software cost and contractual services.

The higher **provision for income tax** was driven by the P45 million or 7.6x increase in **deferred income tax** due to the recognition of tax on accounts with timing differences.

Income attributable to minority interest reduced by P11 million or 22.2% due to the lower net profits generated by the bank's non-life insurance subsidiary.

For the Nine Months ended September 30, 2008 and 2007

Year-to-date September 2008 **net income** was P5.3 billion, P2.3 billion or 30.3% lower than last year's P7.6 billion. **Revenues** contracted by P2.1 billion or 8.7% and **loss provisions** grew by P354 million or 29.5%. **Operating costs** were down by P252 million but **income taxes** were higher by P206 million or 12.3%.

Net-interest income dropped by P465 million or 3.2%, despite a P26.2 billion expansion in average asset base. Net interest margin narrowed by 30 basis points as asset yield contracted while cost of funds remained flat at 2.2%.

- **Income on loans and advances** and **deposit with banks** improved by P1.1 billion and P140 million, respectively, on account of higher average loan volume (P32.0 billion) and bank deposits. **Income on available-for-sale securities** was down by P723 million or 20.6% due to the lower level and yield of foreign currency securities. **Income on held-to-maturity and trading securities** also declined by P563 million or 15.1% on lower volume of held-to-maturity securities and lower yield on foreign currency trading securities. **GRT** was higher by P39 million on higher interest income subject to this tax.
- Interest expense was up by P428 million due to the P21.3 billion rise in average deposits.

Other income was P7.9 billion, P1.6 billion or 17.2% lower than last year's P9.5 billion. **Income from foreign exchange and securities trading** declined by P1.2 billion or 57.8% due to absence of securities trading income. **Income attributable to insurance operations** was also down by a P1.2 billion due to last year's non-recurring investment income from asset sales. **Service charges and commissions** meanwhile improved by P255 million or 12.7% due to higher transaction volume. **Other operating income** increased by P164 million

on higher rental income and trust fees. **GRT** dropped by P304 million or 41.0% in view of the decrease in total other income.

Impairment losses at P1.6 billion were P354 million up against last year. The bank does not have any collateralized debt obligation (CDO) in its books or any direct exposure to any major U.S. investment bank. The additional provisioning pertained to certain loans and foreclosed assets appraised this year resulting from the review of the bank's portfolio. The bank regularly reviews its loan and securities portfolio and bank placements to monitor credit quality and further mitigate market risks.

Other expenses was P13.1 billion, P252 million lower than last year's P13.4 billion. This drop in operating costs came from the P437 million or 11.3% decrease in **other operating expenses** on account of lower prior year's tax settlements and non-credit write-offs. **Occupancy and equipment-related expenses** were up by P299 million mainly due to higher equipment depreciation and rent.

Provision for income tax was higher by P206 million or 12.3%. **Current income tax** dropped by P238 million or 13.9% representing final taxes on the lower level of securities income. On the other hand, **deferred income tax** increased by P445 million in view of the recognition of tax on accounts with timing differences.

Income attributable to minority interest was lower by P91 million or 47.0% due to decrease in the income of the insurance subsidiaries.

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:

	September 30, 2008	September 30, 2007
Return on Equity (%)	11.0	15.5
Return on Assets (%)	1.2	1.8
Net Interest Margin (%) *	3.7	4.0
Operating Efficiency Ratio (%)*	59.7	55.5
Capital Adequacy Ratio (%) **	13.2	15.2

* Adjusted to incorporate documentary stamps as part of deposit costs

** BSP BIS Ratio (Basel II)

The lower level of profits reflected in the bank's **return on equity** (ROE) and **return on assets** (ROA). ROE, net income divided by average equity and a measure of the bank's efficiency in utilizing its capital, was down by 4.6% to 11.0%. ROA, net income divided by average assets and a measure of the bank's efficiency in utilizing its assets, declined by 60 basis points to 1.2%.

Net interest margin (NIM), net interest income divided by average interest bearing assets, was down by 30 basis points on lower assets yields.

Operating efficiency ratio (cost to income), operating expenses divided by total revenues, recorded an unfavorable increase of 4.2% despite a well managed operating cost base due to the decline in 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. CAR as of September 2008 of 13.2% was 2.0% lower than last year in view of the higher level of loans. This ratio however is still above the BSP's minimum requirement of 10%. The bank has only Tier 1 capital and this ratio is a product of the bank's ability to generate profits.

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



AURELIO R. MONTINOLA III
Chief Executive Officer / President

Date: November 14, 2008



ANTONIO V. PANER
Executive Vice President / Treasurer

Date: November 14, 2008

**BPI UNIBANK
CONSOLIDATED AGING OF ACCOUNTS RECEIVABLE
SEPTEMBER 30, 2008**

No. of Days Outstanding	Amount (In Thousands)
01-90	P 933,220
91-180	101,531
181-360	438,612
Over 360	1,110,967

Grand Total	P 2,584,330
Less: Allowance for Probable Losses	603,543

Net of Allowance for Probable Losses	P 1,980,787
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