

**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 March 31, 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)

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SECURITIES REGULATION CODE AND SRC RULE 17 (2) (b) THEREUNDER**

1. For the quarterly period ended **March 31, 2013**
2. Commission identification number **121**
3. BIR Tax identification No. - **TIN: 000-438-366-000**
4. **BANK OF THE PHILIPPINE ISLANDS**  
Exact name of registrant as specified in its chart
5. **Philippines**  
Province, country or other jurisdiction of incorporation
6. Industry Classification Code: (SEC Use Only)
7. **BANK OF THE PHILIPPINE ISLANDS BUILDING**  
**6768 Ayala Avenue Corner Paseo de Roxas**  
**Makati City** **ZIP Code 0720**  
Address of principal office **Postal Code**
8. **(02) 818 5541 to 48**  
Registrant's telephone number, including area code
9. **Not Applicable**  
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code

Title of each class	Number of shares of common stock outstanding and amount of debt outstanding
<b>Common</b>	<b>3,556,356,173</b>
11. Are any or all of the securities listed on the Philippine Stock Exchange? Yes [x] No [ ]  
If yes, state the name of such stock exchange and the classes of securities listed therein:

**Philippine Stock Exchange**

**Common**

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 STATEMENT OF CONDITION**  
**MARCH 31, 2013 AND DECEMBER 31, 2012**  
(in Thousands of Pesos)

	<b>UNAUDITED</b>	<b>AUDITED</b>
	<b>MARCH 31, 2013</b>	<b>DECEMBER 31, 2012</b>
<b><u>RESOURCES</u></b>		
Cash and Other Cash Items	24,184,581	23,292,847
Due from Bangko Sentral ng Pilipinas	131,518,107	119,079,476
Due from Other Banks	8,104,459	7,582,104
Interbank Loans Receivable and Securities		
Purchased under Agreements to Resell	5,189,110	38,926,856
Financial Assets at Fair Value through Profit or Loss		
Derivative Financial Assets	5,252,828	5,920,077
Trading Securities	38,707,837	22,098,181
Available-for-Sale Securities, net	85,310,743	106,403,116
Held-to-Maturity Securities, net	68,691,447	76,243,471
Loans and Advances, net	513,889,147	526,640,254
Bank Premises, Furniture, Fixtures and Equipment, net	12,145,836	12,420,474
Investment Properties, net	1,577,751	2,581,917
Assets Held for Sale, net	6,793,284	6,886,523
Investments in Subsidiaries and Associates, net	4,666,220	3,680,385
Assets Attributable to Insurance Operations	13,910,203	13,451,426
Deferred Income Tax Assets, net	4,968,940	4,915,026
Other Resources, net	14,603,935	14,947,281
<b>TOTAL RESOURCES</b>	<b>939,514,429</b>	<b>985,069,411</b>
<b><u>LIABILITIES AND CAPITAL FUNDS</u></b>		
Deposit Liabilities		
Demand	150,071,486	149,092,008
Savings	341,819,894	341,971,406
Time	257,448,538	311,210,984
Sub-total	<b>749,339,918</b>	<b>802,274,398</b>
Derivative Financial Liabilities	5,114,669	5,826,505
Bills Payable	26,159,264	26,279,404
Due to Bangko Sentral ng Pilipinas and Other Banks	2,163,419	2,034,869
Manager's Checks and Demand Drafts Outstanding	6,123,599	5,794,310
Accrued Taxes, Interest and Other Expenses	4,160,549	4,819,295
Unsecured Subordinated Debt	5,000,000	5,000,000
Liabilities Attributable to Insurance Operations	10,417,965	10,793,385
Deferred Credits and Other Liabilities	23,100,874	23,724,571
<b>TOTAL LIABILITIES</b>	<b>831,580,258</b>	<b>886,546,737</b>
<b>CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI</b>		
Share Capital	35,562,265	35,562,265
Share Premium	8,316,838	8,316,838
Reserves	1,602,159	1,602,159
Surplus	57,982,685	49,614,058
Accumulated Other Comprehensive Income/ (Loss)	2,810,925	1,999,953
	<b>106,274,872</b>	<b>97,095,273</b>
NON-CONTROLLING INTERESTS	1,659,298	1,427,402
<b>TOTAL CAPITAL FUNDS</b>	<b>107,934,170</b>	<b>98,522,675</b>
<b>TOTAL LIABILITIES AND CAPITAL FUNDS</b>	<b>939,514,429</b>	<b>985,069,411</b>

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**For the Three Months Ended March 31, 2013 and 2012**  
**(In Thousands of Pesos)**

	<u>Unaudited 2013</u>	<u>Unaudited 2012</u>
<b>INTEREST INCOME</b>		
On loans and advances	7,888,728	7,393,689
On held-to-maturity securities	1,158,355	1,388,681
On available-for-sale securities	711,934	850,872
On deposits with BSP and other banks	253,608	387,233
On trading securities	262,864	148,675
Gross Receipts Tax	(349,769)	(342,408)
	<u><b>9,925,720</b></u>	<u><b>9,826,742</b></u>
<b>INTEREST EXPENSE</b>		
On Deposits	2,545,899	2,748,981
On Bills Payable and other borrowings	274,552	258,240
	<u>2,820,450</u>	<u>3,007,221</u>
<b>NET INTEREST INCOME</b>	<u><b>7,105,270</b></u>	<u><b>6,819,522</b></u>
<b>IMPAIRMENT LOSSES</b>	<b>628,401</b>	<b>982,069</b>
<b>NET INTEREST INCOME AFTER IMPAIRMENT LOSSES</b>	<u><b>6,476,868</b></u>	<u><b>5,837,452</b></u>
<b>OTHER INCOME</b>		
Fees and commissions	1,395,638	1,129,098
Income from foreign exchange trading	381,521	361,148
Trading gain (loss) on securities	6,177,658	3,957,549
Income attributable to insurance operations	370,416	305,756
Other operating income	1,759,694	1,508,228
Gross Receipts Tax	(690,824)	(457,376)
	<u><b>9,394,103</b></u>	<u><b>6,804,402</b></u>
<b>OTHER EXPENSES</b>		
Compensation and fringe benefits	3,067,851	3,013,345
Occupancy and equipment-related expenses	1,734,830	1,667,292
Other operating expenses	1,796,969	1,488,362
	<u><b>6,599,651</b></u>	<u><b>6,168,999</b></u>
<b>INCOME BEFORE INCOME TAX</b>	<u><b>9,271,320</b></u>	<u><b>6,472,856</b></u>
<b>PROVISION FOR INCOME TAX</b>		
Current	716,384	765,189
Deferred	83,960	(172,335)
	<u><b>800,344</b></u>	<u><b>592,854</b></u>
<b>NET INCOME FOR THE PERIOD</b>	<u><b>8,470,976</b></u>	<u><b>5,880,002</b></u>
Attributable to:		
Equity holders of BPI	<u><b>8,368,627</b></u>	<u><b>5,833,678</b></u>
Non-controlling interest	<u><b>102,349</b></u>	<u><b>46,323</b></u>
	<u><b>8,470,976</b></u>	<u><b>5,880,002</b></u>
Earnings per share:		
Based on 3,556,356,173 shares as of March 31, 2013 and 3,556,356,173 shares in 2012	<b>P 2.35</b>	<b>P 1.64</b>

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the Three Months Ended March 31, 2013 and 2012**  
(In Thousands of Pesos)

	<u>Unaudited 2013</u>	<u>Unaudited 2012</u>
<b>NET INCOME FOR THE PERIOD</b>	<b>8,470,976</b>	<b>5,880,002</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		
Net change in fair value reserve on available-for-sale securities, net of tax effect	(40,044)	(2,529,264)
Fair value reserve on investments of insurance subsidiaries, net of tax effect	480,863	101,749
Share in other comprehensive income of associates	929,738	102,150
Currency translation differences	(94,641)	(5,745)
<b>Items that will not be reclassified to profit or loss</b>		
Actuarial gains (losses) on defined benefit plan, net of tax effect	(360,125)	0
<b>Total Other Comprehensive Income (Loss), net of tax effect</b>	<b>915,791</b>	<b>(2,331,110)</b>
<b>Total Comprehensive Income for the Year</b>	<b>9,386,767</b>	<b>3,548,892</b>
<b>Attributable to:</b>		
Equity holders of BPI	9,179,599	3,487,467
Non-Controlling Interest	207,167	61,425
	<u><b>9,386,767</b></u>	<u><b>3,548,892</b></u>

**BANK OF THE PHILIPPINE ISLANDS**  
**STATEMENT OF CHANGES IN CAPITAL FUNDS**  
**FOR THE PERIOD ENDED MARCH 31, 2013 & MARCH 31, 2012**  
(In Thousands of Pesos)

	<b>Consolidated</b>						
	Attributable to equity holders of BPI						
	Share Capital	Share Premium	Reserves	Surplus	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Equity
<b>Balance, December 31, 2012</b>	<b>35,562,265</b>	<b>8,316,838</b>	<b>1,602,159</b>	<b>49,614,058</b>	<b>1,999,953</b>	<b>1,427,402</b>	<b>98,522,675</b>
<b>Comprehensive Income</b>							
Net Income for the year				8,368,627		102,349	8,470,976
Other Comprehensive Income for the year					810,973	104,818	915,791
<b>Total Comprehensive Income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,368,627</b>	<b>810,973</b>	<b>207,167</b>	<b>9,386,767</b>
<b>Transactions with owners</b>							
Other changes in non-controlling interest						24,729	24,729
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,729</b>	<b>24,729</b>
<b>Balance, March 31, 2013</b>	<b>35,562,265</b>	<b>8,316,838</b>	<b>1,602,159</b>	<b>57,982,685</b>	<b>2,810,925</b>	<b>1,659,298</b>	<b>107,934,170</b>

	<b>Consolidated</b>						
	Attributable to equity holders of BPI						
	Share Capital	Share Premium	Reserves	Surplus	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Equity
<b>Balance, December 31, 2011</b>	<b>35,562,265</b>	<b>8,316,838</b>	<b>1,461,184</b>	<b>41,643,604</b>	<b>2,167,755</b>	<b>1,378,178</b>	<b>90,529,823</b>
<b>Comprehensive Income</b>							
Net Income for the year				5,833,678		46,323	5,880,002
Other Comprehensive Income for the year					(2,346,211)	15,102	(2,331,110)
<b>Total Comprehensive Income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,833,678</b>	<b>(2,346,211)</b>	<b>61,425</b>	<b>3,548,892</b>
<b>Transactions with owners</b>							
Other changes in non-controlling interest						658	658
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>658</b>	<b>658</b>
<b>Balance, March 31, 2012</b>	<b>35,562,265</b>	<b>8,316,838</b>	<b>1,461,184</b>	<b>47,477,282</b>	<b>(178,456)</b>	<b>1,440,261</b>	<b>94,079,373</b>

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE QUARTER ENDED MARCH 31, 2013 AND MARCH 31 2012**  
**(In Thousands of Pesos)**

	2013	2012
<b><i>CASH FLOW FROM OPERATING ACTIVITIES</i></b>		
Income before income tax	9,271,320	6,472,856
Adjustments for:		
Impairment losses	628,401	982,069
Depreciation and amortization	830,623	792,853
Share in net income of associates	(56,097)	(22,520)
Dividend income	(7,652)	(1,276)
Interest income	(10,275,489)	(10,169,151)
Interest expense	2,820,450	3,007,221
Operating income before changes in operating assets and liabilities	3,211,557	1,062,053
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	(16,503,661)	(6,643,441)
Loans and advances	12,060,956	22,596,528
Assets held for sale	93,238	17,060
Assets attributable to insurance operations	322,432	(147,945)
Other resources	320,214	(416,810)
Increase (decrease) in:		
Deposit liabilities	(52,934,481)	(36,415,190)
Due to Bangko Sentral ng Pilipinas and other banks	128,550	(626,333)
Manager's checks demand drafts outstanding	329,289	2,257,509
Accrued taxes, interest and other expenses	7,396	345,653
Liabilities attributable to insurance operations	(375,420)	(491,304)
Derivative financial instrument	49,780	(148,446)
Deferred credits and other liabilities	(983,821)	2,439,280
Net cash from (used in) operations	(54,273,970)	(16,171,386)
Income taxes paid	(854,259)	(1,235,459)
Interest paid	(3,486,591)	(3,387,578)
Interest received	11,306,000	11,818,897
Net cash from (used in) operating activities	(47,308,820)	(8,975,527)
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>		
(Increase) decrease in:		
Available for sale securities	20,401,566	(15,609,288)
Held-to-maturity securities	6,921,245	5,563,022
Bank, premises, furniture, fixtures and equipment	(403,690)	(505,533)
Investment in subsidiaries and associates, net	410,951	96,662
Assets attributable to insurance operations	(755,857)	(396,845)
Investment property, net	987,420	(9,667)
Dividends received	7,652	1,276
Net cash from (used in) investing activities	27,569,287	(10,860,373)
<b><i>CASH FLOWS FROM FINANCING ACTIVITIES</i></b>		
Cash Dividends	0	(3,200,721)
Increase (decrease) in bills payable	(120,140)	(1,863,436)
Net cash from (used in) financing activities	(120,140)	(5,064,157)
<b><i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i></b>		
	(19,859,673)	(24,900,056)
<b><i>CASH AND CASH EQUIVALENTS</i></b>		
January 1	188,986,851	150,960,613
March 31	<b>169,127,178</b>	<b>126,060,557</b>



**BANK OF THE PHILIPPINE ISLANDS**  
**Financial Indicators**  
**As at March 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
a) Liquidity Ratio *	87.2 %	66.1 %
b) Debt to Equity Ratio **	29.3 %	24.0 %
c) Asset to Equity Ratio	884.0 %	871.9 %
d) Interest Rate Coverage Ratio ***	458.2 %	341.6 %
e) Net Interest Margin on Average Earning Assets	3.5 %	3.8 %
f) Return on Average Equity	33.9 %	25.7 %
Normalized Return on Average Equity ****	17.2 %	15.7 %
g) Return on Average Assets	3.7 %	2.9 %
h) Cost to Income Ratio	40.0 %	45.3 %
i) Cost to Assets Ratio	2.9 %	3.1 %
j) Capital to Assets Ratio	11.3 %	11.5 %

\* 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

\*\*\*\* Regular Income Annualized plus Non-Recurring Income over Average Equity

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013**

<b>SEC REQUIREMENT</b>	<b>DISCLOSURE</b>
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"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• Explanatory comments about the seasonality or cyclicity of interim operations</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• The adoption of the following standards will have no material impact to the Bank's financial statements :               <ol style="list-style-type: none"> <li>1. Amendment to PFRS 1 – Government Loans</li> <li>2. PAS 27 (Amended) – Separate Financial Statements</li> <li>3. Amendments to PFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities</li> </ol> </li> </ul>

**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

SEC REQUIREMENT	DISCLOSURE
	<ul style="list-style-type: none"> <li>• The Bank is currently assessing the impact on the financial statements of the following standards:               <ol style="list-style-type: none"> <li>1. PAS 28 (amended) – Investments in Associates and Joint ventures</li> <li>2. PFRS 10 – Consolidated Financial Statements</li> <li>3. PFRS 11 – Joint Arrangements</li> <li>4. PFRS 12 – Disclosure of Interest in Other Entities</li> <li>5. PFRS 13 – Fair Value Measurement</li> <li>6. PFRS 9 – Financial Instruments. The Bank does not intend to early adopt PFRS 9 for the reporting year 2013.</li> </ol> </li> </ul>
<ul style="list-style-type: none"> <li>• Issuances, repurchases, and repayments of debt and equity securities</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>• Dividends paid (aggregate per share) separately for ordinary shares and other shares</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>• 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)</li> </ul>	<ul style="list-style-type: none"> <li>• Attached</li> </ul>
<ul style="list-style-type: none"> <li>• Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013**

<b>SEC REQUIREMENT</b>	<b>DISCLOSURE</b>
<ul style="list-style-type: none"> <li>Changes in contingent liabilities or contingent assets since the last annual balance sheet date</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<ul style="list-style-type: none"> <li>Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.</li> </ul>	<ul style="list-style-type: none"> <li>Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>Assess the financial risk exposures of the company and its subsidiaries particularly on currency, interest, credit, market and liquidity risks. If any change thereof 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;</li> </ul>	<ul style="list-style-type: none"> <li>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 Management triggers defined and set by the Board through its Risk Management Committee (RMC). BPI has since maintained its conservative risk appetite through concentrating in sovereign-issued and investment-grade securities, thus exposing the Bank to very minimal credit risk. However, the recent volatilities in global financial markets particularly the heightened risks in the Eurozone have created vast impact on the Bank's positions resulting to higher sensitivities in the investment portfolios. End-March 2013 price sensitivity reports revealed that the Bank's mark-to-market gains will deteriorate by Php 5Bn given 3 standard deviation simultaneous movements of Peso and USD rates against the Bank's trading positions. To further augment in the analysis, the Bank has measured the potential impact of rate shocks that occurred in historical financial crisis and estimated the CAR deterioration given these scenarios. The Bank's Treasury Group was able to anticipate these events and therefore executed defensive trading and portfolio strategies to reduce its risk exposures and preserve mark-to-market gains.</li> </ul>

**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

<b>SEC REQUIREMENT</b>	<b>DISCLOSURE</b>
	<ul style="list-style-type: none"> <li>• 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-March 2013 revealed that under both name-specific and system-wide crisis scenarios and despite stringent funding sources, the Bank would still have sufficient liquidity at Php64.0Bn and Php44.0Bn, respectively.</li> <li>• The Bank's Risk Management Office (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 used in the Bank's 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.</li> </ul>
<ul style="list-style-type: none"> <li>• The significant judgments made in classifying a particular financial instrument in the fair value hierarchy.</li> </ul>	<ul style="list-style-type: none"> <li>• The assumptions/judgments made in Bank's interim financial statements are consistent with the most recent annual financial statements as of December 31, 2012.</li> </ul>
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

<b>SEC REQUIREMENT</b>	<b>DISCLOSURE</b>												
	<ul style="list-style-type: none"> <li>• 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.</li>   <li>• The table below summarizes the carrying amount and fair value of Held To Maturities Securities, net <table data-bbox="808 814 1490 1075" style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: right;">Carrying amount</th> <th style="text-align: right;">Fair value</th> </tr> <tr> <th style="text-align: left;"></th> <th colspan="2" style="text-align: center;">(In Million Pesos)</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">March 31, 2013 (unaudited)</td> <td style="text-align: right;">68,691</td> <td style="text-align: right;">83,989</td> </tr> <tr> <td style="text-align: left;">Dec 31, 2012 (audited)</td> <td style="text-align: right;">76,243</td> <td style="text-align: right;">86,549</td> </tr> </tbody> </table> </li> </ul>		Carrying amount	Fair value		(In Million Pesos)		March 31, 2013 (unaudited)	68,691	83,989	Dec 31, 2012 (audited)	76,243	86,549
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BANK OF THE PHILIPPINE ISLANDS					
SEGMENT REPORT					
For the Quarter Ended March 31, 2013					
In P Mn	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Interest Income	6,613	1,949	1,339	25	9,926
Interest Expense	2,560	111	46	104	2,821
Net interest income	4,053	1,838	1,293	(79)	7,105
Impairment charge	648	217	0	(237)	628
Net interest income after impairment charge	3,405	1,621	1,293	158	6,477
Fees and commission income	1,072	98	266	(40)	1,396
Other income	1,223	467	6,795	204	8,689
GRT	(140)	(11)	(528)	(12)	(691)
Other Income, net	2,155	554	6,533	152	9,394
Compensation and fringe benefits	1,771	230	151	916	3,068
Occupancy and equipment- related expenses	993	300	29	413	1,735
Other operating expenses	1,085	837	222	(347)	1,797
Total operating expenses	3,849	1,367	402	982	6,600
Operating profit	1,711	808	7,424	(672)	9,271
Share in net income of associates					56
Provision for Income Tax					800
Total Assets	326,561	355,321	233,334	24,299	939,514
Total Liabilities	770,794	16,433	25,225	19,129	831,580

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

### Financial Condition

**Total resources** as of end of first quarter 2013 stood at P939.5 billion, P45.5 billion or 4.6% lower than end December 2012 level of P985.1 billion. The decrease was due to the P52.9 billion or 6.6% decline in total **deposits** to P749.3 billion on account of the P53.8 billion **time deposits** maturities. **Derivative financial liabilities** also went down by P712 million or 12.2% due to reduced position taking in non deliverable forwards and foreign exchange swaps. **Accrued Taxes, Interest and Other Expenses** was lower by P659 million or 13.7% on payments of accrued interests on matured/redeemed time deposits and lower accrual on interest rates on swaps due to the significant drop in rates. **Manager's checks and demand drafts outstanding**, however, went up by P329 million or 5.7% on higher level of outstanding manager's checks issued. **Due to Bangko Sentral ng Pilipinas (BSP) and other banks** also increased by P129 million or 6.3% on this year's accrual of BSP supervision and examination fees.

**Total capital funds** grew by P9.2 billion or 9.4% largely due to the P8.4 billion or 16.9% increase in **surplus** on account of the first quarter earnings. **Accumulated other comprehensive income** also increased by P811 million or 40.5% largely on account of the upward mark-to-market valuation of the investments of BPI-Philam Life Assurance Corp. (BPI-Philam).

On the asset side, both **interbank loans receivable and securities purchased under agreements to resell** and **loans and advances, net** declined by P33.7 billion or 86.7% and P12.7 billion or 2.4%, respectively, with the corresponding drop in the deposit funding source. **Available for Sale Securities, net** likewise dropped by P21.1 billion or 19.8% due to opportunistic sell down of inventory, and the decreased position taking in foreign securities. **Held-to-maturity securities, net** also went down by P7.5 billion or 9.9% due to maturities. **Investment properties, net** declined by P1.0 billion due to sale of a Bank's property. **Derivative financial assets** were down by P667 million or 11.3% due to reduced position taking in non deliverable forwards and foreign exchange swaps.

On the other hand, **trading securities** rose by P16.6 billion or 75.2% due to accumulation of local bonds. **Due from Bangko Sentral ng Pilipinas** also increased by P12.4 billion or 10.4% on higher special deposit account with BSP. **Investments in Subsidiaries and Associates, net** grew by P986 million or 26.8% on improved comprehensive income of the bank's bancassurance affiliate. Higher working balances maintained with correspondent banks resulted in a P522 million or 6.9% increase in **due from other banks**.



## RESULTS OF OPERATIONS

### For the Three Months ended March 31, 2013 and 2012

**Net income** for the first quarter of 2013 was P8.4 billion, P2.5 billion or 43.4% higher than same period last year of P5.8 billion as total revenues grew by P2.9 billion or 21.1%. The revenue increase was however partly reduced by the rise in **other expenses** and **provision for income tax** which grew by P431 million and P207 million, respectively.

**Net interest income** was up by P286 million in spite of the 35 basis points drop in net interest margin due to the P117.3 billion or 14.6% average asset base expansion. **Interest income** increased by P99 million while **interest expense** went down by P187 million.

- The increase in **interest income** came mainly from higher interest income on **loans and advances** and **trading securities**. Notwithstanding the drop in yields, interest income on **loans and advances** and on **trading securities** went up by P495 million or 6.7% and P114 million or 76.8%, respectively due to the increases in their average volumes. These improvements, however, were partly offset by the lower interest income on **held-to-maturity securities, available for sale securities** and **deposits with BSP and other banks** by P230 million, P139 million and P134 million, respectively. Lower interest income on **held-to-maturity securities** was caused by the drop in its average volume while lower **available for sale securities** interest income was due to lower yields. **Deposits with BSP and other banks** also went down due to non-remuneration of the bank's reserve requirements and the consecutive policy rate cuts.
- The decline in **interest expense** was accounted for by the drop in interest expense on **deposits** by P203 million due to the 32 basis points drop in interest rate. Interest expense on **bills payable and other borrowings** was up by P16 million on the P8.8 billion or 38.7% increase in average volume.

**Other income** reached P9.4 billion and was P2.6 billion or 38.1% higher than same period last year. This increase came largely from the P2.2 billion rise in **trading gain (loss) on securities** due to the extraordinary level of realized trading gains. **Fees and commissions** also went up by P266 million or 23.6% on higher service charges, bank commissions and corporate finance fees. **Other operating income** grew by P251 million or 16.7% on higher trust income, rental income, profit from assets sold and credit card income. **Income attributable to insurance operations** likewise increased by P65 million as all the insurance companies generated higher income. **Income from foreign exchange trading** was slightly higher by P20 million or 5.6% due to better foreign exchange position management. As a result of higher other income, **gross receipt tax** correspondingly increased by P233 million or 51.0%.

**Impairment losses** at P628 million was P354 million or 36.0% lower due to last year's additional provisions for non-credit related items.

**Other expenses** at P6.6 billion was P431 million or 7.0% higher than last year's P6.2 billion. The increase came from **other operating expenses** which went up by P309 million or 20.7% on higher advertising cost, regulatory costs, donation, litigation, transaction related costs, insurance others, and documentary stamps.

**Provision for income tax** at P800 million was P207 million or 35.0% higher as **deferred income tax** increased by P256 million due to higher unrealized income and write-offs. **Current income tax** decreased slightly by P49 million on lower taxable income of the parent company this quarter versus same period last year.

**Income attributable to non-controlling interest** went up by P56 million or 120.9% on BPI Globe BankO's better income this year as against last year.

### Comprehensive Income

**Total comprehensive income** for the first quarter of 2013 was P9.2 billion, P5.7 billion more than last year's P3.5 billion. The increase came from the P2.6 billion increase in **net income before minority interest** and the P3.2 billion or 139.3% increase in **total other comprehensive income**.

**Net change in fair value reserve on available-for-sale securities** increased by P2.5 billion or 98.4% due to the higher valuation of the bank's available for sale securities this year compared to previous year. The **share in other comprehensive income of associates** was likewise higher by P828 million on the improvement in market valuation of the investments of the bancassurance joint venture. The **fair value reserve on investments of insurance subsidiaries** was also up by P379 million on increased market valuation of the investment funds of the insurance subsidiaries. Above increases were however partly offset by the P360 million **actuarial losses on defined benefit plan, net of tax effect**. Accounting standards require on book recording of unrecognized actuarial gain/(loss) starting this year 2013. **Currency translation differences** also went down by P89 million due to decline in the value of the British pounds.

**Income attributable to non-controlling interest** increased by P146 million on the higher income of the microfinance affiliate, and on higher market valuation of investments of the bank's insurance companies.

### 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:

	March 31, 2013	March 31, 2012
Return on Equity (%)	33.9	25.7
Return on Assets (%)	3.7	2.9
Net Interest Margin (%)	3.5	3.8
Operating Efficiency Ratio (%)	40.0	45.3
Capital Adequacy Ratio (%) - Basel II	15.3	16.1

**Return on equity (ROE)**, net income divided by average equity, and **return on assets (ROA)**, net income divided by average assets, were higher by 8.2% and 0.8%, respectively, largely due to the significant increase in 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 35 basis points lower this year due to lower yields on interest bearing assets. The yield in almost all asset types declined which overshadowed the drop in cost of funds.

**Operating efficiency ratio** (cost to income), operating expenses divided by total revenues, improved by 5.3% to 40% as improvement in revenue outpaced the increase in operating expenses. 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 15.3% was lower than last year's 16.1% as the growth in the Bank's risk weighted assets exceeded that of the total qualifying capital. The bank's CAR is still, however, 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: May 14, 2013



**MICHAEL D. CALLEJA**  
Senior Vice President  
Treasurer - OIC

Date: May 14, 2013

**BPI UNIBANK**  
**CONSOLIDATED AGING OF ACCOUNTS RECEIVABLE**  
**MARCH 31, 2013**

<b>No. of Days Outstanding</b>	<b>Amount (In Thousands)</b>
0-90	P 1,974,146
91-180	125,737
181-360	356,598
Over 360	1,837,308
	-----
<b>Grand Total</b>	<b>P 4,293,790</b>
<b>Less: Allowance for Probable Losses</b>	<b>1,251,879</b>
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<b>Net of Allowance for Probable Losses</b>	<b>P 3,041,910</b>
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