

**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, 2014
(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 **June 30, 2014**
- 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 5541to 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 |
|---------------------|---|
| Common | 3,929,297,850 |

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 [8] No []

(b) Has been subject to such filing requirements for the last 90 days Yes [8] No []

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENT OF CONDITION
JUNE 30, 2014 AND DECEMBER 31, 2013
(in Thousands of Pesos)

| | UNAUDITED JUNE 30, 2014 | AUDITED DECEMBER 31, 2013 |
|--|----------------------------|------------------------------|
| <u>RESOURCES</u> | | |
| Cash and Other Cash Items | 18,043,629 | 25,695,760 |
| Due from Bangko Sentral ng Pilipinas | 225,199,368 | 244,483,154 |
| Due from Other Banks | 17,630,149 | 17,069,841 |
| Interbank Loans Receivable and Securities Purchased under Agreements to Resell | 8,970,804 | 12,406,049 |
| Financial Assets at Fair Value through Profit or Loss Derivative Financial Assets | 19,868,051 | 16,549,781 |
| Trading Securities | 23,667,462 | 4,596,660 |
| Available-for-Sale Securities, net | 27,735,952 | 87,555,915 |
| Held-to-Maturity Securities, net | 206,436,194 | 96,171,701 |
| Loans and Advances, net | 697,047,321 | 635,193,553 |
| Bank Premises, Furniture, Fixtures and Equipment, net | 12,161,165 | 12,205,205 |
| Investment Properties, net | 1,584,136 | 1,596,752 |
| Assets Held for Sale, net | 5,335,700 | 5,853,512 |
| Investments in Subsidiaries and Associates, net | 4,501,482 | 4,176,210 |
| Assets Attributable to Insurance Operations | 15,130,155 | 14,585,914 |
| Deferred Income Tax Assets, net | 6,063,614 | 6,176,046 |
| Other Resources, net | 10,275,992 | 11,048,185 |
| TOTAL RESOURCES | 1,299,651,174 | 1,195,364,237 |
| <u>LIABILITIES AND CAPITAL FUNDS</u> | | |
| Deposit Liabilities | | |
| Demand | 188,980,949 | 179,681,043 |
| Savings | 590,307,360 | 505,538,372 |
| Time | 292,496,250 | 303,366,755 |
| Sub-total | 1,071,784,559 | 988,586,169 |
| Derivative Financial Liabilities | 19,698,799 | 16,359,852 |
| Bills Payable | 17,507,657 | 26,179,388 |
| Due to Bangko Sentral ng Pilipinas and Other Banks | 320,322 | 2,051,430 |
| Manager's Checks and Demand Drafts Outstanding | 8,094,337 | 7,183,078 |
| Accrued Taxes, Interest and Other Expenses | 4,286,394 | 4,906,683 |
| Unsecured Subordinated Debt | - | - |
| Liabilities Attributable to Insurance Operations | 12,818,582 | 13,060,973 |
| Deferred Credits and Other Liabilities | 31,537,699 | 31,229,975 |
| TOTAL LIABILITIES | 1,166,048,349 | 1,089,557,548 |
| CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI | | |
| Share Capital | 39,269,904 | 35,563,562 |
| Share Premium | 29,329,103 | 8,315,756 |
| Reserves | 1,679,060 | 1,679,060 |
| Surplus | 66,628,542 | 62,136,685 |
| Accumulated Other Comprehensive Income/ (Loss) | (4,427,097) | (3,160,984) |
| | 132,479,512 | 104,534,079 |
| NON-CONTROLLING INTERESTS | 1,123,313 | 1,272,609 |
| TOTAL CAPITAL FUNDS | 133,602,825 | 105,806,688 |
| TOTAL LIABILITIES AND CAPITAL FUNDS | 1,299,651,174 | 1,195,364,237 |

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENTS OF INCOME
For the Quarter Ended June 30, 2014 and 2013
(In Thousands of Pesos)

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|------------------|
| INTEREST INCOME | | |
| On loans and advances | 8,908,347 | 7,978,864 |
| On held-to-maturity securities | 2,032,431 | 1,173,081 |
| On available-for-sale securities | 158,980 | 652,719 |
| On deposits with BSP and other banks | 424,026 | 151,666 |
| On trading securities | 112,407 | 282,510 |
| Gross Receipts Tax | (385,137) | (339,399) |
| | <u>11,251,054</u> | <u>9,899,440</u> |
| INTEREST EXPENSE | | |
| On Deposits | 2,498,427 | 2,108,847 |
| On Bills Payable and other borrowings | 87,594 | 254,816 |
| | <u>2,586,021</u> | <u>2,363,663</u> |
| NET INTEREST INCOME | 8,665,033 | 7,535,778 |
| IMPAIRMENT LOSSES | 864,177 | 645,278 |
| NET INTEREST INCOME AFTER IMPAIRMENT LOSSES | 7,800,856 | 6,890,500 |
| OTHER INCOME | | |
| Fees and commissions | 1,560,677 | 1,528,154 |
| Income from foreign exchange trading | 419,816 | 603,700 |
| Trading gain (loss) on securities | 879,358 | (1,244,566) |
| Income attributable to insurance operations | 329,033 | 446,301 |
| Other operating income | 2,103,609 | 3,069,508 |
| Gross Receipts Tax | (300,776) | (312,459) |
| | <u>4,991,715</u> | <u>4,090,638</u> |
| OTHER EXPENSES | | |
| Compensation and fringe benefits | 3,259,579 | 2,471,456 |
| Occupancy and equipment-related expenses | 2,083,113 | 1,895,736 |
| Other operating expenses | 1,995,895 | 1,758,634 |
| | <u>7,338,586</u> | <u>6,125,825</u> |
| INCOME BEFORE INCOME TAX | 5,453,986 | 4,855,313 |
| PROVISION FOR INCOME TAX | | |
| Current | 1,143,986 | 1,411,016 |
| Deferred | (108,428) | (210,461) |
| | <u>1,035,558</u> | <u>1,200,554</u> |
| NET INCOME FOR THE QUARTER | 4,418,428 | 3,654,758 |
| Attributable to: | | |
| Equity holders of BPI | 4,426,750 | 3,655,143 |
| Non-controlling interest | (8,322) | (385) |
| | <u>4,418,428</u> | <u>3,654,758</u> |

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Quarter Ended June 30, 2014 and 2013
(In Thousands of Pesos)

| | <u>2014</u> | <u>2013</u> |
|---|------------------|--------------------|
| NET INCOME BEFORE NON-CONTROLLING INTEREST | 4,418,428 | 3,654,758 |
| 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 | 194,933 | (3,873,455) |
| Fair value reserve on investments of insurance subsidiaries, net of tax effect | 534 | (434,004) |
| Share in other comprehensive income of associates | 153,475 | (708,412) |
| Currency translation differences | (37,282) | 145,663 |
| Items that will not be reclassified to profit or loss | | |
| Actuarial gains (losses) on defined benefit plan, net of tax effect | 7,182 | 0 |
| Total Other Comprehensive Income (Loss), net of tax effect | 318,840 | (4,870,208) |
| Total Comprehensive Income for the Year | 4,737,268 | (1,215,450) |
| Attributable to: | | |
| Equity holders of BPI | 4,744,282 | (1,123,491) |
| Non-Controlling Interest | (7,014) | (91,959) |
| | 4,737,268 | (1,215,450) |

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENTS OF INCOME
For the Six Months Ended June 30, 2014 and 2013
(In Thousands of Pesos)

| | <u>Unaudited 2014</u> | <u>Unaudited 2013</u> |
|---|---------------------------|---------------------------|
| INTEREST INCOME | | |
| On loans and advances | 17,371,585 | 15,867,592 |
| On held-to-maturity securities | 3,831,570 | 2,331,436 |
| On available-for-sale securities | 350,413 | 1,364,653 |
| On deposits with BSP and other banks | 1,093,529 | 405,274 |
| On trading securities | 188,017 | 545,374 |
| Gross Receipts Tax | (765,137) | (689,168) |
| | <u>22,069,976</u> | <u>19,825,161</u> |
| INTEREST EXPENSE | | |
| On Deposits | 5,036,326 | 4,654,746 |
| On Bills Payable and other borrowings | 182,192 | 529,367 |
| | <u>5,218,518</u> | <u>5,184,113</u> |
| NET INTEREST INCOME | 16,851,459 | 14,641,048 |
| IMPAIRMENT LOSSES | 1,779,377 | 1,273,679 |
| NET INTEREST INCOME AFTER IMPAIRMENT LOSSES | 15,072,082 | 13,367,368 |
| OTHER INCOME | | |
| Fees and commissions | 3,267,204 | 2,923,792 |
| Income from foreign exchange trading | 912,015 | 985,221 |
| Trading gain (loss) on securities | 799,546 | 4,933,092 |
| Income attributable to insurance operations | 575,615 | 816,717 |
| Other operating income | 4,229,401 | 4,829,202 |
| Gross Receipts Tax | (610,039) | (1,003,283) |
| | <u>9,173,742</u> | <u>13,484,741</u> |
| OTHER EXPENSES | | |
| Compensation and fringe benefits | 6,018,239 | 5,539,307 |
| Occupancy and equipment-related expenses | 4,141,669 | 3,630,566 |
| Other operating expenses | 3,901,874 | 3,555,603 |
| | <u>14,061,782</u> | <u>12,725,476</u> |
| INCOME BEFORE INCOME TAX | 10,184,042 | 14,126,633 |
| PROVISION FOR INCOME TAX | | |
| Current | 2,618,652 | 2,127,400 |
| Deferred | (468,535) | (126,501) |
| | <u>2,150,116</u> | <u>2,000,899</u> |
| NET INCOME FOR THE PERIOD | 8,033,925 | 12,125,734 |
| Attributable to: | | |
| Equity holders of BPI | 8,030,199 | 12,023,770 |
| Non-controlling interest | 3,727 | 101,964 |
| | <u>8,033,925</u> | <u>12,125,734</u> |
| Earnings per share: | | |
| Based on 3,929,297,850 shares as of June 30, 2014 and 3,556,356,173 shares in 2013 | P 2.04 | P 3.38 |

BANK OF THE PHILIPPINE ISLANDS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Six Months Ended June 30, 2014 and 2013
(In Thousands of Pesos)

| | <u>Unaudited 2014</u> | <u>Unaudited 2013</u> |
|---|---------------------------|---------------------------|
| NET INCOME BEFORE NON-CONTROLLING INTEREST | 8,033,925 | 12,125,734 |
| 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 | (1,432,421) | (3,913,499) |
| Fair value reserve on investments of insurance subsidiaries, net of tax effect | 106,535 | 46,859 |
| Share in other comprehensive income of associates | 63,263 | 221,326 |
| Currency translation differences | 2,334 | 51,021 |
| Items that will not be reclassified to profit or loss | | |
| Actuarial gains (losses) on defined benefit plan, net of tax effect | 7,182 | (360,125) |
| Total Other Comprehensive Income (Loss), net of tax effect | (1,253,107) | (3,954,418) |
| Total Comprehensive Income for the Year | 6,780,819 | 8,171,317 |
| Attributable to: | | |
| Equity holders of BPI | 6,764,086 | 8,056,109 |
| Non-Controlling Interest | 16,733 | 115,208 |
| | 6,780,819 | 8,171,317 |

| BANK OF THE PHILIPPINE ISLANDS | | | | | | | |
|---|-------------------|-------------------|------------------|--------------------|---|------------------------------|--------------------|
| STATEMENT OF CHANGES IN CAPITAL FUNDS | | | | | | | |
| FOR THE PERIOD ENDED JUNE 30, 2014 & JUNE 30, 2013 | | | | | | | |
| (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, 2013 | 35,563,562 | 8,315,756 | 1,679,060 | 62,136,685 | (3,160,984) | 1,272,609 | 105,806,688 |
| Comprehensive Income | | | | | | | |
| Net Income for the year | | | | 8,030,199 | | 3,727 | 8,033,925 |
| Other Comprehensive Income for the year | | | | | (1,266,113) | 13,006 | (1,253,107) |
| Total Comprehensive Income for the year | - | - | - | 8,030,199 | (1,266,113) | 16,733 | 6,780,819 |
| Transactions with owners | | | | | | | |
| Issuance of Stock Rights | 3,706,342 | 21,013,346 | | | | | 24,719,689 |
| Cash Dividends | | | | (3,538,496) | | | (3,538,496) |
| Others | - | - | - | 154 | | | 154 |
| Other changes in non-controlling interest | | | | | | (166,029) | (166,029) |
| Total transactions with owners | 3,706,342 | 21,013,346 | - | (3,538,341) | - | (166,029) | 21,015,318 |
| Balance, June 30, 2014 | 39,269,904 | 29,329,103 | 1,679,060 | 66,628,542 | (4,427,097) | 1,123,313 | 133,602,825 |
| 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) | | | - |
| Other changes in non-controlling interest | | | | | | (269,016) | (269,016) |
| 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 |

| BANK OF THE PHILIPPINE ISLANDS | | |
|--|--------------------|--------------------|
| CONSOLIDATED STATEMENTS OF CASH FLOWS | | |
| FOR THE QUARTER ENDED JUNE 30, 2014 AND JUNE 30, 2013 | | |
| (In Thousands of Pesos) | | |
| | 2014 | 2013 |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Income before income tax | 5,453,986 | 4,855,313 |
| Adjustments for: | | |
| Impairment losses | 864,177 | 645,278 |
| Depreciation and amortization | 847,990 | 842,589 |
| Equity in net income of associates | (71,295) | (314,085) |
| Dividend income | (2,614) | (8,484) |
| Interest income | (11,636,191) | (10,238,839) |
| Interest expense | 2,586,021 | 2,363,663 |
| Operating income before changes in operating assets and liabilities | (1,957,925) | (1,854,566) |
| 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 | (3,964,446.00) | 0 |
| Trading securities | 1,218,456 | 16,058,544 |
| Loans and advances | (56,004,973) | (51,320,976) |
| Assets held for sale | 15,891 | 220,366 |
| Assets attributable to insurance operations | (15,722) | 382,054 |
| Other resources | 1,993,751 | (2,743,706) |
| Increase (decrease) in: | | |
| Deposit liabilities | 79,101,305 | 74,167,073 |
| Due to Bangko Sentral ng Pilipinas and other banks | (275,923) | 53,816 |
| Manager's checks demand drafts outstanding | 1,651,894 | 1,824,027 |
| Accrued taxes, interest and other expenses | (488,770) | 17,861 |
| Liabilities attributable to insurance operations | 311,643 | (174,331) |
| Derivative financial instrument | (270,039) | 718,459 |
| Deferred credits and other liabilities | (490,665) | 2,066,549 |
| Net cash from (used in) operations | 20,824,477 | 39,415,170 |
| Income taxes paid | (1,172,861) | (2,313,710) |
| Interest paid | (2,373,585) | (2,128,777) |
| Interest received | 10,155,554 | 10,037,176 |
| Net cash from (used in) operating activities | 27,433,585 | 45,009,860 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| (Increase) decrease in: | | |
| Available for sale securities | (4,199,826) | (1,705,011) |
| Held-to-maturity securities | (28,232,362) | (20,821,181) |
| Bank, premises, furniture, fixtures and equipment | (782,379) | (860,187) |
| Equity investments | (474,244) | (581,087) |
| Assets attributable to insurance operations | 320,916 | 49,244 |
| Investment property | (333) | (84,725) |
| Dividends received | 2,614 | 8,484 |
| Net cash from (used in) investing activities | (33,365,615) | (23,994,462) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash Dividends | 0 | (3,200,721) |
| Collection on stock subscriptions | (18,085) | 0 |
| Increase (decrease) in bills payable | (1,098,269) | (5,592,624) |
| Net cash from (used in) financing activities | (1,116,354) | (8,793,344) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (7,048,384) | 12,222,053 |
| CASH AND CASH EQUIVALENTS | | |
| March 31 | 273,011,976 | 169,127,178 |
| June 30 | 265,963,592 | 181,349,232 |

| BANK OF THE PHILIPPINE ISLANDS | | |
|--|---------------------|--------------------|
| CONSOLIDATED STATEMENTS OF CASH FLOWS | | |
| FOR THE SEMESTER ENDED JUNE 30, 2014 AND JUNE 30, 2013 | | |
| (In Thousands of Pesos) | | |
| | 2014 | 2013 |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Income before income tax | 10,184,042 | 14,126,633 |
| Adjustments for: | | |
| Impairment losses | 1,779,377 | 1,273,679 |
| Depreciation and amortization | 1,782,728 | 1,673,212 |
| Share in net income of associates | (162,001) | (370,182) |
| Dividend income | (11,741) | (16,136) |
| Interest income | (22,835,113) | (20,514,328) |
| Interest expense | 5,218,518 | 5,184,113 |
| Operating income before changes in operating assets and liabilities | (4,044,191) | 1,356,991 |
| 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 | (3,964,446.00) | 0 |
| Trading securities | (19,024,418) | (445,117) |
| Loans and advances | (63,631,025) | (39,260,020) |
| Assets held for sale | 426,906 | 313,605 |
| Assets attributable to insurance operations | 345,005 | 704,487 |
| Other resources | 402,518 | (2,423,492) |
| Increase (decrease) in: | | |
| Deposit liabilities | 83,198,390 | 21,232,592 |
| Due to Bangko Sentral ng Pilipinas and other banks | (1,731,108) | 182,366 |
| Manager's checks demand drafts outstanding | 911,260 | 2,153,316 |
| Accrued taxes, interest and other expenses | (489,991) | 25,257 |
| Liabilities attributable to insurance operations | (242,392) | (549,751) |
| Derivative financial instrument | 30,718 | 768,239 |
| Deferred credits and other liabilities | (24,117) | 1,082,728 |
| Net cash from (used in) operations | (7,836,893) | (14,858,800) |
| Income taxes paid | (2,037,685) | (3,167,969) |
| Interest paid | (5,348,816) | (5,615,368) |
| Interest received | 22,369,223 | 21,343,176 |
| Net cash from (used in) operating activities | 7,145,830 | (2,298,961) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| (Increase) decrease in: | | |
| Available for sale securities | 57,686,463 | 18,696,556 |
| Held-to-maturity securities | (108,985,711) | (13,899,936) |
| Bank, premises, furniture, fixtures and equipment | (1,410,880) | (1,263,877) |
| Investment in subsidiaries and associates, net | (153,638) | (170,136) |
| Assets attributable to insurance operations | (922,178) | (706,613) |
| Investment property, net | (24,967) | 902,695 |
| Dividends received | 11,741 | 16,136 |
| Net cash from (used in) investing activities | (53,799,170) | 3,574,825 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash Dividends | (3,202,848) | (3,200,721) |
| Collection on stock subscriptions | 24,719,689 | - |
| Increase (decrease) in bills payable | (8,671,731) | (5,712,763) |
| Net cash from (used in) financing activities | 12,845,109 | (8,913,484) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (33,808,231) | (7,637,620) |
| CASH AND CASH EQUIVALENTS | | |
| January 1 | 299,771,823 | 188,986,851 |
| June 30 | 265,963,592 | 181,349,232 |

BANK OF THE PHILIPPINE ISLANDS
Financial Indicators
As at June 30, 2014 and 2013

| | 2014 | 2013 |
|--|-------------|-------------|
| a) Liquidity Ratio * | 66.1 % | 85.7 % |
| b) Debt to Equity Ratio ** | 13.2 % | 25.1 % |
| c) Asset to Equity Ratio | 981.0 % | 1,000.0 % |
| d) Interest Rate Coverage Ratio *** | 329.3 % | 404.8 % |
| e) Net Interest Margin on Average Earning Assets | 3.1 % | 3.5 % |
| f) Return on Average Equity | 12.9 % | 23.7 % |
| g) Return on Average Assets | 1.4 % | 2.6 % |
| h) Cost to Income Ratio | 54.0 % | 45.2 % |
| i) Cost to Assets Ratio | 2.4 % | 2.8 % |
| j) Capital to Assets Ratio | 10.2 % | 10.0 % |

* 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, 2014

| 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, 2013 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 mandatory effective date of PFRS 9 is for annual periods beginning January 1, 2018. The Bank has yet to assess the full impact of PFRS 9 and intends to adopt PFRS9 upon completion of the IASB project. |

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

| SEC REQUIREMENT | DISCLOSURE |
|--|---|
| <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 per share) separately for ordinary shares and other shares | <p>On January 24, 2014, total cash dividends paid to Common stockholders of record as of January 3, 2014 amounted to P 3.2 B.</p> <p>On May 21,2014, the Board declared a regular cash dividend of P0.90 per share for the first semester of 2014 on the total outstanding Common shares of the capital stock of BPI payable to all Common stockholders of record as of July 14, 2014 and distributable/payable on August 4, 2014 amounting to P3.5B.</p> |
| <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"> • On January 30, 2014, BPI ended its stock rights offer period, and raised P25 billion from the offering and issuance of 370,370,370 common shares (ratio of 1:9.602 common shares held or 10.4% of outstanding shares) at P67.50 per share. Above shares were listed on February 10, 2014. |
| <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 | <ul style="list-style-type: none"> • Nothing to report |

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

| SEC REQUIREMENT | DISCLOSURE |
|--|--|
| <p>investments, restructurings, and discontinuing operations.</p> | |
| <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 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; | <ul style="list-style-type: none"> • The BPI Group is exposed to financial risks primarily through trading and investments in bonds, currencies, financial derivatives and structured investment products. The risks associated with these financial instruments 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 by concentrating on sovereign-issued and investment-grade securities, thus exposing the Bank to minimal market and credit risks. The persistent challenges observed in the financial markets have resulted to more active risk management strategies in the Bank. Supplemental sensitivity and scenario analyses, rigorous risk monitoring and escalation procedures, and frequent in-depth discussions involving Senior Management and the Board are measures to strengthen the effectiveness of the Bank's risk management framework. Moreover, the levels of risk exposures and limits have been regularly reviewed to reflect the Board's overall risk appetite. Meanwhile, the Bank's Treasury Group has been executing trading and portfolio |

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

| SEC REQUIREMENT | DISCLOSURE |
|--|--|
| | <p>strategies to reduce risk exposures and preserve the Bank's comprehensive income. As a prudent measure to protect the Bank's earnings from interest rate volatility, the average sensitivity of the Bank's positions for every 1 basis point movement in interest rates has been reduced by more than half compared to the second quarter of the previous year.</p> <ul style="list-style-type: none"> • 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 of the first quarter of 2014 consistently revealed that under both name-specific and system-wide crisis scenarios, the Bank would still have more than sufficient liquidity to meet its financial obligations. • 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. 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. |
| <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 the Bank's interim financial statements are consistent with the most recent annual financial statements as of December 31, 2013. |

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

| SEC REQUIREMENT | DISCLOSURE | | | | | | | | | | | | |
|---|--|------------|-----------------|------------|--|--------------------|--|------------------------------|---------|---------|---------------------------|--------|---------|
| <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="857 1094 1461 1360"> <thead> <tr> <th></th> <th>Carrying amount</th> <th>Fair value</th> </tr> <tr> <th></th> <th colspan="2">(In Million Pesos)</th> </tr> </thead> <tbody> <tr> <td>June 30, 2014 (unaudited)</td> <td>206,436</td> <td>211,515</td> </tr> <tr> <td>Dec 31, 2013 (audited)</td> <td>96,172</td> <td>104,563</td> </tr> </tbody> </table> In January 2014, the Bank reclassified certain AFS securities aggregating to P56.9 billion to HTM category. The reclassification was triggered by management’s change in intention to hold these securities until maturity. The Bank also believes it has the capability to hold these reclassified securities until maturity dates. | | Carrying amount | Fair value | | (In Million Pesos) | | June 30, 2014 (unaudited) | 206,436 | 211,515 | Dec 31, 2013 (audited) | 96,172 | 104,563 |
| | Carrying amount | Fair value | | | | | | | | | | | |
| | (In Million Pesos) | | | | | | | | | | | | |
| June 30, 2014 (unaudited) | 206,436 | 211,515 | | | | | | | | | | | |
| Dec 31, 2013 (audited) | 96,172 | 104,563 | | | | | | | | | | | |

BANK OF THE PHILIPPINE ISLANDS
SEGMENT REPORT
For the Quarter Ended June 30, 2014

| In P Mn | CONSUMER BANKING | CORPORATE BANKING | INVESTMENT BANKING / FINANCIAL MARKETS | CORP / ELIM | TOTAL |
|--|---------------------|----------------------|---|-------------|-----------|
| Interest Income | 7,556 | 2,426 | 1,469 | (200) | 11,251 |
| Interest Expense | 2,499 | 63 | 24 | 1 | 2,587 |
| Net interest income | 5,057 | 2,363 | 1,445 | (200) | 8,665 |
| Impairment charge | 378 | 486 | 0 | - | 864 |
| Net interest income after impairment charge | 4,679 | 1,877 | 1,445 | (200) | 7,801 |
| Fees and commission | 1,235 | 120 | 262 | (56) | 1,560 |
| Other income | 1,442 | 627 | 1,386 | 277 | 3,732 |
| GRT | (110) | (9) | (117) | (65) | (301) |
| Other Income, net | 2,567 | 739 | 1,530 | 156 | 4,992 |
| Compensation and fringe benefits | 2,294 | 279 | 233 | 453 | 3,260 |
| Occupancy and equipment- related expenses | 1,153 | 289 | 6 | 626 | 2,073 |
| Other operating expenses | 1,518 | 912 | 291 | (715) | 2,006 |
| Total operating expenses | 4,965 | 1,481 | 529 | 364 | 7,339 |
| Operating profit | 2,281 | 1,135 | 2,445 | (408) | 5,454 |
| Share in net income of associates | | | | | 71 |
| Provision for Income Tax | | | | | 1,036 |
| Total Assets | 406,599 | 515,764 | 350,902 | 26,386 | 1,299,651 |
| Total Liabilities | 1,096,905 | 13,850 | 35,543 | 19,750 | 1,166,048 |

| BANK OF THE PHILIPPINE ISLANDS | | | | | | |
|--|---------------------|----------------------|---|-------------|-----------|--|
| SEGMENT REPORT | | | | | | |
| For the Six Months Ended June 30, 2014 | | | | | | |
| In P Mn | CONSUMER BANKING | CORPORATE BANKING | INVESTMENT BANKING / FINANCIAL MARKETS | CORP / ELIM | TOTAL | |
| Interest Income | 14,968 | 4,608 | 2,813 | (319) | 22,070 | |
| Interest Expense | 5,038 | 122 | 58 | 1 | 5,219 | |
| Net interest income | 9,930 | 4,486 | 2,755 | (320) | 16,851 | |
| Impairment charge | 957 | 817 | 0 | 5 | 1,779 | |
| Net interest income after impairment charge | 8,973 | 3,669 | 2,755 | (325) | 15,072 | |
| Fees and commission | 2,428 | 219 | 710 | (90) | 3,267 | |
| Other income | 2,600 | 976 | 2,357 | 584 | 6,517 | |
| GRT | (263) | (22) | (237) | (88) | (610) | |
| Other Income, net | 4,765 | 1,173 | 2,829 | 407 | 9,174 | |
| Compensation and fringe benefits | 4,182 | 521 | 459 | 856 | 6,018 | |
| Occupancy and equipment- related expenses | 2,122 | 580 | 52 | 1,388 | 4,142 | |
| Other operating expenses | 2,882 | 1,721 | 567 | (1,268) | 3,902 | |
| Total operating expenses | 9,186 | 2,822 | 1,078 | 976 | 14,062 | |
| Operating profit | 4,552 | 2,019 | 4,507 | (895) | 10,184 | |
| Share in net income of associates | | | | | 162 | |
| Provision for Income Tax | | | | | 2,150 | |
| Total Assets | 406,599 | 515,764 | 350,902 | 26,386 | 1,299,651 | |
| Total Liabilities | 1,096,905 | 13,850 | 35,543 | 19,750 | 1,166,048 | |

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

Financial Condition as of June 30, 2014 versus as of December 31, 2013

Total resources increased P104.3 billion, or 8.7%, to P1.3 trillion, from P1.2 trillion.

Assets

- **Held-to-maturity securities** at P206.4 billion, increased P110.3 billion, or 114.6%, on additional investments, and from the reclassification of certain available-for-sale securities to held-to-maturity category, due to change of intention.
- **Loans and advances** at P697.0 billion, grew P61.9 billion, or 9.7%, on higher loan demand from multinationals and local conglomerates, as well as home mortgages.
- **Trading Securities** at P23.7 billion, expanded P19.1 billion, or 414.9%, on increased holdings of local bonds intended for trading.
- **Derivative financial assets** at P19.9 billion, increased P3.3 billion, or 20.1% on higher positive fair value on certain swap positions.
- **Investments in subsidiaries and associates, net** at P4.5 billion rose P325 million, or 7.8%, on improved income of the Bank's bancassurance affiliate.
- **Available-for-sale securities, net** at P27.7 billion, declined P59.8 billion, or 68.3%, on reclassification of certain available-for-sale securities to held-to-maturity category due to change in intention.
- **Due from Bangko Sentral ng Pilipinas** at P225.2 billion, decreased P19.3 billion, or 7.9%, on lower special deposit account with BSP.
- **Cash and other cash items** at P18.0 billion, declined P7.7 billion, or 29.8%, due to lower cash requirement this period versus yearend 2013.
- **Interbank Loans Receivable and Securities Purchased under Agreements to Resell** at P9.0 billion, declined P3.4 billion, or 27.7%, on limited volume of Reverse Repurchase Agreements (RRP) accepted by the BSP.
- **Other resources, net** at P10.3 billion, declined P772 million, or 7.0%, on lower miscellaneous assets and deferred charges.
- **Assets held for sale, net** at P5.3 billion, declined P518 million, or 8.8%, on the continued sell down of foreclosed assets.

Liabilities

- **Total deposits** at P1.1 trillion, increased P83.2 billion, or 8.4%, due to savings and demand deposit balances growths of P84.8 billion, or 16.8%, and P9.3 billion, or 5.2%, respectively.
- **Derivative financial liabilities** at P19.7 billion, increased P3.3 billion, or 20.4%, on higher negative fair value on certain swap positions.
- **Manager's checks and demand drafts outstanding** at P8.1 billion, grew P911 million, or 12.7% on higher level of outstanding manager's checks issued.
- **Bills payable** at P17.5 billion, decreased P8.7 billion, or 33.1%, on reduced external borrowings.

- **Due to Bangko Sentral ng Pilipinas (BSP) and other banks** at P320 million, declined P1.7 billion, or 84.4%, on lower collection of taxes.
- **Accrued taxes, interest and other expenses** at P4.3 billion, declined P620 million, or 12.6%, on accrued interest payments on matured/redeemed time deposits and accrued expenses.

Total capital funds at P133.6 billion, expanded P27.8 billion, or 26.3% from yearend 2013.

- **Share premium** at P29.3 billion, increased P21.0 billion, or 252.7%, and **Share capital** at P39.3 billion, increased P3.7 billion, or 10.4%, due to the P25 billion stock rights issued in February 2014.
- **Surplus** at P66.6 billion, increased P4.5 billion, or 7.2%, on account of ploughed in profits year to date, net of P3.5 billion dividend paid in the first semester.
- **Accumulated other comprehensive loss** at (P4.4 billion), declined P1.3 billion, or 40.1%, on lower market valuation of the Bank's available-for-sale securities.

Non-controlling interests at P1.1 billion, declined P149 million, or 11.7%, on payment of dividends of the Bank's non-life subsidiary.

RESULTS OF OPERATIONS

For the Quarters ended June 30, 2014 and 2013

Net income for the second quarter of 2014 stood at P4.4 billion, up P772 million, or 21.1%, from P3.7 billion same period last year. This net income increase was achieved through the P2.0 billion, or 17.5%, growth in total revenues. However, this growth in revenues was tempered by the increases in **impairment losses** by P219 million, or 33.9%, and other expenses by P1.2 billion, or 19.8%.

Net interest income at P8.7 billion, increased P1.1 billion, or 15.0%, in spite of the 43 bps drop spread as the average asset base expanded by P301.6 billion, or 33.2%.

Interest income stood at P11.3 billion, up or P1.4 billion, or 13.7%, and this was affected by the following movements:

- Interest income **on loans and advances** at P8.9 billion, and **on held-to-maturity securities** at P2.0 billion, increased P929 million, or 11.6%, and P859 million, or 73.3%, respectively, both due to average volume expansion;
- Interest income **on deposits with BSP and other banks** at P424 million, increased P272 million, or 179.6% on account of increased volume and improved yield; Interest income **on available-for-sale securities** at P159 million, and **on trading securities** at P112 million, declined P494 million, or 75.6%, and P170 million, or 60.2%, respectively, due to lower volume and yield;
- **Gross receipt tax** at P385 million, increased P46 million, or 13.5%, on higher interest income.

Interest expense at P2.6 billion, grew by P222 million, or 9.4%, and this was impacted by the following movements:

- Interest expense **on deposits** at P2.5 billion, increased P390 million, or 18.5%, due to increased volume;
- Interest expense **on bills payable and other borrowings** at P88 million, declined P167 million, or 65.6%, on lower volume and cost.

Other income at P5.0 billion, increased P901 million, or 22.0% from P4.1 billion same period last year.

- **Trading gain (loss) on securities** at P879 million, grew P2.1 billion, or 170.7%, from a loss of P1.2 billion due to the opportunistic profit taking done in May 2014.
- **Other operating income** at P2.1 billion, declined P966 million, or 31.5%, on lower trust income, equity income from subsidiaries, and miscellaneous income.
- **Income from foreign exchange trading** at P420 million, declined P184 million, or 30.5%, on lower revaluation of foreign currency income.
- **Income attributable to insurance operations** at P329 million, declined P117 million, or 26.3%, on lower income from investments and other income of all insurance companies, partly offset by lower actuarial reserves of BPI Philam.

Impairment losses at P864 million, was up P219 million, or 33.9%, on higher loan loss provisioning.

Other expenses at P7.3 billion, grew P1.2 billion, or 19.8% from P6.1 billion.

- **Compensation and fringe benefits** at P3.3 billion, increased P788 million, or 31.9%, as salaries and wages grew on account of increased headcount and a one-time CBA-related cost.
- **Other operating expenses** at P2.0 billion, increased P237 million, or 13.5%, on higher regulatory and advertising costs, amortization and deferred charges, and third party fees and incentives.
- **Occupancy and equipment-related expenses** at P2.1 billion, increased P187 million, or 9.9%, on higher rental and contractual costs.

Provision for income tax at P1.0 billion, declined P165 million, or 13.7% from P1.2 billion.

- **Current income tax** at P1.1 billion, declined P267 million, or 18.9%, on lower taxable income of the Parent company this quarter vs. same period last year.
- **Deferred income tax** at (P108 million), declined P102 million, or 48.5%, due to accounts with timing differences.

Total comprehensive income at P4.7 billion, increased P5.9 billion, or 522.3%, due to the combined impact of the P5.2 billion improvement in **total other comprehensive income, net of tax effect** and the P763 million increase in **net income before non-controlling interest**.

- **Net change in fair value reserve on available-for-sale securities, net of tax effect** at P195 million, increased P4.1 billion, or 105.0%, on account of the improvement in the market valuation of the Bank's investment securities.
- **Share in other comprehensive income of associates** at P153 million, increased P862 million, or 121.7%, on higher market valuation of the investments of the bancassurance affiliate. **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at P534 thousand, increased P435 million, or 100.1%, on higher market valuation of the insurance subsidiaries' investment funds.
- **Currency translation differences** at (P37 million), declined P183 million, or P125.6% due to the general strengthening of the Philippine Peso against US and Hong Kong Dollars, and the Euro Currency.
- **Income attributable to non-controlling interest** at (P7 million), increased P85 million, or 92.4%, from a loss of P92 million, on higher valuation of investment funds of the Bank's insurance companies.

For the Six Months ended June 30, 2014 and 2013

Net income for the first semester of 2014 amounted to P8.0 billion, P4.0 billion, or 33.2% lower than same period last year at P12.0 billion. The drop in net income was brought about by the P2.1 billion, or 7.5%, decline in **total revenues** and the increases in **other expenses, impairment losses, and provision for income tax** by P1.3 billion, P506 million, and P149 million, respectively.

Net interest income at P16.9 billion, grew P2.2 billion, or 15.1% despite a 45 bps drop in spread as the average asset base expanded by P274.7 billion, or 29.7%.

Interest income at P22.1 billion, increased P2.2 billion, or 11.3% on account of the following:

- Increase in interest income **on loans and advances** and **on held-to-maturity securities**, both up by P1.5 billion, on account of higher average volume;
- Increase in interest income **on deposits with BSP and other banks** by P688 million, or 169.8%, due to improved volume and yield; Decrease in interest income **on available-for-sale securities** by P1.0 billion, or 74.3%, and Interest income **on trading securities** by P357 million, or 65.5%, respectively, due to lower volume and yield;
- Higher **Gross receipt tax** at P765 million, increased P76 million, or 11.0%, as a result of higher interest income.

Interest expense at P5.2 billion, increased P34 million brought about largely by the higher interest expense **on deposits**, up P382 million, or 8.2%, due to higher volume, partly offset by the decline on interest expense **on bills payable and other borrowings** by P347 million, or 65.6% as a result of a lower average base.

Other income at P9.2 billion, declined P4.3 billion, or 32% from P13.5 billion last year.

- **Trading gain (loss) on securities** at P800 million, was down P4.1 billion, or 83.8%. The Bank took advantage of last year's favorable market condition and took a sizeable profit in Q1 2013.

- **Other operating income** at P4.2 billion, was lower by P600 million, or 12.4%, on account of lower trust income, equity income from subsidiaries, and miscellaneous income.
- **Income attributable to insurance operations** at P576 million, declined P241 million, or 29.5% due to insurance subsidiaries' lower income from investments and higher insurance claims partly offset by lower actuarial reserves. **Income from foreign exchange trading** at P912 million, was P73 million, or 7.4% lower due to lower revaluation of foreign currency income.
- **Gross receipts tax** at P610 million, was P393 million, or 39.2% lower as a result of decreased level of non-interest income.

Impairment losses at P1.8 billion, was P506 million, or 39.7% up on higher loan loss provisioning.

Other expenses at P14.1 billion, increased P1.3 billion, or 10.5% from same period last year at P12.7 billion.

- **Occupancy and equipment-related expenses** at P4.1 billion, increased P511 million, or 14.1%, on higher maintenance, rent/depreciation, utilities and contractual costs.
- **Compensation and fringe benefits** at P6.0 billion, were P479 million, or 8.6% higher as salaries and wages rose due to headcount increase.

Other operating expenses at P3.9 billion, were P346 million, or 9.7% up on higher regulatory and advertising costs, and third party fees and incentives.

Provision for income tax at P2.2 billion, was up P149 million, or 7.5% from P2.0 billion.

- **Current income tax** at P2.6 billion, was P491 million, or 23.1% up due to higher income subject to ordinary corporate income tax.
- **Deferred income tax** at (P469 million), was P342 million, or 270.4% lower due to higher provisioning and lower write-offs.

Income attributable to non-controlling interest at P4 million, was P98 million, or 96.4%, lower due to lower income generated by the microfinance affiliate on account of higher provisions and overhead. The Bank's non-life insurance subsidiary likewise contributed lower income due to lower investment income and higher claims.

Total comprehensive income at P6.8 billion, was P1.3 billion, or 16.0% lower than last year's P8.1 billion. **Net income before non-controlling interest** declined P4.1 billion, or 33.7% but this was partly offset by the P2.7 billion, or 68.3% improvement in **total other comprehensive income, net of tax effect**.

- **Net change in fair value reserve on available-for-sale securities, net of tax effect** at a loss of P1.4 billion improved by P2.5 billion, or 63.4% on lower mark to market losses of the Bank's investment securities (from last year's P3.9 billion loss).
- **Actuarial losses on defined benefit plan, net of tax effect**, reflected a P367 million, or 102.0% upsurge, after last year's booking of P360 million loss as compared to minimal movement for this year.

- **Fair value reserve on investments of insurance subsidiaries, net of tax effect** at P107 million, increased P60 million, or 127.4%, on higher market valuation of the investment funds of the insurance subsidiaries.
- **Share in other comprehensive income of associates** at P63 million, declined P158 million, or 71.4%, on lower market valuation of the investments of the bancassurance affiliate.
- **Currency translation differences** at P2 million, declined P49 million, or 95.4%, as the Philippine Peso strengthened against the Hong Kong Dollar.
- **Income attributable to non-controlling interest** at P17 million, was P98 million, or 85.5% down on lower income contribution from both the Bank's non-life insurance subsidiary, and its microfinance affiliate.

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, 2014 | June 30, 2013 |
|--------------------------------------|---------------|---------------|
| Return on Equity (%) | 12.9 | 23.7 |
| Return on Assets (%) | 1.4 | 2.6 |
| Net Interest Margin (%) | 3.1 | 3.5 |
| Operating Efficiency Ratio (%) | 54.0 | 45.2 |
| Capital Adequacy Ratio (%)—Basel III | 15.4 | 15.0 |

Return on equity (ROE), net income divided by average equity, and **return on assets (ROA)**, net income divided by average assets, were lower by 10.8% and 1.2%, respectively, due to the lower net income attained this year vs. 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, at 3.1% was 45 basis points lower this year as yield in almost all asset types declined.

Operating efficiency ratio (cost to income), operating expenses divided by total revenues, deteriorated from 45.2% to 54.0% as the Bank experienced a decline in revenue and a slight increase in overhead. 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 15.4% was slightly higher than last year's 15.0%, as capital growth, boosted by the P25 billion capital build up in February 2014, outpaced the increase in risk-weighted assets, mostly credit, brought about by the increase in loans. The Bank's CAR is above the BSP's minimum requirement of 10%.

Material Events and Uncertainties

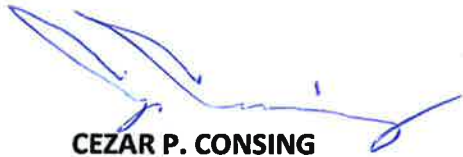
The Bank has nothing to report on the following:

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 13, 2014



JOSEPH ALBERT L. GOTUACO
Executive Vice President
Chief Financial Officer

Date: August 13, 2014

BPI UNIBANK
CONSOLIDATED AGING OF ACCOUNTS RECEIVABLE
June 30, 2014

| No. of Days Outstanding | Amount (In Thousands) |
|--|----------------------------------|
| 0-90 | P 1,163,852 |
| 91-180 | 38,597 |
| 181-360 | 63,651 |
| Over 360 | 1,201,681 |
| Total | 2,467,781 |
| Less : Allow. For Probable Losses | 1,353,651 |
| Net of Allowance | P <u><u>1,114,130</u></u> |