

**STANDARD DOCUMENT COVER SHEET  
FOR SEC FILINGS**

All documents should be submitted under a cover page which clearly identifies the company and the specific document form as follows:

SEC Number 121  
File Number

**BANK OF THE PHILIPPINE ISLANDS  
BPI BUILDING, 6768 AYALA AVE. CORNER PASEO DE ROXAS  
MAKATI CITY, METRO MANILA  
818-55-41 to 48  
FISCAL YEAR ENDING DECEMBER 31**  
(indicate if anything above is new and the date it was changed)

**SEC FORM 17-Q QUARTERLY REPORT  
AMENDMENT DESIGNATION "A"**

**PERIOD-ENDED September 30, 2010**  
(if a report, financial statement, GIS, or related amendment or show-cause filing)

**NONE**  
EACH ACTIVE SECONDARY LICENSE TYPE AND FILE NUMBER  
(state "NONE" if that is the case)



12. Indicate by check mark whether the registrant:

(a) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such reports) Yes  No

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

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENT OF CONDITION**  
**SEPTEMBER 30, 2010 AND DECEMBER 31, 2009**  
(in Thousands of Pesos)

	<b>UNAUDITED</b>	<b>AUDITED</b>
	<b>SEPTEMBER 30, 2010</b>	<b>DECEMBER 31, 2009</b>
<b>RESOURCES</b>		
Cash and Other Cash Items	13,259,335	18,779,845
Due from Bangko Sentral ng Pilipinas	93,246,015	62,743,605
Due from Other Banks	5,906,437	7,147,298
Interbank Loans Receivable and Securities		
Purchased under Agreements to Resell	40,554,182	52,546,184
Financial Assets at Fair Value through Profit or Loss		
Derivative Financial Assets	7,033,662	2,145,827
Trading Securities	22,381,245	53,256,304
Available for Sale Securities, net	104,244,659	71,706,090
Held-to-Maturity Securities, net	91,857,911	75,031,166
Loans and Advances, net	330,661,005	327,473,628
Bank Premises, Furniture, Fixtures and Equipment, net	11,410,682	11,410,037
Investment Properties, net	2,718,877	2,761,718
Assets Held for Sale, net	12,741,405	14,241,205
Equity Investments, net	3,189,285	1,639,421
Assets Attributable to Insurance Operations	11,788,398	10,949,921
Deferred Income Tax Assets, net	5,139,540	4,872,329
Other Resources, net	7,815,792	7,716,278
<b>TOTAL RESOURCES</b>	<b>763,948,429</b>	<b>724,420,855</b>

**LIABILITIES AND CAPITAL FUNDS**

Deposit Liabilities		
Demand	113,785,529	108,039,994
Savings	225,224,004	202,707,822
Time	273,813,894	268,722,871
Sub-total	<b>612,823,427</b>	<b>579,470,688</b>
Derivative Financial Liabilities	5,958,792	1,592,744
Bills Payable	18,491,962	32,009,377
Due to Bangko Sentral ng Pilipinas and Other Banks	1,632,448	1,933,456
Manager's Checks and Demand Drafts Outstanding	4,516,761	3,059,108
Accrued Taxes, Interest and Other Expenses	3,791,914	4,448,906
Unsecured Subordinated Debt	5,000,000	5,000,000
Liabilities Attributable to Insurance Operations	9,749,424	8,762,302
Deferred Credits and Other Liabilities	19,490,755	20,379,124
<b>TOTAL LIABILITIES</b>	<b>681,455,484</b>	<b>656,655,706</b>
<b>CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI</b>		
Capital Stock	35,558,535	32,466,688
Paid-in Surplus	8,222,655	1,412,302
Reserves	1,284,537	1,394,866
Surplus	36,422,567	33,160,134
Accumulated Other Comprehensive Loss	(1,950)	(1,636,301)
	<b>81,486,344</b>	<b>66,797,689</b>
Non-controlling Interest	1,006,602	967,459
<b>TOTAL CAPITAL FUNDS</b>	<b>82,492,946</b>	<b>67,765,149</b>
<b>TOTAL LIABILITIES AND CAPITAL FUNDS</b>	<b>763,948,429</b>	<b>724,420,855</b>

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENTS OF INCOME**  
For the Quarter Ended September 30, 2010 and 2009  
(In Thousands of Pesos)

	<b>Unaudited 2010</b>	<b>Unaudited 2009</b>
<b>INTEREST INCOME</b>		
On loans and advances	6,475,168	5,878,726
On held-to-maturity securities	1,516,432	1,315,741
On available-for-sale securities	903,821	539,664
On deposits with BSP and other banks	700,759	748,542
On trading securities	175,447	91,630
Gross Receipts Tax	(348,899)	(319,664)
	<b>9,422,728</b>	<b>8,254,638</b>
<b>INTEREST EXPENSE</b>		
On Deposits	2,968,390	2,564,363
On Bills Payable and other borrowings	310,096	381,859
	<b>3,278,486</b>	<b>2,946,222</b>
<b>NET INTEREST INCOME</b>	<b>6,144,242</b>	<b>5,308,417</b>
<b>IMPAIRMENT LOSSES</b>	<b>1,284,992</b>	<b>600,000</b>
<b>NET INTEREST INCOME AFTER IMPAIRMENT LOSSES</b>	<b>4,859,250</b>	<b>4,708,417</b>
<b>OTHER INCOME</b>		
Fees and commissions	1,060,820	842,881
Income from foreign exchange trading	354,275	475,020
Trading gain (loss) on securities	2,088,992	121,667
Income attributable to insurance operations	205,841	233,825
Other operating income	1,316,777	1,284,774
Gross Receipts Tax	(310,996)	(181,259)
	<b>4,715,709</b>	<b>2,776,908</b>
<b>OTHER EXPENSES</b>		
Compensation and fringe benefits	2,267,860	2,289,019
Occupancy and equipment-related expenses	1,504,766	1,403,845
Other operating expenses	1,352,256	1,161,023
	<b>5,124,882</b>	<b>4,853,888</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>4,450,077</b>	<b>2,631,437</b>
<b>PROVISION FOR INCOME TAX</b>		
Current	925,805	621,035
Deferred	(68,033)	(55,005)
	<b>857,771</b>	<b>566,030</b>
<b>NET INCOME FOR THE QUARTER</b>	<b>3,592,305</b>	<b>2,065,408</b>
Attributable to:		
Equity holders of BPI	3,537,323	2,018,697
Non-controlling interest	54,983	46,711
	<b>3,592,305</b>	<b>2,065,408</b>

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the Quarter Ended September 30, 2010 and 2009  
(In Thousands of Pesos)

	Unaudited 2010	Unaudited 2009
<b>NET INCOME BEFORE MINORITY INTEREST</b>	<b>3,592,305</b>	<b>2,065,408</b>
<b>Other Comprehensive Income:</b>		
Net change in fair value reserve on available-for-sale securities, net of tax effect	548,217	606,755
Fair value reserve on investments of insurance subsidiaries, net of tax effect	297,913	292,663
Share in other comprehensive income of associates	(124,245)	0
Currency translation differences	(52,462)	(84,427)
<b>Total Other Comprehensive Income (Loss), net of tax effect</b>	<b>669,423</b>	<b>814,991</b>
<b>Total Comprehensive Income for the Year</b>	<b>4,261,728</b>	<b>2,880,399</b>
<b>Attributable to:</b>		
Equity holders of BPI	4,171,253	2,833,688
Non-Controlling Interest	90,475	46,711
	<b>4,261,728</b>	<b>2,880,399</b>

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**For the Nine Months Ended September 30, 2010 and 2009**  
(In Thousands of Pesos)

	<u>Unaudited 2010</u>	<u>Unaudited 2009</u>
<b>INTEREST INCOME</b>		
On loans and advances	18,745,291	18,432,843
On held-to-maturity securities	4,312,698	3,962,431
On available-for-sale securities	2,114,734	1,490,804
On deposits with BSP and other banks	2,278,269	2,130,669
On trading securities	425,577	256,538
Gross Receipts Tax	(1,022,787)	(1,009,721)
	<u><b>26,853,781</b></u>	<u><b>25,263,564</b></u>
<b>INTEREST EXPENSE</b>		
On Deposits	8,489,881	8,325,904
On Bills Payable and other borrowings	1,006,560	872,141
	<u>9,496,442</u>	<u>9,198,045</u>
<b>NET INTEREST INCOME</b>	<u><b>17,357,340</b></u>	<u><b>16,065,519</b></u>
<b>IMPAIRMENT LOSSES</b>	<u><b>2,527,309</b></u>	<u><b>2,100,000</b></u>
<b>NET INTEREST INCOME AFTER IMPAIRMENT LOSSES</b>	<u><b>14,830,031</b></u>	<u><b>13,965,519</b></u>
<b>OTHER INCOME</b>		
Fees and commissions	2,983,704	2,594,570
Income from foreign exchange trading	1,460,970	1,115,171
Trading gain (loss) on securities	3,074,123	1,462,785
Income attributable to insurance operations	547,224	676,563
Other operating income	4,390,973	4,248,250
Gross Receipts Tax	(842,354)	(580,759)
	<u><b>11,614,641</b></u>	<u><b>9,516,579</b></u>
<b>OTHER EXPENSES</b>		
Compensation and fringe benefits	6,669,757	6,628,284
Occupancy and equipment-related expenses	4,351,779	4,040,875
Other operating expenses	3,968,219	3,288,790
	<u><b>14,989,755</b></u>	<u><b>13,957,949</b></u>
<b>INCOME BEFORE INCOME TAX</b>	<u><b>11,454,917</b></u>	<u><b>9,524,149</b></u>
<b>PROVISION FOR INCOME TAX</b>		
Current	2,433,171	1,808,037
Deferred	(213,866)	265,624
	<u><b>2,219,304</b></u>	<u><b>2,073,661</b></u>
<b>NET INCOME FOR THE PERIOD</b>	<u><b>9,235,613</b></u>	<u><b>7,450,489</b></u>
Attributable to:		
Equity holders of BPI	<u><b>9,104,752</b></u>	<u><b>7,325,373</b></u>
Non-controlling interest	<u><b>130,861</b></u>	<u><b>125,116</b></u>
	<u><b>9,235,613</b></u>	<u><b>7,450,489</b></u>
Earnings per share:		
Based on 3,555,983,148 shares as of September 30, 2010 and 3,246,597,327 shares in 2009	<b>P 2.56</b>	<b>P 2.26</b>

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the Nine Months Ended September 30, 2010 and 2009**  
(In Thousands of Pesos)

	Unaudited 2010	Unaudited 2009
<b>NET INCOME BEFORE MINORITY INTEREST</b>	<b>9,235,613</b>	<b>7,450,489</b>
<b>Other Comprehensive Income:</b>		
Net change in fair value reserve on available-for-sale securities, net of tax effect	523,096	282,435
Fair value reserve on investments of insurance subsidiaries, net of tax effect	422,792	658,718
Share in other comprehensive income of associates	903,412	0
Currency translation differences	(169,861)	138,990
<b>Total Other Comprehensive Income (Loss), net of tax effect</b>	<b>1,679,439</b>	<b>1,080,144</b>
<b>Total Comprehensive Income for the Year</b>	<b>10,915,053</b>	<b>8,530,633</b>
<b>Attributable to:</b>		
Equity holders of BPI	10,737,119	8,405,517
Non-Controlling Interest	177,934	125,116
	<b>10,915,053</b>	<b>8,530,633</b>



## BANK OF THE PHILIPPINE ISLANDS

**STATEMENT OF CHANGES IN CAPITAL FUNDS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 & SEPTEMBER 30, 2009**  
(In Thousands of Pesos)

	<b>Consolidated</b>						
	<b>Attributable to equity holders of BPI</b>						
	Capital stock	Paid-in surplus	Reserves	Surplus	Accumulated Other Comprehensive Income	Non-controlling interest	Total
<b>Balance, December 31, 2009</b>	32,466,688	1,412,302	1,394,866	33,160,134	(1,636,301)	967,459	67,765,149
Total comprehensive income for the year				9,104,752	1,632,366	177,934	10,915,053
Stock Rights	3,076,923	6,752,341					9,829,264
Employee stock option plan:							0
Exercise of options	14,923	58,012	(107,263)				(34,327)
Cash dividends				(5,844,405)			(5,844,405)
Adjustments			(3,066)	2,085	1,985		1,004
Other changes in non-controlling interest						(138,791)	(138,791)
<b>Balance, September 30, 2010</b>	<b>35,558,535</b>	<b>8,222,655</b>	<b>1,284,537</b>	<b>36,422,567</b>	<b>(1,950)</b>	<b>1,006,602</b>	<b>82,492,946</b>

	<b>Consolidated</b>						
	<b>Attributable to equity holders of BPI</b>						
	Capital stock	Paid-in surplus	Reserves	Surplus	Accumulated Other Comprehensive Income	Non-controlling interest	Total
<b>Balance, December 31, 2008</b>	32,456,097	1,374,357	1,291,759	30,659,363	(2,848,053)	938,101	63,871,623
Total comprehensive income for the year				7,325,373	1,080,144	125,116	8,530,633
Employee stock option plan:							0
Exercise of options	8,760	31,028	(59,086)				(19,298)
Cash dividends				(5,843,083)			(5,843,083)
Adjustments				(505)	0		(505)
Other changes in minority interest						(91,823)	(91,823)
<b>Balance, September 30, 2009</b>	<b>32,464,857</b>	<b>1,405,385</b>	<b>1,232,673</b>	<b>32,141,148</b>	<b>(1,767,909)</b>	<b>971,393</b>	<b>66,447,546</b>

<b>BANK OF THE PHILIPPINE ISLANDS</b>		
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>		
<b>FOR THE QUARTERS ENDED SEPTEMBER 30, 2010 AND SEPTEMBER 30, 2009</b>		
<b>(In Thousands of Pesos)</b>		
	<b>Unaudited 2010</b>	<b>Unaudited 2009</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income before income tax	4,450,077	2,631,437
Adjustments for:		
Impairment losses	1,284,992	600,000
Depreciation and amortization	638,749	615,265
Equity in net income of associates	2,735	(1,551)
Share based compensation	-	-
Dividend income	(3,259)	(516)
Interest income	(9,771,627)	(8,574,302)
Interest received	13,175,242	11,965,845
Interest expense	3,278,486	2,946,222
Interest paid	(3,606,259)	(3,360,956)
Operating income before changes in operating assets and liabilities	9,449,134	6,821,444
Changes in operating assets and liabilities		
(Increase) decrease in:		
Due from Bangko Sentral ng Pilipinas	1,443,000	2,533,000
Interbank loans receivable and securities purchased under agreements to resell	(3,447,783)	(2,781,003)
Trading securities	24,630,999	26,337,637
Loans and advances	20,162,464	18,751,470
Assets held for sale	386,350	139,123
Assets attributable to insurance operations	(598,240)	318,487
Other resources	(15,074)	(2,549,375)
Increase (decrease) in:		
Deposit liabilities	(18,914,306)	(50,861,680)
Due to Bangko Sentral ng Pilipinas and other banks	721,620	203,652
Manager's checks demand drafts outstanding	1,925	(928,954)
Accrued taxes, interest and other expenses	(86,438)	22,649
Liabilities attributable to insurance operations	1,322,819	592,833
Derivative financial instrument	(1,175,134)	(441,800)
Deferred credits and other liabilities	(5,602,194)	(1,610,901)
Net cash from operating activities before income tax	28,279,142	(3,453,417)
Income taxes paid	(962,424)	(597,689)
Net cash generated from operating activities	27,316,718	(4,051,105)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) decrease in:		
Available for sale securities	(15,348,664)	2,148,811
Held-to-maturity securities	1,489,396	193,513
Bank, premises, furniture, fixtures and equipment	(682,502)	(494,281)
Dividends received	3,259	516
Equity investments	(297,926)	113,249
Assets attributable to insurance operations	(431,477)	(1,104,976)
Investment property	10,804	5,495
Net cash used in investing activities	(15,257,108)	862,328
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash Dividends	-	(2,921,914)
Collection on stock subscriptions	9,829,264	-
Increase (decrease) in bills payable	(1,629,573)	(2,904,758)
Increase in derivative liabilities	-	-
Net cash (used in) provided by financing activities	8,199,691	(5,826,672)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>20,259,301</b>	<b>(9,015,449)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
June 30	86,241,575	81,679,102
Sept 30	106,500,876	72,663,653

<b>BANK OF THE PHILIPPINE ISLANDS</b>		
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>		
<b>FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND SEPTEMBER 30, 2009</b>		
<b>(In Thousands of Pesos)</b>		
	<b>Unaudited 2010</b>	<b>Unaudited 2009</b>
<b><i>CASH FLOW FROM OPERATING ACTIVITIES</i></b>		
Income before income tax	11,454,917	9,524,149
Adjustments for:		
Impairment losses	2,527,309	2,100,000
Depreciation and amortization	1,882,355	1,757,560
Equity in net income of associates	(11,070)	6,287
Dividend income	(15,140)	(16,918)
Interest income	(27,876,569)	(26,273,285)
Interest received	29,427,817	28,598,377
Interest expense	9,496,442	9,198,045
Interest paid	(9,821,845)	(9,771,070)
Operating income before changes in operating assets and liabilities	17,064,216	15,123,144
Changes in operating assets and liabilities		
(Increase) decrease in:		
Due from Bangko Sentral ng Pilipinas	(1,474,000)	1,629,000
Interbank loans receivable and securities purchased under agreements to resell	20,794,812	1,179,330
Trading securities	29,921,115	(25,603,499)
Loans and advances	(6,055,680)	26,169,184
Assets held for sale	1,499,800	274,394
Assets attributable to insurance operations	(48,933)	687,440
Other resources	(223,272)	10,005
Increase (decrease) in:		
Deposit liabilities	33,352,739	(25,195,661)
Due to Bangko Sentral ng Pilipinas and other banks	(301,008)	(639,678)
Manager's checks demand drafts outstanding	1,457,653	386,789
Accrued taxes, interest and other expenses	(331,589)	(219,729)
Liabilities attributable to insurance operations	987,122	2,655,626
Derivative financial instrument	(521,788)	(921,332)
Deferred credits and other liabilities	(922,696)	(15,628)
Net cash from operating activities before income tax	95,198,490	(4,480,617)
Income taxes paid	(2,486,515)	(1,841,032)
Net cash generated from operating activities	92,711,975	(6,321,648)
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>		
(Increase) decrease in:		
Available for sale securities	(31,485,524)	10,608,110
Held-to-maturity securities	(17,613,556)	(2,292,724)
Bank, premises, furniture, fixtures and equipment	(1,757,668)	(1,801,141)
Dividends received	15,140	16,918
Equity investments	(521,259)	624,260
Assets attributable to insurance operations	(786,874)	(4,031,971)
Investment property	42,841	38,627
Net cash used in investing activities	(52,106,901)	3,162,079
<b><i>CASH FLOWS FROM FINANCING ACTIVITIES</i></b>		
Cash Dividends	(5,844,405)	(5,843,083)
Collection on stock subscriptions	9,829,264	-
Increase (decrease) in bills payable	(13,517,415)	18,877,126
Net cash (used in) provided by financing activities	(9,532,556)	13,034,043
<b><i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i></b>		
	31,072,518	9,874,473
<b><i>CASH AND CASH EQUIVALENTS</i></b>		
January 1	75,428,358	62,789,180
Sept 30	106,500,876	72,663,653

**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

<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, 2009 which was in accordance with the PFRS (Philippine Financial Reporting Standards) 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>• In compliance with the PFRS, the Bank adopted certain accounting and measurement methods in 2009. Those changes did not materially affect the current interim period.</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 or per share) separately for ordinary shares and other shares</li> </ul>	<ul style="list-style-type: none"> <li>• Cash dividend declared last December 16, 2009 amounting to P2.9 billion was paid on February 26, 2010 to Common stockholders of record as of February 11, 2010.</li> </ul>

**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

<b>SEC REQUIREMENT</b>	<b>DISCLOSURE</b>
	<ul style="list-style-type: none"> <li>• On May 19, 2010, the Board of Directors declared a regular cash dividend of P 0.90 per share for the first semester of the year 2010 on the total outstanding Common shares of the capital stock BPI payable to Common stockholders of record as of July 8, 2010 and payable on July 23, 2010 amounting to P 2.9 billion.</li> <li>• Cash dividend declared last May 19, 2010 amounting to P 2.9 billion was paid on July 23, 2010 to Common stockholders of record as of July 8, 2010.</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>
<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>

**BANK OF THE PHILIPPINE ISLANDS**  
**SEGMENT REPORT**  
For the Quarter Ended September 30, 2010

In P Mn	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Net Interest Income	3,832	1,414	975	(76)	6,144
Interest Income	6,830	1,596	981	16	9,423
Interest Expense	2,998	182	6	92	3,278
Other Income	1,542	328	2,709	137	4,716
Net Interest Income & Other Income	5,374	1,742	3,684	61	10,860
Operating and Other Expenses	3,975	654	248	248	5,125
Income Before Impairment Losses, Income Tax and Minority Interest	1,399	1,088	3,436	(187)	5,735
Impairment Losses	315	971	0	0	1,285
Income before Income Tax and Minority Interest	1,084	117	3,436	(187)	4,450
Provision for Income Tax					858
Non-controlling Interest					55
Net Income					3,537
	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Assets	245,580	219,912	283,544	14,912	763,948
Liabilities	640,563	20,522	7,445	12,925	681,455
Capex	261	416	6	263	946
Depreciation	294	229	2	113	638

**BANK OF THE PHILIPPINE ISLANDS**  
**SEGMENT REPORT**  
**For the Nine Months Ending September 30, 2010**

In P Mn	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Net Interest Income	10,840	3,967	2,678	(127)	17,357
Interest Income	19,422	4,596	2,685	151	26,854
Interest Expense	8,582	629	7	278	9,496
Other Income	4,955	1,095	5,058	507	11,615
Net Interest Income & Other Income	15,795	5,062	7,736	380	28,972
Operating and Other Expenses	11,615	1,966	685	724	14,990
Income Before Impairment Losses, Income Tax and Minority Interest	4,180	3,096	7,051	(344)	13,982
Impairment Losses	1,061	1,389	77	1	2,527
Income before Income Tax and Minority Interest	3,119	1,707	6,975	(345)	11,455
Provision for Income Tax					2,219
Non-controlling Interest					131
Net Income					9,105
	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Assets	245,580	219,912	283,544	14,912	763,948
Liabilities	640,563	20,522	7,445	12,925	681,455
Capex	915	1,285	12	576	2,788
Depreciation	863	688	9	322	1,882

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

### Financial Condition

**Total resources** as of end of September 2010 was at P763.9 billion, P39.5 billion or 5.5% better than end 2009 level of P724.4 billion. This improvement was fueled by the P33.4 billion or 5.8% growth in total **deposits** to P612.8 billion from December 2009's level of P579.5 mainly from the rise in peso deposits. On a per type of deposits, the growth was driven by the low cost peso **demand** and **savings deposits** which registered increases of 5.32% and 11.1%, respectively. **Derivative financial liabilities** moved up by P4.4 billion due to market valuation of non deliverable forwards, interest rate and cross currency swap transactions. **Manager's checks and demand drafts outstanding** grew by P1.4 billion or 47.6% due to the higher level of manager's checks issued. **Liabilities attributable to insurance operations** also went up by P987.1 million largely on higher actuarial reserves relative to increased premiums. **Bills payable** on the other hand was down by P13.5 billion or 42.2% to P18.5 billion on matured rediscounted loans with Bangko Sentral ng Pilipinas (BSP). **Accrued taxes, interest and other expenses** dropped by P657.0 million or 14.8% on payment of accrued year end expenses. **Due to Bangko Sentral ng Pilipinas (BSP) and other banks** also declined by P301.0 million or 15.6% due to lower deposit balance of foreign banks.

**Total capital funds** grew by P14.7 billion or 22.0% to P81.5 billion on increased capitalization and total comprehensive income. **Capital stock** and **paid-in surplus** rose by P3.1 billion or 9.5% and P6.8 billion or 4.8x, respectively reflective of the P10 billion stock rights exercise in August 2010 net of the cost of the issuance. **Surplus** went up by P3.3 billion or 9.8% from profits generated during the year net of dividends paid. **Accumulated other comprehensive loss** was almost nil, a reversal from end 2009's P1.6 billion loss on upward mark-to-market valuation of the investments of BPI-Philam Life Assurance Corp. (BPI-Philam). Meanwhile, **reserves** went down by P110.3 million or 7.9% on exercise of executive stock option plan (ESOP).

On asset accounts, preferred investment outlets were **available-for-sale securities, due from BSP** and **held-to-maturity securities** which posted increases of P32.5 billion (45.4%), P30.5 billion (48.6%) and P16.8 billion (22.4%), respectively. The higher BSP balances came from the increase in peso deposits while held-to-maturity securities were investments in bonds funded by the additional capital. **Derivative financial assets** were up by P4.9 billion as a result of the upward mark-to-market valuation of interest rate swaps, foreign exchange forwards/cross currency swaps and non-deliverable forwards. **Equity investments** likewise rose by P1.5 billion on upward market valuation of investments and share in net income of BPI-Philam and reclassification of Cebu Holdings Inc (CHI) shareholdings to equity investment. **Assets attributable to insurance operations** went up by P838.5 million or 7.7% due to higher investments and funds coming from increased premium collections on new policies booked. **Deferred tax assets** moved up by P267.2 million or 5.5% due to the impairment losses set up for the year but tempered by actual write-offs. On the other hand, **trading securities** dropped by P30.9 billion or 58.0% on profit taking on the sale of securities. **Interbank loans receivable and securities purchased under agreements to**



**resell** declined by P12.0 billion or 22.8% following the shift to higher yielding securities investments. **Cash and other cash items** dropped by P5.5 billion on lower cash level requirements as against those of year end. **Assets held for sale** likewise contracted by P1.5 billion or 10.5% on foreclosed assets sales. **Due from other banks** ended lower by P1.2 billion as funds from these account were invested in foreign securities.

## RESULTS OF OPERATIONS

### For the Quarters ended September 30, 2010 and 2009

**Net income** for the third quarter of 2010 ended at P3.5 billion, P1.5 million or 75.2% higher than the third quarter 2009 net profits of P2.0 billion. Income growth came from increased revenues of P2.8 billion or 34.3%. Impairment losses, taxes and overhead likewise rose by P685.0 million, P291.7 million and P271.0 million, respectively, thereby tempering the impact of the revenue growth.

Improved revenues were contributed by both **net interest income** and **other income** which grew by P835.8 million and P1.9 billion, respectively. **Net interest income** was higher by 15.8% attributed to the average earning asset expansion of P79.2 billion or 13.7%. **Interest income** was up by P1.2 billion or 14.1% partly reduced by the increase in **interest expense** by P332.3 million or 11.3%.

- **Interest income** growth came from higher income on **loans and advances, available-for-sale securities** and **held-to-maturity securities** of P596.4 million (10.2%), P364.2 million (67.5%) and P200.7 million (15.2%), respectively, brought about by increased volume. Income on **trading securities** was also up by P83.8 million or 91.5% despite the lower volume, as yield improved by 156 basis points. These increments were partly negated by the P47.8 million or 6.4% drop in income on **deposit with BSP and other banks** due to its lower yield. **Gross receipts tax (GRT)** was up by P29.2 million as a result of the higher gross income.
- **Interest expense** rose as interest on **deposits** went up by P404.0 million or 15.8% following the P73.0 billion or 14.1% average deposit expansion. On the other hand, interest expense on **bills payable and other borrowings** went down by P71.8 million or 18.8% on BSP rediscounts maturities.

Third quarter 2010 **other income** reached P4.7 billion, P1.9 billion or 69.8% better last year's P2.8 billion. Main driver of the increase in other income was **trading gain (loss) on securities**, which grew by a substantial P2.0 billion or 16x more than the last year's level largely on realized gains from the opportunistic sale of securities under a declining interest rate environment. **Fees and commissions** also went up by P217.9 million or 25.8% mainly due to higher service charges and commissions on account of increased transaction volumes. These income improvements were

however tempered by the drop in **income from foreign exchange** by P120.7 million or 25.4% on downward revaluation of foreign currency denominated accounts on the strength of the peso, and in **income attributable to insurance operations** by P28.0 million or 12.0% with this year's lower share in the income of BPI-Philam relative to that of Ayala Life Assurance Inc. (ALAI) last year. With the net increase in other income, **GRT** consequently increased by P129.7 million or 71.6%.

**Impairment losses** for the third quarter of 2010 amounted to P1.3 billion, P685.0 million or 114.2% higher than same period last year on accelerated loan loss provisioning.

**Other expenses** of P5.1 billion was P271.0 million or 5.6% higher than last year's P4.8 billion. **Other operating expenses** rose by P191.2 million or 16.5% on increased miscellaneous transaction related expenses, product related insurance premiums, regulatory costs, foreclosed assets related costs, and operational related write-offs. **Occupancy and equipment-related expenses** also increased by P100.9 million or 7.2% on higher premises and fixed assets depreciation, utilities, rent, and hardware and software maintenance costs.

**Provision for income tax** at P857.8 million was P291.7 million or 51.5% up against last year. Current taxes ended higher by P304.8 million or 49.1% due to higher final taxes resulting from the higher level of tax paid income this year. **Deferred income tax (DIT)** partly reduced the tax increase as it went down by P13.0 million with the set up of DIT on increased level of loss provisions.

**Income attributable to non-controlling interest** rose by P8.3 million or 17.7% due to higher net income of BPI MS Insurance Corp.

### **Comprehensive Income**

**Total comprehensive income** of P4.2 billion for third quarter 2010 was P1.3 billion or 47.2% more than last year's P2.8 billion. This came from the P1.5 billion rise in **net income before minority interest** but slightly reduced by the P145.6 million or 17.9% decline in **other comprehensive income**.

The other comprehensive income decline was largely due to the drop of P124.2 million in the **share in other comprehensive income of associates**, representing the downward valuation of investments of BPI-Philam. **Net change in fair value reserve on available-for-sale securities** was likewise down by P58.5 million or 9.6% on a lower available-for-sale inventory at the banking side. These decreases were partly cushioned by the improvement of P32.0 million in **currency translation differences** of foreign subsidiaries on the strength of the British pounds against the US dollar.

**Total comprehensive income attributable to non-controlling interest** rose by P43.8 million or 93.7% on better earnings of the insurance subsidiaries.

**For the Nine Months ended September 30, 2010 and 2009**

Net income for the nine months of 2010 was P1.8 billion or 24.3% better at P9.1 billion against the P7.3 billion last year. Rise in net income came from the P3.4 billion or 13.2% growth in **revenues**. Revenue growth was however tempered by increases in **overhead** by P1.0 billion, **impairment losses** by P427.3 million and **taxes** by P145.6 million.

Revenues were higher as both **net interest income** and **other income** posted growth of P1.3 billion and P2.1 billion, respectively. **Net interest income** improved by 8.0%, despite lower spreads, mainly due to average asset base expansion of P72.3 billion or 11.2%. Average assets increase caused the rise in **interest income** by P1.6 billion or 6.3%. **Interest expense** went up by P298.4 million due to the increase in volume of deposits and borrowings. Notwithstanding, overall cost of funds showed a decline.

- Increase in interest income was due to higher income on all earning asset of the bank. Interests on **available-for-sale securities, held-to-maturity securities, loans and advances, and deposits with BSP and other banks** were up by P623.9 million, P350.3 million, P312.4 million, and P147.6 million, respectively, due to increased average volumes. Interest on **trading securities**, despite the lower average inventory, was also up by P169.0 million as yields improved.
- Interest expense **on deposits** was up by P164.0 million due to average deposit volume increment tempered by lower deposit cost. Interest expense **on bills payable and other borrowings** was also higher by P134.4 million or 15.4% on increased BSP rediscounts.

**Other income** which ended at P11.6 billion was P2.1 billion more than last year's P9.5 billion. **Trading gain (loss) on securities** posted the highest increase of P1.6 billion or 110.2% on higher realized gains generated from the declining interest rate environment. **Fees and commissions** also rose by P389.1 million or 15.0% on higher volume of transaction. **Income from foreign exchange trading** was up by P345.8 million or 31.0% on higher realized gains on forwards and swaps. **Other operating income** improved by P142.7 million mainly on higher credit card income, trust fees and miscellaneous income partly reduced by lower income from asset sales. Partly negating these increases was the P129.3 million or 19.1% drop in **income attributable to insurance operations** as a result of the lower income share from BPI-Philam. **GRT** moved up by P261.6 million or 45.0% as other income increased.

**Impairment losses** of P2.5 billion was P427.3 million or 20.4% up against last year in part due to a higher level of consumer loans.

Overhead for the nine months of 2010 reached P15.0 billion, P1.0 billion or 7.4% over last year with increases coming from all expense categories. **Other operating expenses** jumped by P679.4 million or 20.7% on higher advertising and promotions, regulatory costs, insurance on bundled deposits and HIGC loans, and miscellaneous expenses. **Occupancy and equipment-related expenses** also rose by P310.9 million or 7.7% on higher depreciation/leasehold amortization costs, hardware and software maintenance and consultancy fees, utilities, and rent. **Compensation and fringe benefits** was higher by P41.5 million on account of salary increases.

**Provision for income tax** of P2.2 billion was P145.6 million or 7.0% above last year's P2.1 billion. **Current income tax** grew by P625.1 million or 34.6% on higher final taxes and corporate income taxes on account of the bank's higher taxable income. **Deferred income tax** was P479.5 million or 1.8x lower than last year mainly due to the DIT on the higher loss provision, and last year's partial write-off of DIT on expiring NOLCO.

### Comprehensive Income

**Total comprehensive income** for the first nine months of 2010 amounted to P10.7 billion, P2.3 billion or 27.7% more than same period last year. **Net income before minority interest and other comprehensive income** grew by of P1.8 billion (24.0%) and P599.3 million (55.5%), respectively.

Increment in comprehensive income was attributed to the rise in **share in other comprehensive income of associates** by P903.4 due to the upward mark-to-market valuation of investment securities of BPI-Philam. **Net change in fair value reserve on available-for-sale securities** also improved by P240.7 million or 85.2% on the upward mark-to-market valuation of the bank's available-for-sale securities. These gains were partly depressed by the P308.8 million or 2.2x decrease in the bank's foreign subsidiaries' **currency translation differences**. This was attributed to the strengthening of the British pound. **Fair value reserve on investment of the insurance subsidiaries** was also down by P235.9 million or 35.8% with BPI-Philam now presented in the share in other comprehensive income of associates.

**Income attributable to non-controlling interest** was up by P52.8 million or 42.2% largely on the upward mark-to-market valuation of investment securities of the non-life insurance subsidiary.

### Key Performance Indicators

The following ratios, applied on a consolidated basis, are used to assess the performance of the Bank and its majority owned subsidiaries:

	September 30, 2010	September 30, 2009
Return on Equity (%)	17.6	15.0
Return on Assets (%)	1.7	1.5
Net Interest Margin (%)	3.6	3.8
Operating Efficiency Ratio (%)	51.8	54.6
Capital Adequacy Ratio (%)—Basel II	17.0*	15.5

\* Estimate

**Return on equity (ROE)**, net income divided by average equity, was up by 256 basis points on higher earnings this year compared to last year. **Return on assets (ROA)**, net income divided by average assets, was also up by 18 basis points. These improvements in ROE and ROA show the bank's increased efficiency in generating income from the use of its capital and resources, respectively.

**Net interest margin (NIM)**, net interest income divided by average interest bearing assets, contracted by 23 basis points year-on-year due to the 49 basis points drop in the yields on interest bearing assets cushioned by the 13 basis points decrease in cost of funds.

**Operating efficiency ratio** (cost to income), operating expenses divided by total revenues, improved by 2.8% to 51.8% revenue growth outpaced operating expenses growth. This improvement shows the bank's ability to manage its overhead while generating higher 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 estimated CAR at 17.0% was 1.5% higher than last year's 15.5% as total qualifying capital grew faster than total risk weighted assets. The bank raised P10 billion in capital through a stock rights offering.

### **Material Events and Uncertainties**

The Bank has nothing to report on the following:

1. Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.
2. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
3. Other material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period other than those mentioned above.
4. Material commitments for capital expenditures.
5. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
6. Events that will cause material change in the relationship between costs and revenues (such as known future increases in cost of labor or materials or price increases or inventory adjustments).
7. Any significant elements of income or loss that did not arise from the registrant's continuing operations.
8. Any seasonal aspects that had a material effect on the financial condition or results of operations.

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**BANK OF THE PHILIPPINE ISLANDS**

Issuer



**AURELIO R. MONTINOLA III**  
Chief Executive Officer / President

Date: November 5, 2010



**ANTONIO V. PANER**  
Executive Vice President / Treasurer

Date: November 5, 2010

**BPI UNIBANK**  
**CONSOLIDATED AGING OF ACCOUNTS RECEIVABLE**  
**SEPTEMBER 30, 2010**

<b>No. of Days Outstanding</b>	<b>Amount (In Thousands)</b>
0-90	P 617,633
91-180	149,431
181-360	38,055
Over 360	1,303,917
	-----
<b>Grand Total</b>	<b>P 2,109,036</b>
<b>Less: Allowance for Probable Losses</b>	<b>925,769</b>
	-----
<b>Net of Allowance for Probable Losses</b>	<b>P 1,183,267</b>
	=====