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Bank of the Philippine Islands and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements
As at and for the nine-month period ended September 30, 2021
(With comparative figures as at December 31, 2020 and for the nine-month period ended September 30, 2020)

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Isla Lipana & Co.

Isla Lipana & Co.

Report on Review of Interim Financial Statements

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala North Exchange
Ayala Avenue corner Salcedo Street, Legaspi Village,
Makati City

Introduction

We have reviewed the accompanying unaudited condensed consolidated interim statement of condition of the Bank of the Philippine Islands and Subsidiaries (the "BPI Group") as at September 30, 2021, and the related unaudited condensed consolidated interim statements of income, of total comprehensive income, of changes in capital funds and of cash flows for the nine-month periods ended September 30, 2021 and 2020, and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these unaudited condensed consolidated interim financial statements in accordance with Philippine Accounting Standard 34, 'Interim Financial Reporting' as issued by the Financial Reporting Standards Council (FRSC). Our responsibility is to express a conclusion on these unaudited condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with Philippine Accounting Standard 34.

Isla Lipana & Co.

John-John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706, issued on January 5, 2021, Makati City
SEC A.N. (individual) as general auditors 1775 -A, Category A; effective until September 4, 2022
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 112-071-386
BIR A.N. 08-000745-017-2018, issued on December 10, 2018; effective until December 9, 2021
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
November 17, 2021

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CONDITION
SEPTEMBER 30, 2021
(With Comparative Audited Consolidated December 31, 2020 Figures)
(In Millions of Pesos)

	Notes	**September 30, 2021**	December 31, 2020
ASSETS			
CASH AND OTHER CASH ITEMS	3	**28,549**	37,176
DUE FROM BANGKO SENTRAL NG PILIPINAS	3	**257,305**	223,989
DUE FROM OTHER BANKS	3	**55,381**	40,155
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL, net	3	**39,725**	30,251
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	4	**51,298**	37,210
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	5	**127,056**	130,186
INVESTMENT SECURITIES AT AMORTIZED COST, net	6	**230,231**	244,653
LOANS AND ADVANCES, net	7	**1,387,194**	1,407,413
ASSETS HELD FOR SALE, net		**3,154**	2,971
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	8	**16,995**	18,832
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, net		**6,733**	7,510
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS		**18,005**	18,726
DEFERRED INCOME TAX ASSETS, net		**15,927**	17,525
OTHER ASSETS, net		**22,834**	16,846
Total assets		**2,260,387**	2,233,443

(forward)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CONDITION
SEPTEMBER 30, 2021
(With Comparative Audited Consolidated December 31, 2020 Figures)
(In Millions of Pesos)

	Notes	**September 30, 2021**	December 31, 2020
LIABILITIES AND CAPITAL FUNDS			
DEPOSIT LIABILITIES	9	**1,796,966**	1,716,177
DERIVATIVE FINANCIAL LIABILITIES		**4,383**	5,657
BILLS PAYABLE AND OTHER BORROWED FUNDS	10	**93,740**	151,947
DUE TO BANGKO SENTRAL NG PILIPINAS AND OTHER BANKS		**1,319**	1,491
MANAGER'S CHECKS AND DEMAND DRAFTS OUTSTANDING		**7,077**	7,108
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		**7,766**	8,902
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS		**13,112**	14,347
DEFERRED CREDITS AND OTHER LIABILITIES		**42,149**	45,857
Total liabilities		**1,966,512**	1,951,486
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI			
Share capital	11	**45,131**	45,045
Share premium		**74,870**	74,764
Reserves	11	**534**	416
Accumulated other comprehensive loss		**(7,566)**	(5,899)
Surplus		**178,838**	165,509
		291,807	279,835
NON-CONTROLLING INTEREST		**2,068**	2,122
Total capital funds		**293,875**	281,957
Total liabilities and capital funds		**2,260,387**	2,233,443

(The notes on pages 1 to 18 are an integral part of these unaudited condensed consolidated interim financial statements.)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(In Millions of Pesos, Except Per Share Amounts)

	Note	**2021**	2020 (As restated)
INTEREST INCOME			
On loans and advances		**53,836**	63,271
On investment securities		**7,505**	9,021
On deposits with BSP and other banks		**1,262**	1,456
		62,603	73,748
INTEREST EXPENSE			
On deposits		**7,494**	15,833
On bills payable and other borrowings		**3,941**	3,699
		11,435	19,532
NET INTEREST INCOME		**51,168**	54,216
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	7	**10,251**	20,472
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		**40,917**	33,744
OTHER INCOME			
Fees and commissions		**13,800**	11,023
Income from foreign exchange trading		**1,565**	1,715
Net gains on disposals of investment securities at amortized cost		**1,499**	4,209
Income attributable to insurance operations		**1,299**	1,199
Trading gain on securities		**257**	2,594
Other operating income		**2,034**	1,251
		20,454	21,991
OTHER EXPENSES			
Compensation and fringe benefits		**13,785**	13,572
Occupancy and equipment-related expenses		**11,522**	10,463
Other operating expenses		**11,183**	11,211
		36,490	35,246
INCOME BEFORE INCOME TAX		**24,881**	20,489
INCOME TAX EXPENSE			
Current		**5,881**	8,502
Deferred		**1,357**	(5,393)
		7,238	3,109
NET INCOME FROM CONTINUING OPERATIONS		**17,643**	17,380
NET LOSS FROM DISCONTINUED OPERATIONS		**-**	(79)
NET INCOME FOR THE PERIOD		**17,643**	17,301

(forward)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(In Millions of Pesos, Except Per Share Amounts)

	2021	2020 (As restated)
(forwarded)		
Basic and diluted earnings (loss) per share attributable to the equity holders of BPI during the period from:		
Continuing operations	**3.87**	3.81
Discontinued operations	**-**	(0.01)
Income (loss) attributable to equity holders of BPI arising from:		
Continuing operations	**17,475**	17,212
Discontinued operations	**-**	(40)
	17,475	17,172
Income (loss) attributable to the non-controlling interests arising from:		
Continuing operations	**168**	168
Discontinued operations	**-**	(39)
	168	129
Income attributable to		
Equity holders of BPI	**17,475**	17,172
Non-controlling interests	**168**	129
	17,643	17,301

(The notes on pages 1 to 18 are an integral part of these unaudited condensed consolidated interim financial statements.)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF TOTAL COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(In Millions of Pesos)

	2021	2020 (As restated)
NET INCOME FROM CONTINUING OPERATIONS	**17,643**	17,380
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss		
Currency translation and others	**593**	(330)
Fair value reserve on investments of insurance subsidiaries, net of tax effect	**(122)**	196
Share in other comprehensive (loss) income of associates	**(650)**	417
Net change in fair value reserve on investments in debt instruments measured at FVOCI, net of tax effect	**(1,388)**	1,237
Items that will not be reclassified subsequently to profit or loss		
Share in other comprehensive gain (loss) of associates	**285**	(1,035)
Remeasurements of defined benefit obligation	**(423)**	-
Total other comprehensive (loss) income, net of tax effect from continuing operations	**(1,705)**	485
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD FROM CONTINUING OPERATIONS	**15,938**	17,865
NET LOSS FROM DISCONTINUED OPERATIONS	**-**	(79)
Total other comprehensive loss, net of tax effect from discontinued operations	**-**	-
Total comprehensive income for the period from discontinued operations	**-**	(79)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**15,938**	17,786
Total comprehensive income (loss) attributable to equity holders of BPI arising from:		
Continuing operations	**15,808**	17,630
Discontinued operations	**-**	(40)
	15,808	17,590
Total comprehensive income (loss) attributable to the non-controlling interest arising from:		
Continuing operations	**130**	235
Discontinued operations	**-**	(39)
	130	196
Total comprehensive income attributable to:		
Equity holders of BPI	**15,808**	17,590
Non-controlling interests	**130**	196
	15,938	17,786

(The notes on pages 1 to 18 are an integral part of these unaudited condensed consolidated interim financial statements.)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN CAPITAL FUNDS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(In Millions of Pesos)

	Attributable to equity holders of BPI (Note 11)							
	Share capital	Share premium	Reserves	Surplus	Accumulated other comprehensive (loss) income	Total	Non-controlling interest	Total equity
Balance, January 1, 2020	**44,999**	**74,449**	**5,108**	**147,460**	**(2,439)**	**269,577**	**3,457**	**273,034**
Comprehensive income								
Net income for the period	-	-	-	17,172	-	17,172	129	17,301
Other comprehensive income for the period	-	-	-	-	418	418	67	485
Total comprehensive income for the period	-	-	-	**17,172**	**418**	**17,590**	**196**	**17,786**
Transactions with owners								
Executive stock plan amortization	34	230	36	-	-	300	-	300
Cash dividends	-	-	-	(4,062)	-	(4,062)	-	(4,062)
Total transactions with owners	**34**	**230**	**36**	**(4,062)**	**-**	**(3,762)**	**-**	**(3,762)**
Other movements	**-**	**-**	**-**	**25**	**9**	**34**	**-**	**34**
Balance, September 30, 2020	**45,033**	**74,679**	**5,144**	**160,595**	**(2,012)**	**283,439**	**3,653**	**287,092**
Balance, December 31, 2020	**45,045**	**74,764**	**416**	**165,509**	**(5,899)**	**279,835**	**2,122**	**281,957**
Comprehensive income								
Net income for the period	-	-	-	17,475	-	17,475	168	17,643
Other comprehensive loss for the period	-	-	-	-	(1,667)	(1,667)	(38)	(1,705)
Total comprehensive income (loss) for the period	-	-	-	**17,475**	**(1,667)**	**15,808**	**130**	**15,938**
Transactions with owners								
Executive stock plan amortization	86	106	34	-	-	226	-	226
Cash dividends	-	-	-	(4,062)	-	(4,062)	(184)	(4,246)
Total transactions with owners	**86**	**106**	**34**	**(4,062)**	**-**	**(3,836)**	**(184)**	**(4,020)**
Other movements	-	-	84	(84)	-	-	-	-
Balance, September 30, 2021	**45,131**	**74,870**	**534**	**178,838**	**(7,566)**	**291,807**	**2,068**	**293,875**

(The notes on pages 1 to 18 are an integral part of these unaudited condensed consolidated interim financial statements.)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(In Millions of Pesos)

	Note	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax from:			
Continuing operations		**24,881**	20,489
Discontinued operations		**-**	(157)
		24,881	20,332
Adjustments for:			
Provision for credit and impairment losses	7	**10,251**	21,062
Depreciation and amortization		**4,522**	5,453
Share in net income of associates		**(745)**	(560)
Dividend income		**(4)**	(37)
Share based compensation		**34**	36
Interest income		**(62,603)**	(74,363)
Interest received		**64,752**	78,157
Interest expense		**11,666**	20,266
Interest paid		**(12,212)**	(21,537)
(Increase) decrease in:			
Interbank loans and receivable and securities purchased under agreement to resell		**1,396**	1,078
Financial assets at fair value through profit or loss		**(13,799)**	(6,705)
Loans and advances		**9,053**	70,353
Assets held for sale		**(280)**	207
Assets attributable to insurance operations		**1,130**	523
Other assets		**(6,897)**	(8,567)
Increase (decrease) in:			
Deposit liabilities		**80,789**	(10,607)
Due to Bangko Sentral ng Pilipinas and other banks		**(186)**	(1,128)
Manager's checks and demand drafts outstanding		**(31)**	(2,353)
Accrued taxes, interest and other expenses		**2,192**	148
Liabilities attributable to insurance operations		**(1,420)**	(783)
Derivative financial instruments		**(1,273)**	199
Deferred credits and other liabilities		**(3,038)**	(5,907)
Net cash generated from operations		**108,178**	85,267
Income taxes paid		**(8,423)**	(8,411)
Net cash from operating activities		**99,755**	76,856

(forward)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021 AND 2020
(In Millions of Pesos)

	Notes	**2021**	2020
(forwarded)			
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) decrease in:			
Investment securities		**15,501**	(50,647)
Bank premises, furniture, fixtures and equipment		**(2,564)**	(3,449)
Investment properties, net		**3**	(2)
Investment in subsidiaries and associates, net		**1,522**	878
Assets attributable to insurance operations		**(257)**	(174)
Dividends received		**4**	37
Net cash from (used in) investing activities		**14,209**	(53,357)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends	11	**(4,062)**	(4,062)
Issuance of shares via exercise of stock options		**192**	263
Decrease in bills payable and other borrowed funds		**(58,207)**	3,670
Payments for principal portion of lease liabilities		**(1,228)**	(938)
Net cash used in financing activities		**(63,305)**	(1,067)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**50,659**	22,432
CASH AND CASH EQUIVALENTS			
Beginning of period		**330,586**	299,068
End of period	3	**381,245**	321,500
Cash flows from discontinued operations	2		

(The notes on pages 1 to 18 are an integral part of these unaudited condensed consolidated interim financial statements.)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021
(In Millions of Pesos, unless otherwise stated)

Note 1 - General Information

Bank of the Philippine Islands ("BPI" or the "Parent Bank") is a domestic commercial bank with an expanded banking license and was registered with the Securities and Exchange Commission (SEC) on January 4, 1943. The Parent Bank's license was extended for another 50 years on January 4, 1993. BPI has its registered office address, which also serves as its principal place of business, at Ayala North Exchange, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City.

BPI and its subsidiaries (collectively referred to as the "BPI Group") offer a whole breadth of financial services that include corporate banking, consumer banking, investment banking, asset management, corporate finance, securities distribution, and insurance services. At September 30, 2021, the BPI Group has 19,376 employees (September 30, 2020 - 20,329 employees) and operates 1,176 branches and 2,503 automated teller machines (ATMs) and cash accept machines (CAMs) (September 30, 2020 - 1,169 branches and 2,735 ATMs and CAMs) to support its delivery of services. The BPI Group also serves its customers through alternative electronic banking channels such as telephone, mobile phone and the internet.

The Parent Bank is considered a public company under Rule 3.1 of Implementing Rules and Regulations of the Securities Regulation Code, which, among others, defines a public company as any corporation with a class of equity securities listed on an exchange, or with assets of at least P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities. As at September 30, 2021, the Parent Bank has 12,158 common shareholders (September 2020 - 12,325).

Coronavirus pandemic

The coronavirus disease (COVID-19) continues to pose a challenge to the Bank, insofar as ensuring personnel health and safety, and in continuing operations with a significant portion of the workforce on work-from-home arrangements. Nevertheless, the Bank's strategic initiatives on digitalization, improvements on IT infrastructure and cybersecurity technology, and availability of business recovery sites enabled the continued delivery of the Bank's products and services to its customers. The Bank remains operational as it implemented split operations to ensure containment in the event of infection; identification of skeletal workforce, activation of alternate work sites and/or mobility areas to improve accessibility of the Bank's employees to office premises, adjustment of working hours and work-from home arrangements. The Bank had also launched the mobility program for certain employees equipped with adequate tools to allow work outside of Bank premises. These allowed the Bank to lessen the density in the corporate offices and fully comply with the employee/social distancing rules.

As a result of the COVID-19 pandemic, the BPI Group has seen an increase in the level of NPL attributable to the temporary/permanent closure of certain businesses, suspended business operations and limited travel and exchange of goods. The actual delinquency status or effect on the NPL levels across different segments and products became evident in the last quarter of 2020 after the lapse of the Bayanihan Act I and became more pronounced in the early quarters of 2021 considering the effect of Bayanihan Act II relief measures. While additional expenses are continuously incurred due to the COVID-19 situation, the Bank is sufficiently capitalized and has more than adequate cushion for operational risk events.

Approval and authorization for issuance of financial statements

The condensed consolidated interim financial statements have been approved by the Board of Directors (BOD) of the Parent Bank on November 17, 2021.

These condensed consolidated interim financial statements have been reviewed, not audited.

Note 2 - Segment Information; Discontinued Operations

Operating segments are reported in accordance with the internal reporting provided to the Chief Executive Officer (CEO), who is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments used by the BPI Group individually meet the definition of a reportable segment under Philippine Financial Reporting Standard (PFRS) 8, *Operating Segments*.

The BPI Group has determined the operating segments based on the nature of the services provided and the different clients/markets served representing a strategic business unit.

The BPI Group's main operating business segments follow:

- Consumer banking - this segment serves the individual and retail markets. Services cover deposit taking and servicing, consumer lending such as home mortgages, auto loans and credit card finance as well as the remittance business. The segment also includes the entire transaction processing and service delivery infrastructure consisting of network of branches and ATMs as well as phone and internet-based banking platforms.

- Corporate banking - this segment caters to both high-end corporations and middle market clients. Services offered include deposit taking and servicing, loan facilities, trade and cash management for corporate and institutional customers.

- Investment banking - this segment includes the various business groups operating in the investment markets and dealing in activities other than lending and deposit taking. These services cover corporate finance, securities distribution, asset management, trust and fiduciary services as well as proprietary trading and investment activities.

The performance of the Parent Bank is assessed as a single unit using financial information presented in the separate or Parent only financial statements. Likewise, the CEO assesses the performance of the insurance business as a standalone business segment separate from the banking and allied financial undertakings. Further details of segment reporting are disclosed in the annual audited consolidated financial statements of the BPI Group as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020.

The BPI Group and the Parent Bank mainly derive revenue within the Philippines; accordingly, no geographical segment is presented.

The segment report forms part of management's assessment of the performance of the segment, among other performance indicators.

There were no changes in the reportable segments during the period. Transactions between the business segments are carried out at arm's length. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue-sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis. Inter-segment revenues, however, are deemed insignificant for financial reporting purposes, thus, not reported in segment analysis below.

The BPI Group's management reporting is based on a measure of operating profit comprising net interest income, provision for credit and impairment losses, fees, commissions and other income, net and operating expenses.

Segment assets and liabilities comprise majority of operating assets and liabilities, measured in a manner consistent with that shown in the statement of condition, but exclude items such as taxation.

Following the loss of control of the Parent Bank over BPI Century Tokyo Lease and Finance Corporation (BPI CTL) effective December 23, 2020, the BPI Group's segment reporting was updated to exclude the contribution of BPI CTL. Consequently, the segment results of operations for 2020 were restated. The segment assets and liabilities as at September 30, 2021 and December 31, 2020 and results of operations of the reportable segments of the BPI Group as at and for the nine-month periods ended September 30, 2021 and 2020 follow:

	September 30, 2021			
	Consumer banking	**Corporate banking**	**Investment banking**	**Total per management reporting**
Net interest income	27,223	20,797	5,884	**53,904**
Provision for credit and impairment losses	897	9,400	(45)	**10,252**
Net interest income after provision for credit and impairment losses	26,326	11,397	5,929	**43,652**
Fees, commissions and other income, net	11,383	1,978	5,976	**19,337**
Total income	37,709	13,375	11,905	**62,989**
Compensation and fringe benefits	10,462	1,686	764	**12,912**
Occupancy and equipment-related expenses	4,567	71	269	**4,907**
Other operating expenses	14,063	2,187	1,115	**17,365**
Total operating expenses	29,092	3,944	2,148	**35,184**
Operating profit	8,617	9,431	9,757	**27,805**
Income tax expense				**7,238**
Net income				**17,643**
Share in net income of associates				**763**
Total assets September 30, 2021	471,463	1,117,488	625,106	**2,214,057**
Total liabilities September 30, 2021	1,258,937	581,734	101,361	**1,942,032**

	September 30, 2020 (As restated)			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
Net interest income	32,917	18,401	5,467	56,785
Provision for credit and impairment losses	6,721	13,547	189	20,457
Net interest income after provision for credit and impairment losses	26,196	4,854	5,278	36,328
Fees, commissions and other income, net	8,777	1,530	10,566	20,873
Total income	34,973	6,384	15,844	57,201
Compensation and fringe benefits	11,300	1,997	780	14,077
Occupancy and equipment-related expenses	6,910	446	238	7,594
Other operating expenses	11,751	2,461	1,197	15,409
Total operating expenses	29,961	4,904	2,215	37,080
Operating profit	5,012	1,480	13,629	20,121
Income tax expense				3,109
Net income from				
Continuing operations				17,380
Discontinued operations				(79)
Share in net income of associates				478
Total assets December 31, 2020	478,439	1,129,281	578,047	2,185,767
Total liabilities December 31, 2020	1,251,744	511,995	162,255	1,925,994

Reconciliation of segment results to consolidated results of operations:

	September 30, 2021		
	Total per management reporting	**Consolidation adjustments/ Others**	**Total per consolidated financial statements**
Net interest income	**53,904**	(2,736)	**51,168**
Provision for credit and impairment losses	**10,252**	(1)	**10,251**
Net interest income after provision for credit and impairment losses	**43,652**	(2,735)	**40,917**
Fees, commissions and other income, net	**19,337**	1,117	**20,454**
Total income	**62,989**	(1,618)	**61,371**
Compensation and fringe benefits	**12,912**	873	**13,785**
Occupancy and equipment-related expenses	**4,907**	6,615	**11,522**
Other operating expenses	**17,365**	(6,182)	**11,183**
Total operating expenses	**35,184**	1,306	**36,490**
Operating profit	**27,805**	(2,924)	**24,881**
Income tax expense			**7,238**
Net income			**17,643**
Share in net income of associates			**763**
Total assets September 30, 2021	**2,214,057**	46,330	**2,260,387**
Total liabilities September 30, 2021	**1,942,032**	24,480	**1,966,512**

	September 30, 2020 (As restated)		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
Net interest income	56,785	(2,569)	54,216
Provision for credit and impairment losses	20,457	15	20,472
Net interest income after provision for credit and impairment losses	36,328	(2,584)	33,744
Fees, commissions and other income, net	20,873	1,118	21,991
Total income	57,201	(1,466)	55,735
Compensation and fringe benefits	14,077	(505)	13,572
Occupancy and equipment-related expenses	7,594	2,869	10,463
Other operating expenses	15,409	(4,198)	11,211
Total operating expenses	37,080	(1,834)	35,246
Operating profit	20,121	368	20,489
Income tax expense			3,109
Net income from			
Continuing operations			17,380
Discontinued operations			(79)
Share in net income of associates			478
Total assets December 31, 2020	2,185,767	47,676	2,233,443
Total liabilities December 31, 2020	1,925,994	25,492	1,951,486

"Consolidation adjustments/Other" pertain to balances of support units and inter-segment elimination in accordance with BPI Group's internal reporting.

Discontinued operations

On November 18, 2020, the Board of Directors approved the transfer of the Parent Bank's majority ownership via the sale of its 2% share in BPI CTL, effective December 22, 2020, to Tokyo Century Corporation (TCC) resulting in a 49% and 51% ownership structure between BPI and TCC, respectively.

Accordingly, the sale of shares resulting in a loss of control of the subsidiary was presented as discontinued operations. The financial performance and cash flow information presented below are for the nine-month period ended September 30, 2020.

	Amount
INTEREST INCOME	
On loans and advances	614
On deposits with BSP and other banks	1
	615
INTEREST EXPENSE	
On bills payable and other borrowed funds	434
NET INTEREST INCOME	181
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	590
NET INTEREST EXPENSE AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	(409)
OTHER INCOME	
Fees, commissions, and other operating income	1,441
Income from foreign exchange trading	47
	1,488
OTHER EXPENSES	
Compensation and fringe benefits	95
Occupancy and equipment-related expenses	1,063
Other operating expenses	78
	1,236
LOSS BEFORE INCOME TAX	(157)
INCOME TAX EXPENSE	
Current	97
Deferred	(175)
	(78)
NET LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	(79)

	Amount
Net cash flows used in operating activities	(8,614)
Net cash flows used in investing activities	(1,599)
Net cash flows from financing activities	10,140
Net decrease in cash flows from discontinued operations	(73)

Note 3 - Cash and Cash Equivalents

Cash and cash equivalents consist of:

	September 30, 2021	December 31, 2020
Cash and other cash items	**28,549**	37,176
Due from BSP	**257,305**	223,989
Due from other banks	**55,381**	40,155
Interbank loans receivable and securities purchased under agreements to resell (SPAR), net	**39,536**	28,945
Cash and cash equivalents attributable to insurance operations	**474**	321
	381,245	330,586

Due from BSP and interbank loans receivable and SPAR, net, increased by P33,316 million and P10,591 million, respectively, on account of higher volume of placements in BSP deposits and Reverse Repurchase Agreements (RRP).

As at September 30, 2021, Interbank loans receivable and SPAR amounts P39,725 million (December 31, 2020 - P30,251 million), of which P39,536 million (December 31, 2020 - P28,945 million) are expected to mature within 90 days from the date of acquisition and are classified as cash equivalents for purposes of cash flow presentation.

Likewise, the allowance for impairment of Interbank loans receivable and SPAR as at September 30, 2021 and December 31, 2020 amounts to P41 million (Note 7).

For cash flow statement purposes, cash and cash equivalents consist of:

	September 30, 2021	September 30, 2020
Cash and other cash items	**28,549**	26,904
Due from BSP	**257,305**	238,695
Due from other banks	**55,381**	22,017
Interbank loans receivable and SPAR, net	**39,536**	33,093
Cash and cash equivalents attributable to insurance operations	**474**	791
	381,245	321,500

Note 4 - Financial Assets at Fair Value through Profit or Loss (FVTPL)

The account consists of:

	September 30, 2021	December 31, 2020
Debt securities		
Government securities	**43,673**	29,942
Commercial papers of private companies	**2,920**	2,410
Equity securities - listed	**229**	70
Derivative financial assets	**4,476**	4,788
	51,298	37,210

The increase in the account is a result of the BPI Group's strategy in managing excess liquidity by reinvesting funds into highly-liquid securities such as government securities.

Derivatives held by the BPI Group for non-hedging purposes mainly consist of foreign exchange forwards, foreign exchange swaps, interest rate swaps and cross-currency swaps. The decrease in derivative financial assets is due to lower volume of transactions and settlements for the nine-month period ended September 30, 2021.

The Parent Bank was granted a Type 1 Derivative License by the BSP allowing it to issue options and hedged investments, among others. As at September 30, 2021, the Bank has existing derivative assets with a notional amount of P487 million under such license.

Note 5 - Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

The account consists of:

	September 30, 2021	December 31, 2020
Debt securities		
Government securities	**110,319**	100,063
Commercial papers of private companies	**12,752**	26,092
	123,071	126,155
Accrued interest receivable	**496**	696
	123,567	126,851
Equity securities		
Listed	**2,197**	1,784
Unlisted	**1,292**	1,551
	3,489	3,335
	127,056	130,186

The movement in the account is largely driven by the decrease in fair value primarily of commercial papers of private companies due to the increasing interest rate environment despite the BPI Group's strategy to increase the volume of investments in government securities to maximize liquidity.

Note 6 - Investment Securities at Amortized Cost, net

The account consists of:

	Note	September 30, 2021	December 31, 2020
Government securities		**196,340**	166,907
Commercial papers of private companies		**31,907**	75,411
		228,247	242,318
Accrued interest receivable		**1,994**	2,348
		230,241	244,666
Allowance for credit losses	7	**(10)**	(13)
		230,231	244,653

The decrease in the account is caused by significant amount of maturities and disposals primarily of commercial papers of private companies during the period.

Note 7 - Loans and Advances, net

The account consists of:

	September 30, 2021	December 31, 2020
Corporate loans		
Large corporate customers	**1,092,266**	1,112,069
Small and medium enterprise (SME)	**62,961**	66,869
Retail loans		
Credit cards	**70,444**	68,057
Real estate mortgages	**150,941**	140,552
Auto loans	**50,185**	51,045
Others	**11,495**	11,616
	1,438,292	1,450,208
Accrued interest receivable	**7,485**	8,976
Unearned discount/income	**(5,320)**	(5,013)
	1,440,457	1,454,171
Allowance for credit losses	**(53,263)**	(46,758)
	1,387,194	1,407,413

As at September 30, 2021 and December 31, 2020, the BPI Group has no outstanding loans and advances used as security for bills payable (Note 10).

Loans and advances include amounts due from related parties (Note 14).

The decline in loans and advances is due to the softer demand and lower volume of transactions in corporate, SME and auto loans.

The movements in allowance for credit losses are summarized below:

	September 30, 2021	December 31, 2020
Beginning balance	**46,758**	25,361
Provision for credit losses	**9,743**	26,994
Transfers	**(167)**	(289)
Write-offs	**(3,065)**	(5,292)
Accretion/Unwinding of discount	**(6)**	(16)
Ending balance	**53,263**	46,758

Provision for (reversal of) credit and impairment losses

The BPI Group's provision for (reversal of) credit and impairment losses are attributable to the following accounts:

	Notes	**September 30, 2021**	September 30, 2020 (As restated)
Loans and advances		**9,743**	19,553
Assets held for sale		**97**	(93)
Interbank loans receivable and SPAR	3	**-**	1
Investment securities at amortized cost	6	**(3)**	6
Undrawn loan commitments		**(88)**	392
Other assets		**502**	613
		10,251	20,472

The expected credit loss allowance related to undrawn loan commitments is recognized as part of "Deferred credits and other liabilities".

Provision for credit and impairment losses recognized during the nine-month period ended September 30, 2021 is attributable mainly to lower collective provisions on account of improved macroeconomic environment.

Note 8 - Bank Premises, Furniture, Fixtures and Equipment, net

Movements in the account are summarized as follows:

	September 30, 2021			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
Cost				
January 1, 2021	3,013	24,305	17,038	**44,356**
Additions	-	861	1,224	**2,085**
Disposals	-	(6)	(1,441)	**(1,447)**
Other changes	1	(80)	(1)	**(80)**
September 30, 2021	3,014	25,080	16,820	**44,914**
Accumulated depreciation				
January 1, 2021	-	11,084	14,440	**25,524**
Depreciation and amortization	-	2,114	1,033	**3,147**
Disposals	-	(2)	(745)	**(747)**
Other changes	-	(4)	(1)	**(5)**
September 30, 2021	-	13,192	14,727	**27,919**
Net book value, September 30, 2021	**3,014**	**11,888**	**2,093**	**16,995**

	December 31, 2020				
	Land	Buildings and leasehold improvements	Furniture and equipment	Equipment for lease	Total
Cost					
January 1, 2020	3,019	21,956	17,023	6,131	48,129
Additions	-	857	1,733	1,072	3,662
Disposals	(6)	(4)	(1,684)	(842)	(2,536)
Transfers	-	2	(9)	(13)	(20)
Effect of deconsolidation	-	(2)	(25)	(6,348)	(6,375)
Other changes	-	1,496	-	-	1,496
December 31, 2020	3,013	24,305	17,038	-	44,356
Accumulated depreciation					
January 1, 2020	-	8,179	14,357	1,845	24,381
Depreciation and amortization	-	847	1,523	1,326	3,696
Disposals	-	(2)	(1,424)	(564)	(1,990)
Transfers	-	-	(5)	(7)	(12)
Effect of deconsolidation	-	(8)	(11)	(2,600)	(2,619)
Other changes	-	2,068	-	-	2,068
December 31, 2020	-	11,084	14,440	-	25,524
Net book value, December 31, 2020	3,013	13,221	2,598	-	18,832

As at September 30, 2021, the BPI Group has recognized construction-in-progress amounting to P402 million in relation to the redevelopment of its main office. This is recorded as part of "Buildings and leasehold improvements" category in the table above.

Other changes pertain to additions and remeasurement of right-of-use assets due to renewal of lease agreements, extension of lease terms and deferral of escalation clause on existing lease contracts.

Note 9 - Deposit Liabilities

Deposit liabilities consist of:

	September 30, 2021	December 31, 2020
Demand	**354,226**	314,853
Savings	**1,085,997**	1,051,069
Time	**356,743**	350,255
	1,796,966	1,716,177

Deposit liabilities increased mainly due to the growth in savings and demand deposits for the period.

Note 10 - Bills Payable and Other Borrowed Funds

The account consists of:

	September 30, 2021	December 31, 2020
Bills payable		
Foreign banks	**1,679**	18,190
Local banks	**-**	5,406
Other borrowed funds	**92,061**	128,351
	93,740	151,947

The reduction in bills payable and other borrowed funds is primarily due to settlement of short-term interbank borrowings which were not renewed upon maturities and the maturities of certain bonds issued by the Parent Bank.

Bills payable

Bills payable include mainly funds borrowed from various banking institutions which were lent out to customers of the BPI Group in accordance with the agreed financing programs.

Other borrowed funds

This represents funds raised via the BPI Group's debt issuance programs as follows:

a) Peso Bond and Commercial Paper Program

In 2018, the Parent Bank established a Peso Bond and Commercial Paper Program in the aggregate amount of up to P50,000 million, out of which a total of P25,000 million notes were issued with a coupon of 6.797% per annum, payable quarterly which matured on March 6, 2020. On November 20, 2019, BPI's Board of Directors approved the issuance of peso-denominated bonds and commercial papers of up to P100 billion, in one or more tranches, under an updated Bank Bond Issuance Program with drawdowns as follows:

					Carrying amount	
Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	September 30, 2021	December 31, 2020
Fixed rate bonds, unconditional, unsecured and unsubordinated bonds	January 24, 2020	4.24%	January 24, 2022	15,328	15,312	15,251
Fixed rate bonds, unconditional, unsecured and unsubordinated bonds	March 27, 2020	4.05%	September 27, 2021	33,896	-	33,724
BPI CARe bonds, unconditional, unsecured and unsubordinated bonds	August 7, 2020	3.05%	May 7, 2022	21,500	21,434	21,391

Likewise, on October 31, 2019, the BOD of BPI Family Savings Bank (BFB), a wholly-owned subsidiary, approved the establishment of a Peso Bond Program in the aggregate amount of P35,000 million. In line with the said program, on December 16, 2019, BFB issued P9,600 million with a coupon of 4.30% per annum, payable quarterly to mature on June 16, 2022 and with a carrying amount of P9,574 million as at September 30, 2021 (December 31, 2020 - P9,545 million).

The Parent Bank's fixed rate bonds with a coupon rate of 4.05% matured on September 27, 2021 resulting in a cash settlement of P33,896 million.

b) Medium-Term Note (MTN) Program

On June 21, 2018, the BOD of the Parent Bank approved the establishment of the MTN Program in the aggregate amount of up to US$2,000 million with drawdowns as follows:

					Carrying amount	
Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	September 30, 2021	December 31, 2020
US$ 600 million, 5-year senior unsecured Bonds	September 4, 2018	4.25%	September 4, 2023	32,000	30,507	28,695
US$ 300 million, 5-year senior unsecured Green Bonds	September 10, 2019	2.50%	September 10, 2024	15,572	15,234	14,330
CHF 100 million, 2-year senior unsecured Green Bonds	September 24, 2019	-	September 24, 2021	5,250	-	5,415

The CHF-denominated bonds are designated as hedged items in a cash flow hedge initiated by the Parent Bank in 2019. These bonds matured on September 24, 2021, resulting in a cash settlement of CHF100 million or P5,493 million.

Note 11 - Capital Funds

(a) Share capital

Details of authorized share capital of the Parent Bank follow:

	September 30, 2021	December 31, 2020
Authorized capital (at P10 par value per share)		
Common shares	**49,000**	49,000
Preferred A shares	**600**	600
	49,600	49,600

On June 8, 2021, the BSP approved the amendment to the Parent Bank's Articles of Incorporation reflecting the increase in its authorized share capital from 4.9 billion shares to 5 billion shares. The Bank is currently awaiting approval from the SEC.

Details of the Parent Bank's subscribed common shares are as follows:

	September 30, 2021	December 31, 2020
	(In absolute number of shares)	
Common shares		
At January 1	**4,513,101,605**	4,507,071,644
Subscription of shares during the year	**26,650**	6,029,961
	4,513,128,255	4,513,101,605
	In absolute amounts	
Subscription receivable	**-**	85,612,950

There are no preferred shares issued as at September 30, 2021 and December 31, 2020.

(b) Reserves

The account consists of:

	September 30, 2021	December 31, 2020
Reserve for trust business	**283**	199
Executive stock option plan amortization	**217**	183
Reserve for self-insurance	**34**	34
	534	416

In compliance with existing BSP regulations, 10% of the BPI Asset Management and Trust Corporation's (AMTC) income from trust business is appropriated to surplus reserve. This appropriation is required until the surplus reserve for trust business reaches 20% of the BPI AMTC's regulatory net worth.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of personnel and third parties.

Under the BSP Circular 1011 (the "Circular"), banks are required to set up general loan loss provision (GLLP) equal to 1% of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. Further, the Circular states that if the PFRS 9 loan loss provision is lower than the required GLLP, the deficiency shall be recognized as an appropriation of retained earnings or surplus. As at September 30, 2021 and December 31, 2020, the GLLP appropriation is nil as the loan loss provision for both periods are higher than the required GLLP.

(c) Dividend declarations

Details of cash dividends declared by the Parent Bank follow:

	Amount of Dividends	
Date Declared	Per Share	Amounts in millions of Pesos
May 20, 2020	0.90	4,062
October 21, 2020	0.90	4,062
May 28, 2021	0.90	4,062

On September 30, 2021, the BOD of BPI/MS Insurance Corporation, a subsidiary of the Parent Bank, approved the cash dividend declaration of P376 million to be paid on or before November 30, 2021, of which P184 million is attributable to the non-controlling interest.

Note 12 - Taxation

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

On March 26, 2021, (Republic Act No. 11534), otherwise known as CREATE, was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) rates as follows:

1. Domestic Corporations with assets above P100,000,000 or those with taxable income amounting to more than P5,000,000 will be subjected to a 25% tax rate effective July 1, 2020.
2. Effective July 1, 2020 until June 30, 2023, the minimum corporate income tax (MCIT) rate shall be one percent (1%).

As a result of the CREATE law, the BPI Group recognized an adjustment in 2021 pertaining to the December 31, 2020 balances which resulted in a decrease of P819 million in current income tax expense and an increase of P2,718 million in deferred income tax expense using the weighted average effective annual income tax rate of 27.5%.

Beginning January 1, 2021, the BPI Group applied 25% tax rate (2020 - 30%) for current income tax and deferred income tax balances and 26.5% tax rate (2020 - 33%) on interest arbitrage.

Note 13 - Commitments and Contingencies

At present, there are lawsuits, claims and tax assessments pending against the BPI Group. In the opinion of management, after reviewing all actions and proceedings and court decisions with legal counsels, the aggregate liability or loss, if any, arising therefrom will not have a material effect on the BPI Group's financial condition or financial performance.

BPI and some of its subsidiaries are defendants in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the financial statements.

In the normal course of business, the BPI Group makes various commitments that are not presented in the financial statements. The BPI Group does not anticipate any material losses from these commitments.

Note 14 - Related Party Transactions

In the normal course of the business, the Parent Bank transacts with related parties consisting of its subsidiaries and associates. Likewise, the BPI Group has transactions with Ayala Corporation (AC) and its subsidiaries (Ayala Group). AC has a significant influence over the BPI Group as at reporting date.

These transactions include loans and advances, deposit arrangements, trading of government securities and commercial papers, sale of assets, lease of bank premises, investment advisory/management, service arrangements and advances for operating expenses. Transactions with related parties are made in the normal banking activities and have terms and conditions comparable to those offered to non-related parties or to similar transactions in the market.

Details of directors, officers, stockholders, and their related interests (DOSRI) loans follow:

	September 30, 2021	December 31, 2020
	(In Millions of Pesos)	
Outstanding DOSRI loans	**19,442**	15,675
	In percentage (%)	
% to total outstanding loans and advances	**1.36**	1.08
% to total outstanding DOSRI loans		
Unsecured DOSRI loans	**2.51**	3.20
Past due DOSRI loans	**0.01**	0.00
Non-performing DOSRI loans	**0.01**	0.00

At September 30, 2021 and December 31, 2020, the BPI Group is in full compliance with the General Banking Act and the BSP regulations on DOSRI loans.

Note 15 - Other Disclosures

Update on the BPI and BFB merger

The BOD of the Parent Bank had approved on January 21, 2021 the plan to merge with BFB, its wholly owned thrift bank subsidiary, with BPI as the surviving entity. Subsequently, the Philippine Competition Commission, in its letter dated May 25, 2021, indicated that the BPI and BFB merger is exempt from compulsory notification. Moreover, the Philippine Deposit Insurance Corporation (PDIC), in its letter dated July 6, 2021, has also granted its consent to the proposed merger subject to certain conditions. The BSP, in its letter to BPI dated October 4, 2021, indicated that the Monetary Board of the BSP approved the proposed merger on September 30, 2021. The Bank is currently awaiting other regulatory approvals.

Regulatory Treatment of Restructured Loans for Purposes of Measuring Expected Credit Losses (ECL)

On October 14, 2021, the Monetary Board approved the guidelines on BSP Memorandum No. M-2021-056 or the Regulatory Treatment of Restructured Loans for Purposes of Measuring ECL amid the pandemic. BSP-Supervised Financial Institutions (BSFIs) are expected to take a more flexible and systematic approach in modifying terms and conditions of loan agreements of borrowers significantly affected by the pandemic. Loan modification should be targeted at providing sustainable support measures to creditworthy borrowers experiencing financial difficulty to help promote overall loan quality and contribute to broader economic recovery. In this respect, BSFIs should establish prudent criteria in assessing and modifying the loan terms and conditions.

The classification of modified loans under Stage 1, 2, or 3 for purposes of determining the ECL shall be based on the assessment of the extent of financial difficulty of the borrowers and their ability to fully pay the loan based on the revised terms.

The guidelines on the regulatory treatment of restructured loans for purposes of measuring expected credit losses shall be effective until December 31, 2022. The BPI Group is in the process of evaluating the impact of the regulatory reprieve to the Bank's loan portfolio.

Note 16 - Critical Accounting Estimates and Judgments

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial statements, the significant accounting estimates and judgments made by management in applying the BPI Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2020.

Note 17 - Fair Value Measurements of Financial Instruments

This note provides an update on the judgments and estimates made by the BPI Group in determining the fair values of the financial instruments since the last annual financial report.

a. Fair value hierarchy

The BPI Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Philippine Stock Exchange, Inc., Philippine Dealing and Exchange Corp., etc.).

- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter (OTC) derivative contracts. The primary source of input parameters like LIBOR yield curve or counterparty credit risk is Bloomberg.

- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The BPI Group considers relevant and observable market prices in its valuations where possible. The BPI Group has no assets or liabilities classified under Level 3 as at and for the periods ended September 30, 2021 and December 31, 2020.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The following tables present the carrying value and fair value hierarchy of the BPI Group's assets and liabilities measured at fair value:

September 30, 2021	Carrying Amount	Fair value Level 1	Fair value Level 2	Total
Recurring measurements				
Financial assets				
Financial assets at FVTPL				
Derivative financial assets	4,476	-	4,476	**4,476**
Trading assets				
- Debt securities	46,593	43,949	2,644	**46,593**
- Equity securities	229	229	-	**229**
Financial assets at FVOCI				
- Debt securities	123,567	123,567	-	**123,567**
- Equity securities	3,489	2,197	1,292	**3,489**
	178,354	169,942	8,412	**178,354**
Financial liability				
Derivative financial liabilities	4,383	-	4,383	**4,383**
Non-recurring measurements				
Assets held for sale, net	3,154	-	10,533	**10,533**

December 31, 2020	Carrying Amount	Fair value Level 1	Fair value Level 2	Total
Recurring measurements:				
Financial assets				
Financial assets at FVTPL				
Derivative financial assets	4,788	-	4,788	**4,788**
Trading assets				
- Debt securities	32,352	30,307	2,045	**32,352**
- Equity securities	70	70	-	**70**
Financial assets at FVOCI				
- Debt securities	126,851	126,765	86	**126,851**
- Equity securities	3,335	1,784	1,551	**3,335**
	167,396	158,926	8,470	**167,396**
Financial liability				
Derivative financial liabilities	5,657	-	5,657	**5,657**
Non-recurring measurements				
Assets held for sale, net	2,971	-	9,494	**9,494**

There were no transfers between Level 1 and Level 2 during the periods ended September 30, 2021 and December 31, 2020.

b. Valuation techniques used to derive Level 2 fair values

The fair values of financial instruments that are not quoted in active markets are determined by using generally accepted valuation techniques. Where valuation techniques (for example, discounted cash flow models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. Inputs used in these models are from observable data and quoted market prices in respect of similar financial instruments.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets including recent market transactions, and valuation techniques (for example for structured notes), including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, forex rates, volatilities and counterparty spreads) existing at reporting dates. The BPI Group uses widely recognized valuation models for determining fair values of non-standardized financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable.

For more complex instruments, the BPI Group uses internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Valuation models are used primarily to value derivatives transacted in the OTC market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

c. Fair values of other financial instruments carried at amortized cost

The BPI Group also holds financial instruments that are not measured at fair value in the statement of condition as follows:

	September 30, 2021		December 31, 2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Investment securities at amortized cost, net	**230,231**	**235,596**	244,653	253,097
Loans and advances, net	**1,387,194**	**1,421,643**	1,407,413	1,511,405
Financial liabilities				
Deposit liabilities	**1,796,966**	**1,789,498**	1,716,177	1,708,322

Note 18 - Basis of Preparation

These unaudited condensed consolidated interim financial statements as at and for the nine-month period ended September 30, 2021 have been prepared in accordance with PAS 34, *Interim Financial Reporting*. These unaudited condensed consolidated interim financial statements do not include all the notes normally included in an annual financial report. Accordingly, these unaudited condensed consolidated interim financial statements are to be read in conjunction with the annual audited consolidated financial statements of the BPI Group for the year ended December 31, 2020, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

(a) Amendments to existing standards adopted by the BPI Group

The BPI Group has adopted the following amendments to existing standards effective January 1, 2021:

- Amendment to PFRS 16, *'Leases'*

  The amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

  As at September 30, 2021, the Bank recognized a lease concession adjustment to reflect the amendments made to the existing lease contracts following the reliefs provided by the Bank's lessors due to the COVID-19 pandemic. The lease concession adjustment is deemed immaterial for financial reporting purposes.

- Amendments to PFRS 9, *'Financial Instruments'*, PFRS 7 *'Financial Instruments: Disclosures'*, PFRS 4, *'Insurance Contracts'* and PFRS 16 *'Leases'*

  These amendments that were issued in August 2020 address issues that arise during the reform of an interest rate benchmark rate (IBOR), including the replacement of one benchmark rate with an alternative one.

  The key reliefs provided by the amendments are as follows:

  - Changes to contractual cash flows. When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes that are required by an interest rate benchmark reform (that is, are necessary as a direct consequence of IBOR reform and are economically equivalent) will not result in an immediate gain or loss in the income statement.

  - Hedge accounting. The hedge accounting reliefs will allow most PFRS 9 hedge relationships that are directly affected by IBOR reform to continue (Note 19). However, additional ineffectiveness might need to be recorded.

  The adoption of the above amendments did not have a material impact on the financial statements of the BPI Group.

(b) New standard and amendments to existing standards not yet adopted

The BPI Group has not elected to early adopt the new accounting standard, PFRS 17, '*Insurance Contracts',* for the September 30, 2021 reporting period. PFRS 17 is mandatorily effective for periods beginning on or after January 1, 2025.

The BPI Group is assessing the quantitative impact of PFRS 17 as at reporting date.

Likewise, the following amendments to existing standards are not mandatory for the September 30, 2021 reporting period and have not been early adopted by the BPI Group:

- Amendments to PAS 1, *'Presentation of Financial Statements'* (effective beginning January 1, 2023)
- Amendments to PAS 16, *'Property, Plant and Equipment'* (effective beginning January 1, 2022)
- Amendments to PFRS 3, *'Business Combinations'* (effective beginning January 1, 2022)
- PAS 37, *'Provisions, Contingent Liabilities and Contingent Assets'* (effective beginning January 1, 2022)
- Annual Improvements to PFRS Standards 2018-2020 (effective beginning January 1, 2022)

The adoption of the above amendments is not expected to have a material impact on the financial statements of the BPI Group.

The details of the above new accounting standards and amendments to existing standards are disclosed in the annual audited consolidated financial statements of the BPI Group for the year ended December 31, 2020.

Note 19 - Changes in Accounting Policies

This note presents the impact of the amendments to PFRS 9, *'Financial Instruments'*, PAS 39, *'Financial Instruments: Recognition and Measurement'*, PFRS 7, *'Financial Instruments: Disclosures'*, PFRS 4, *'Insurance Contracts'* and PFRS 16 *'Leases'* applied from January 1, 2021 as issued in August 2020.

Hedge relationships

The 'Phase 2' amendments address issues arising during interest rate benchmark reform, including specifying when the 'Phase 1' amendments will cease to apply, when hedge designations and documentation should be updated, and when hedges of the alternative benchmark rate as the hedged risk are permitted.

The 'Phase 1' amendments provided temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs had the effect that IBOR reform should not generally cause hedge accounting to terminate prior to contracts being amended. However, any hedge ineffectiveness is continued to be recorded in the statement of income. Furthermore, the amendments set out triggers for when the reliefs would end, which included the uncertainty arising from interest rate benchmark reform no longer being present. The BPI Group has not adopted any hedge accounting reliefs provided by 'Phase 1' in 2020 as the sole cash flow hedge held was not IBOR-based (Note 10).

The hedge accounting reliefs provided by 'Phase 2' of the amendments are as follows:

- Hedge designation: When the phase 1 amendments cease to apply, the BPI Group will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of these changes:
  - designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
  - amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
  - amending the description of the hedging instrument. The BPI Group will update its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Group to discontinue its hedge relationships.

- Hedges of groups of items: When amending hedges for groups of items (such as the fair value hedge of interest rate risk within the mortgage portfolio) for IBOR reform, hedged items are allocated to sub-groups within that hedge designation, based on the benchmark rate being hedged for that subgroup (for example, a GBP LIBOR sub-group and a SONIA sub-group within the fair value hedge of the mortgage portfolio). The benchmark rate for each sub-group is designated as the hedged risk.

- Risk components: The BPI Group is permitted to designate an alternative benchmark rate as a noncontractually specified risk component, even if it is not separately identifiable at the date when it is designated, provided that the BPI Group reasonably expects that it will meet the requirements within 24 months of the first designation and the risk component is reliably measurable. The 24-month period applies separately to each alternative benchmark rate which the BPI Group might designate.

For the nine-month period ended September 30, 2021, the BPI Group has not adopted any hedge accounting reliefs provided by 'Phase 2' of the amendments since there are no outstanding hedging relationships for the period then ended.

Financial instruments measured using amortized cost measurement

'Phase 2' of the amendments requires that, for financial instruments measured using amortized cost measurement (that is, financial instruments classified as amortized cost and debt financial assets classified as FVOCI), changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognized. A similar practical expedient exists for lease liabilities (see below). These expedients are only applicable to changes that are required by interest rate benchmark reform, which is the case if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately preceding the change).

Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability does not meet the above criteria, the above practical expedient is first applied to the changes required by interest rate benchmark reform, including updating the instrument's effective interest rate. Any additional changes are accounted for in the normal way (that is, assessed for modification or derecognition, with the resulting modification gain/loss recognized immediately in profit or loss where the instrument is not derecognized).

For lease liabilities where there is a change to the basis for determining the contractual cash flows, as a practical expedient the lease liability is remeasured by discounting the revised lease payments using a discount rate that reflects the change in the interest rate where the change is required by IBOR reform. If lease modifications are made in addition to those required by IBOR reform, the normal requirements of PFRS 16 are applied to the entire lease modification, including those changes required by IBOR reform.

For the nine-month period ended September 30, 2021, the BPI Group has applied the practical expedients offered under 'Phase 2' of the amendments over its financial assets measured at amortized cost and its financial impact is assessed to be not significant.

Effect of IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as USD, GBP and EUR LIBOR and other inter-bank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

As part of the reforms noted above, the international regulators have decided to no longer compel panel banks to participate in the LIBOR submission process after the end of 2021 - although it acknowledges that COVID-19 might impact on these plans - and to cease oversight of these benchmark interest rates. Regulatory authorities and private sector working groups, including the International Swaps and Derivatives Association ('ISDA') and the Working Group on Sterling and Risk-Free Reference Rates, continue to discuss alternative benchmark rates for LIBOR.

It is currently expected that SOFR (Secured Overnight Financing Rate), SONIA (Sterling Overnight Index Average) and €STR (Euro Short Term-Rate) (collectively, "replacement rates") will replace USD LIBOR, GBP LIBOR and EUR LIBOR, respectively. There remain key differences between LIBOR and the replacement rates. LIBOR is a 'term rate', which means that it is published for a borrowing period (such as three months or six months) and is 'forward looking', because it is published at the beginning of the borrowing period. The replacement rates are currently 'backward-looking' rates, based on overnight rates from actual transactions, and it is published at the end of the overnight borrowing period. Furthermore, LIBOR includes a credit spread over the risk-free rate, which the replacement rates currently do not. To transition existing contracts and agreements that reference LIBOR to their respective replacement rates, adjustments for term differences and credit differences might need to be applied to the replacement rates, to enable the two benchmark rates to be economically equivalent on transition.

The Philippine Interbank Reference Rate (PHIREF) is the benchmark rate used by key local players in setting the reset value for the Philippine Peso floating leg of interest rate swaps. This is derived from done deals in the interbank foreign exchange swap market and computed using USD LIBOR.

As at September 30, 2021, the BPI Group is in the process of assessing SOFR and SONIA as the possible replacement rates for USD and GBP LIBOR, respectively, while the remaining exposure on EUR LIBOR is expected to mature prior to the cessation of the related benchmark rate.

The following table contains details of all financial instruments that BPI Group holds which reference LIBOR as at September 30, 2021:

			Of which: have been reference to a currency LIBOR*									
	Carrying Value		USD Libor		PHIREF		EUR Libor		GBP Libor		Total	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Non-derivative assets and liabilities												
Measured at amortized cost												
Cash and other cash items	28,549	-	-	-	-	-	-	-	-	-	-	-
Due from BSP	257,305	-	-	-	-	-	-	-	-	-	-	-
Due from other banks	55,381	-	-	-	-	-	-	-	-	-	-	-
Interbank loans receivable and SPAR	39,725	-	-	-	-	-	-	-	-	-	-	-
Investment securities at amortized cost	230,231	-	4,421	-	-	-	-	-	-	-	4,421	-
Loans and advances, net	1,387,194	-	74,925	-	-	-	-	-	2,059	-	76,984	-
Other financial assets	12,282	-	-	-	-	-	-	-	-	-	-	-
Deposit liabilities	-	1,796,966	-	1,127	-	-	-	-	-	-	-	1,127
Bills payable and other borrowed funds	-	93,740	-	-	-	-	-	-	-	-	-	-
Due to BSP and other banks	-	1,319	-	-	-	-	-	-	-	-	-	-
Manager's checks and demand drafts outstanding	-	7,077	-	-	-	-	-	-	-	-	-	-
Lease liabilities	-	7,141	-	-	-	-	-	-	-	-	-	-
Other financial liabilities	-	9,386	-	-	-	-	-	-	-	-	-	-
	2,010,667	1,915,629	79,346	1,127	-	-	-	-	2,059	-	81,405	1,127
Measured at fair value												
Financial assets at FVTPL	46,593	-	-	-	-	-	-	-	-	-	-	-
Financial assets at FVOCI	123,567	-	-	-	-	-	-	-	-	-	-	-
	170,160	-	-	-	-	-	-	-	-	-	-	-
Total carrying value of non-derivative assets and liabilities	2,180,827	1,915,629	79,346	1,127	-	-	-	-	2,059	-	81,405	1,127
Derivative assets and liabilities	4,476	4,383	152,521	-	9,200	-	1,184	-	6,169	-	169,074	-
Total carrying value of assets and liabilities exposed	2,185,303	1,920,012	231,867	1,127	9,200	-	1,184	-	8,228	-	250,479	1,127

**Based on the notional amounts of their related contracts*