

Bank of the Philippine Islands and Subsidiaries

**Unaudited Condensed Consolidated Interim
Financial Statements**

**As at and for the three-month period ended March 31, 2024
(With comparative figures and notes as at December 31, 2023
and for the three-month period ended March 31, 2023)**



Report on the Review of Interim Financial Statements

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala Triangle Gardens Tower 2
Paseo De Roxas corner Makati Ave., Bel-Air
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 March 31, 2024, 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 three-month periods ended March 31, 2024 and 2023, including material accounting policy information 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 and Sustainability Reporting Standards Council. 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.

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To the Board of Directors and Shareholders of
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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, 'Interim Financial Reporting' as issued by the Financial and Sustainability Reporting Standards Council.

Isla Lipana & Co.

A handwritten signature in black ink, appearing to read 'R. Danao', is written over the printed name.

Roderick M. Danao
Partner

CPA Cert. No. 88453

P.T.R. No. 0011280; issued on January 12, 2024, Makati City

T.I.N. 152-015-078

BIR A.N. 08-000745-042-2023, issued on December 22, 2023; effective until December 21, 2026

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
June 19, 2024

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CONDITION

March 31, 2024

(With Comparative Audited Consolidated December 31, 2023 Figures)

(In Millions of Pesos)

	Notes	March 31, 2024	December 31, 2023
A S S E T S			
CASH AND OTHER CASH ITEMS	3	37,340	34,843
DUE FROM BANGKO SENTRAL NG PILIPINAS (BSP)	3	239,774	199,619
DUE FROM OTHER BANKS	3	39,140	36,292
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL, net	3	7,126	20,643
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	4	45,134	23,654
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	5	234,283	218,654
INVESTMENT SECURITIES AT AMORTIZED COST, net	6	365,781	382,711
LOANS AND ADVANCES, net	7	1,981,303	1,882,007
ASSETS HELD FOR SALE, net		7,055	4,743
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	8	21,168	19,751
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, net		8,883	8,287
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS		18,610	19,067
DEFERRED INCOME TAX ASSETS, net		19,917	18,185
GOODWILL	17	9,297	-
OTHER ASSETS, net		33,194	19,916
Total assets		3,068,005	2,888,372

(forward)

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CONDITION

March 31, 2024

(With Comparative Audited Consolidated December 31, 2023 Figures)

(In Millions of Pesos)

	Notes	March 31, 2024	December 31, 2023
LIABILITIES AND CAPITAL FUNDS			
DEPOSIT LIABILITIES	9	2,423,203	2,295,106
DERIVATIVE FINANCIAL LIABILITIES		2,934	2,821
BILLS PAYABLE AND OTHER BORROWED FUNDS DUE TO BSP AND OTHER BANKS	10	142,052 2,844	137,104 1,881
MANAGER'S CHECKS AND DEMAND DRAFTS OUTSTANDING		9,041	8,463
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		16,308	14,973
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS		14,406	15,202
DEFERRED CREDITS AND OTHER LIABILITIES		51,891	53,452
Total liabilities		2,662,679	2,529,002
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI	11		
Share capital		52,449	49,307
Share premium		142,911	113,414
Reserves		591	643
Accumulated other comprehensive loss		(13,117)	(11,127)
Surplus		220,241	204,967
		403,075	357,204
NON-CONTROLLING INTERESTS		2,251	2,166
Total capital funds		405,326	359,370
Total liabilities and capital funds		3,068,005	2,888,372

(The notes on pages 1 to 19 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 three-month periods ended March 31, 2024 and 2023

(In Millions of Pesos, Except Per Share Amounts)

	Notes	2024	2023
INTEREST INCOME			
On loans and advances		37,324	26,604
On investment securities		6,389	5,060
On deposits with BSP and other banks		859	764
		44,572	32,428
INTEREST EXPENSE			
On deposits		12,662	7,101
On bills payable and other borrowings		2,063	1,169
		14,725	8,270
NET INTEREST INCOME			
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	7	1,500	1,000
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES			
		28,347	23,158
OTHER INCOME			
Fees and commissions		3,392	3,079
Income from foreign exchange trading		1,002	519
Securities trading gain		631	720
Income attributable to insurance operations		802	180
Net gains on disposals of investment securities at amortized cost		1	5
Other operating income	7,8	3,849	3,053
		9,677	7,556
OTHER EXPENSES			
Compensation and fringe benefits		6,618	5,462
Occupancy and equipment-related expenses		4,984	4,824
Other operating expenses		6,409	4,777
		18,011	15,063
INCOME BEFORE INCOME TAX			
		20,013	15,651
INCOME TAX EXPENSE			
Current		4,066	3,288
Deferred		600	158
		4,666	3,446
NET INCOME FOR THE PERIOD			
		15,347	12,205
Income attributable to			
Equity holders of BPI		15,263	12,134
Non-controlling interests		84	71
		15,347	12,205
Basic and diluted earnings per share attributable to the equity holders of BPI			
		2.90	2.68

(The notes on pages 1 to 19 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 three-month periods ended March 31, 2024 and 2023
(In Millions of Pesos)

	2024	2023
NET INCOME FOR THE PERIOD	15,347	12,205
OTHER COMPREHENSIVE (LOSS) INCOME		
Items that may be subsequently reclassified to profit or loss		
Net change in fair value reserve on investments in debt instruments measured at FVOCI, net of tax effect	(1,966)	1,426
Share in other comprehensive (loss) income of associates	(82)	279
Fair value reserve on investments of insurance subsidiaries, net of tax effect	(13)	64
Currency translation differences and others	127	(213)
Items that will not be reclassified to profit or loss		
Actuarial gain on defined benefit plan, net of tax effect	15	31
Share in other comprehensive (loss) income of associates	(70)	151
Total other comprehensive (loss) gain, net of tax effect	(1,989)	1,738
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	13,358	13,943
Total comprehensive income attributable to:		
Equity holders of BPI	13,273	13,835
Non-controlling interests	85	108
	13,358	13,943

(The notes on pages 1 to 19 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 three-month periods ended March 31, 2024 and 2023

(In Millions of Pesos)

	Attributable to equity holders of BPI (Note 11)						Total	Non-controlling interests	Total capital funds
	Share capital	Share premium	Treasury shares	Reserves	Surplus	Accumulated other comprehensive loss			
Balance, January 1, 2023	49,193	104,123	(33,043)	644	211,061	(14,256)	317,722	2,082	319,804
Comprehensive income									
Net income for the period	-	-	-	-	12,134	-	12,134	71	12,205
Other comprehensive income for the period	-	-	-	-	-	1,701	1,701	37	1,738
Total comprehensive income for the period	-	-	-	-	12,134	1,701	13,835	108	13,943
Transactions with owners									
Executive stock plan exercise and amortization	75	32	-	(18)	-	-	89	-	89
Dividends - treasury shares	-	-	42,364	-	(42,364)	-	-	-	-
Total transactions with owners	75	32	42,364	(18)	(42,364)	-	89	-	89
Other movements									
Transfer from surplus to reserves	-	-	-	13	(13)	-	-	-	-
Others	-	-	-	-	4	-	4	-	4
Total other movements	-	-	-	13	(9)	-	4	-	4
Balance, March 31, 2023	49,268	104,155	9,321	639	180,822	(12,555)	331,650	2,190	333,840
Balance, December 31, 2023	49,307	113,414	-	643	204,967	(11,127)	357,204	2,166	359,370
Comprehensive income									
Net income for the period	-	-	-	-	15,263	-	15,263	84	15,347
Other comprehensive income for the period	-	-	-	-	-	(1,990)	(1,990)	1	(1,989)
Total comprehensive income for the period	-	-	-	-	15,263	(1,990)	13,273	85	13,358
Transactions with owners									
Issuance of shares as consideration for the merger (Note 17)	3,140	29,454	-	-	-	-	32,594	-	32,594
Executive stock plan amortization	2	43	-	(53)	-	-	(8)	-	(8)
Total transactions with owners	3,142	29,497	-	(53)	-	-	32,586	-	32,586
Other movements									
Others	-	-	-	1	11	-	12	-	12
Balance, March 31, 2024	52,449	142,911	-	591	220,241	(13,117)	403,075	2,251	405,326

(The notes on pages 1 to 19 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 three-month periods ended March 31, 2024 and 2023
(In Millions of Pesos)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		20,013	15,651
Adjustments for:			
Provision for credit and impairment losses	7	1,500	1,000
Depreciation and amortization		1,248	1,448
Share in net (income) loss of associates	2	(592)	74
Dividend income		(13)	(12)
Share-based compensation		(53)	(18)
Profit from assets sold		(6)	(7)
Realized gain - investment securities		(540)	(553)
Interest income		(44,572)	(32,428)
Interest received		41,406	33,290
Interest expense		14,800	8,357
Interest paid		(14,244)	(7,829)
(Increase) decrease in:			
Interbank loans and receivable and securities purchased under agreements to resell		5,948	5,577
Financial assets at fair value through profit or loss		(21,400)	(16,605)
Loans and advances		11,499	40,022
Assets held for sale		(1,123)	(100)
Assets attributable to insurance operations		716	1,379
Other assets		(719)	(6,245)
Increase (decrease) in:			
Deposit liabilities		(14,318)	52,686
Due to BSP and other banks		774	(977)
Manager's checks and demand drafts outstanding		(542)	113
Accrued taxes, interest and other expenses		(3,425)	(1,156)
Liabilities attributable to insurance operations		(788)	(1,069)
Derivative financial instruments		113	(56)
Deferred credits and other liabilities		(4,644)	2,020
Net cash (used in) from operations		(8,962)	94,562
Income taxes paid		(1,379)	(1,067)
Net cash (used in) from operating activities		(10,341)	93,495
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of bank premises, furniture, fixtures and equipment		(643)	(855)
Disposal of bank premises, furniture, fixtures and equipment		37	67
Dividends received		13	12
Placements in investment securities		(69,669)	(103,970)
Proceeds from maturities/sales of investment securities		103,131	68,500
(Increase) decrease in:			
Investment in subsidiaries and associates, net		(1)	(50)
Assets attributable to insurance operations		(244)	47
Impact of merger	17	20,564	-
Net cash from (used in) investing activities		53,188	(36,249)
<i>(forward)</i>			

BANK OF THE PHILIPPINE ISLANDS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
For the three-month periods ended March 31, 2024 and 2023
(In Millions of Pesos)

	Note	2024	2023
<i>(forwarded)</i>			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issuance		46	107
(Decrease) increase in bills payable and other borrowed funds		(10,004)	2,155
Payments for principal portion of lease liabilities		(411)	(468)
Net cash (used in) from financing activities		(10,369)	1,794
NET INCREASE IN CASH AND CASH EQUIVALENTS		32,478	59,040
CASH AND CASH EQUIVALENTS	3		
Beginning of period		288,482	273,120
End of period		320,960	332,160

(The notes on pages 1 to 19 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 three-month period ended March 31, 2024

(With comparative figures and notes as at December 31, 2023 and for the three-month period ended March 31, 2023)

(In Millions of Pesos, unless otherwise stated)

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.

The Parent Bank’s office address, which also serves as its principal place of business, is located at Ayala Triangle Gardens Tower 2, Paseo De Roxas corner Makati Ave., Bel-Air, 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, wealth management, corporate finance, securities distribution, and insurance services. At March 31, 2024, the BPI Group has 21,124 employees (December 31, 2023 - 18,982 employees) and operates 1,216 branches and 2,512 automated teller machines (ATMs) and cash accept machines (CAMs) (December 31, 2023 - 1,187 branches and 1,530 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 (SRC), 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 March 31, 2024, the Parent Bank has 11,718 common shareholders (December 31, 2023 - 11,760).

On September 30, 2022, the Board of Directors (BOD) of BPI approved the execution of an agreement between the Parent Bank and Robinsons Bank Corporation (RBC) and Robinsons Retail Holdings, Inc. and JG Summit Capital Services Corporation, as RBC shareholders, for the merger of BPI and RBC, with BPI as the surviving entity. As at December 31, 2023, all corporate and regulatory approvals have been obtained, and the Parent Bank and RBC merged, effective January 1, 2024 (Note 17). The figures presented in the condensed consolidated interim financial statements as at December 31, 2023 and for the three-month period ended March 31, 2023 are exclusive of RBC balances.

Approval and authorization for issuance of financial statements

The condensed consolidated interim financial statements have been approved by the BOD of the Parent Bank on June 19, 2024.

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

2 Segment information

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 for individual customers.
- Corporate banking - this segment caters both high-end corporations and middle market clients. Services offered include deposit taking and servicing, loan facilities, trade, cash management and internet-based banking platforms 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 CEO assesses the performance of the insurance business as a standalone business segment separate from the banking and allied financial undertakings.

The BPI Group 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, impairment charge, fees and commission income, other income and operating expenses.

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

The segment assets and liabilities as at March 31, 2024 and December 31, 2023 and results of operations of the reportable segments of the BPI Group for the three-month periods ended March 31, 2024 and 2023 follow:

	March 31, 2023			Total per management reporting
	Consumer banking	Corporate banking	Investment banking	
Net interest income	17,509	8,315	5,353	31,177
Provision for (reversal of) credit and impairment losses	2,965	(1,461)	(4)	1,500
Net interest income after provision for (reversal of) credit and impairment losses	14,544	9,776	5,357	29,677
Fees, commissions and other income, net	5,485	833	2,436	8,754
Total income	20,029	10,609	7,793	38,431
Compensation and fringe benefits	4,346	782	511	5,639
Occupancy and equipment-related expenses	1,834	94	169	2,097
Other operating expenses	7,422	1,076	453	8,951
Total operating expenses	13,602	1,952	1,133	16,687
Operating profit	6,427	8,657	6,660	21,744
Income tax expense				4,666
Net income				15,347
Share in net income of associates				592
Total assets	799,374	1,539,079	699,724	3,038,177
Total liabilities	1,771,948	711,382	178,856	2,662,186

	March 31, 2023			Total per management reporting
	Consumer banking	Corporate banking	Investment banking	
Net interest income	13,953	6,856	4,363	25,172
Provision for (reversal of) credit and impairment losses	1,078	(58)	(20)	1,000
Net interest income after provision for (reversal of) credit and impairment losses	12,875	6,914	4,383	24,172
Fees, commissions and other income, net	4,371	664	2,270	7,305
Total income	17,246	7,578	6,653	31,477
Compensation and fringe benefits	3,371	658	390	4,419
Occupancy and equipment-related expenses	1,375	19	136	1,530
Other operating expenses	6,512	953	347	7,812
Total operating expenses	11,258	1,630	873	13,761
Operating profit	5,988	5,948	5,780	17,716
Income tax expense				3,446
Net income				12,205
Share in net loss of associates				(74)
December 31, 2023				
Total assets	644,092	1,505,254	717,734	2,867,080
Total liabilities	1,670,879	687,265	163,858	2,522,002

Reconciliation of segment results to consolidated results of operations:

	March 31, 2024		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
Net interest income	31,177	(1,330)	29,847
Provision for credit and impairment losses	1,500	-	1,500
Net interest income after provision for credit and impairment losses	29,677	(1,330)	28,347
Fees, commissions and other income, net	8,754	923	9,677
Total income	38,431	(407)	38,024
Compensation and fringe benefits	5,639	979	6,618
Occupancy and equipment-related expenses	2,097	2,887	4,984
Other operating expenses	8,951	(2,542)	6,409
Total operating expenses	16,687	1,324	18,011
Operating profit	21,744	(1,731)	20,013
Income tax expense	4,666		4,666
Net income	15,347		15,347
Share in net income of associates	592		592
Total assets	3,038,177	29,828	3,068,005
Total liabilities	2,662,186	493	2,662,679
	March 31, 2023		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
Net interest income	25,172	(1,014)	24,158
Provision for credit and impairment losses	1,000	-	1,000
Net interest income after provision for credit and impairment losses	24,172	(1,014)	23,158
Fees, commissions and other income, net	7,305	251	7,556
Total income	31,477	(763)	30,714
Compensation and fringe benefits	4,419	1,043	5,462
Occupancy and equipment-related expenses	1,530	3,294	4,824
Other operating expenses	7,812	(3,035)	4,777
Total operating expenses	13,761	1,302	15,063
Operating profit	17,716	(2,065)	15,651
Income tax expense	3,446		3,446
Net income	12,205		12,205
Share in net loss of associates	(74)		(74)
December 31, 2023			
Total assets	2,867,080	21,292	2,888,372
Total liabilities	2,522,002	7,000	2,529,002

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

3 Cash and cash equivalents

Cash and cash equivalents consist of:

	March 31, 2024	December 31, 2023
Cash and other cash items	37,340	34,843
Due from BSP	239,774	199,619
Due from other banks	39,140	36,292
Interbank loans receivable and securities purchased under agreement to resell (SPAR)	4,486	17,535
Cash and cash equivalents attributable to insurance operations	220	193
	320,960	288,482

Due from BSP increased mainly due to the growth in BPI Group's deposit liabilities.

As at March 31, 2024, interbank loans receivable and SPAR amounts to P7,126 million (December 31, 2023 - P20,643 million), of which P4,486 million (December 31, 2023 - P17,535 million) are expected to mature within 90 days from the date of acquisition and are classified as cash equivalents in the unaudited condensed consolidated interim statement of cash flows. Interbank loans receivable and SPAR declined primarily due to the lower securities purchased under the agreement to resell with the BSP.

4 Financial assets at fair value through profit or loss (FVTPL)

The account consists of:

	March 31, 2024	December 31, 2023
Debt securities		
Government securities	35,291	15,928
Commercial papers of private companies	5,670	3,813
Equity securities		
Listed	114	111
Unlisted	51	-
Derivative financial assets	4,008	3,802
	45,134	23,654

The increase in the account is a result of the BPI Group's strategy of focusing on short-term and immediate-term highly-liquid FVTPL 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, cross-currency swaps and foreign exchange options. Derivative financial assets were slightly higher mainly due to the increase in foreign exchange swap transactions.

5 Financial assets at fair value through other comprehensive income (FVOCI)

The account consists of:

	March 31, 2024	December 31, 2023
Debt securities		
Government securities	226,648	191,506
Commercial papers of private companies	1,468	21,732
	228,116	213,238
Accrued interest receivable	2,258	2,542
	230,374	215,780
Equity securities		
Listed	1,978	1,266
Unlisted	1,931	1,608
	3,909	2,874
	234,283	218,654

The movement in the account is mainly attributable to the acquisition of debt securities during the period aligned with the BPI Group's strategy of maintaining ample liquidity buffers and locking in higher interest rates to improve net interest margins. The increase in the account also includes the securities absorbed from RBC on January 1, 2024.

6 Investment securities at amortized cost, net

The account consists of:

	Note	March 31, 2024	December 31, 2023
Government securities		302,377	320,808
Commercial papers of private companies		59,672	58,326
		362,049	379,134
Accrued interest receivable		3,763	3,608
		365,812	382,742
Allowance for credit losses	7	(31)	(31)
		365,781	382,711

The decrease in the account is a result of the BPI Group's strategy of reducing exposure to investment securities at amortized cost to support liquidity as the monetary tightening of global central banks is expected to be nearing its end. The BPI Group has favored government securities over commercial papers of private companies in the composition of the account due to the abundant supply and preference for liquidity.

7 Loans and advances, net

The account consists of:

	March 31, 2024	December 31, 2023
Corporate loans		
Large corporate customers	1,481,597	1,446,426
Small and medium enterprise	77,972	79,097
Retail loans		
Credit cards	144,044	137,889
Real estate mortgages	209,342	171,495
Auto loans	80,081	71,896
Others	42,426	28,536
	2,035,462	1,935,339
Accrued interest receivable	16,155	12,943
Unearned discount/income	(9,519)	(8,801)
	2,042,098	1,939,481
Allowance for impairment	(60,795)	(57,474)
	1,981,303	1,882,007

At March 31, 2024 and December 31, 2023, 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 13).

The increase in loans and advances is due to the higher demand, increased customer confidence, and increased volume of transactions in corporate, credit cards, auto loans and real estate mortgages. This was further increased by the loans absorbed as a result of the BPI and RBC merger.

For the three-month period ended March 31, 2024, the increase in the volume of credit card transactions and number of cardholders resulted in higher credit card income such as membership fees, interchange fees and service charges amounting to P1,925 million (March 31, 2023 - P1,478 million). This is presented as part of Other operating income in the unaudited condensed consolidated interim statement of income.

The movements in allowance for credit losses are summarized below:

	March 31, 2024	December 31, 2023
Beginning balance	57,474	57,767
Impact of merger*	3,172	-
Provision for impairment losses	1,284	3,940
Transfers/reallocation	(35)	(180)
Write-off/disposal	(1,099)	(4,051)
Accretion/unwinding of discount	(1)	(2)
Ending balance	60,795	57,474

*The impact of merger includes the allowance for credit losses of Legazpi Savings Bank (LSB), a wholly-owned subsidiary. The investment in LSB was carried as part of investments in subsidiary and associates in the stand-alone RBC books, hence, not included in the breakdown of acquired receivables disclosed in Note 17(ii).

Provision for credit and impairment losses

The BPI Group's provision for credit and impairment losses for the three-month periods ended March 31 are attributable to the following accounts:

	2024	2023
Loans and advances	1,284	883
Assets held for sale	161	(39)
Interbank loans receivable and SPAR	(3)	-
Investment securities and amortized cost	-	(6)
Undrawn loan commitments	29	129
Accounts receivable	(10)	39
Other assets	39	(6)
	1,500	1,000

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

The movement in provision for credit and impairment losses recognized during the three-month period ended March 31, 2024 is attributable to higher level of non-performing loans and additional provisioning of acquired accounts from RBC as a result of the merger.

8 Bank premises, furniture, fixtures and equipment, net

The details and movements in the account are summarized below:

	March 31, 2024			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
Cost				
January 1, 2024	2,983	34,293	16,389	53,665
Additions	-	363	436	799
Disposals	-	(122)	(219)	(341)
Transfers	-	-	(4)	(4)
Other changes	-	1	(4)	(3)
Impact of merger*	9	1,354	295	1,658
March 31, 2024	2,992	35,889	16,893	55,774
Accumulated depreciation				
January 1, 2024	-	19,388	14,526	33,914
Depreciation and amortization	-	673	324	997
Disposals	-	(120)	(187)	(307)
Transfers	-	-	(3)	(3)
Other changes	-	9	(4)	5
March 31, 2024	-	19,950	14,656	34,606
Net book value, March 31, 2024	2,992	15,939	2,237	21,168

*The impact of merger includes the fair value of bank premises, furniture, fixtures and equipment of LSB. The investment in LSB was carried as part of investments in subsidiary and associates in the stand-alone RBC books, hence, not presented as part of bank premises, furniture, fixtures and equipment under net assets acquired disclosed in Note 17.

	December 31, 2023			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
Cost				
January 1, 2023	3,015	31,087	16,400	50,502
Additions	-	3,523	2,954	6,477
Disposals	(30)	(330)	(2,946)	(3,306)
Transfers	-	(30)	(19)	(49)
Other changes	(2)	43	-	41
December 31, 2023	2,983	34,293	16,389	53,665
Accumulated depreciation				
January 1, 2023	-	16,622	14,525	31,147
Depreciation and amortization	-	2,922	989	3,911
Disposals	-	(244)	(980)	(1,224)
Transfers	-	4	(8)	(4)
Other changes	-	84	-	84
December 31, 2023	-	19,388	14,526	33,914
Net book value, December 31, 2023	2,983	14,905	1,863	19,751

As at March 31, 2024, the BPI Group has recognized construction-in-progress amounting to P1.48 billion in relation to the redevelopment of its main office. Construction-in-progress is initially recognized at cost and will be depreciated once completed and available for use. The cost of construction in-progress includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items on the site on which it is located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalized as part of the cost of those assets during the construction period. The construction-in-progress is internally funded by the Parent Bank hence, no borrowing costs were capitalized. The construction-in-progress is recorded as part of Buildings and leasehold improvements in the table above.

For the three-month period ended March 31, 2024, the BPI Group realized a profit of P6 million (March 31, 2023 - P7 million) from the disposal of certain bank premises, furniture, fixtures, and equipment.

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

9 Deposit liabilities

The account consists of:

	March 31, 2024	December 31, 2023
Demand	403,804	379,076
Savings	1,165,902	1,158,548
Time	853,497	757,482
	2,423,203	2,295,106

The increase in deposit liabilities is mainly attributable to the merger with RBC (Note 17).

10 Bills payable and other borrowed funds

The account consists of:

	March 31, 2024	December 31, 2023
Bills payable		
Local banks	13,479	720
Foreign banks	18,622	22,359
Other borrowed funds	109,951	114,025
	142,052	137,104

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. Investment securities at amortized cost serve as collateral for the Parent Bank's bills payable. The average payment terms of these bills payable is one (1) year (2023 - 1 year).

As a result of the merger with RBC, BPI assumed peso-denominated borrowings with Land Bank of the Philippines and Development Bank of the Philippines. As at March 31, 2024, the carrying amount of the borrowings amounts to P12,467 million and is presented as part of bills payable to local banks.

On August 24, 2023, the Parent Bank signed a facility agreement for an unsecured syndicated term loan amounting to US Dollar (USD) 300 million. The three-year loan which was drawn down on August 24, 2023 bears a floating interest payable on a quarterly basis commencing in November 2023. The loan matures on August 24, 2026, has a carrying amount of P16,763 million as at March 31, 2024 (2023 - P16,494 million) and is presented as part of bills payable to foreign banks. The Parent Bank incurred origination costs amounting to USD 2.35 million.

Other borrowed funds

Other borrowed funds represent 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. On November 20, 2019, BPI's BOD approved the issuance of Peso-denominated bonds and commercial papers up to P100 billion under an updated Bank Bond Issuance Program with outstanding drawdown as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount	
					March 31, 2024	December 31, 2023
(In Millions of Pesos)						
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	January 31, 2022	2.81%	January 31, 2024	27,000	-	27,000

Bonds with a total face value of P36,828 million which were issued in two tranches under this Program matured in 2022.

(b) Peso-denominated Bonds under the P100 billion Bond Program

On May 18, 2022, the BOD of the Parent Bank approved a new P100 billion Bond Program. On January 30, 2023, BPI issued the first tranche called BPI Reinforcing Inclusive Support for Micro, Small and Medium Enterprises (MSMEs) Bonds ("BPI RISE Bonds"). The net proceeds amounting to P26,763 million was used to finance or refinance the business requirements of eligible MSMEs, consistent with BPI's Sustainable Funding Framework. On November 13, 2023, BPI issued the second tranche of this Bond Program.

As at March 31, 2024, both drawdowns are outstanding with the following details:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount	
					March 31, 2024	December 31, 2023
(In Millions of Pesos)						
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	January 30, 2023	5.75%	July 30, 2024	20,300	20,268	20,236
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	November 13, 2023	6.43%	May 13, 2025	36,661	36,423	36,371

(c) 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. On December 13, 2023, the BOD approved the increase in size of this program to US\$3,000 million with outstanding drawdowns as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount	
					March 31, 2024	December 31, 2023
(In Millions of Pesos)						
US\$ 300 million, 5-year senior unsecured Green Bonds	September 10, 2019	2.50%	September 10, 2024	15,572	16,861	16,594
US\$ 400 million, 5-year senior unsecured fixed rate Bonds	March 26, 2024	5.25%	March 26, 2029	22,496	22,356	-

(d) *Private Placement*

On August 25, 2023, the Parent Bank issued a green bond amounting to USD 250 million with the International Finance Corporation as the sole subscriber. The bond carries floating interest payable on a semiannual basis. The bond is unconditional, unsecured and unsubordinated and is expected to mature on August 25, 2026. As at March 31, 2024, the carrying amount of the bond amounts to P14,043 million (2023 - P13,824 million).

11 Capital funds

(a) *Share capital, share premium and treasury shares*

Details of authorized share capital of the Parent Bank follow:

	March 31, 2024	December 31, 2023
Authorized capital (at P10 par value per share)		
Common shares	54,000	54,000
Preferred A shares	600	600
	54,600	54,600

On September 30, 2022, the BOD of the Parent Bank approved the increase in authorized share capital in the amount of P4,000 million divided into 400 million common shares with a par value of P10 per share. On December 21, 2023, the BSP approved the amendment of Article Seventh of the Amended Articles of Incorporation of the Parent Bank. On December 29, 2023, the SEC issued a Certificate of Approval and Increase of Capital Stock from P50.60 billion to P54.60 billion.

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

	March 31, 2024	December 31, 2023
	(In absolute number of shares)	
Common shares		
At January 1	4,945,197,291	4,919,307,531
Subscription of shares during the period	-	25,889,760
Impact of merger (Note 17)	314,003,992	-
	5,259,201,283	4,945,197,291
	(In absolute amount)	
Subscription receivable	142,634,173	144,726,145

There are no preferred shares issued and outstanding as at March 31, 2024 and December 31, 2023.

(b) *Reserves*

The account consists of:

	March 31, 2024	December 31, 2023
Reserve for trust business	400	400
Reserve for trading participants	73	73
Reserve for self-insurance	34	34
Executive stock option plan amortization	(5)	49
Others	89	87
	591	643

In compliance with existing BSP regulations, 10% of income from trust business of BPI Asset Management and Trust Corporation's (BPI Wealth), a wholly-owned subsidiary of the Parent Bank, should be appropriated to surplus reserve. This appropriation is required until the surplus reserve for trust business reaches 20% of BPI Wealth's regulatory net worth. As at December 31, 2023, the appropriated reserve is already equivalent to 20% of its authorized capital, hence, no additional appropriation required for 2024.

Reserve for trading participants represents the required annual minimum appropriation of net income of the BPI Group's broker/dealer activities through BPI Securities Corporation, a wholly-owned subsidiary of the Parent Bank, to a reserve fund in compliance with SEC Memorandum Circular No. 16-2004.

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.

The appropriation for general loan loss provision (GLLP) is recognized to comply with BSP Circular 1011 (the "Circular"). Under the Circular, banks are required to set up 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 March 31, 2024 and December 31, 2023, the GLLP appropriation is nil as the loan loss provision for both periods are higher than the required GLLP.

Share-based compensation plan

On May 17, 2023, the BOD of the Parent Bank approved the 2023 Executive Stock Purchase Plan (ESPP) to qualified beneficiaries/participants. On April 26, 2023 grant date, total shares of 7,767,610 were subscribed.

On December 13, 2022, the BOD of the Parent Bank approved the 2022 ESPP to qualified beneficiaries/participants. On the same date, a total of 8,208,700 shares were granted, which were then subscribed on March 10, 2023.

(c) Dividend declarations

Details of cash dividends declared by the Parent Bank follow:

Date declared	Amount of dividends	
	Per Share	Total
		(In millions of Pesos)
May 17, 2023	1.68	7,626
November 15, 2023	1.68	8,308

On March 15, 2023, the BOD approved the declaration of property dividends amounting to P42,364 million consisting of 406.18 million common shares for P0.09 per BPI share held in treasury. These treasury shares were declared as dividends as a result of the merger between the Parent Bank and BPI Family Savings Bank, Inc., which took effect last January 1, 2022. The distribution of treasury shares as property dividends on June 21, 2023 is based on the relevant SEC rules and guidelines. These are considered as non-cash financing activities. There are no dividend declaration as of March 31, 2024.

12 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 position 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.

13 Related party transactions

In the normal course of business, the Parent Bank transacts with related parties consisting of its DOSRI (Directors, Officers, Stockholders, and Related Interests), Subsidiaries and Affiliates including Other Related Parties. Likewise, the BPI Group has transactions with Ayala Corporation (AC) and its subsidiaries (Ayala Group), on an arm's length basis. AC is a significant stockholder of BPI as at reporting date.

The Parent Bank has a Board-level Related Party Transactions Committee (RPTC) that vets and endorses all significant related party transactions which exceed the Parent Bank's set materiality threshold, including those involving DOSRI, for which the latter shall require final BOD approval. The RPTC consists of three directors, majority of whom are independent directors including the Chairman, and two resource persons from management's control groups, namely, the Chief Audit Executive and the Chief Compliance Officer. Those related party transactions involving amounts below the materiality threshold, the Management Vetting Committee (MVC), which is composed of the Parent Bank's Executive Vice Presidents, the Bank's Chief Finance Officer, and the Bank's Treasurer, shall have the authority to vet these transactions. In case any of the vetting committees has conflict of interest, be it actual or perceived, in a particular related party transaction, he or she is required to inhibit from the vetting and endorsement of the particular RPT. Transactions with related parties have terms and conditions that are generally comparable to those offered to non-related parties and/or to similar transactions in the market. Any deviation or amendment from previously vetted terms and conditions shall require appropriate RPT vetting and approval.

To ensure that related party transactions are within prudent levels, the Parent Bank's BOD shall prescribe, from time to time, internal limits or sub-limits for individual and aggregate credit exposures to related parties that are consistent with the Parent Bank's risk appetite and regulatory guidelines. The limits shall be computed and based on the Parent Bank's prescribed capital metrics.

The RPTC shall report to the BOD, on a regular basis, the status and aggregate credit exposures of the Parent Bank to each related party as well as the total amount of credit exposure to all related parties.

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

	March 31, 2024	December 31, 2023
Outstanding DOSRI loans	20,590	18,701
	In percentage (%)	
% to total outstanding loans and advances	1.02	0.97
% to total outstanding DOSRI loans		
Unsecured DOSRI loans	2.34	2.30
Past due DOSRI loans	0.02	0.04
Non-performing DOSRI loans	0.04	0.02

The BPI Group is in full compliance with the General Banking Act and the BSP regulations on DOSRI loans as at March 31, 2024 and December 31, 2023.

14 Subsequent events

Disposal of shares in GoTyme Bank Corporation

On March 20, 2024, the BOD approved the sale of its 752,056,290 common shares, representing all of its stakes, in GoTyme Bank Corporation to GoTyme Financial Pte. Ltd. (744,099,587 common shares) and Giga Investment Holdings Pte. Ltd., (7,956,703 common shares) at P1.20 per share. The shares were acquired by BPI following its merger with RBC. The sale was executed on April 1, 2024.

April 2024 approval of ESPP

On April 17, 2024, the BOD approved the 2024 employee stock purchase program pursuant to the ESPP. The 2024 program authorizes the grant to qualified participants at a subscription price to be determined on or prior to grant date based on 15% discount to Volume Weighted Average Price (VWAP). The program is subject to the approval of the SEC and to listing of the shares with the Philippine Stock Exchange (PSE).

Declaration of cash dividends

On May 15, 2024, the BOD approved the declaration of cash dividends amounting to P1.98 per common share to be distributed to all eligible stockholders of BPI as of record date of June 7, 2024. The total cash dividends amounts to P10,439 million.

15 Critical accounting estimates and judgments

The preparation of unaudited 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 and income and expenses. Actual results may differ from these estimates.

In preparing the unaudited 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, 2023.

16 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 on 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.

A subsidiary of the Parent Bank has investments in non-marketable equity securities classified under Level 3 as at March 31, 2024 and December 31, 2023.

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 as at March 31, 2024 and December 31, 2023:

March 31, 2024	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Recurring measurements					
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	4,008	-	4,008	-	4,008
Trading assets					
- Debt securities	40,961	40,961	-	-	40,961
- Equity securities	165	114	51	-	165
Financial assets at FVOCI					
- Debt securities	230,374	230,374	-	-	230,374
- Equity securities	3,909	1,978	1,013	918	3,909
	279,417	273,427	5,072	918	279,417
Financial liabilities					
Derivative financial liabilities	2,934	-	2,934	-	2,934
Non-recurring measurements					
Assets held for sale, net	7,055	-	22,471	-	22,471

December 31, 2023	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Recurring measurements					
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	3,802	-	3,802	-	3,802
Trading assets					
- Debt securities	19,741	19,741	-	-	19,741
- Equity securities	111	111	-	-	111
Financial assets at FVOCI					
- Debt securities	215,780	215,780	-	-	215,780
- Equity securities	2,874	1,266	699	909	2,874
	242,308	236,898	4,501	909	242,308
Financial liabilities					
Derivative financial liabilities	2,821	-	2,821	-	2,821
Non-recurring measurements					
Assets held for sale, net	4,743	-	14,424	-	14,424

There were no transfers between Level 1 and Level 2 during the periods ended March 31, 2024 and December 31, 2023.

(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, 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 cost*

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

	March 31, 2024		December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Investment securities at amortized cost	365,781	346,659	382,711	364,286
Loans and advances, net	1,981,303	2,423,775	1,882,007	2,154,136
Financial liabilities				
Deposit liabilities	2,423,203	2,402,660	2,295,106	2,277,196

17 BPI and RBC Merger

On January 17, 2023, the shareholders of BPI approved the merger of BPI and RBC, with BPI as the surviving bank. The Philippine Competition Commission approved the merger on March 9, 2023 as contained in the decision released on September 13, 2023. On December 14, 2023, the BSP, through Monetary Board Resolution No. 1633, approved the merger. The SEC issued the Certificate of Filing of the Articles and Plan of Merger on December 29, 2023.

The merger became effective on the first day of the calendar quarter following the completion of the regulatory approvals which is on January 1, 2024 and therefore, the figures presented as at December 31, 2023 and for the three-month period ended March 31, 2023 do not include the financial information of RBC.

The merger with RBC will unlock various synergies across several products and service platforms and expand the customer and deposit base of both banks through the merged entity, and, at the same time, by capitalizing on BPI's expertise and network, enhance the overall banking experience of RBC customers. BPI will be able to expand its client base, accelerate growth, and ultimately increase shareholder value through partnerships with the Gokongwei Group.

Purchase consideration

On merger date, the Parent Bank issued common shares to RBC shareholders as consideration of the merger. The fair value of the 314,003,992 shares issued is based on the share price on December 31, 2023 of P103.80 per share.

Net assets acquired

Details of RBC assets and liabilities as at acquisition date (January 1, 2024) based on provisional amounts determined by management are as follows:

	Amount
	(In Thousands of Pesos)
Assets acquired	
Cash and other cash items	6,456,997
Due from BSP	12,398,996
Due from other banks	1,707,917
Interbank loans receivable and SPAR	5,491,857
Financial assets at FVTPL	24,198
Financial assets at FVOCI	6,926,810
Investment securities at amortized cost, net	26,797,437
Loans and advances, net	108,901,443
Investments in subsidiary and associates, net	903,663
Bank premises, furniture, fixtures and equipment, net	1,567,199
Assets held for sale	1,348,217
Deferred tax assets, net	2,238,197
Other assets, net	12,103,962
	<u>186,866,893</u>
Liabilities assumed	
Deposit liabilities	
Demand	27,624,578
Savings	34,370,971
Time	80,421,365
Bills payable	14,951,899
Manager's checks	1,120,725
Accrued taxes, interest and other expenses	1,423,251
Other liabilities	3,657,913
	<u>163,570,702</u>
Net assets	<u>23,296,191</u>

Other assets, net includes intangible assets such as core deposits, customer relationship and trust business. The trust business was transferred to BPI Wealth effective January 1, 2024 in accordance with the Assignment Agreement between the Parent Bank and BPI Wealth.

Deferred tax assets, net includes the deferred tax assets and liabilities assumed from RBC and the resulting deferred taxes on fair value adjustments.

The above assets and liabilities were acquired through a tax-free exchange as evidenced by the Plan of Merger.

Goodwill

The difference between the fair value of the net assets acquired, including intangible assets, and the purchase consideration shall be recognized as goodwill as follows:

	Amount
	(In Thousands of Pesos)
Purchase price	32,593,614
Fair value of net assets acquired	23,296,191
Goodwill	<u>9,297,423</u>

The goodwill is attributable to the workforce and the expected synergies from combining the operations of RBC with BPI. The amount of goodwill will not be deductible for tax purposes.

i. Contingencies and commitments acquired

As a result of the merger, the Parent Bank acquired certain off-balance sheet items as follows:

	Amount
	(In Thousands of Pesos)
Trust accounts*	37,630,184
Derivatives	10,606,025
Commitments	8,143,887
Spot foreign exchange contracts	3,884,410
Performance standby letters of credit	568,597
Financial standby letters of credit	77,065
Guarantees issued	42,424
Commercial letters of credit	36,612
Others	1,805,396
Carrying amount	62,794,600

*The trust accounts were transferred to BPI Wealth effective January 1, 2024 in accordance with the Assignment Agreement between the Parent Bank and BPI Wealth.

ii. Acquired receivables

The details of the loans and advances, net, acquired as a result of the business combination and its related fair value are as follows:

	Amount
	(In Thousands of Pesos)
Corporate loans	61,949,983
Retail loans	
Real estate mortgages	37,193,873
Auto loans	6,786,068
Credit cards	6,040,647
Others	537,928
	112,508,499
Accrued interest receivable	947,075
Unearned discount/income	(67,241)
	113,388,333
Allowance for impairment	(3,063,536)
Net carrying amount	110,324,797
Fair value	108,901,443

iii. Revenue and profit contribution

Management deemed it impracticable to disclose the revenue and profit contribution of RBC for the three-month period ended March 31, 2024 that is included in the unaudited condensed consolidated interim statements of income and total comprehensive income. Upon migration of RBC's accounts to BPI's systems, these are no longer identified separately and are co-mingled with other accounts owned by the Bank prior to the merger. Given the volume of these accounts and transactions using such, the contribution to revenue and profit is not determinable without undue cost.

iv. *Cash flows as a result of the merger*

Cash and cash equivalents acquired as a result of the business combination shall form part of the net cash inflows from investing activities in the unaudited condensed consolidated interim statement of cash flows for the period beginning January 1, 2024. The breakdown of cash and cash equivalents acquired are as follows:

	Amount
	(In Thousands of Pesos)
Cash and other cash items	6,456,997
Due from BSP	12,398,996
Due from other banks	1,707,917
	<u>20,563,910</u>

v. *Acquisition-related costs*

Acquisition-related costs of P96 million that were not directly attributable to the issue of shares are included in other operating expenses in the unaudited condensed consolidated interim statement of income and in operating cash flows in the unaudited condensed consolidated interim statement of cash flows for the three-month period ended March 31, 2024.

18 **Basis of preparation**

These unaudited condensed consolidated interim financial statements as at and for the three-month period ended March 31, 2024 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 as at and for the year ended December 31, 2023, which have been prepared in accordance with PFRSs.

(a) *New standard and amendments to existing standards adopted by the BPI Group*

There are no new standards or amendments to existing standards effective January 1, 2024 that have a material impact to the BPI Group.

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

The following new accounting standard and amendment to existing standard below is not mandatory for the December 31, 2023 reporting period and have not been early adopted by the BPI Group in its annual audited consolidated financial statements as at and for the year then ended:

- PFRS 17, '*Insurance Contracts*' (effective for annual periods beginning on or after January 1, 2025)

The BPI Group continually assesses the impact of the adoption of the above amendment, which is not expected to materially affect the consolidated financial statements.

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after January 1, 2024 that are considered relevant or expected to have a material effect on the financial statement of the BPI Group.