

**STANDARD DOCUMENT COVER SHEET  
FOR SEC FILINGS**

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

SEC Number 121  
File Number

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

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

**PERIOD-ENDED June 30, 2009**  
(if a report, financial statement, GIS, or related amendment or show-cause filing)

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



12. Indicate by check mark whether the registrant:

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

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

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENTS OF CONDITION**  
**JUNE 30, 2009 and DECEMBER 31, 2008**  
(In Thousands of Pesos)

<b>RESOURCES</b>	<b>UNAUDITED JUNE 30, 2009</b>	<b>AUDITED DECEMBER 31, 2008</b>
Cash and Other Cash Items	14,277,922	22,365,753
Due from Bangko Sentral ng Pilipinas	76,753,185	48,421,521
Due from Other Banks	7,221,422	14,277,857
Interbank Loans Receivable and Securities		
Purchased under Agreements to Resell	25,250,473	22,583,572
Derivative Financial Asset	1,300,345	2,182,189
Trading Securities	86,322,402	34,399,474
Investment Securities		
Available for Sale Securities, net	54,805,000	63,786,025
Held-to-Maturity Securities, net	75,439,980	72,884,505
Loans and Advances (Net)	310,641,419	320,216,398
Bank Premises, Furniture, Fixtures & Equipment, net	11,361,137	11,176,355
Investment Property, net	2,794,579	2,827,711
Assets Held for Sale, net	14,701,413	14,836,684
Equity Investments, net	727,470	766,354
Assets Attributable to Insurance Operations	24,604,938	22,067,607
Deferred Income Tax Assets, net	5,412,036	5,676,324
Other Resources, net	7,434,059	8,143,561
<b>TOTAL RESOURCES</b>	<b>719,047,781</b>	<b>666,611,888</b>
<b>LIABILITIES AND CAPITAL FUNDS</b>		
Deposit Liabilities		
Demand Deposits	102,112,525	92,495,804
Savings Deposits	179,108,153	162,464,637
Time Deposits	284,797,391	285,391,610
Sub-total	<b>566,018,069</b>	<b>540,352,050</b>
Derivative Financial Liability	1,186,000	2,547,377
Bills Payable	31,715,979	9,934,095
Due to Bangko Sentral ng Pilipinas and Other Banks	652,094	1,495,424
Manager's Checks and Demand Drafts Outstanding	4,039,066	2,723,323
Accrued Taxes, Interests and Other Expenses	3,749,608	4,150,277
Unsecured Subordinated Debt	5,000,000	5,000,000
Liabilities Attributable to Insurance Operations	20,875,883	18,813,090
Deferred Credits and Other Liabilities	19,335,865	17,724,629
<b>TOTAL LIABILITIES</b>	<b>652,572,563</b>	<b>602,740,265</b>
<b>CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI</b>		
Capital Stock	32,463,034	32,456,097
Paid-in Surplus	1,398,939	1,374,357
Translation Adjustment	(468,296)	(691,713)
Reserves	(869,822)	(864,582)
Surplus	33,044,365	30,659,363
	<b>65,568,219</b>	<b>62,933,522</b>
<b>MINORITY INTEREST IN SUBSIDIARIES</b>	<b>906,998</b>	<b>938,101</b>
<b>TOTAL CAPITAL FUNDS</b>	<b>66,475,218</b>	<b>63,871,623</b>
<b>TOTAL LIABILITIES AND CAPITAL FUNDS</b>	<b>719,047,781</b>	<b>666,611,888</b>

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENTS OF INCOME**  
For the Quarters Ended June 30, 2009 and 2008  
(In Thousands of Pesos)

	Unaudited 2009	Unaudited 2008
<b>INTEREST INCOME</b>		
On loans and advances	6,195,120	5,655,765
On held-to-maturity and trading securities	1,406,798	1,045,161
On available-for-sale securities	482,058	799,847
On deposits with banks	571,074	585,654
Gross Receipts Tax	(334,529)	(313,163)
	<u>8,320,520</u>	<u>7,773,264</u>
<b>INTEREST EXPENSE</b>		
On Deposits	2,786,276	3,059,252
On Bills Payable and other borrowings	256,537	86,740
	<u>3,042,813</u>	<u>3,145,991</u>
<b>NET INTEREST INCOME</b>	<u>5,277,707</u>	<u>4,627,273</u>
<b>IMPAIRMENT LOSSES</b>	<u>700,000</u>	<u>489,334</u>
<b>NET INTEREST INCOME AFTER IMPAIRMENT LOSSES</b>	<u>4,577,707</u>	<u>4,137,939</u>
<b>OTHER INCOME</b>		
Income from foreign exchange trading and trading securities	621,977	564,865
Service charges and commissions	776,518	787,942
Income attributable to insurance operations	237,204	193,861
Other operating income	1,954,079	2,042,616
Gross Receipts Tax	(221,563)	(229,685)
	<u>3,368,216</u>	<u>3,359,599</u>
<b>OTHER EXPENSES</b>		
Compensation and fringe benefits	2,186,455	1,963,267
Occupancy and equipment-related expenses	1,358,455	1,290,724
Other operating expenses	1,034,972	1,165,150
	<u>4,579,882</u>	<u>4,419,141</u>
<b>INCOME BEFORE INCOME TAX</b>	<u>3,366,041</u>	<u>3,078,397</u>
<b>PROVISION FOR INCOME TAX</b>		
Current	574,548	446,809
Deferred	330,814	314,944
	<u>905,362</u>	<u>761,753</u>
<b>NET INCOME FOR THE QUARTER</b>	<u>2,460,680</u>	<u>2,316,644</u>
Attributable to:		
Equity holders of BPI	2,423,883	2,284,008
Minority interest	36,797	32,636
	<u>2,460,680</u>	<u>2,316,644</u>

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the Quarters Ended June 30, 2009 and 2008**  
(In Thousands of Pesos)

	<u>Unaudited 2009</u>	<u>Unaudited 2008</u>
<b>NET INCOME BEFORE MINORITY INTEREST</b>	<b>2,460,680</b>	<b>2,316,644</b>
<b>Other Comprehensive Income:</b>		
Net change in unrealized gain/loss in available-for-sale securities	(29,239)	(2,979,557)
Net change in fair value reserve on investments of insurance subsidiaries	290,195	(629,081)
Net change in exchange differences in translating foreign operations	234,030	214,244
<b>Other Comprehensive Income for the year, net of tax</b>	<b>494,986</b>	<b>(3,394,393)</b>
<b>Total Comprehensive Income for the year</b>	<b>2,955,665</b>	<b>(1,077,749)</b>
<b>Total Comprehensive Income attributable to:</b>		
Equity holders of BPI	2,918,869	(1,110,386)
Minority Interest	36,797	32,636
	<b>2,955,665</b>	<b>(1,077,749)</b>

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**For the Six Months Ended June 30, 2009 and 2008**  
(In Thousands of Pesos)

	<u>Unaudited 2009</u>	<u>Unaudited 2008</u>
<b>INTEREST INCOME</b>		
On loans and advances	12,795,568	10,998,509
On held-to-maturity and trading securities	2,811,599	2,165,981
On available-for-sale securities	951,140	1,914,690
On deposits with banks	1,140,677	1,243,866
Gross Receipts Tax	(690,057)	(629,903)
	<b>17,008,926</b>	<b>15,693,142</b>
<b>INTEREST EXPENSE</b>		
On Deposits	5,761,541	6,377,458
On Bills Payable and other borrowings	490,282	201,912
	<b>6,251,823</b>	<b>6,579,370</b>
<b>NET INTEREST INCOME</b>	<b>10,757,103</b>	<b>9,113,772</b>
<b>IMPAIRMENT LOSSES</b>	<b>1,500,000</b>	<b>874,765</b>
<b>NET INTEREST INCOME AFTER IMPAIRMENT LOSSES</b>	<b>9,257,103</b>	<b>8,239,007</b>
<b>OTHER INCOME</b>		
Income from foreign exchange trading and trading securities	1,981,268	1,012,311
Service charges and commissions	1,604,610	1,471,481
Income attributable to insurance operations	442,738	329,120
Other operating income	3,110,555	3,124,942
Gross Receipts Tax	(399,500)	(370,632)
	<b>6,739,671</b>	<b>5,567,222</b>
<b>OTHER EXPENSES</b>		
Compensation and fringe benefits	4,339,264	3,894,319
Occupancy and equipment-related expenses	2,637,030	2,476,423
Other operating expenses	2,127,767	2,171,751
	<b>9,104,062</b>	<b>8,542,493</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>6,892,712</b>	<b>5,263,736</b>
<b>PROVISION FOR INCOME TAX</b>		
Current	1,187,002	1,000,370
Deferred	320,629	365,176
	<b>1,507,631</b>	<b>1,365,546</b>
<b>NET INCOME FOR THE PERIOD</b>	<b>5,385,081</b>	<b>3,898,189</b>
Attributable to:		
Equity holders of BPI	<b>5,306,676</b>	<b>3,833,347</b>
Minority interest	<b>78,405</b>	<b>64,843</b>
	<b>5,385,081</b>	<b>3,898,189</b>
Earnings per share:		
Based on 3,246,448,544 shares as of June 30, 2009 and 2,704,703,849 shares in 2008	<b>P 1.63</b>	<b>P 1.42</b>

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the Six Months Ended June 30, 2009 and 2008**  
(In Thousands of Pesos)

	<u>Unaudited 2009</u>	<u>Unaudited 2008</u>
<b>NET INCOME BEFORE MINORITY INTEREST</b>	<b>5,385,081</b>	<b>3,898,189</b>
<b>Other Comprehensive Income:</b>		
Net change in unrealized gain/loss in available-for-sale securities	(324,319)	(5,050,183)
Net change in fair value reserve on investments of insurance subsidiaries	366,055	(845,258)
Net change in exchange differences in translating foreign operations	223,417	236,025
<b>Other Comprehensive Income for the year, net of tax</b>	<b>265,153</b>	<b>(5,659,416)</b>
<b>Total Comprehensive Income for the year</b>	<b>5,650,234</b>	<b>(1,761,227)</b>
<b>Total Comprehensive Income attributable to:</b>		
Equity holders of BPI	5,571,829	(1,826,069)
Minority Interest	78,405	64,843
	<b>5,650,234</b>	<b>(1,761,227)</b>



<b>BANK OF THE PHILIPPINE ISLANDS</b>		
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>		
<b>FOR THE QUARTERS ENDED JUNE 30, 2009 AND 2008</b>		
<b>(In Thousands of Pesos)</b>		
	<b>Unaudited 2009</b>	<b>Unaudited 2008</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Income before income tax	3,366,041	3,078,397
Adjustments for:		
Impairment losses	700,000	489,334
Depreciation and amortization	586,384	492,266
Equity in net income of associates	7,768	6,628
Share based	-	13,827
Dividend income	(15,778)	(16,808)
Interest income	(8,655,049)	(8,086,427)
Interest received	7,031,415	5,881,994
Interest expense	3,042,813	3,145,991
Interest paid	(2,745,005)	(2,911,055)
Operating income before changes in operating assets and liabilities	3,318,588	2,094,148
Changes in operating assets and liabilities		
(Increase) decrease in:		
Due from Bangko Sentral ng Pilipinas	(3,453,000)	(2,135,000)
Interbank loans receivable and securities purchased under agreements to resell	(528,760)	(0)
Trading securities	(24,230,756)	15,994,669
Loans and advances	(16,804,887)	(34,173,718)
Assets held for sale	373,153	528,948
Assets attributable to insurance operations	112,365	1,357,431
Other resources	584,363	(929,320)
Increase (decrease) in:		
Deposit liabilities	48,956,099	34,632,853
Due to Bangko Sentral ng Pilipinas and other banks	59,735	(891,850)
Manager's checks demand drafts outstanding	424,238	(138,352)
Accrued taxes, interest and other expenses	314,182	296,886
Liabilities attributable to insurance operations	1,237,708	520,395
Derivative financial instrument	(59,514)	328,039
Deferred credits and other liabilities	(51,356)	(1,766,160)
Net cash from operating activities before income tax	10,252,158	15,718,969
Income taxes paid	(627,585)	(465,473)
Net cash generated from operating activities	9,624,573	15,253,496
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase (decrease) in:		
Available for sale securities	(15,435,291)	9,344,632
Held-to-maturity securities	(3,532,202)	1,368,800
Bank, premises, furniture, fixtures and equipment	(622,343)	(621,196)
Dividends received	15,778	16,808
Equity investments	407,038	(490,111)
Assets attributable to insurance operations	(1,588,334)	(1,056,852)
Investment property	17,516	15,616
Net cash used in investing activities	(20,737,837)	8,577,697
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in bills payable	21,978,653	(2,012,997)
Net cash (used in) provided by financing activities	21,978,653	(2,012,997)
<b>NET INCREASE (DECREASE) IN CASH</b>		
<b>AND CASH EQUIVALENTS</b>		
	10,865,390	21,818,196
<b>CASH AND CASH EQUIVALENTS</b>		
March 31	70,813,712	78,723,092
June 30	81,679,102	100,541,288

<b>BANK OF THE PHILIPPINE ISLANDS</b>		
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>		
<b>FOR THE SEMESTER ENDED June 30, 2009 AND June 30, 2008</b>		
<b>(In Thousands of Pesos)</b>		
	<b>Unaudited 2009</b>	<b>Unaudited 2008</b>
<b><i>CASH FLOW FROM OPERATING ACTIVITIES</i></b>		
Income before income tax	6,892,712	5,263,736
Adjustments for:		
Impairment losses	1,500,000	874,765
Depreciation and amortization	1,142,295	1,022,661
Equity in net income of associates	7,838	8,948
Share based compensation	-	28,433
Dividend income	(16,402)	(17,969)
Interest income	(17,698,983)	(16,323,046)
Interest received	16,632,531	17,009,689
Interest expense	6,251,823	6,579,370
Interest paid	(6,410,114)	(6,815,660)
Operating income before changes in operating assets and liabilities	8,301,700	7,630,929
Changes in operating assets and liabilities		
(Increase) decrease in:		
Due from Bangko Sentral ng Pilipinas	(904,000)	2,133,000
Interbank loans receivable and securities purchased under agreements to resell	3,960,332	6,915,765
Trading securities	(51,941,136)	(3,951,713)
Loans and advances	7,417,713	(23,242,868)
Assets held for sale	135,271	615,513
Assets attributable to insurance operations	368,954	1,675,826
Other resources	2,559,380	(307,397)
Increase (decrease) in:		
Deposit liabilities	25,666,019	(3,746,349)
Due to Bangko Sentral ng Pilipinas and other banks	(843,330)	(935,371)
Manager's checks demand drafts outstanding	1,315,743	310,498
Accrued taxes, interest and other expenses	(242,378)	(469,975)
Liabilities attributable to insurance operations	2,062,793	628,033
Derivative financial instrument	(479,533)	622,583
Deferred credits and other liabilities	1,595,273	218,638
Net cash from operating activities before income tax	(1,027,200)	(11,902,891)
Income taxes paid	(1,243,343)	(1,054,226)
Net cash generated from operating activities	(2,270,543)	(12,957,116)
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>		
Increase (decrease) in:		
Available for sale securities	8,459,299	33,872,934
Held-to-maturity securities	(2,486,238)	5,673,313
Bank, premises, furniture, fixtures and equipment	(1,306,860)	(1,251,401)
Dividends received	16,402	17,969
Equity investments	511,011	(759,545)
Assets attributable to insurance operations	(2,926,995)	(1,292,532)
Investment property	33,132	31,232
Net cash used in investing activities	2,299,751	36,291,971
<b><i>CASH FLOWS FROM FINANCING ACTIVITIES</i></b>		
Cash Dividends	(2,921,170)	(5,138,513)
Increase (decrease) in bills payable	21,781,884	45,131
Net cash (used in) provided by financing activities	18,860,714	(5,093,381)
<b><i>NET INCREASE (DECREASE) IN CASH</i></b>		
<b><i>AND CASH EQUIVALENTS</i></b>		
	18,889,922	18,241,473
<b><i>CASH AND CASH EQUIVALENTS</i></b>		
December 31	62,789,180	82,299,814
June 30	81,679,102	100,541,288

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

<b>SEC REQUIREMENT</b>	<b>DISCLOSURE</b>
Disclosure that the issuer's interim financial report is in compliance with generally accepted accounting principles	The Bank's interim financial statements have been prepared in accordance with the Phil. Financial Reporting Standards (PFRS) which includes applicable PFRS, PAS (Phil. Accounting Standards) and interpretations approved by the FRSC (Financial Reporting Standards Council).
The following information, as a minimum, should be disclosed in the notes to financial statements, if material and if not disclosed elsewhere in the interim financial report:	
<ul style="list-style-type: none"> <li>• A statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change.</li> </ul>	<ul style="list-style-type: none"> <li>• The Bank's interim financial statements have been prepared consistent with its most recent annual financial statements as of December 31, 2008 which was in accordance with the PFRS (Philippine Financial Reporting Standards) adopted by the SEC.</li> </ul>
<ul style="list-style-type: none"> <li>• Explanatory comments about the seasonality or cyclicity of interim operations</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>• The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>• The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period</li> </ul>	<ul style="list-style-type: none"> <li>• In compliance with the PFRS, the Bank adopted certain accounting and measurement methods in 2008. Those changes did not materially affect the current interim period.</li> </ul>
<ul style="list-style-type: none"> <li>• Issuances, repurchases, and repayments of debt and equity securities</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>• Dividends paid (aggregate or per share) separately for ordinary shares and other shares</li> </ul>	<ul style="list-style-type: none"> <li>• Cash dividend of P 2.9 B was paid on March 20, 2009 to Common stockholders of record as of March 5, 2009.</li> </ul>

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009**

SEC REQUIREMENT	DISCLOSURE
	On June 17, 2009, the Board of Directors declared a regular cash dividend of P 0.90 per share for the first semester of 2009 on the total outstanding Common shares of the capital stock of BPI payable to all BPI Common shares stockholders of record as of August 21, 2009 and distributable/payable on September 5, 2009 amounting to P2.9 B.
<ul style="list-style-type: none"> <li>• Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting. (This shall be provided only if the issuer is required to disclose segment information in its annual financial statements)</li> </ul>	<ul style="list-style-type: none"> <li>• Attached</li> </ul>
<ul style="list-style-type: none"> <li>• Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>• The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>• Changes in contingent liabilities or contingent assets since the last annual balance sheet date</li> </ul>	<ul style="list-style-type: none"> <li>• Changes in contingent liabilities and contingent assets are in the normal course of business and are not anticipated to cause any material losses from those commitments/ contingent liabilities.</li> </ul>
<ul style="list-style-type: none"> <li>• Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>

**BANK OF THE PHILIPPINE ISLANDS**  
**SEGMENT REPORT**  
For the Quarter Ending June 30, 2009

In P Mn	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Net Interest Income	3,003	1,830	583	(139)	5,277
Interest Income	5,794	1,980	632	(86)	8,320
Interest Expense	2,791	150	49	53	3,043
Other Income	1,578	343	1,365	82	3,368
Net Interest Income & Other Income	4,581	2,173	1,948	(57)	8,645
Operating and Other Expenses	3,814	636	217	(88)	4,579
Income Before Impairment Losses, Income Tax and Minority Interest	767	1,537	1,731	31	4,066
Impairment Losses	409	291	0	(0)	700
Income before Income Tax and Minority Interest	358	1,246	1,731	31	3,366
Provision for Income Tax					905
Minority Interest					37
Net Income					2,424
	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Assets	228,992	211,249	252,528	26,279	719,048
Liabilities	589,507	35,316	3,699	24,051	652,573
Capex	498	310	2	62	872
Depreciation	257	209	3	117	586

**BANK OF THE PHILIPPINE ISLANDS**  
**SEGMENT REPORT**  
For the Six Months Ending June 30, 2009

In P Mn	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Net Interest Income	6,035	3,606	1,326	(210)	10,757
Interest Income	11,807	3,873	1,406	(77)	17,009
Interest Expense	5,772	267	80	133	6,252
Other Income	3,003	681	2,811	245	6,740
Net Interest Income & Other Income	9,038	4,287	4,137	35	17,497
Operating and Other Expenses	7,218	1,257	392	237	9,104
Income Before Impairment Losses, Income Tax and Minority Interest	1,820	3,030	3,745	(202)	8,393
Impairment Losses	784	716	0	(0)	1,500
Income before Income Tax and Minority Interest	1,036	2,314	3,745	(202)	6,893
Provision for Income Tax					1,508
Minority Interest					78
Net Income					5,307
	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Assets	228,992	211,249	252,528	26,279	719,048
Liabilities	589,507	35,316	3,699	24,051	652,573
Capex	963	570	2	492	2,027
Depreciation	490	418	7	227	1,142

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

### **Financial Condition**

**Total resources** as of end of first semester 2009 reached P719.0 billion, P52.4 billion or 7.9% higher than the December 2008's level of P666.6 billion. Total **deposits** grew by P25.7 billion or 4.7% coming from the increases in **demand and savings deposits** of P9.6 billion or 10.4% and P16.6 billion or 10.2%, respectively. **Bills payable** also rose by P21.8 billion from loans rediscounting with BSP. **Liabilities attributable to insurance operations** were up by P2.1 billion or 11.0% due to increased reserves relative to new policies. **Deferred credits and other liabilities** increased by P1.6 billion or 9.1% on higher bills purchased contra account. **Manager's checks and demand drafts outstanding** went up by P1.3 billion or 48.3% on higher outstanding manager's checks issued. On the other hand, **derivative financial liability** dropped by P1.4 billion or 53.4% on maturing interest rate swaps hedges and foreign exchange contracts. **Due to Bangko Sentral ng Pilipinas and other banks** went down by P843.3 million on payment of BSP supervision and examination fees, lower balances maintained by foreign banks and extended deadline on the remittance of tax collections in the last week of December 2008. **Accrued taxes, interest and other expenses** were likewise down by P400.7 million or 9.6% on payments of accrued year end expenses and accrued interests on matured time deposits.

**Total capital funds** increased by P2.6 billion mainly due to the rise in **surplus** by P2.4 billion or 7.8% on account of first semester earnings net of cash dividends paid. Debit balance of translation adjustments dropped by P223.4 million or 32.3% on the impact of the strengthening of the US dollar and third currencies on translating the capital of foreign subsidiaries.

On the asset side, favored investment outlets of increased funding were **trading securities, due from Bangko Sentral ng Pilipinas (BSP)** and **interbank loans receivable and securities purchased under agreements to resell** which grew by P51.9 billion, P28.3 billion and P2.7 billion, respectively. **Assets attributable to insurance operations** were up by P2.5 billion or 11.5% on higher investments. Net loans, on the other hand, dropped by P9.6 billion or 3.0% on payments of corporate clients. **Available for sale securities** decreased by P9.0 billion with the sell down of some inventory. **Cash and other cash items** and **due from other banks** likewise declined by P8.1 billion and P7.1 billion, respectively, as funds were shifted to higher yielding securities. **Derivative financial assets** dropped by P881.8 million due to maturing interest rate swaps hedges and foreign exchange contracts. **Other resources** also slid by P709.5 million due to decreases in deferred charges, accounts receivables and accrued interest and fees receivables. **Equity investment** decreased by P38.8 million mainly due to dividends received from one of the bank's subsidiaries.

## RESULTS OF OPERATIONS

### For the Quarters ended June 30, 2009 and 2008

**Net income** for the second quarter of 2009 reached P2.4 billion, P139.9 million or 6.1% higher than second quarter of 2008 profits of P2.3 billion. This was attributed to the increase in total revenues by P659.0 million or 8.2%. Revenue growth was tempered by increases in **impairment losses, operating expenses and income taxes** by P210.7 million, P160.7 million and P143.6 million, respectively.

Revenue improvement came largely from the increase in **net interest income** by P650.4 million or 14.1%. **Non-interest income** was also up by P8.6 million.

Rise in **net interest income** was driven by the P59.2 billion expansion in average assets and the 7 basis points increase in interest spreads. **Interest income** went up by P547.2 million or 7.0% and **interest expense** dropped by P103.2 million or 3.3%.

- Interest income growth came from increase in income on **loans and advances** by P539.4 million or 9.5% on expanded loan portfolio and higher yields. Income on **held-to-maturity and trading securities** also went up by P361.6 million or 34.6% on higher inventory. However, income on **available-for-sale securities** were down by P317.8 million or 39.7% on lower inventory due to first quarter sell down and last year's reclassification to held-to-maturity. **Gross receipts tax (GRT)** rose by P21.4 million as a result of the increase in interest income.
- The drop in interest expense came from the reduction in interest expense on **deposits** by P273.0 million or 8.9%. Lower interest expense on deposits was caused by the decline in the cost of foreign currency deposits and peso time deposits and the favorable shift from bought to float peso deposits. Interest expense on **bills payable and other borrowings** on the other hand grew by P169.8 million on account of the cost of the bank's unsecured subordinated debt and additional borrowings in the second quarter of this year.

Increase in non-interest income of P8.6 million came from the upswing in **income from foreign exchange and securities trading** by P57.1 million or 10.1% on sell down of foreign and peso securities. **Income from insurance operations** also improved by P43.3 million or 22.4% on higher premiums from new policies issued. These were however almost negated by the decline in **other operating income** by P88.5 million and **service charges and commissions** by P11.4 million. The lower other operating income arose from lower gain on asset sales. **GRT** was down by P8.1 million or 3.5% on account of the lower level of taxable income.

**Impairment losses** accelerated by P210.7 million to P700 million over the same period last year with additional provision set up for corporate accounts.

**Other expenses** at P4.6 billion were higher by P160.7 million against last year's P4.4 billion. **Compensation and fringe benefits** were higher by P223.2 million or 11.4% largely due to a higher retirement expense accrual. **Occupancy and equipment-related expenses** likewise moved up by P67.7 million on increased depreciation/amortization expenses. These increments were partly offset by the reduction in **other operating expenses** by P130.2 million or 11.2% on account of decreases in miscellaneous expenses, management and other professional fees and advertising & publicity expenses.

**Current income tax** rose by P127.7 million or 28.6% mainly due to rise in final taxes paid on account of increased level of income subject to final tax. **Deferred income tax** increased by P15.9 million or 5.0% due to the write-off of the deferred income tax component of a portion of expiring Net Operating Loss Carry Over (NOLCO). **Income of Minority Interest** rose by P4.2 million or 12.8% on improved income of the insurance subsidiaries.

### **Comprehensive Income**

**Total comprehensive income** for the second quarter was P2.9 billion, P4.0 billion better than last year's loss of P1.1 billion. This substantial improvement was mainly attributed to this year's **other comprehensive income** of P495.0 million against last year's net loss of P3.4 billion or an increase of P3.9 billion or 2.4x. **Net income before minority interest** was also up by P144.0 million or 6.2%.

Contributing largely to the increase in other comprehensive income was the minimal drop of P29.2 million in **unrealized gain/loss on available for sale securities** against last year's second quarter drop of P3.0 billion. Last year's rising interest rates scenario resulted in market valuation losses on the trading inventory. **Fair value reserve on investment of the insurance subsidiaries** also posted gains of P290.2 million as market valuation of equities and funds continued to improve in contrast to last year's drop of P629.1 million. Higher **translation of foreign subsidiaries** this year was caused by the strengthening of the British pounds while increase in the same period last year was due to stronger US dollar and thirds currencies.

### **For the Six Months ended June 30, 2009 and 2008**

For the first semester 2009, the bank registered a **net income** of P5.3 billion, P1.5 billion or 38.4% higher than last year's P3.8 billion. This improvement emanated from the P2.8 billion or 19.2% rise in **revenues** coming from increases of P1.6 billion and P1.2 billion in **net interest income** and **other income**, respectively. Revenue growth was partly reduced by increments of P625.2 million and P561.6 million in **impairment losses** and **other expenses**, respectively.

**Net interest income** was up by 18% driven by the P44.5 billion expansion in average asset base and the 31 basis points improvement in net interest spreads. Total asset yield rose by 6 basis points resulting in a P1.3 billion or 8.4% growth in **interest income**. Cost of funds dropped by 25 basis points, hence, **interest expense** contracted by P327.5 million or 5.0%.

- The increase in interest income was largely caused by income on **loans and advances** which grew by P1.8 billion or 16.3% on higher portfolio level and yields. Income on **held-to-maturity and trading securities** was also up by P645.6 million or 29.8% due to higher inventory. On the other hand, income **on available-for-sale securities** was down by P963.6 million or 50.3% on the combined effect of lower inventory and lower yields. Income on **deposits with banks** likewise dropped by P103.2 million on lower average BSP deposit balance. Consequent to the improvement in interest income, **GRT** moved up by P60.2 million or 9.6%.
- Interest expense **on deposits** was down by P615.9 million or 9.7%, despite the P36.6 billion expansion in average deposits, as cost of both peso and foreign currency deposits dropped. Cost of peso deposits went down mainly due to the shift from the more costly time deposit to float deposits. Interest expense **on bills payable and other borrowings** was higher by P288.4 million or 1.4x due to the P5.0 billion subordinated debt and higher BSP rediscount volume.

The P1.2 billion or 21.1% increase in **other income** was largely attributed to the P969.0 million or 95.7% growth in **income from foreign exchange and securities trading**. The bank recognized some profit from the sale of securities at the start of the year. **Service charges and commissions** also increased by P133.1 million or 9.0% on higher transaction volume. **Income attributable to insurance operations** improved by P113.6 billion or 34.5% on better premiums but partly negated by higher actuarial reserves. As a result of the increase in other income, **GRT** was up by P28.9 million or 7.8%.

**Impairment losses** increased by P625.2 million to P1.5 billion due to additional reserves provided for certain corporate accounts as well as collective impairment on exporters with credit risk rating of 6.

**Other expenses** at P9.1 billion were P561.6 million or 6.6% higher than last year's P8.5 billion. **Compensation and fringe benefits** grew by P444.9 million or 11.4% on higher retirement expense accrual and salary increases. **Occupancy and equipment-related expenses** were also up by P160.6 million or 6.5% due to higher depreciation, amortization and contractual service costs.

**Provision for income tax** rose by P142.1 million or 10.4%. **Current income tax** was up by P186.6 million or 18.7% as income subject to final tax increased. **Deferred income tax** however decreased by P44.5 million or 12.2% due to timing difference on accrued expenses of certain subsidiaries.

**Income attributable to minority interest** improved by P13.6 million or 20.9% on higher profits of the insurance subsidiaries especially the non-life insurance business.

### Comprehensive Income

**Total comprehensive income** for the first half of 2009 reached P5.6 billion, a P7.4 billion or 4x leap over last year's net loss of P1.8 billion. This came from the combined improvement in **other comprehensive income** of P5.9 billion (2.4x) and **net income before minority interest** of P1.5 billion (38.1%) from last year.

On the comprehensive income, the decline in **unrealized gain/loss on available for sale securities** was lower this year at P324.3 million as against last year's P5.1 billion on last year's strategy to sell down inventories to prevent further losses in view of rising interest rates. **Fair value reserve on investment of the insurance subsidiaries** likewise improved by P1.2 billion or 143.3% from last year's loss of P845.2 million to P366.0 million gain on favorable mark-to-market valuation of equities and investment funds. On the other hand, net positive change in the **translation of foreign subsidiaries** declined by P12.6 million or 5.3% on lower translation gains this year compared to last year, mainly from the US dollar appreciation.

### Key Performance Indicators

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

	June 30, 2009	June 30, 2008
Return on Equity (%)	16.5	11.8
Return on Assets (%)	1.7	1.3
Net Interest Margin (%)	4.0	3.6
Operating Efficiency Ratio (%)	52.0	58.2
Capital Adequacy Ratio (%)—Basel II	15.2	13.7

**Return on equity** (ROE), net income divided by average equity, improved by 4.7% on higher earnings this year. Similarly, **return on assets** (ROA), net income divided by average assets, improved by 40 basis points. These increases in ROE and ROA reflect the bank's efficiency in utilizing its capital and resources, respectively, to generate profits.

**Net interest margin** (NIM), net interest income divided by average interest bearing assets, was up by 31 basis points due to the 6 basis points increase in yields on interest bearing assets and the 25 basis points decline in costs of funds in the first semester of 2009.

**Operating efficiency ratio** (cost to income), operating expenses divided by total revenues, improved by 6.2% as revenues posted bigger growth over operating expenses. This shows the bank's ability to utilize expenses to generate more revenues.

**Capital adequacy ratio (CAR)**, total qualifying capital divided by total risk-weighted assets, measures the ability of the bank's capital funds to cover its various risks. The bank's CAR went up by 1.5% from last year's 13.7% to 15.2% this year due to increase in qualifying capital on account of higher earnings and the P5.0 billion unsecured subordinated debt. The bank's CAR is above BSP's minimum requirement of 10%.

### **Material Events and Uncertainties**

The Bank has nothing to report on the following:

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

**SIGNATURES**

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

**BANK OF THE PHILIPPINE ISLANDS**

Issuer



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

Date: August 14, 2009



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

Date: August 14, 2009

**BPI UNIBANK**  
**CONSOLIDATED AGING OF ACCOUNTS RECEIVABLE**  
**JUNE 30, 2009**

No. of Days Outstanding	Amount (In Thousands)
01-90	P 275,460
91-180	178,979
181-360	334,180
Over 360	1,568,155
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<b>Grand Total</b>	<b>P 2,356,773</b>
<b>Less: Allowance for Probable Losses</b>	<b>610,068</b>
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<b>Net of Allowance for Probable Losses</b>	<b>P 1,746,706</b>
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