

SUMMARY OF FINANCIAL PERFORMANCE

G4-9

RESULTS OF OPERATIONS

In 2016, BPI generated ₱22.1 billion in net income, ₱3.8 billion or 20.9% higher than the ₱18.2 billion earned in the same period last year. This increase was realized through a ₱7.2-billion increase in total revenues, partly reduced by growth in operating expenses and provisions of ₱3.1 billion and ₱824 million, respectively. Comprehensive income ended at ₱21.7 billion, 30.2% higher than the 2015 level.

Return on equity was 13.8%, 1.4 percentage points higher than last year's 12.3%. Return on assets was 1.4%, 9 basis points up from last year's 1.3%.

Total revenues of ₱66.55 billion increased 12.1% from last year's ₱59.4 billion, driven by significant gains from the Bank's core intermediation business.

Net interest income increased 9.7% to ₱42.4 billion from last year's ₱38.6 billion, the result of a ₱179.1 billion or 12.7% expansion in average asset base.

Non-interest income closed at ₱24.2 billion, representing a 16.7% growth from last year's ₱20.7 billion, mainly attributable to trading gains related to the Bank's securities portfolio, and higher fees generated from bancassurance, underwriting, deposit-taking and lending activities.

Impairment losses at ₱4.8 billion increased by ₱824 million, or 20.7% from 2015 on higher loan loss provisions in line with growth in its loan portfolio.

Operating expenses ended at ₱34.9 billion, up ₱3.1 billion or 9.6%, from last year's ₱31.9 billion. Compensation and fringe benefits increased by ₱1.0 billion or 8.0%, largely due to increased head count and collective bargaining costs. Other operating expenses was likewise higher by ₱1.1 billion or 10.9%, on higher regulatory costs, product related insurance premiums, and other transaction-related expenses. Occupancy and equipment-related expenses increased by ₱963 million or 10.5%, driven mainly by spending on general infrastructure.

FINANCIAL CONDITION

The Bank's total resources stood at ₱1.7 trillion, ₱209.3 billion or 13.8% higher than last year's ₱1.5 trillion. The increase was driven by the ₱155.6 billion or ₱12.2% growth in total deposits which ended at ₱1.4 trillion. Current, savings and time deposits grew by ₱16.9 billion, ₱112.4 billion and ₱26.3 billion respectively.

Total capital funds increased by ₱15.0 billion or 9.8% to ₱167.7 billion from 2015's ₱152.7 billion. The improvement in capital came from higher profits from operations, net of dividends paid. Capital adequacy ratio, using Basel III measures, ended at 13.0%, with CET 1 at 12.1%. The CAR and CET 1 remained above the regulatory requirement. BPI's market capitalization remained one of the largest in the industry, at ₱349.6 billion. As of December 31, 2016, the Bank's share price closed at ₱88.80, representing a 2.1x multiple to book value.

Loans, net of impairment losses, amounted to ₱1.0 trillion, ₱167.9 billion or 19.2% higher than last year's ₱872.9 billion. The Bank's gross 90-day non-performing loan ratio improved to 1.5% from its end-2015 level of 1.6%. Liquid assets at ₱328.1 billion increased ₱34.2 billion, or 11.6%, largely on higher deposits with the Bangko Sentral.

Investment securities at ₱292.8 billion increased by ₱5.7 billion from last year's ₱287.1 billion. Held-to-maturity securities increased ₱23.7 billion or 9.7% to ₱268.5 billion due to additional investments; available-for-sale securities declined by ₱18.0 billion or 42.5% to ₱24.3 billion, due to decrease in position taking in foreign holdings.

The Bank's securities balances continue to reflect disciplined trading and portfolio management, as well as prudent risk-taking strategy.

REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS BANK OF PHILIPPINE ISLANDS FOR THE YEAR ENDED DECEMBER 31, 2016
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The role and responsibilities of the Audit Committee are defined in the Board-approved Audit Committee charter. In accordance with this charter, the Committee assists the Board of Directors in fulfilling its oversight responsibilities to the shareholders with respect to:

- Systems of internal controls, risk management and governance process of the Bank,
- Integrity of the Bank's financial statements and financial reporting process
- Performance of the internal audit function and the external auditor
- Compliance with bank policies, applicable laws, rules and regulatory requirements

The Committee is composed of four (4) qualified non-executive directors, with three (3) independent directors including the Chairman, all with necessary background, knowledge, skills, and/or experience to carry out its functions.

For 2016, the Committee held twelve (12) regular meetings and one (1) special meeting. Significant matters discussed, reviewed and evaluated were as follows:

1. Financial Statements :

- a) Reviewed and discussed with Management and the external auditor, Isla Lipana & Co., a member firm of Price Waterhouse Coopers, the audited consolidated financial statements of Bank of the Philippine Islands (BPI) and the related disclosures for the year ended December 31, 2016, including the assessment of the internal controls relevant to the financial reporting process. The review was performed in the following context:

- that Management is responsible for the preparation and fair presentation of the financial statements in accordance with the prescribed financial reporting framework, and
- that Isla Lipana has audited the financial statements in accordance with the Philippine Standards on Auditing and is responsible for expressing an opinion on the fairness of the presentation .

After obtaining assurance on the external auditor's independent and thorough review of the financial statements, the Committee endorsed the audited financial statements for approval by the Board and for inclusion in the 2016 Annual Report to the Stockholders.

- b) Discussed with Management and internal auditors, the quarterly unaudited consolidated financial reports of BPI Group including the results of operations and endorsed the financial statements to the Board of Directors for approval.

2. External Audit:

- a) Reviewed the audit plan and the scope of work of the external auditors, ensuring that areas of focus were appropriately covered and there were no significant gaps in the scope between external and internal audits to ensure a complete audit coverage and effective use of resources. The Committee also ensured the rotation of the lead audit partner having primary responsibility for the audit of the Bank. In consultation with Management, the Committee approved the term of engagement and audit fees of the external auditor. There were also no non-audit work performed by the external auditor for BPI and its subsidiaries.
- b) Evaluated the overall performance and effectiveness of the external auditors in terms of their independence, competence and execution of the audit plan. Isla Lipana & Co. had reaffirmed its independence from BPI and its subsidiaries and that they are in compliance with the relevant ethical and professional standards. The Committee thereafter, recommended for consideration and endorsement of the Board of Directors to the stockholders, the re-engagement of Isla Lipana & Co for BPI and its subsidiaries and affiliates for year 2017.

The Audit Committee also held an annual executive session with the external auditor to discuss any matters of concern on internal controls relating to its financial reporting and attestation process.

3. Internal Audit:

- a) Reviewed and approved the Internal Audit work plan including its charter, risk assessment model and audit rating framework. The Committee also ensures that the internal audit function is independent, has adequate and competent resources, and has appropriate authority to be able to effectively discharge its duties.
- b) Reviewed and discussed the reports from internal audit and other management assurance units, ensuring that Management is taking the appropriate corrective actions in a timely manner and all identified risks are reviewed in coordination with the Risk Management Committee. The Committee is continuously updated on the Bank's strategic plans for the enhancement of the processes to ensure that operational and regulatory risks are mitigated, particularly on Anti-Money laundering, cyber security and other emerging technology related risks. The Audit Committee also held private sessions periodically with the Chief Audit Executive to discuss any significant risk and/or control issues.
- c) Reviewed the minutes of meetings of the different Audit Committees of BPI subsidiaries, to ensure that identified control weaknesses, operational risks and compliance issues are monitored and acted upon.
- d) Evaluated the performance of the Chief Audit Executive. The Committee also reviewed the effectiveness of internal audit function, ensuring that the activities of Internal Audit are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing (ISSPIA) and Code of Ethics..

4. Regulatory Compliance:


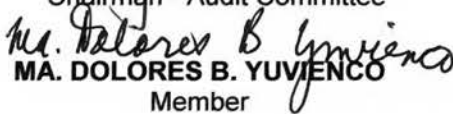
- a) Reviewed the effectiveness of the system for monitoring compliance with laws and regulations through the regular reports from the Group Compliance Office on the results of their compliance reviews including Management's actions to address the issues.
- b) Discussed the latest BSP report of examination as of March 31, 2016 which indicated satisfactory results, including Management's responses to address the audit issues and recommendations. The status of Management's action plans were monitored through the regular reports/updates of the Compliance Office.
- c) Discussed the audit results on the post-review of significant related party transactions (RPTs), ensuring that any significant issues had been appropriately addressed.

In compliance with the SEC requirement and the BPI Corporate Governance Manual, the Audit Committee:

- Attended the annual SEC accredited workshop/program on corporate governance, risk management and related party transactions as part of its continuing training. The Committee also received regular updates on new relevant laws, tax regulations, applicable standards and other regulatory requirements.
- Reviewed and reassessed annually the Audit Committee charter to ensure that it is updated and aligned with the recent guidelines and other relevant regulations. The latest changes in the charter was in December 2016.
- Performed an annual self-assessment and reviewed its performance as against its charter. The results of the self-assessment were validated by the Compliance Officer and discussed in the Corporate Governance Committee. The process confirmed a satisfactory performance of the Audit Committee.

Based on the results of the assurance activities performed by the Bank's Internal Audit and the external auditor's unqualified opinion on the financial statements, the Committee assessed that the Bank's systems of internal controls, risk management, and governance processes continue to be adequate and generally effective. This overall assessment states, among others, that the audit scope and coverage are sufficient, comprehensive, and risk-based, that Management is aware of its responsibility for internal control, and that there is no interference with the accomplishment of audit activities and reporting of issues and other relevant information to Management, Audit Committee, and the Board of Directors.


OCTAVIO V. ESPIRITU
Member


XAVIER P. LOIAZ
Chairman - Audit Committee

MA. DOLORES B. YUVENCO
Member


AURELIO MONTINOLA III
Member

ANNEX "B"

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

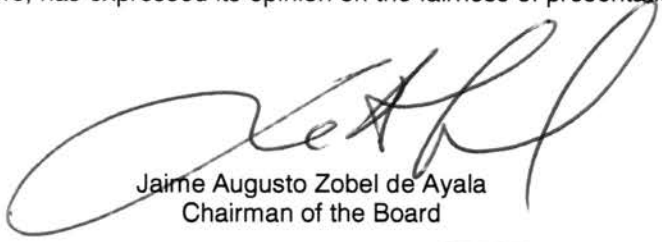
The management of Bank of the Philippine Islands is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended December 31, 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

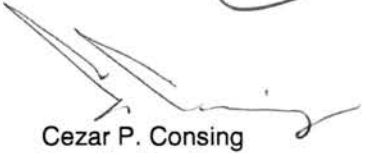
In preparing the financial statements, management is responsible for assessing the ability of the Bank of the Philippine Islands to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

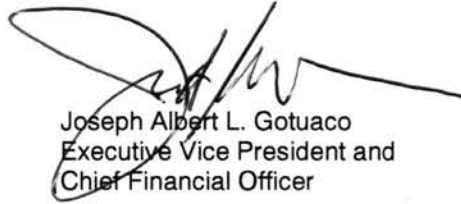
The Board of Directors is responsible for overseeing the financial reporting process of the Bank of the Philippine Islands.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Isla Lipana & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank of the Philippine Islands in accordance with Philippine Standards on Auditing, and in its report to the shareholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


Jaime Augusto Zobel de Ayala
Chairman of the Board


Cezar P. Consing
President and
Chief Executive Officer


Joseph Albert L. Gotuaco
Executive Vice President and
Chief Financial Officer

Makati City

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this MAR 24 2017,
affiants exhibited to me their Passport with the following details:

Name	Passport No.	Date/Place of Issue	Valid Until
Jaime Augusto Zobel de Ayala			
Cezar P. Consing			
Joseph Albert L. Gotuaco			


FELIPE I. ILEDAN JR.

Notary Public for and in Makati City

Until Dec. 31, 2018, Appt. No. M-13

Roll No. 27625, TIN 136897808

Sm. 412, 4th Flr. VGP Center, Ayala, Makati City

2017 PTR No. 5942444 issued 12/7/16, Mla.

IBP No. 974042; 8/18/14

MCLE Comp. V-0023610, 8/26/2016



Independent Auditor's Report

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
BPI Building, Ayala Avenue
Makati City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated and parent financial statements present fairly, in all material respects, the financial position of the Bank of the Philippine Islands and Subsidiaries (the "BPI Group") and the parent financial statements of Bank of the Philippine Islands (the "Parent Bank") as at December 31, 2016 and 2015, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards.

What we have audited

The financial statements comprise:

- the consolidated and parent statements of condition as at December 31, 2016 and 2015;
- the consolidated and parent statements of income for each of the three years in the period ended December 31, 2016;
- the consolidated and parent statements of total comprehensive income for each of the three years in the period ended December 31, 2016;
- the consolidated and parent statements of changes in capital funds for each of the three years in the period ended December 31, 2016;
- the consolidated and parent statements of cash flows for each of the three years in the period ended December 31, 2016; and
- the notes to the consolidated and parent financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 845 2728, F: +63 (2) 845 2806, www.pwc.com/ph



Independent Auditor's Report
To the Board of Directors and Shareholders of
Bank of the Philippine Islands
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Independence

We are independent of the BPI Group and of the Parent Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and parent financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated and parent financial statements as a whole, taking into account the structure of the BPI Group and of the Parent Bank, the accounting processes and controls, and the industry in which the BPI Group and the Parent Bank operate.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit pertains to impairment losses on loans and advances, which applies to both the BPI Group's and the Parent Bank's financial statements.



Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment losses on loans and advances	
<p>Refer to Note 10 of the consolidated financial statements.</p> <p>We focused on this account because of the complexity involved in the estimation process, and the significant judgments that management make in ascertaining the provision for loan impairment. The calculation of impairment losses is inherently judgmental for any bank. The BPI Group has set up a total allowance for impairment for loans and advances amounting to PHP18,676 million as at December 31, 2016 while provision for loan losses recognized in profit or loss amounted to PHP4,955 million for the year then ended.</p> <p>In particular, judgment arises over the determination of objective evidence of impairment which may have a reliably measurable effect on the present value of estimated future cash flows. Further, there are various assumptions utilized in coming up with an impairment loss balance such as the probability of default and loss given default which, to a large extent, are subject to management judgment.</p> <p>Impairment losses are calculated on an individual/ specific basis for significant loans and on a collective basis for portfolio of loans with similar nature and characteristics.</p>	<p>Our audit procedures included evaluating and validating the design and operating effectiveness of controls over loan loss provisioning, including the process for credit risk rating, key reconciliations and management's review of the estimates.</p> <p>Our substantive procedures to assess management's allowance for impairment included the following:</p> <p><u>Individual/ specific assessment</u></p> <p>We assessed the BPI Group's review process on the credit worthiness of customers. The appropriateness of provisioning methodology was independently considered for a sample of loans selected on the basis of risk. We formed our independent view on the levels of provision booked based on the counterparty information in the credit file, including consideration of any related collateral. Calculations using the discounted cash flow model for selected loan samples were re-performed.</p> <p><u>Collective assessment</u></p> <p>We tested the impairment model used and assessed the reasonableness of management assumptions, mainly the probability of default and loss given default, by reference to the requirements of the accounting standards and industry practice. We also performed independent credit review to determine whether impairment triggers exist for selected loan samples. We recomputed the allowance for</p>



Independent Auditor's Report
To the Board of Directors and Shareholders of
Bank of the Philippine Islands
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Key Audit Matter	How our audit addressed the Key Audit Matter (cont.)
	impairment and compared the resulting balance to the allowance recorded by management.
	Based on the procedures we performed, we determined that the impairment models and assumptions were materially consistent with our independent expectations and analysis.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and parent financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and parent financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and parent financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent financial statements, management is responsible for assessing the ability of each entity within the BPI Group and of the Parent Bank to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entities within the BPI Group and the Parent Bank or to cease operations, or has no realistic alternative but to do so.



Independent Auditor's Report
To the Board of Directors and Shareholders of
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Those charged with governance are responsible for overseeing the BPI Group's and the Parent Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Philippine Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent financial statements.

As part of an audit in accordance with Philippine Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BPI Group's and of the Parent Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each entity within the BPI Group and of the Parent Bank to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entities within the BPI Group and the Parent Bank to cease to continue as a going concern.



Independent Auditor's Report
To the Board of Directors and Shareholders of
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- Evaluate the overall presentation, structure and content of the consolidated and parent financial statements, including the disclosures, and whether the consolidated and parent financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Isla Lipana & Co.

Independent Auditor's Report
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Report on Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Zaldy D. Aguirre.

Isla Lipana & Co.

Zaldy D. Aguirre
Partner

CPA Cert. No. 105660

P.T.R. No. 0024447, issued on January 6, 2017, Makati City

SEC A.N. (individual) as general auditors 1176-AR-1, Category A; effective until January 13, 2018

SEC A.N. (firm) as general auditors 0009-FR-4, Category A; effective until July 15, 2018

TIN 221-755-698

BIR A.N. 08-000745-77-2015, issued on January 29, 2015; effective until January 28, 2018

BOA/PRC Reg. No. 0142, with extended validity until April 30, 2017 pursuant to

Board Resolution No. 37 series of 2017

Makati City
February 15, 2017

BANK OF THE PHILIPPINE ISLANDS
STATEMENTS OF CONDITION
DECEMBER 31, 2016 and 2015
(In Millions of Pesos)

	Notes	Consolidated		Parent	
		2016	2015	2016	2015
<u>RESOURCES</u>					
CASH AND OTHER CASH ITEMS	4	35,692	35,681	34,855	34,797
DUE FROM BANGKO SENTRAL NG PILIPINAS	4	239,514	214,960	203,743	174,370
DUE FROM OTHER BANKS	4	23,037	22,238	20,558	17,181
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	4,5	15,236	12,902	9,049	6,163
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS					
- DERIVATIVE FINANCIAL ASSETS	6	2,993	4,529	2,993	4,529
- TRADING SECURITIES	7	14,603	8,084	10,314	5,442
AVAILABLE-FOR-SALE SECURITIES, net	8	24,301	42,287	19,603	36,685
HELD-TO-MATURITY SECURITIES	9	268,483	244,809	245,921	225,077
LOANS AND ADVANCES, net	10	1,040,720	872,861	821,545	664,619
ASSETS HELD FOR SALE, net		3,667	4,385	933	1,771
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	11	13,809	12,826	9,395	8,715
INVESTMENT PROPERTIES, net	12	669	733	669	733
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, net	13	6,818	6,453	8,948	8,068
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS	2,4	16,326	16,320	-	-
DEFERRED INCOME TAX ASSETS, net	14	7,543	6,433	4,571	3,936
OTHER RESOURCES, net	15	12,285	10,855	7,738	6,386
Total resources		1,725,696	1,516,356	1,400,835	1,198,472
(forward)					

BANK OF THE PHILIPPINE ISLANDS
STATEMENTS OF CONDITION
DECEMBER 31, 2016 and 2015
(In Millions of Pesos)

	Notes	Consolidated		Parent	
		2016	2015	2016	2015
LIABILITIES AND CAPITAL FUNDS					
DEPOSIT LIABILITIES	16	1,431,300	1,275,699	1,184,478	1,033,385
DERIVATIVE FINANCIAL LIABILITIES	6	3,112	3,216	3,112	3,216
BILLS PAYABLE	17	61,973	20,941	52,257	12,826
DUE TO BANGKO SENTRAL NG PILIPINAS AND OTHER BANKS		670	431	670	431
MANAGER’S CHECKS AND DEMAND DRAFTS OUTSTANDING		7,579	8,308	5,893	6,693
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		6,853	5,685	4,707	4,026
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS	2	14,367	14,648	-	-
DEFERRED CREDITS AND OTHER LIABILITIES	18	32,158	34,698	26,836	29,095
Total liabilities		1,558,012	1,363,626	1,277,953	1,089,672
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS					
OF BPI	19				
Share capital		39,308	39,285	39,308	39,285
Share premium		29,591	29,439	29,591	29,439
Reserves		2,711	2,563	2,695	2,555
Surplus		98,602	83,761	56,095	42,401
Accumulated other comprehensive loss		(5,078)	(4,764)	(4,807)	(4,880)
		165,134	150,284	122,882	108,800
NON-CONTROLLING INTERESTS		2,550	2,446	-	-
Total capital funds		167,684	152,730	122,882	108,800
Total liabilities and capital funds		1,725,696	1,516,356	1,400,835	1,198,472

(The notes on pages A16 to A83 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS
STATEMENTS OF INCOME
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2016
(In Millions of Pesos, Except Per Share Amounts)

	Notes	Consolidated			Parent		
		2016	2015	2014	2016	2015	2014
INTEREST INCOME							
On loans and advances		48,843	42,156	36,441	32,515	27,270	23,282
On held-to-maturity securities		8,746	8,790	8,141	7,987	8,064	7,545
On deposits with BSP and other banks		2,059	2,083	1,769	930	1,485	1,135
On available-for-sale securities		469	757	831	443	688	778
On trading securities		180	241	406	155	197	370
Gross receipts tax		(1,985)	(1,728)	(1,596)	(1,435)	(1,247)	(1,147)
		58,312	52,299	45,992	40,595	36,457	31,963
INTEREST EXPENSE							
On deposits	16	15,301	13,326	10,834	9,616	8,383	6,735
On bills payable	17	634	332	350	406	115	138
		15,935	13,658	11,184	10,022	8,498	6,873
NET INTEREST INCOME		42,377	38,641	34,808	30,573	27,959	25,090
IMPAIRMENT LOSSES	8,10,15	4,800	3,976	2,807	2,930	2,298	1,787
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		37,577	34,665	32,001	27,643	25,661	23,303
OTHER INCOME							
Trading gain on securities		5,400	1,311	1,362	5,398	1,254	1,034
Fees and commissions		7,998	7,530	7,370	6,094	5,899	5,400
Income from foreign exchange trading		1,951	1,545	2,007	1,601	1,190	1,683
Income attributable to insurance operations	2	1,360	1,109	1,007	-	-	-
Other operating income	20	8,955	10,650	10,668	11,730	8,051	9,971
Gross receipts tax		(1,490)	(1,427)	(1,435)	(1,210)	(1,169)	(1,195)
		24,174	20,718	20,979	23,613	15,225	16,893
OTHER EXPENSES							
Compensation and fringe benefits	22	13,463	12,463	11,850	10,713	9,949	9,568
Occupancy and equipment-related expenses	11,12,21	10,156	9,194	9,017	8,172	7,314	7,144
Other operating expenses	22	11,322	10,213	9,093	8,148	7,529	6,593
		34,941	31,870	29,960	27,033	24,792	23,305
INCOME BEFORE INCOME TAX		26,810	23,513	23,020	24,223	16,094	16,891
PROVISION FOR INCOME TAX	23						
Current		5,419	5,736	5,374	3,777	4,269	3,759
Deferred	14	(884)	(598)	(416)	(439)	(238)	(138)
		4,535	5,138	4,958	3,338	4,031	3,621
NET INCOME FOR THE YEAR		22,275	18,375	18,062	20,885	12,063	13,270
Attributable to:							
Equity holders of BPI		22,050	18,234	18,039	20,885	12,063	13,270
Non-controlling interests		225	141	23	-	-	-
		22,275	18,375	18,062	20,885	12,063	13,270
Earnings per share for net income attributable to the equity holders of BPI during the year:							
Basic and diluted	19	5.60	4.64	4.62	5.30	3.07	3.40

(The notes on pages A16 to A83 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS
STATEMENTS OF TOTAL COMPREHENSIVE INCOME
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2016
(In Millions of Pesos)

	Note	Consolidated			Parent		
		2016	2015	2014	2016	2015	2014
NET INCOME FOR THE YEAR		22,275	18,375	18,062	20,885	12,063	13,270
OTHER COMPREHENSIVE INCOME	19						
Items that may be subsequently reclassified to profit or loss							
Net change in fair value reserve on available-for-sale securities, net of tax effect		543	(526)	(903)	502	(153)	(1,043)
Share in other comprehensive (loss) income of associates		(74)	(451)	254	-	-	-
Fair value reserve on investments of insurance subsidiaries, net of tax effect		(131)	(334)	169	-	-	-
Currency translation differences		(113)	77	(65)	-	-	-
Item that will not be reclassified to profit or loss							
Actuarial (losses) gains on defined benefit plan, net of tax effect		(579)	(382)	500	(429)	(225)	352
Total other comprehensive (loss) income, net of tax effect		(354)	(1,616)	(45)	73	(378)	(691)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		21,921	16,759	18,017	20,958	11,685	12,579
Attributable to:							
Equity holders of BPI		21,736	16,693	17,972	20,958	11,685	12,579
Non-controlling interests		185	66	45	-	-	-
		21,921	16,759	18,017	20,958	11,685	12,579

(The notes on pages A16 to A83 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS
STATEMENTS OF CHANGES IN CAPITAL FUNDS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2016
(In Millions of Pesos)

	Consolidated					Total	Non-controlling interests	Total equity
	Attributable to equity holders of BPI (Note 19)							
	Share capital	Share premium	Reserves	Surplus	Accumulated other comprehensive income (loss)			
Balance, January 1, 2014	35,563	8,316	1,680	62,137	(3,161)	104,535	1,272	105,807
Comprehensive income								
Net income for the year	-	-	-	18,039	-	18,039	23	18,062
Other comprehensive (loss) income for the year	-	-	-	-	(67)	(67)	22	(45)
Total comprehensive income (loss) for the year	-	-	-	18,039	(67)	17,972	45	18,017
Transactions with owners								
Proceeds from the stock rights offering	3,709	21,025	-	-	-	24,734	-	24,734
Executive stock plan amortization	-	-	21	-	-	21	-	21
Cash dividends	-	-	-	(3,538)	-	(3,538)	-	(3,538)
Transfer from surplus to reserves	-	-	397	(397)	-	-	-	-
Change in ownership interest in a subsidiary that did not result in loss of control	-	-	-	336	-	336	-	336
Others	-	-	-	(2)	5	3	-	3
Other changes in non-controlling interests	-	-	-	-	-	-	1,299	1,299
Total transactions with owners	3,709	21,025	418	(3,601)	5	21,556	1,299	22,855
Balance, December 31, 2014	39,272	29,341	2,098	76,575	(3,223)	144,063	2,616	146,679
Comprehensive income								
Net income for the year	-	-	-	18,234	-	18,234	141	18,375
Other comprehensive loss for the year	-	-	-	-	(1,541)	(1,541)	(75)	(1,616)
Total comprehensive income (loss) for the year	-	-	-	18,234	(1,541)	16,693	66	16,759
Transactions with owners								
Proceeds from issuance of shares	-	1	-	-	-	1	-	1
Executive stock plan amortization	13	97	33	-	-	143	-	143
Cash dividends	-	-	-	(10,617)	-	(10,617)	-	(10,617)
Transfer from surplus to reserves	-	-	432	(432)	-	-	-	-
Others	-	-	-	1	-	1	-	1
Other changes in non-controlling interests	-	-	-	-	-	-	(236)	(236)
Total transactions with owners	13	98	465	(11,048)	-	(10,472)	(236)	(10,708)
Balance, December 31, 2015	39,285	29,439	2,563	83,761	(4,764)	150,284	2,446	152,730
Comprehensive income								
Net income for the year	-	-	-	22,050	-	22,050	225	22,275
Other comprehensive loss for the year	-	-	-	-	(314)	(314)	(40)	(354)
Total comprehensive income (loss) for the year	-	-	-	22,050	(314)	21,736	185	21,921
Transactions with owners								
Executive stock plan amortization	23	152	45	-	-	220	-	220
Cash dividends	-	-	-	(7,087)	-	(7,087)	-	(7,087)
Transfer from surplus to reserves	-	-	103	(103)	-	-	-	-
Change in ownership interest in a subsidiary	-	-	-	(19)	-	(19)	(10)	(29)
Other changes in non-controlling interests	-	-	-	-	-	-	(71)	(71)
Total transactions with owners	23	152	148	(7,209)	-	(6,886)	(81)	(6,967)
Balance, December 31, 2016	39,308	29,591	2,711	98,602	(5,078)	165,134	2,550	167,684

(The notes on pages A16 to A83 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS
STATEMENTS OF CHANGES IN CAPITAL FUNDS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2016
(In Millions of Pesos)

	Parent (Note 19)					Total
	Share capital	Share premium	Reserves	Surplus	Accumulated other comprehensive income (loss)	
Balance, January 1, 2014	35,563	8,316	1,680	32,053	(3,810)	73,802
Comprehensive income						
Net income for the year	-	-	-	13,270	-	13,270
Other comprehensive loss for the year	-	-	-	-	(691)	(691)
Total comprehensive income (loss) for the year	-	-	-	13,270	(691)	12,579
Transactions with owners						
Proceeds from the stock rights offering	3,709	21,025	-	-	-	24,734
Executive stock option plan amortization	-	-	18	-	-	18
Cash dividends	-	-	-	(3,538)	-	(3,538)
Transfer from surplus to reserves	-	-	397	(397)	-	-
Total transactions with owners	3,709	21,025	415	(3,935)	-	21,214
Balance, December 31, 2014	39,272	29,341	2,095	41,388	(4,501)	107,595
Comprehensive income						
Net income for the year	-	-	-	12,063	-	12,063
Other comprehensive loss for the year	-	-	-	-	(378)	(378)
Total comprehensive income (loss) for the year	-	-	-	12,063	(378)	11,685
Transactions with owners						
Issuance of shares	-	1	-	-	-	1
Executive stock option plan amortization	13	97	28	-	-	138
Cash dividends	-	-	-	(10,617)	-	(10,617)
Transfer from surplus to reserves	-	-	432	(432)	-	-
Others	-	-	-	(1)	(1)	(2)
Total transactions with owners	13	98	460	(11,050)	(1)	(10,480)
Balance, December 31, 2015	39,285	29,439	2,555	42,401	(4,880)	108,800
Comprehensive income						
Net income for the year	-	-	-	20,885	-	20,885
Other comprehensive income for the year	-	-	-	-	73	73
Total comprehensive income for the year	-	-	-	20,885	73	20,958
Transactions with owners						
Executive stock option plan amortization	23	152	37	-	-	212
Cash dividends	-	-	-	(7,087)	-	(7,087)
Transfer from surplus to reserves	-	-	103	(103)	-	-
Others	-	-	-	(1)	-	(1)
Total transactions with owners	23	152	140	(7,191)	-	(6,876)
Balance, December 31, 2016	39,308	29,591	2,695	56,095	(4,807)	122,882

(The notes on pages A16 to A83 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS
STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2016
(In Millions of Pesos)

	Notes	Consolidated			Parent		
		2016	2015	2014	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES							
Income before income tax		26,810	23,513	23,020	24,223	16,094	16,891
Adjustments for:							
Impairment losses	8,10,15	4,800	3,976	2,807	2,930	2,298	1,787
Depreciation and amortization	11,12	3,878	3,661	3,587	2,541	2,347	2,299
Share in net income of associates	13	(814)	(627)	(257)	-	-	-
Dividend and other income	20,31	(56)	(1,554)	(22)	(6,083)	(1,895)	(2,000)
Share based compensation	19	45	33	21	37	28	18
Interest income		(60,297)	(54,027)	(47,588)	(42,030)	(37,704)	(33,110)
Interest expense		15,935	13,658	11,184	10,022	8,498	6,874
Interest received		59,447	53,556	45,984	41,369	37,411	31,608
Interest paid		(15,716)	(13,509)	(11,117)	(9,920)	(8,470)	(6,672)
(Increase) decrease in:							
Interbank loans receivable and securities purchased under agreements to resell		1,316	650	(5,045)	2,381	820	(5,010)
Trading securities		(6,507)	7,746	(11,218)	(4,861)	1,152	(3,952)
Loans and advances, net		(171,462)	(76,140)	(167,393)	(159,101)	(45,371)	(142,705)
Assets held for sale		1,007	941	764	1,119	1,022	878
Assets attributable to insurance operations		(54)	(374)	(910)	-	-	-
Other resources		(2,269)	1,996	(2,897)	(2,056)	1,744	(1,545)
Increase (decrease) in:							
Deposit liabilities		155,601	99,487	187,627	151,093	80,704	167,278
Due to Bangko Sentral ng Pilipinas and other banks		239	(256)	(1,364)	239	(257)	(1,364)
Manager's checks and demand drafts outstanding		(729)	(46)	1,170	(800)	29	637
Accrued taxes, interest and other expenses		947	(218)	623	579	(104)	419
Liabilities attributable to insurance operations		(281)	1,088	500	-	-	-
Derivative financial instruments		1,432	(177)	(935)	1,433	(179)	(935)
Deferred credits and other liabilities		(3,122)	(496)	3,737	(2,692)	(139)	2,684
Net cash from operations		10,150	62,881	32,278	10,423	58,028	34,080
Income taxes paid		(5,645)	(5,853)	(4,500)	(3,974)	(4,371)	(2,920)
Net cash from operating activities		4,505	57,028	27,778	6,449	53,657	31,160
(forward)							

BANK OF THE PHILIPPINE ISLANDS
STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2016
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	2016	2015	2014	2016	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES							
(Increase) decrease in:							
Available-for-sale securities, net	8	18,435	8,027	35,013	17,519	4,623	38,452
Held-to-maturity securities	9	(23,874)	(34,995)	(111,906)	(21,078)	(31,722)	(105,811)
Bank premises, furniture, fixtures and equipment, net	11	(4,109)	(1,503)	(3,434)	(2,543)	(406)	(2,061)
Investment properties, net		(35)	-	709	-	-	709
Investment in subsidiaries and associates, net		28	(1,983)	(95)	(880)	(1,342)	(248)
Assets attributable to insurance operations		(136)	589	(851)	-	-	-
Dividends received	20	56	48	22	6,084	389	572
Proceeds from sale of interest in a subsidiary	31	-	-	-	-	-	1,744
Net cash used in investing activities		(9,635)	(29,817)	(80,542)	(898)	(28,458)	(66,643)
CASH FLOWS FROM FINANCING ACTIVITIES							
Cash dividends paid		(7,082)	(7,078)	(6,739)	(7,082)	(7,078)	(6,739)
Increase (decrease) in:							
Collection on stock subscriptions		175	112	24,733	175	112	24,733
Bills payable		41,032	(12,052)	6,812	39,431	(13,462)	7,300
Proceeds from sale of interest in a subsidiary	31	-	-	1,744	-	-	-
Net cash from (used in) financing activities		34,125	(19,018)	26,550	32,524	(20,428)	25,294
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS							
CASH AND CASH EQUIVALENTS		28,995	8,193	(26,214)	38,075	4,771	(10,189)
January 1	4	281,751	273,558	299,772	228,381	223,610	233,799
December 31		310,746	281,751	273,558	266,456	228,381	223,610

(The notes on pages A16 to A83 are an integral part of these financial statements.)