

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year .....2014.....
2. Exact Name of Registrant as Specified in its Charter.....**BANK OF THE PHILIPPINE ISLANDS**.....
3. **BANK OF THE PHILIPPINE ISLANDS BUILDING**  
**Cor. Ayala Avenue & Paseo de Roxas**  
**Makati City, Metro Manila** .....  
Address of Principal Office .....  
.....  
Postal Code  
.....  
ZIP Code **0720**
4. SEC Identification Number ..... **121**.....
5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number..... **TIN: 000-438-366-000**.....
7. .... **(02) 818-5541 to 48**.....  
Issuer's Telephone number, including area code
8. .... **Not Applicable**.....  
Former name or former address, if changed from the last report

## TABLE OF CONTENTS

<b>A. BOARD MATTERS.....</b>	<b>4</b>
1) BOARD OF DIRECTORS	
(a) Composition of the Board.....	4
(b) Corporate Governance Policy/ies.....	5
(c) Review and Approval of Vision and Vision.....	7
(d) Directorship in Other Companies.....	7
(e) Shareholding in the Company.....	10
2) CHAIRMAN AND CEO.....	11
3) PLAN FOR SUCCESSION OF CEO/MANAGING DIRECTOR/PRESIDENT AND TOP KEY POSITIONS.....	12
4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS.....	12
5) CHANGES IN THE BOARD OF DIRECTORS.....	15
6) ORIENTATION AND EDUCATION PROGRAM.....	27
<b>B. CODE OF BUSINESS CONDUCT &amp; ETHICS.....</b>	<b>29</b>
1) POLICIES.....	29
2) DISSEMINATION OF CODE.....	30
3) COMPLIANCE WITH CODE.....	30
4) RELATED PARTY TRANSACTIONS.....	31
(a) Policies and Procedures.....	31
(b) Conflict of Interest.....	32
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS.....	33
6) ALTERNATIVE DISPUTE RESOLUTION.....	33
<b>C. BOARD MEETINGS &amp; ATTENDANCE.....</b>	<b>34</b>
1) SCHEDULE OF MEETINGS.....	34
2) DETAILS OF ATTENDANCE OF DIRECTORS.....	34
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS.....	35
4) QUORUM REQUIREMENT .....	35
5) ACCESS TO INFORMATION.....	35
6) EXTERNAL ADVICE.....	37
7) CHANGES IN EXISTING POLICIES.....	37
<b>D. REMUNERATION MATTERS.....</b>	<b>37</b>
1) REMUNERATION PROCESS.....	37
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS.....	38
3) AGGREGATE REMUNERATION .....	39
4) STOCK RIGHTS, OPTIONS AND WARRANTS.....	40
5) REMUNERATION OF MANAGEMENT.....	40
<b>E. BOARD COMMITTEES.....</b>	<b>41</b>
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES.....	41
2) COMMITTEE MEMBERS.....	49
3) CHANGES IN COMMITTEE MEMBERS.....	54
4) WORK DONE AND ISSUES ADDRESSED.....	55
5) COMMITTEE PROGRAM.....	61

<b>F. RISK MANAGEMENT SYSTEM.....</b>	<b>62</b>
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM.....	62
2) RISK POLICY.....	64
3) CONTROL SYSTEM.....	66
<b>G. INTERNAL AUDIT AND CONTROL.....</b>	<b>82</b>
1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM.....	82
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function.....	83
(b) Appointment/Removal of Internal Auditor.....	84
(c) Reporting Relationship with the Audit Committee.....	84
(d) Resignation, Re-assignment and Reasons.....	84
(e) Progress against Plans, Issues, Findings and Examination Trends.....	85
(f) Audit Control Policies and Procedures.....	86
(g) Mechanisms and Safeguards.....	86
<b>H. ROLE OF STAKEHOLDERS.....</b>	<b>88</b>
<b>I. DISCLOSURE AND TRANSPARENCY.....</b>	<b>94</b>
<b>J. RIGHTS OF STOCKHOLDERS.....</b>	<b>97</b>
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS.....	97
2) TREATMENT OF MINORITY STOCKHOLDERS.....	104
<b>K. INVESTORS RELATIONS PROGRAM.....</b>	<b>104</b>
<b>L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.....</b>	<b>106</b>
<b>M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL.....</b>	<b>107</b>
<b>N. INTERNAL BREACHES AND SANCTIONS.....</b>	<b>108</b>

## 1. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	15
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Actual number of Directors for the year	15
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

*Our Board consists of 15 directors, seven of whom are classified as independent, or having no interest or relationship with BPI at time of election, appointment, or re-election. Fourteen of these 15 directors are non-executive officers of the bank, and the one executive director is the bank's President and CEO.*

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Jaime Augusto Zobel de Ayala	NED	Ayala Corp.	Solomon M. Hermosura	03/13/1990	04/10/2014	Annual Meeting	24
Fernando Zobel de Ayala	NED	Ayala Corp.	Solomon M. Hermosura	10/19/1994	04/10/2014	Annual Meeting	20
Vivian Que Azcona	NED	-	Elvira V. Mayo	04/10/2014	04/10/2014	Annual Meeting	.25
Romeo L. Bernardo	NED			02/1998	04/2001		3
	ID	-	Ma. Ysabel P. Sylianteng. Mr. Bernardo is not related to the nominator	08/21/2002	04/10/2014	Annual Meeting	12
Cezar P. Consing	NED			02/1995	01/2000		5
	ID			08/18/2004	01/01/2007		2.5
	ID			04/15/2010	04/18/13	Annual Meeting	3
	ED		Solomon M. Hermosura	04/18/2013	04/19/2014	Annual Meeting	1.5
Octavio V. Espiritu	NED			03/2000	03/31/2002		2
	ID	-	Ma. Ysabel P. Sylianteng. Mr. Espiritu is not related to the nominator	04/2002	04/10/2014	Annual Meeting	12
Rebecca G. Fernando	NED	Roman Catholic Archdiocese of Manila		1995	2007		12
	NED		Luis Antonio G. Cardinal Tagle	03/31/2009	04/10/2014	Annual Meeting	5
Aurelio R. Montinola III	ED	Ayala Corp.		01/12/2004	04/13/2013	Annual Meeting	9
	NED		Solomon M.	04/18/2013	04/10/2014	Annual	9

<sup>1</sup> Reckoned from the election immediately following January 2, 2014.

			Hermosura			Meeting	
Xavier P. Loinaz	ED	Ayala Corp.		1982	2004		22
	NED	Ayala Corp.		2005	2009	Annual Meeting	4
	ID	-	Ma. Ysabel P. Sylianteng. Mr. Loinaz is not related to the nominator	03/31/2009	04/10/2014	Annual Meeting	5
Mercedita S. Nolledo	NED	Ayala Corp.	Solomon M. Hermosura	11/20/1991	04/10/2014	Annual Meeting	23
Artemio V. Panganiban	ID	-	Ma. Ysabel P. Sylianteng. CJ Panganiban is not related to the nominator	04/15/2010	04/10/2014	Annual Meeting	4
Antonio Jose U. Periquet	ID	-	Ma. Ysabel P. Sylianteng. Mr. Periquet is not related to the nominator	04/19/2012	04/10/2014	Annual Meeting	2
Oscar S. Reyes	ID		Ma. Ysabel P. Sylianteng	04/03/2003	04/10/2014	Annual Meeting	11
Astrid S. Tuminez	ID	-	Romeo L. Bernardo. Dr. Astrid is not related to the nominator	12/18/2013	04/10/2014	Annual Meeting	.5
Dolores B. Yuvienco	NED	-	Ma. Ysabel P. Sylianteng. Ms. Yuvienco is not related to the nominator	04/10/2014	04/10/2014	Annual Meeting	.25

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

*The corporate governance policy of BPI is based on the firm belief that sound and effective corporate governance is the cornerstone of Bank's strength and long term existence. The Bank's corporate governance policy is intended to be a 'living document' whose strength will continually be reinforced as the industry's corporate governance statutory duties, commitments and best practices evolve further.*

*Incorporating the principles of Fairness, Accountability and Transparency in the pursuit of corporate goals, the Bank's corporate governance policy ensures that the Board of Directors and Management live up to BPI's Credo and core values and that fairness, accountability and transparency is primary in every interaction and transaction with all of the Bank's stakeholders.*

*With respect to the Bank's stockholders, the corporate governance policy emphasizes that it shall be the duty of the directors to promote stockholder rights, remove impediments to the exercise of stockholders' rights and provide effective redress for violation of their rights. They shall encourage the exercise of stockholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to stockholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of stockholder information necessary to make informed decisions subject to legal constraints.*

*All stockholders whether with minority or majority interest are treated equally by the Board of Directors. The section in the Bank's corporate governance manual on Stockholder's Rights and Protection of Minority Stockholder's Interests states that the Board is committed to respect the following rights of stockholders:*

a) Voting Rights

*Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.*

*Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the BPI.*

b) Pre-emptive Rights

*All stockholders shall have pre-emptive rights, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the BPI. The Articles of Incorporation lays down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.*

c) Right of Inspection

*Shareholders shall be allowed certain reasonable limits to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be provided with an annual report, including financial statements.*

d) Right to Information

*Upon request and for a legitimate purpose a shareholder shall be provided with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the BPI's shares, dealings with the BPI, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Information Statement/Proxy Statements where these are stated must be distributed to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registrations of share for public offering with the Commission.*

*The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.*

*In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.*

e) Right to Dividends

*Stockholders have the right to receive dividends subject to the discretion of the Board. However, the Commission may direct BPI to declare dividends when its retained earnings is in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the BPI is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such*

consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the BPI, such as when there is a need for a special reserve for probable contingencies.

f) Appraisal Right

In accordance with the Corporation Code, stockholders may exercise appraisal rights under the following circumstances:

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

The foregoing commitments to shareholders together represent just one dimension of the corporate governance policy. Beyond this, the Bank's corporate governance philosophy as embodied in the corporate governance manual, also provides the framework by which all the Bank's management processes, internal structures and guiding policies, i.e., Conflict of Interest Policy, Whistleblower Policy, Related Parties Transactions Policy, etc., ensure compliance with laws and regulations and provide clear lines of sight for decision-making and accountability.

By upholding the highest standards of corporate governance and ethical conduct through the corporate governance policy, the Bank sustains public trust and confidence which is the key to long-term success.

(c) How often does the Board review and approve the vision and mission?

The vision and mission of the Bank is embodied in the BPI Credo, which encapsulates the value system that has defined our institution since its founding in 1851. The original credo was written in 1981.

The new BPI Credo was published in the Bank's 2014 Annual Report. The new Credo focuses on the commitments that we make as an institution to our four important constituencies – our Clients, our People, our Shareholders, our Country. The specific objectives in support of the vision and mission of the Bank for each year are regularly presented by Management to Board of Directors for approval.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group<sup>2</sup>

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

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<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
<i>Jaime Augusto Zobel De Ayala</i>	<i>BPI Family Savings Bank, Inc. (BPI Family); BPI Capital Corp. (BPI Capital)</i>	<i>Non-Executive – Chairman Non-Executive – Chairman</i>
<i>Cezar P. Consing</i>	<i>BPI Direct Savings Bank, Inc., BPI Computer Systems Corp. BPI Foundation, Inc., BPI Family, BPI Capital, BPI/MS-Insurance Corp., BPI Globe BankO, Inc. A Savings Bank, and BPI Philam-Life Assurance Corp</i>	<i>Non-Executive – Chairman Non-Executive – Chairman Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director</i>
<i>Romeo L. Bernardo</i>	<i>BPI Family, BPI Capital, BPI/MS Insurance Corp. , BPI Globe BankO, Inc., A Savings Bank and BPI Philam-Life Assurance Corp.</i>	<i>Independent Director</i>
<i>Rebecca G. Fernando</i>	<i>BPI Family and BPI Capital</i>	<i>Non-Executive Director</i>
<i>Xavier P. Loinaz</i>	<i>BPI Family and BPI/MS-IC</i>	<i>Independent Director</i>
<i>Aurelio R. Montinola III</i>	<i>BPI Philam-Life Assurance Corp BPI Globe BankO, Inc. A Savings Bank BPI Family, BPI Capital, and BPI/MS-IC</i>	<i>Non-Executive – Chairman Non-Executive – Chairman Non-Executive Director</i>
<i>Mercedita S. Nollo</i>	<i>BPI Family, BPI Capital and BPI and Investment Management, Inc.</i>	<i>Non-Executive Director Non-Executive – Chairman</i>
<i>Antonio Jose U. Periquet</i>	<i>BPI Family and BPI Capital</i>	<i>Independent Director</i>

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
<i>Jaime Augusto Zobel de Ayala</i>	<i>Integrated Micro-Electronics, Inc.</i>	<i>NED, Chairman</i>
	<i>Globe Telecom, Inc.</i>	<i>NED, Chairman</i>
	<i>Ayala Corporation</i>	<i>ED, Chairman</i>
	<i>Ayala Land, Inc.</i>	<i>NED</i>
	<i>Manila Water Company, Inc.</i>	<i>NED</i>
<i>Fernando Zobel de Ayala</i>	<i>Integrated Micro-Electronics, Inc.</i>	<i>NED</i>
	<i>Globe Telecom, Inc.</i>	<i>NED</i>
	<i>Ayala Corporation</i>	<i>ED</i>
	<i>Ayala Land, Inc.</i>	<i>NED, Chairman</i>
	<i>Manila Water Company, Inc.</i>	<i>NED, Chairman</i>
<i>Aurelio R. Montinola III</i>	<i>Far Eastern University</i>	<i>NED, Chairman</i>
	<i>Lafarge Republic, Inc.</i>	<i>NED</i>
<i>Romeo L. Bernardo</i>	<i>RFM Corporation</i>	<i>ID</i>
	<i>Globe Telecom, Inc.</i>	<i>ID</i>
	<i>Aboitiz Power Corporation</i>	<i>ID</i>
	<i>National Reinsurance Corp. of the Phils.</i>	<i>ID</i>



<i>Cezar P. Consing</i>	<i>Jollibee Foods Corporation</i>	<i>ID</i>
<i>Octavio V. Espiritu</i>	<i>International Container Terminal Services, Inc.</i>	<i>NED</i>
<i>Xavier P. Loinaz</i>	<i>Ayala Corporation</i>	<i>ID</i>
	<i>Globe Telecom, Inc.</i>	<i>ID</i>
<i>Artemio V. Panganiban</i>	<i>First Phil. Holdings Corp.</i>	<i>ID</i>
	<i>Manila Electric Company</i>	<i>ID</i>
	<i>Petron Corporation</i>	<i>ID</i>
	<i>Metro Pacific Investments Corporation</i>	<i>ID</i>
	<i>Robinsons Land Corporation</i>	<i>ID</i>
	<i>GMA Network, Inc.</i>	<i>ID</i>
	<i>GMA Holdings, Inc.</i>	<i>ID</i>
	<i>Asian Terminals, Inc.</i>	<i>ID</i>
	<i>Philippine Long Distance Telephone Company</i>	<i>ID</i>
	<i>Jollibee Foods Corporation</i>	<i>NED</i>
	<i>Metrobank and Trust Company</i>	<i>Senior Adviser</i>
	<i>Double Dragon Properties Corporation</i>	<i>Adviser</i>
	<i>Antonio Jose U. Periquet</i>	<i>ABS-CBN Holdings Corporation</i>
<i>ABS-CBN Corporation</i>		<i>ID</i>
<i>Ayala Corporation</i>		<i>ID</i>
<i>Philippine Seven Corporation</i>		<i>ID</i>
<i>DMCI Holdings, Inc.</i>		<i>ID</i>
<i>Pancake House, Inc.</i>		<i>ID</i>
<i>Oscar S. Reyes</i>	<i>Cosco Capital, Inc.</i>	<i>ID</i>
	<i>Basic Energy Corporation</i>	<i>ID</i>
	<i>Pepsi Cola Products Phils., Inc.</i>	<i>ID, Chairman</i>
	<i>Manila Water Company</i>	<i>ID</i>
	<i>Manila Electric Company</i>	<i>ED</i>
	<i>Philippine Long Distance Telephone Company</i>	<i>NED</i>

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

<b>Director's Name</b>	<b>Name of the Significant Shareholder</b>	<b>Description of the relationship</b>
<i>Jaime Augusto Zobel de Ayala</i>	<i>Ayala Corporation</i>	<i>Director</i>
<i>Fernando Zobel de Ayala</i>	<i>Ayala Corporation</i>	<i>Director</i>
	<i>Ayala DBS Holdings, Inc.</i>	<i>Director</i>
	<i>AC International Finance Limited</i>	<i>Director</i>
<i>Rebecca G. Fernando</i>	<i>Roman Catholic Archbishop of Manila</i>	<i>Nominee</i>
<i>Chng Sok Hui</i>	<i>Ayala DBS Holdings, Inc.</i>	<i>Director</i>

- (iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	<b>Guidelines</b>	<b>Maximum Number of Directorships in other companies</b>
<b>Executive Director</b>	<p><i>No. The Bank's Policy on Multiple Board Seats in the corporate governance manual states that all directors must exercise due discretion in accepting and holding directorships outside of BPI. A director may hold any number of directorships outside of BPI provided that, in the director's opinion, these other positions do not detract from the director's capacity to diligently perform his duties as a director of BPI.</i></p> <p><i>Further, any limitations in the number of directorship outside of BPI shall not include directorships in BPI's subsidiaries, affiliates, parent company, and affiliates and subsidiaries of the parent company.</i></p> <p><i>Also stated in the Bank's corporate governance manual in its section on the Board of Directors, as required by SEC Memo Circular No. 9, Series of 2011, the Bank has adopted limits for Independent Directors (ID) in business conglomerates where an ID can be elected to only five (5) companies of the conglomerate, i.e. parent company, subsidiary or affiliate.</i></p>	<p><i>Subject to guidelines stated herein.</i></p>
<b>Non-Executive Director</b>		
<b>CEO</b>		

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

<b>Name of Director</b>	<b>Number of Direct shares</b>	<b>Number of Indirect shares / Through (name of record owner)</b>	<b>% of Capital Stock</b>
<i>Jaime Augusto Zobel de Ayala</i>	<i>312</i>	<i>None</i>	<i>0.0000%</i>
<i>Fernando Zobel de Ayala</i>	<i>120</i>	<i>None</i>	<i>0.0000%</i>
<i>Cezar P. Consing</i>	<i>500,391</i>	<i>None</i>	<i>0.0127%</i>
<i>Vivian Que Azcona</i>	<i>10</i>	<i>None</i>	<i>0.0000%</i>
<i>Romeo L. Bernardo</i>	<i>12</i>	<i>None</i>	<i>0.0000%</i>
<i>Octavio V. Espiritu</i>	<i>1,173,102</i>	<i>None</i>	<i>0.0298%</i>
<i>Rebecca G. Fernando</i>	<i>18</i>	<i>None</i>	<i>0.0000%</i>
<i>Aurelio R. Montinola III</i>	<i>1,552,159</i>	<i>None</i>	<i>0.0395%</i>
<i>Xavier P. Loinaz</i>	<i>3,449,557</i>	<i>None</i>	<i>0.0878%</i>
<i>Mercedita S. Nolleto</i>	<i>51,487</i>	<i>None</i>	<i>0.0013%</i>
<i>Artemio V. Panganiban</i>	<i>4,428</i>	<i>None</i>	<i>0.0000%</i>
<i>Antonio Jose U. Periquet</i>	<i>22,093</i>	<i>None</i>	<i>0.0005%</i>

<i>Oscar S. Reyes</i>	1,188	None	0.0000%
<i>Astrid S. Tuminez</i>	10	None	0.0000%
<i>Dolores B. Yuvienco</i>	1,310	None	0.0000%
<i>Antonio V. Paner</i>	109,297	None	0.0027%
<i>Natividad N. Alejo</i>	12,496	None	0.0003%
<i>Joseph Albert L. Gotuaco</i>	0	None	0%
<i>Simon R. Paterno</i>	0	None	0%
<i>Alfonso L. Salcedo, Jr.</i>	38,615	None	0.0009%

2) Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes  No

Identify the Chair and CEO:

Chairman of the Board	<i>Jaime Augusto Zobel de Ayala</i>
CEO/President	<i>Cezar P. Consing</i>

- (b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

*The following are taken from the Bank's By-Laws as well as the Section on Operating Management in its Corporate Governance Manual.*

	<b>Chairman</b>	<b>Chief Executive Officer</b>
<i>Role</i>	<p><i>The Chairman leads the highest governance body of the bank, its Board, in providing direction on the business of the bank and delegating the conduct of such business to the bank's management and operating levels under the leadership of its Chief Executive Officer.</i></p> <p><i>The Chairman presides at and conducts the meetings of the stockholders and the Board of Directors, with a right to vote and can call special meetings of the stockholders. The Chairman can also convene the Board of Directors in special meetings, whenever he deems it necessary, or at the request of any three (3) members of the Board.</i></p>	<p><i>The President and Chief Executive Officer is responsible for formulating the strategy and the overall management of the bank to achieve desired outcomes of its strategy.</i></p> <p><i>Subject to the control of the Board, the CEO, nevertheless, has direct charge and supervision of the business and properties of the Bank.</i></p>
<i>Accountabilities</i>	<p><i>The Chairman of the Board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members. He shall also assist in ensuring compliance with the Corporation's guidelines on corporate</i></p>	<p><i>The CEO is ultimately accountable for the Bank's organizational and procedural controls, having general supervision of the business, affairs, and property of the Corporation, and over its employees and officers.</i></p>

	<i>governance.</i>	<i>He must also see that all orders and resolutions of the Board of Directors are carried into effect.</i>
<i>Deliverables</i>	<i>The Chairman must ensure that the Board takes an informed decision. He shall also ensure a sound decision making process encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-making process.</i>	<i>The CEO must submit to the Board as soon as possible after the close of each fiscal year, and to the stockholders at the annual meeting, a complete report of the operations of BPI for the preceding year, and the state of its affairs. He must also report to the Board from time to time all matters within its knowledge which the interest of BPI may require to be brought to their notice.</i>

- 3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

*The committee charter of the Personnel and Compensation Committee (PerCom) of the Bank as well as the section on Succession Development Plans in the corporate governance manual states that the PerCom reviews the talent development process within the bank to ensure it is effectively managed. In consultation with the Board and the CEO, either the PerCom as a whole or a sub-committee thereof, as part of the executive planning process, evaluates, and nominates potential successors to the CEO as well as for other senior management positions . It also initiates, requires, and reviews reports as well as receives periodic feedback regarding the quality and status of the overall organizational morale and degree of job satisfaction within the Unibank.*

- 4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

*Yes. As stated in the Section on Governance Structure, Board of Directors and Composition in the corporate governance manual, to the extent practicable, the members of the board of directors shall be selected from a broad pool of qualified candidates. A sufficient number of qualified non-executive members shall be elected to promote the independence of the board from the views of senior management. For this purpose, non-executive members of the board of directors shall refer to those who are not part of the day-to-day management of banking operations and shall include the independent directors.*

*All nominees to the Board of Directors are evaluated by the Nomination Committee to ensure that they are business and civic professionals of significant stature and integrity, with a track record of accomplishment in their own right, often independent of the bank. The Nomination Committee also looks at a mix of competent directors who can deliver a broad range of experience and expertise on subject matters relevant to the governance of present-day universal banking institutions, each of whom can add value and create independent judgment as to the formulation of sound bank strategies and policies.*

*As a corporation publicly listed in the Philippine Stock Exchange (PSE), BPI also conforms to the legal requirement to have at least twenty percent (20%) but not less than two (2) members of the board of directors who shall be independent directors. The independent directors shall be identified in the annual report.*

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

*Yes. The Bank currently has two (2) non-executive members of the Board of Directors with extensive banking experience being bank presidents in the past. In addition, the Section on Duties and Responsibilities of Directors in the Bank's corporate governance manual also requires that directors maintain a good working understanding of the various businesses of BPI, the risks attendant to those businesses, and the risk measurement and control systems appropriate for such businesses, as well as understand the competitive forces affecting BPI and the key strategic performance factors necessary to attain leadership. Directors must also maintain a good working knowledge of the statutory and regulatory requirements affecting BPI, the requirements of the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and other regulatory bodies as well as the contents of its Articles of Incorporation and By-laws.*

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
<b>Role</b>	<p><i>As Executive Directors: Subject to the control of the Board, have direct charge and supervision of the business and properties of the Bank.</i></p> <p><i>As Executive, Non-Executive and Independent Directors: The corporate powers of a bank shall be exercised, its business conducted and all its property controlled and held, by its board of directors.</i></p> <p><i>The directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the bank.</i></p> <p><i>The Duties and Responsibilities of Directors are likewise stated in the Bank's By-Laws and in its corporate governance manual.</i></p> <p><i>As Independent Directors: Required membership or chairmanship of specific Board committees, i.e., Executive Committee (1), Nominations Committee (1), Personnel Compensation Committee (1), Audit Committee (2), etc.</i></p>		
<b>Accountabilities</b>	<p><i>As Executive Directors: Ultimately accountable for the Corporation's organizational and procedural controls Have general supervision of the business, affairs, and property of the Corporation, and over its employees and officers.</i></p> <p><i>As Executive, Non-Executive and Independent Directors: A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large.</i></p> <p><i>The board of directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day to day affairs of the institution.</i></p>		
<b>Deliverables</b>	<p><i>As Executive Directors: Submit to the Board as soon as possible after the close of each fiscal year, and to the</i></p>		

	<p>stockholders at the annual meeting, a complete report of the operations of BPI for the preceding year, and the state of its affairs.</p> <p>Report to the Board from time to time all matters within its knowledge which the interest of BPI may require to be brought to their notice.</p> <p>As Executive, Non-Executive and Independent Directors: Various constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The board of directors is primarily responsible for approving and overseeing the implementation of the bank's strategic objectives, risk strategy, corporate governance and corporate values.</p>
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Provide the company's definition of "independence" and describe the company's compliance to the definition.

*The Section on Independent Directors in the Bank's corporate governance manual asserts that independent directors must have no interest or relationship with BPI at time of election, appointment, or re-election. Moreover, it clearly defines the legal requirement on independent directors wherein the following shall not be considered for Independent Directorship:*

- a) *Officers, executives and employees of BPI may be elected as directors but cannot and shall not be characterized as independent directors;*
- b) *If a director elected or appointed as an independent director subsequently becomes an officer or employee of BPI, BPI shall forthwith cease to consider him as an independent director;*
- c) *If the beneficial security ownership of an independent director in BPI or in its related companies or any of its substantial stockholders shall exceed the two percent (2%) limit, BPI shall forthwith cease to consider him as an independent director. The disqualification shall be lifted if the limit is later complied with;*
- d) *If the director is a relative, legitimate or common-law of any director, officer or stockholder holding shares of stock sufficient to elect one seat in the board of the bank or any of its related companies. For this purpose, relatives refer to the spouse, parent, child, brother, sister, parent-in-law, son/daughter-in-law, and brother-/sister-in-law;*
- e) *If the director has been employed in any executive capacity by BPI, any of its related companies and/or by any of its substantial shareholders within the last three (3) years;*
- f) *If the director is retained, either personally or through his firm or any similar entity, as professional adviser by BPI, any of its related companies and/or any of its substantial shareholders, within the last three (3) years; or*
- g) *If the director engaged and about to engage in any transaction with BPI and/or with any of its related companies and/or any of its substantial shareholders whether by himself and/or with other persons and/or through a firm of which that director is a partner and/or a company of which he is director or substantial shareholder, other than transactions which are conducted at arms-length and are immaterial;*
- h) *A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an Independent Director after a two (2) year "cooling off period";*
- i) *Persons appointed as Chairman "Emeritus", "Ex-Officio" Directors/ Officers or Members of any Executive/Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties shall be subject to a one (1) year "cooling-off period" prior to his qualification as an Independent Director.*

*In addition, they must not be acting as director or as a nominee or representative of any director or substantial shareholder of BPI and/or any of its related companies and/or any of its substantial shareholders pursuant to a Deed of Trust or under any contract or arrangement.*

*As cited earlier, the Section on Governance Structure, Board of Directors and Composition in the corporate governance manual states that a sufficient number of qualified non-executive members shall be elected to promote the independence of the board from the views of senior management. For this purpose, non-*

*executive members of the board of directors shall refer to those who are not part of the day-to-day management of banking operations and shall include the independent directors.*

*Further, as a corporation publicly listed in the Philippine Stock Exchange (PSE), BPI also conforms to the legal requirement to have at least twenty percent (20%) but not less than two (2) members of the board of directors who shall be independent directors. The independent directors shall be identified in the annual report.*

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

*Yes, BPI has a term limit for an Independent Director (ID). The corporate governance manual Section on IDs states that, in accordance with SEC Memorandum Circular No. 9, Series of 2011, IDs can serve as such for five (5) consecutive years, provided that service for a period of at least six (6) months shall be equivalent to one (1) year, regardless of the manner by which the ID position was relinquished or terminated.*

*After completion of the five-year service period, an ID shall be ineligible for election as such in the same company unless the ID has undergone a "cooling off" period of two (2) years, provided, that during such period, the ID concerned has not engaged in any activity that under existing rules disqualifies a person from being elected as ID in the same company.*

*An ID re-elected as such in the same company after the "cooling off" period can serve for another five (5) consecutive years under the conditions mentioned above. However, after serving as ID for ten (10) years, the ID shall be perpetually barred from being elected as such in the same company, without prejudice to being elected as ID in other companies outside of the business conglomerate, where applicable, under the same conditions as provided for in the Circular.*

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

<b>Name</b>	<b>Position</b>	<b>Date of Cessation</b>	<b>Reason</b>
<i>Solomon M. Heromosura</i>	<i>Director</i>	<i>April 10, 2014</i>	<i>Not nominated for re-election</i>

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
<p>(i) Executive Directors</p>	<p><i>Following the Bank's By-Laws, corporate governance manual, and rules provided for by the regulators (SEC, BSP and PSE) as well as the Corporation Code:</i></p> <ol style="list-style-type: none"> <li>1. <i>All nominations for election of Directors by the stockholders are submitted in writing to the Board of Directors, Nominations Committee, together with the written acceptance of the nominee, not later than the date prescribed by law, rules and regulations or at such earlier or later date as the Board of Directors may fix. No nominee shall qualify to be elected as Director unless this requirement is complied with.</i></li> <li>2. <i>Nominations of director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.</i></li> <li>3. <i>The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for director/s.</i></li> <li>4. <i>After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the</i></li> </ol>	<p><i>The Bank's corporate governance manual sets out the qualifications for directors:</i></p> <ol style="list-style-type: none"> <li>1. <i>Ownership of at least ten (10) shares of the capital stock of BPI;</i></li> <li>2. <i>At least twenty five (25) years of age <b>at the time of his election or appointment;</b></i></li> <li>3. <i>A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or membership in good standing in relevant industry, and membership in business or professional organizations or sufficient experience and competence in managing a business to substitute for such formal education;</i></li> <li>4. <i>Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions;</i></li> <li>5. <i>Adequate physical health and mental stamina to withstand the rigors of his responsibilities;</i></li> <li>6. <i>No potential conflict of time and attention due to competing officerships, directorships, memberships position in other corporations;</i></li> <li>7. <i>Attendance of an accredited corporate governance seminar, as required by the BSP &amp; SEC; and</i></li> <li>8. <i>No disqualifications as provided for in the Corporation Code, BSP Circulars and SEC Rules and Regulations.</i></li> </ol>



*information about all the nominees for directors, to be made available to the SEC and to all stockholders through the filing and distribution of the Information Statement, or in such other reports the company is required to submit to SEC. The name of the person or group of persons who recommended the nomination of the Director shall be identified in such report including any relationship with the nominee.*

*5. Only nominees whose names appear on the Final list of Candidates shall be eligible for election as Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting.*

*6. Election of Director/s*

*a. Except as those required under the SRC Rule and subject to pertinent laws, rules and regulations of the SEC, the conduct of the election of director/s shall be made in accordance with the standard election procedures of BPI's By - Laws.*

*b. A holder of at least one (1) share of stock of the Bank shall have the right to be present and to vote, in every stockholders' meeting, either in person or by proxy; Provided that if the stockholder is represented by proxy, the stockholder shall be limited to a single proxy*

	<p>at any one time but he may alternate proxies. A proxy may be made in favor only of a person who is sui juris, and to be acceptable, for the purpose of the Bank, the signature of the stockholder executing it must be attested by two (2) subscribing witnesses. The proxy shall be filed with the Secretary of the Bank at least ten (10) days before the meeting and shall be valid until revoked.</p> <p>c. At all stockholders' meeting, voting shall be by shares and not "per capita".</p> <p>d. Stockholders not possessing full legal capacity, such as spendthrifts, minors, etc., or corporations, associations and other legal entities shall be represented by their legal representatives.</p> <p>e. Voting for the election of members of the Board of Directors shall be by shares of stock, that is, one share entitles the holder thereof to one vote, two shares to two votes, etc.,; but in the election of members of the Board of Directors, any stockholder may cumulate his vote as provided for in the Corporation Law.</p> <p>f. In the election of members of the Board of Directors, the fifteen (15) nominees receiving the highest number of votes shall be declared elected.</p>	
(ii) Non-Executive Directors	Evaluation and recommendation by the Nomination Committee of the Board in accordance with the rules provided for by the	<ol style="list-style-type: none"> <li>1. Ownership of at least ten (10) shares of the capital stock of BPI;</li> <li>2. At least twenty five (25) years of age <b>at the time of his election or appointment</b>;</li> </ol>

	<p>regulators (SEC, BSP and PSE).</p>	<ol style="list-style-type: none"> <li>3. A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or membership in good standing in relevant industry, and membership in business or professional organizations or sufficient experience and competence in managing a business to substitute for such formal education;</li> <li>4. Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions;</li> <li>5. Adequate physical health and mental stamina to withstand the rigors of his responsibilities;</li> <li>6. No potential conflict of time and attention due to competing officerships, directorships, memberships position in other corporations;</li> <li>7. Attendance of an accredited corporate governance seminar, as required by the BSP &amp; SEC; and</li> <li>8. No disqualifications as provided for in the Corporation Code, BSP Circulars and SEC Rules and Regulations.</li> </ol>
<p>(iii) Independent Directors</p>	<p>In addition, for the election of Independent Director/s:</p> <ol style="list-style-type: none"> <li>1. Except as those required under the SRC Rule and subject to pertinent laws, rules and regulations of the SEC, the conduct of the election of director/s shall be made in accordance with the standard election procedures of BPI's By - Laws.</li> <li>2. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing at least two (2) independent director/s, as stated in the corporate governance manual. He shall ensure that independent directors are elected during the stockholders' meeting.</li> <li>3. Specific slot/s for independent directors shall not be filled-up by unqualified nominees.</li> <li>4. In case of failure of election for independent director/s, the Chairman of the Meeting shall call a</li> </ol>	<p>The Bank's corporate governance manual sets out the qualifications for independent directors:</p> <ol style="list-style-type: none"> <li>1. He shall have at least ten (10) shares of stock of BPI;</li> <li>2. He shall be at least a college graduate or he shall have been engaged or exposed to the business of BPI for at least five (5) years;</li> <li>3. He shall possess integrity/probity, and</li> <li>4. He shall be assiduous.</li> </ol> <p>In addition, no person who possesses any of the disqualifications for directors or any such disqualifications as may be provided in the corporate governance manual shall qualify as an independent director.</p>

	<i>separate election during the same meeting to fill up the vacancy.</i>	
<b>b. Re-appointment</b>		
<i>(i) Executive Directors</i>	<i>Evaluation and recommendation by the Nomination Committee of the Board in accordance with the rules provided for by the regulators (SEC, BSP and PSE).</i>	<ol style="list-style-type: none"> <li>1. <i>Ownership of at least ten (10) shares of the capital stock of BPI;</i></li> <li>2. <i>At least twenty five (25) years of age <b>at the time of his election or appointment</b>;</i></li> <li>3. <i>A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or membership in good standing in relevant industry, and membership in business or professional organizations or sufficient experience and competence in managing a business to substitute for such formal education;</i></li> <li>4. <i>Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions;</i></li> <li>5. <i>Adequate physical health and mental stamina to withstand the rigors of his responsibilities;</i></li> <li>6. <i>No potential conflict of time and attention due to competing officerships, directorships, memberships position in other corporations;</i></li> <li>7. <i>Attendance of an accredited corporate governance seminar, as required by the BSP &amp; SEC; and</i></li> <li>8. <i>No disqualifications as provided for in the Corporation Code, BSP Circulars and SEC Rules and Regulations.</i></li> </ol>
<i>(ii) Non-Executive Directors</i>	<i>Evaluation and recommendation by the Nomination Committee of the Board in accordance with the rules provided for by the regulators (SEC, BSP and PSE).</i>	<ol style="list-style-type: none"> <li>1. <i>Ownership of at least ten (10) shares of the capital stock of BPI;</i></li> <li>2. <i>At least twenty five (25) years of age <b>at the time of his election or appointment</b>;</i></li> <li>3. <i>A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or membership in good standing in relevant industry, and membership in business or professional organizations or sufficient experience and competence in managing a business to substitute for such formal education;</i></li> <li>4. <i>Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions;</i></li> <li>5. <i>Adequate physical health and mental stamina to withstand the rigors of his responsibilities;</i></li> <li>6. <i>No potential conflict of time and attention due to competing officerships, directorships, memberships position in other corporations;</i></li> <li>7. <i>Attendance of an accredited corporate governance seminar, as required by the BSP &amp; SEC; and</i></li> <li>8. <i>No disqualifications as provided for in the Corporation Code, BSP Circulars and SEC Rules and</i></li> </ol>

		<i>Regulations.</i>
<i>(iii) Independent Directors</i>	<i>Evaluation and recommendation by the Nomination Committee of the Board in accordance with the rules provided for by the regulators (SEC, BSP and PSE).</i>	<ol style="list-style-type: none"> <li>1. He shall have at least ten (10) shares of stock of BPI;</li> <li>2. He shall be at least a college graduate or he shall have been engaged or exposed to the business of BPI for at least five (5) years;</li> <li>3. He shall possess integrity/probity, and</li> <li>4. He shall be assiduous.</li> </ol>
<b>c. Permanent Disqualification</b>		
<i>(i) Executive Directors</i>	<p><i>The Bank shall comply with the provisions of Sec. 27, 28 and 29 of the Philippine Corporation Code on the removal of directors which states that a director may be removed from office by a vote of the stockholders holding or representing at least 2/3 of the outstanding capital stock during a regular meeting or at special called for the purpose.</i></p> <p><i>The Bank's By-Laws provide that in case any vacancy or vacancies should occur on the Board of Directors during the period between two annual meetings of stockholders due to death, resignation or other causes, except removal, the remaining members of the Board of Directors, if still constituting a quorum, may fill said vacancy or vacancies by electing from among the stockholders, and the stockholder or stockholders so elected shall act as member or members of said Board until the election of a new Board of Directors.</i></p> <p><i>Pursuant to Sec. 28 of the Philippines Corporation Code, however, removal may be with or without cause, provided that the removal may not be used to deprive minority stockholders of the right of representation.</i></p>	<p><i>The Bank's corporate governance manual, pursuant to provisions from SEC Memorandum Circular No. 6, Series of 2009, otherwise known as the Revised Code of Corporate Governance, and the MORB Sec. x143 of the BSP, sets out the criteria:</i></p> <ol style="list-style-type: none"> <li>1. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the SRC; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributors, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</li> <li>2. Any Person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order the Commission or any court or administrative body of competent jurisdiction from; (a) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (b) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</li> </ol> <p><i>The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by SEC or BSP, or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity</i></p>

		<p><i>involving securities and banking; or such person is currently the subject of an effective order or a self-regulatory organization or association with a member or participant of the organization.</i></p> <p><i>3. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</i></p> <p><i>4. Any person who has been adjudged by final judgment or order of the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by SEC or Bangko Sentral ng Pilipinas, or any rule, regulation or order of SEC or Bangko Sentral ng Pilipinas;</i></p> <p><i>5. Any person who had served as officer and/ or director of a closed bank and determined by the Bangko Sentral ng Pilipinas as having been responsible for the closure of said bank;</i></p> <p><i>6. Any person judicially declared to be insolvent or incapacitated to contract;</i></p> <p><i>7. Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment; and</i></p> <p><i>8. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing provisions.</i></p>
<p><i>(ii) Non-Executive Directors</i></p>	<p><i>Evaluation and recommendation by the Nomination Committee of the Board in accordance with the rules provided for by the regulators (SEC, BSP and PSE).</i></p>	<p><i>1. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the SRC; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributors, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</i></p> <p><i>2. Any Person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order the Commission or any court or administrative body of competent jurisdiction from; (a) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (b)</i></p>

		<p>acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</p> <p>3. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>4. Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by SEC or Bangko Sentral ng Pilipinas, or any rule, regulation or order of SEC or Bangko Sentral ng Pilipinas;</p> <p>5. Any person who had served as officer and/ or director of a closed bank and determined by the Bangko Sentral ng Pilipinas as having been responsible for the closure of said bank;</p> <p>6. Any person judicially declared to be insolvent or incapacitated to contract;</p> <p>7. Any person convicted by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment; and</p> <p>8. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs.</p>
(iii) Independent Directors	Evaluation and recommendation by the Nomination Committee of the Board in accordance with the rules provided for by the regulators (SEC, BSP and PSE).	<p>1. When the ID becomes an officer or employee of BPI where he is such member of the board of directors/ trustees, or becomes any of the persons disqualified to become a Director mentioned above</p> <p>2. When the beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of BPI where he is such a director.</p> <p>3. Such other disqualifications which the Bank's Manual of Governance provides.</p>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	The Bank's corporate governance manual, pursuant to provisions from SEC Memorandum Circular No. 6, Series of 2009, otherwise known as the Revised Code of	<p>The Bank's corporate governance manual, pursuant to provisions from SEC Memorandum Circular No. 6, Series of 2009, otherwise known as the Revised Code of Corporate Governance, sets out the criteria:</p> <p>1. A nominee who refuses to fully disclose the</p>

	<p><i>Corporate Governance, states that a temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</i></p>	<p><i>extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;</i></p> <ol style="list-style-type: none"> <li><i>2. An incumbent director who is absent / non-participating for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his (12) month incumbency period, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election;</i></li> <li><i>3. Any person dismissed / terminated from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;</i></li> <li><i>4. Conviction that has not yet become final referred to in the grounds for disqualification of directors; and</i></li> <li><i>5. Any person in delinquent status with respect to the payment of his obligations, direct or indirect.</i></li> </ol>
<p><i>(ii) Non-Executive Directors</i></p>	<p><i>Evaluation and recommendation by the Nomination Committee of the Board in accordance with the rules provided for by the regulators (SEC, BSP and PSE).</i></p>	<ol style="list-style-type: none"> <li><i>1. A nominee who refuses to fully disclose the extent of his business interest as required under the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists;</i></li> <li><i>2. An incumbent director who is absent / non-participating for whatever reason/s for more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during his (12) month incumbency period, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election; Any person dismissed / terminated from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity;</i></li> <li><i>3. Conviction that has not yet become final referred to in the grounds for disqualification of directors; and</i></li> <li><i>4. Any person in delinquent status with respect to the payment of his obligations, direct or indirect.</i></li> </ol>
<p><i>(iii) Independent Directors</i></p>	<p><i>Evaluation and recommendation by the Nomination Committee of the Board in accordance with the rules provided for by the regulators (SEC, BSP and PSE).</i></p>	<p><i>When the ID becomes an officer or employee of BPI where he is such member of the board of directors/ trustees, or becomes any of the persons disqualified to become a Director mentioned above</i></p> <p><i>When the beneficial security ownership exceeds two</i></p>



		percent (2%) of the outstanding capital stock of BPI where he is such a director. Such other disqualifications which the Bank's Manual of Governance provides.
<b>e. Removal</b>		
(i) Executive Directors	<p>The Bank shall comply with the provisions of Sec. 27, 28 and 29 of the Philippine Corporation Code on the removal of directors which states that a director may be removed from office by a vote of the stockholders holding or representing at least 2/3 of the outstanding capital stock during a regular meeting or at special called for the purpose.</p> <p>The Bank's By-Laws provide that in case any vacancy or vacancies should occur on the Board of Directors during the period between two annual meetings of stockholders due to death, resignation or other causes, except removal, the remaining members of the Board of Directors, if still constituting a quorum, may fill said vacancy or vacancies by electing from among the stockholders, and the stockholder or stockholders so elected shall act as member or members of said Board until the election of a new Board of Directors.</p> <p>Pursuant to Sec. 28 of the Philippines Corporation Code, however, removal may be with or without cause, provided that the removal may not be used to deprive minority stockholders of the right of representation.</p>	When there is a breach of trust and confidence.
(ii) Non-Executive Directors	Evaluation and recommendation by the Nomination Committee of the Board in accordance with the rules provided for by the regulators (SEC, BSP and PSE).	When there is a breach of trust and confidence.
(iii) Independent Directors	Evaluation and recommendation by the Nomination Committee of the Board in accordance with the rules provided for by the	When there is a breach of trust and confidence.

	<i>regulators (SEC, BSP and PSE).</i>	
<b>f. Re-instatement</b>		
<i>(i) Executive Directors</i>	<i>Evaluation and recommendation by the Nomination Committee of the Board in accordance with the rules provided for by the regulators (SEC, BSP and PSE)</i>	<i>When the director is again nominated/ re-elected to the Board and possession of the qualifications and none of the disqualifications provided for in the Bank's Manual of Corporate Governance.</i>
<i>(ii) Non- Executive Directors</i>	<i>Evaluation and recommendation by the Nomination Committee of the Board in accordance with the rules provided for by the regulators (SEC, BSP and PSE).</i>	<i>When the director is again nominated/ re-elected to the Board and possession of the qualifications and none of the disqualifications provided for in the Bank's Manual of Corporate Governance.</i>
<i>(iii) Independent Directors</i>	<i>Evaluation and recommendation by the Nomination Committee of the Board in accordance with the rules provided for by the regulators (SEC, BSP and PSE).</i>	<i>When the director is again nominated/ re-elected to the Board and possession of the qualifications and none of the disqualifications provided for in the Bank's Manual of Corporate Governance.</i>
<b>g. Suspension</b>		
<i>(i) Executive Directors</i>	<i>Evaluation and recommendation by the Nomination Committee of the Board in accordance with the rules provided for by the regulators (SEC, BSP and PSE).</i>	<i>When there is a breach of trust and confidence.</i>
<i>(ii) Non- Executive Directors</i>	<i>Evaluation and recommendation by the Nomination Committee of the Board in accordance with the rules provided for by the regulators (SEC, BSP and PSE).</i>	<i>When there is a breach of trust and confidence.</i>
<i>(iii) Independent Directors</i>	<i>Evaluation and recommendation by the Nomination Committee of the Board in accordance with the rules provided for by the regulators (SEC, BSP and PSE).</i>	<i>When there is a breach of trust and confidence.</i>

Voting Result of the last Annual General Meeting (April 10, 2014)

Name of Director	Votes Received (% of Total Present)
<i>Jaime Augusto Zobel de Ayala</i>	<i>98.23%</i>
<i>Fernando Zobel de Ayala</i>	<i>98.11%</i>
<i>Cezar P. Consing</i>	<i>99.27%</i>
<i>Vivian Que Azcona</i>	<i>99.44%</i>
<i>Romeo L. Bernardo</i>	<i>99.55%</i>
<i>Octavio V. Espiritu</i>	<i>99.40%</i>
<i>Rebecca G. Fernando</i>	<i>98.56%</i>

<i>Xavier P. Loinaz</i>	<i>99.03%</i>
<i>Aurelio R. Montinola III</i>	<i>98.44%</i>
<i>Mercedita S. Nollado</i>	<i>98.56%</i>
<i>Artemio V. Panganiban</i>	<i>98.19%</i>
<i>Antonio Jose U. Periquet</i>	<i>99.53%</i>
<i>Oscar S. Reyes</i>	<i>98.10%</i>
<i>Astrid S. Tuminez</i>	<i>99.62%</i>
<i>Dolores B. Yuvienco</i>	<i>98.57%</i>

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

*The Board's directive is to generate reasonable returns on shareholder capital by, among others, reviewing and approving strategies and objectives, appointing senior executives, confirming organizational structures, approving enterprise-wide policies, monitoring business and financial performance, overseeing risk management frameworks and risk appetite, and fostering regulatory compliance. It is therefore imperative that new directors are fully informed and equipped with information to bring them up to task.*

*In this respect, new directors are briefed on the Bank's background, Table of Organization, and, in compliance with BSP Cir. No. 758, are furnished with copies of the general/specific duties and responsibilities of the Board. The new directors are also briefed on the relevant polices and rules governing their roles as directors and given an overview of the industry, regulatory environment, business of banking and annual and medium-term strategic plans of the Bank, as needed. New directors are also apprised on required corporate governance seminars and any current issues affecting the Bank or the industry.*

- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years:

*The continuing Business Education is being provided internally by the various units of the Bank which provide presentations on regulatory initiatives such as FATCA, Basel III, and new BIR regulations. Below are some of the other in-house trainings available for Directors and Senior Management:*

*Anti Money Laundering Act Seminar  
Anti Money laundering Act Seminar Module 4  
Business Continuity Management  
Conflict of Interest  
Conversations – Performance Appraisal  
Harvard Advance Management Program  
Image Advantage  
Leadership Excellence Acceleration Program  
Performance Alignment Conversations and Total Development*

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<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

<b>Name of Director/Officer</b>	<b>Date of Training</b>	<b>Program</b>	<b>Name of Training Institution</b>
<i>Jaime Augusto Zobel de Ayala</i>	<i>Feb. 4, 2014</i>	<i>Corporate Governance and Risk Management Summit</i>	<i>Institute of Corporate Directors</i>
<i>Fernando Zobel de Ayala</i>	<i>Feb. 4, 2014</i>	<i>Corporate Governance and Risk Management Summit</i>	<i>Institute of Corporate Directors</i>
<i>Cezar P. Consing</i>	<i>Feb. 4, 2014</i>	<i>Corporate Governance and Risk Management Summit</i>	<i>Institute of Corporate Directors</i>
<i>Rebecca G. Fernando</i>	<i>Feb. 4, 2014</i>	<i>Corporate Governance and Risk Management Summit</i>	<i>Institute of Corporate Directors</i>
<i>Aurelio R. Montinola III</i>	<i>Feb. 4, 2014</i>	<i>Corporate Governance and Risk Management Summit</i>	<i>Institute of Corporate Directors</i>
<i>Mercedita S. Nollado</i>	<i>Feb. 4, 2014</i>	<i>Corporate Governance and Risk Management Summit</i>	<i>Institute of Corporate Directors</i>
<i>Artemio V. Panganiban</i>	<i>Feb. 4, 2014</i>	<i>Corporate Governance and Risk Management Summit</i>	<i>Institute of Corporate Directors</i>
<i>Oscar S. Reyes</i>	<i>Feb. 4, 2014</i>	<i>Corporate Governance and Risk Management Summit</i>	<i>Institute of Corporate Directors</i>
<i>Romeo L. Bernardo</i>	<i>Feb. 4, 2014</i>	<i>Corporate Governance and Risk Management Summit</i>	<i>Institute of Corporate Directors</i>
<i>Octavio V. Espiritu</i>	<i>Feb. 4, 2014</i>	<i>Corporate Governance and Risk Management Summit</i>	<i>Institute of Corporate Directors</i>
<i>Xavier P. Loinaz</i>	<i>Feb. 4, 2014</i>	<i>Corporate Governance and Risk Management Summit</i>	<i>Institute of Corporate Directors</i>
<i>Antonio Jose U. Periquet</i>	<i>Feb. 4, 2014</i>	<i>Corporate Governance and Risk Management Summit</i>	<i>Institute of Corporate Directors</i>
<i>Carlos B. Aquino**</i>	<i>Feb. 4, 2014</i>	<i>Corporate Governance and Risk Management Summit</i>	<i>Institute of Corporate Directors</i>
<i>Angela Pilar B. Maramag***</i>	<i>Feb. 4, 2014</i>	<i>Corporate Governance and Risk Management Summit</i>	<i>Institute of Corporate Directors</i>

\*\*Corporate Secretary up to April 8, 2015.

\*\*\*Deputy Corporate Secretary up to April 8, 2015. Corporate Secretary from April 8, 2015.

## B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	<p><i>The Bank does not tolerate individuals who place their interest ahead of the institution, its clients, or its business partners. The conflict-of-interest policy elevates the interest of the bank above that of the personal interests of directors, officers, and employees. These policy prohibits directors, officers, and employees from using their position of authority or rank to directly or indirectly derive personal gain or advantage.</i></p> <p><i>Each employee is enjoined to exercise utmost discretion, prudence, and mature judgment in the discharge of his duties and responsibilities. In effect, it would do well for all employees of the Bank to avoid both appearances and the fact of conflict-of-interest situations.</i></p> <p><i>The policy comprehensively covers various conflict-of-interest situations: (A) Appointment/Election as Directors/Officers in other Organizations (B) Outside Employment (C) Running for Public Office (D) Competing with the Bank's Premises (E) Request or Acceptance of Fees, Commissions, Gifts (F) Use of Company Resources (G) Seeking Financial Assistance (H) Other Activities – (1) Fraudulent Activity, (2) Borrowing, (3) Exposing the Bank to Reputation Risk.</i></p>		
(b) Conduct of Business and Fair Dealings	<p><i>Under Norms of Conduct, this falls under Excellence and Loyalty to the Institution. All employees are expected to pursue the best interest of the Bank by striving for excellence in the performance of their duties and to conduct business with transparency, fairness, honesty and in compliance with the law and the Bank's rules and regulations.</i></p>		
(c) Receipt of gifts from third parties	<p><i>Covered by the policy on Conflict of Interest under Request or Acceptance of Fees, Commissions, Gifts – This provision in the Conflict-of-Interest Policy states that direct or indirect request or acceptance of any gift, share, percentage, discounts, special privileges or benefit for oneself or any other person of the employee's past, present, or intended intervention in any dealings between the Bank and any other party is not allowed and requires disclosure/approval.</i></p>		
(d) Compliance with Laws & Regulations	<p><i>Under Norms of Conduct, this will fall under Excellence and Loyalty to the Institution. All employees are expected to pursue the best interest of the Bank by striving for excellence in the performance of their duties and to conduct business with transparency, fairness, honesty and in compliance with the law and the Bank's rules and regulations.</i></p>		
(e) Respect for Trade Secrets/Use of Non-public Information	<p><i>Covered by the policy on Conflict of Interest under Exposing the Bank to Reputation Risk - Specifically: (1) Revelation of confidential matters, data or other information relative to company transactions or communications or secrets of trade without proper authorization, (2) Divulging valuable information of a confidential character, acquired by one's office or by the employee by reason of his official position, to unauthorized persons or revealing such information before its authorized release date is not allowed.</i></p>		
(f) Use of Company Funds, Assets and Information	<p><i>Covered by the policy on Conflict of Interest under Use of Company Resources and Exposing the Bank to Reputation Risk - Specifically: (1) Unauthorized use of Bank's managed and acquired properties such as equipment, intellectual properties, client's property in the custody of the Bank, (2) Revelation of confidential matters, data or other information relative to company transactions or communications or</i></p>		

	<i>secrets of trade without proper authorization is not allowed.</i>
<i>(g) Employment &amp; Labor Laws &amp; Policies</i>	<i>Covered by various polices on Labor Standards and observance of labor laws and circulars. Example of new labor laws: Special Leave for Women, Contractualization/Outsourcing, etc.</i>
<i>(h) Disciplinary action</i>	<i>All acts or omissions in violation of Bank policies, rules, and regulations as well as other acts prejudicial to the interest or which adversely affect the good name of the Bank are considered punishable offenses. Also included are crimes involving moral turpitude and those punishable by special laws. The Bank follows a sanctions grid in determining appropriate sanctions.</i>
<i>(i) Whistle Blower</i>	<p><i>The Bank has in place a Whistleblower program, an important mechanism for preventing and detecting fraud or misconduct, and enabling fast and coordinated incident responses and avenues for establishing cause, remedial actions, and damage control procedures.</i></p> <p><i>The bank remains committed to integrity and ethical behavior by helping to foster and maintain an environment where all personnel can act appropriately without fear of reprisal.</i></p> <p><i>The policy encourages all personnel and even the public to report and disclose any wrongdoing that may adversely impact the Bank and its subsidiaries, its customers, shareholders, officers, employees, investors or public at large. The identity of the whistleblower and the disclosure made shall be treated with utmost confidentiality. A reporting process that is beyond the normal reporting lines is set forth to disclose violations or suspected violations.</i></p>
<i>(j) Conflict Resolution</i>	<i>Imbedded in the Disciplinary Procedure covering Case handling and Conflict resolutions ensuring observance of due process.</i>
<i>(k) Insider Trading Policy</i>	<i>The Bank has an insider trading policy which prohibits its directors, officers, employees, and other parties who are considered to have knowledge of material facts that have not been disclosed to the public, including any information that will likely affect the market price of BPI's securities or BPI clients' securities, from buying or selling these securities for their own personal account.</i>

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

*Yes. Among others, the Bank's policies on conflict-of-interest, insider trading, whistleblowers and other guidelines are embodied in the Bank's corporate governance manual and included in the Bank's Management and Operating Manual and Personnel Policy Manual, each of which is recorded in electronic databases readily accessible for guidance of Bank employees. Aside from availability in these databases, Bank policies are regularly announced via internal email-facility to ensure constant top-of-mind awareness of the need to comply with these policies.*

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

*The Bank's Compliance Office is charged with nurturing the bank's culture for integrity, ethical business practice, and fair dealing. It is directly accountable to the bank's Audit Committee. Beyond the regulations that immediately impact operations, in particular, those of the Bangko Sentral, Securities and Exchange Commission, and the Philippine Deposit Insurance Corporation, the Compliance Office also places great emphasis on valuing the Bank's reputation and strengthening the trust given by the Bank's shareholders, clients, employees, partners, and members of the financial and local communities.*

*The Compliance Office oversees the implementation of the Bank's enterprise-wide compliance programs. The programs take into account the size and complexity of the Bank, the relevant rules and regulations that affect its operations, and the business risks that may arise due to non-compliance. By using regulatory*

and self-assessment compliance matrices, compliance measures are formulated to mitigate identified business risks and tested to ensure effectiveness.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
<i>(1) Parent Company</i>	<p><i>In the normal course of business, the Bank transacts with related parties which consist of its directors, officers, stockholders and related interest, subsidiaries and affiliates (including those under the Ayala group of companies), as well as other related parties (as defined in the Bank's internal policy) who may have a significant influence in a transaction.</i></p> <p><i>These transactions involve credit and non-credit exposures such as borrowings, guarantees, agreements for the periodic provision of leases or other services, asset purchases and sales, derivative transactions, trust transactions, investments, and the purchase or sale of goods. The Bank invests significant effort in ensuring that transactions with related parties are normal banking activities and are done at arm's length, particularly, on terms and conditions comparable to those offered to non-related parties or to similar transactions in the market. The Bank is committed to ensure strict compliance with laws, regulations and reporting requirements relating to DOSRI and related party transactions.</i></p> <p><i>The board has a Related Party Transactions Committee (RPTC), consisting of four (4) directors and headed by an independent director, to vet all related party transactions crossing certain thresholds of materiality. The committee is supported by the RPT Vetting unit of the Risk Management Office, which is responsible for the coordination and documentation of transactions of the recommending business units prior to submission to the RPTC.</i></p> <p><i>The Bank's Chief Audit Executive and Chief Compliance Officer also sit as non-voting members of the RPTC and perform post-reviews to ensure proper implementation of related party transactions.</i></p>
<i>(2) Joint Ventures</i>	
<i>(3) Subsidiaries</i>	
<i>(4) Entities Under Common Control</i>	
<i>(5) Substantial Stockholders</i>	
<i>(6) Officers including spouse/children/siblings/parents</i>	
<i>(7) Directors including spouse/children/siblings/parents</i>	
<i>(8) Interlocking director relationship of Board of Directors</i>	

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	<b>Details of Conflict of Interest (Actual or Probable)</b>
Name of Director/s	<i>N O N E</i>
Name of Officer/s	<i>N O N E</i>
Name of Significant Shareholders	<i>N O N E</i>

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

*The Related Party Transactions Committee (RPTC) provides the structural mechanism with respect to guarding against internal conflicts of interest between the company and/or its group and their directors, officers and significant shareholders:*

- 1. The RPTC assists the Board in assessing material agreements of any kind with a related party in determining whether to approve, ratify, disapprove or reject a Related Party Transaction.*
- 2. The committee takes into account whether or not the RPT is entered into on terms no less favorable to the Bank than terms generally available to an unaffiliated third-party under the same or similar circumstances.*
- 3. For transaction involving a sale of the Bank assets, it reviews results of the appraisal, valuation methodology used as well as alternative approaches to valuation.*
- 4. The Committee then assesses the extent of the Related Party's interest in the transaction:*
  - Term of the transaction*
  - The Related party's Interest in the transaction*
  - The purpose and timing of the transaction*
  - Whether or not the Bank is a party to the transaction and, if not, the nature of the Bank's participation in the transaction.*
  - If the transaction involves the sale of an asset, a description of the asset including date acquired and costs basis,*
  - Information concerning potential counterparties in the transactions;*
  - The approximated value of the transaction and the approximated value of the Related Party's interest in the transaction;*
  - Description of any provisions or limitations imposed as a result of entering into the proposed transactions;*
  - Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction and*
  - Purpose of the transaction and potential benefits to the Bank.*

	<b>Directors/Officers/Significant Shareholders</b>
Company	<i>The Bank applies the relevant policy on Conflict of Interest, such as the Related Party Transactions Policy.</i>
Group	<i>Same as above.</i>



5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
<i>None</i>	<i>None</i>	<i>None</i>

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
<i>Ayala Corporation</i>	Commercial	Borrower / Depositor
<i>Ayala DBS Holdings, Inc.</i>	Commercial	Depositor
<i>AC International Finance Limited</i>	Commercial	Depositor
<i>Roman Catholic Archbishop of Manila</i>	Commercial	Depositor

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
<i>None</i>	<i>None</i>	<i>None</i>

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
<b>Corporation &amp; Stockholders</b>	<i>There has been no dispute with the stockholders in the past especially in the last three (3) years.</i>
<b>Corporation &amp; Third Parties</b>	<i>If the agreement between the Bank and third parties has arbitration clause, arbitration is the ADR system being adopted. If none, the Bank initiates conciliation- earnest effort to arrive at amicable settlement. If everything fails, and the dispute progresses into court litigation, the Bank strictly adheres to and complies with Supreme Court A.M. No. 11-1-6-SC-PHILJA dated January 11, 2011 [Consolidated and Revised Guidelines to Implement the Expanded Coverage of Court-Annexed Mediation (CAM) and Judicial Dispute Resolution (JDR)]. Relative to regulatory authorities, the Bank adopts and complies with the alternative modes of dispute resolution they are using or promoting such as, but not limited to,</i>

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

	<i>mediation, conciliation and arbitration, in compliance with Republic Act No. 9285 (Alternative Dispute Resolution Act of 2004).</i>
<b>Corporation &amp; Regulatory Authorities</b>	<i>There has been no dispute with the regulatory authorities.</i>

### C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

*Board of Director's meetings are scheduled immediately after the annual stockholders meeting to cover the full term of the newly elected or re-elected members of the Board. Monthly Board of Directors meetings are usually set on the third Wednesday of the month unless reset to another date due to holidays. Weekly Executive Committee meetings are set on Wednesdays except in the week when there is a Board meeting.*

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year*	No. of Meetings Attended	%
Chairman	<i>Jaime Augusto Zobel de Ayala (re-elected)</i>	April 10, 2014	14	12	86%
Vice - Chairman	<i>Fernando Zobel de Ayala (re-elected)</i>	April 10, 2014	14	11	78%
Member/President/CEO	<i>Cezar P. Consing (re-elected)</i>	April 10, 2014	14	13	93%
Member	<i>Vivian Que Azcona (elected for the first time on April 10, 2014)</i>	April 10, 2014	14	11/11	100%
Member	<i>Rebecca G. Fernando (re-elected)</i>	April 10, 2014	14	13	93%
Member	<i>Aurelio R. Montinola III (re-elected)</i>	April 10, 2014	14	12	86%
Member	<i>Mercedita S. Nolloredo (re-elected)</i>	April 10, 2014	14	14	100%
Member**	<i>Oscar S. Reyes (re-elected)</i>	April 10, 2014	14	14	100%
Member	<i>Dolores B. Yuvienco (Elected for the first time on April 10, 2014)</i>	April 10, 2014	14	11/11	100%
Independent	<i>Artemio V. Panganiban (re-elected)</i>	April 10, 2014	14	14	100%
Independent	<i>Romeo L. Bernardo (re-elected)</i>	April 10, 2014	14	13	93%
Independent	<i>Octavio V. Espiritu (re-elected)</i>	April 10, 2014	14	13	93%
Independent	<i>Xavier P. Loinaz (re-elected)</i>	April 10, 2014	14	13	93%
Independent	<i>Antonio Jose U. Periquet (re-elected)</i>	April 10, 2014	14	14	100%
Independent	<i>Astrid S. Tuminez (re-elected)</i>	April 10, 2014	14	9	64%

\* From January 1, 2014 to December 30, 2014

\*\*Independent Director (ID) as of April 08, 2015

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If

yes, how many times?

*Yes, Board-level committees composed of non-executive directors regularly meet without the presence of any executive. On average, they have 5-7 meetings a year.*

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

*No. The provisions of the Bank's By-Laws are as follows: "A majority of the members of the Board of Directors shall constitute a quorum at any meeting for the transaction of corporate business, and every decision of a majority of the quorum duly assembled as a board shall be valid as a corporate act, unless otherwise provided in these By-Laws."*

- 5) Access to Information

- (a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board?

*Normally five (5) days and in case of additional items two (2) days.*

- (b) Do board members have independent access to Management and the Corporate Secretary?

*Yes, the Bank's corporate governance manual provides that qualitative and timely lines of communication and information between the Board and Management are maintained. In addition, the Board shall have separate and independent access to the Corporate Secretary.*

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

*The Bank's By-laws and corporate governance manual provide details on the critical role the Corporate Secretary fulfills as an officer of BPI:*

- 1. To serve as an adviser to the directors on their responsibilities and obligations;*
- 2. Keep the minutes of meetings of the stockholders, the Board of Directors, the Executive Committee, and all other committees of the Board, furnishing copies thereof to the Chairman, the President and other members of the Board as appropriate;*
- 3. Keep in safe custody the seal of BPI and affix it to any instrument requiring the same;*
- 4. Have charge of the stock certificate book and such other books and papers as the Board may direct;*
- 5. Attend to giving and serving of notices of Board and shareholder meetings;*
- 6. Be fully informed and be part of the scheduling process of other activities of the Board;*
- 7. Prepare an annual schedule of board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at every meeting;*
- 8. Oversee the adequate flow of information to the Board prior to meetings, including provision of materials in advance prior to the date of meeting;*
- 9. Keeping directors updated regarding any relevant statutory and regulatory changes and ensure the fulfillment of disclosure requirements to the Bangko Sentral ng Pilipinas, Securities and Exchange Commission and the Philippine Stock Exchange.*

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain

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<sup>5</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

should the answer be in the negative.

*Yes. The present Company Secretary possesses the legal skills of a chief legal officer and whose training is complemented by business, organizational, human relations and administrative work skills.*

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes

No

Committee	Details of the procedures
<i>Executive</i>	<p><i>The Bank's corporate governance manual provides that the Board of Directors have an unhampered, unlimited and direct access to the Corporate Secretary either by phone, email or letter who in turn will give them all the information and assistance they will need to prepare for the meeting or clarification of any relevant matters.</i></p> <p><i>Apart from this, it also provides that Management has the primary responsibility for the adequate flow to the Board of information, i.e., background or explanatory information relating to matters to be brought before the board, copies of disclosure statements and documents, budgets, forecasts and monthly financial statements.</i></p> <p><i>Executive Committee materials are also delivered to the office/residence of directors in advance.</i></p>
<i>Audit</i>	<p><i>Same as above.</i></p> <p><i>Internal Audit emails an advance copy of the materials to the members of the Committee.</i></p>
<i>Nomination</i>	<p><i>Same as above.</i></p> <p><i>Nomination Committee materials are delivered to the office/residence of directors.</i></p>
<i>Personnel &amp; Compensation</i>	<p><i>Same as above.</i></p> <p><i>PerCom Committee materials are delivered to the office/residence of directors.</i></p>
<i>Risk Management</i>	<p><i>Same as above.</i></p> <p><i>Risk Management Committee materials are delivered to the office/residence of directors. The Chairman and members of the Committee have direct access to Management as well. Market Risk Management emails an advance copy of their materials.</i></p>
<i>Others (Corporate Governance and Trust)</i>	<p><i>Same as above.</i></p> <p><i>Corporate Governance and Trust Committee materials are delivered to the directors.</i></p>

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
<i>If so requested by the Chairman or other directors, external specialists or consultants can be called on for advice, briefings or assistance on specialized areas of focus such as related party transactions, mergers and acquisitions, etc.</i>	<i>Management can arrange for the internal auditor, management services company or consultants to present to the Bank. The Corporate Secretary and/or Management calendars said requested advisory activity/ies for the next meeting.</i>

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
<i>None</i>	<i>None</i>	<i>None</i>

**D. REMUNERATION MATTERS**

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
<i>(1) Fixed remuneration</i>	<i>The CEO/Executive Director receive remuneration as Officer of the Company and as such his compensation is processed just like the other top officers of the Company</i>	<ul style="list-style-type: none"> <li>• <i>Salary reviews (covering fixed and variable compensation) are done annually to ensure market competitiveness of the Company's total remuneration.</i></li> <li>• <i>The Company participates in Executive and Total Remuneration Surveys to benchmark on its market positioning.</i></li> <li>• <i>An annual merit increase may be granted upon Management discretion based on the Officers' performance.</i></li> <li>• <i>All salary programs are subject to the approval of the Personnel and Compensation Committee (PERCOM) and the Board of Directors</i></li> </ul>
<i>(2) Variable remuneration</i>		
<i>(3) Per diem allowance</i>		<ul style="list-style-type: none"> <li>• <i>The Company grants travel privileges to its Officers who need to go <u>abroad</u> for official or business reasons.</i></li> <li>• <i>All travel expenses are shouldered by the</i></li> </ul>

		<i>Company, including the travel allowance / per diem, subject to policy guidelines</i> <ul style="list-style-type: none"> <li>• All official <u>foreign travel</u> is subject to the approval of the President.</li> </ul>
(4) Bonus		<ul style="list-style-type: none"> <li>• Upon Management's discretion, a performance bonus may be given in a year, based on the performance and contribution of the individual in the attainment of the over-all Company goals.</li> <li>• This is subject to the endorsement of the PERCOM and approval of the Board of Directors.</li> </ul>
(5) Stock Options and other financial instruments		n/a (no existing Stock Program)
(6) Others (specify)		n/a

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	<i>Note: The CEO/Executive Director receive remuneration as Officer and not as Director of the Company</i>		
Non-Executive Directors	<i>The Bank's By-Laws provides that "Each director shall be entitled to receive from the Bank, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of the directors. In no case shall the total yearly compensation of directors exceed one percent (1%) of the net income before income tax of the Bank during the preceding year."</i>	<i>Per diems for Committee and Board of Directors attendance and Annual Directors bonus</i>	<i>Amount is set and approved by the Board from year to year. Historically it is a fraction of one percent of the total net income of the Bank</i>

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

*Yes. More specifically, stockholders delegated this task to the Board provided the total bonus or compensation will not exceed one percent (1%) of net income of the Bank for the previous year and that the same shall be submitted to the stockholders in its next meeting for information.*

For the last three (3) years the remuneration received by the Board of Directors as approved by the

stockholders or the Board pursuant to its By-Laws.

Remuneration Scheme	Date of the Board or Stockholders' Approval
Director's Bonus for services in 2012	March 20, 2013
Director's Bonus for services in 2013	March 19, 2014
Director's Bonus for services in 2014	March 18, 2015

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Note: The CEO/Executive Director receive remuneration as Officer and not as Director of the Company	There is no fixed remuneration for Non-Executive Directors	There is no fixed remuneration for Independent Directors
(b) Variable Remuneration		None	None
(c) Per diem Allowance		₱16,150,000.00	₱9,380,000.00
(d) Bonuses		₱18,825,203	₱16,800,000.00
(e) Stock Options and/or other financial instruments		None	None
(f) Others (Specify)		None	None
<b>Total</b>		₱ 34,975,203	₱ 26,180,000.00

Other Benefits	Executive Director*	Non-Executive Directors (other than independent directors)	Independent Directors
A. Advances		None	None
B. Credit granted		None	None
C. Pension Plan/s Contributions	Yes	None	None
(d) Pension Plans, Obligations incurred		None	None
(e) Life Insurance Premium	Yes	None	None
(f) Hospitalization Plan	Yes	None	None
(g) Car Plan	Yes	None	None
(h) Others (Specify)		None	None
<b>Total</b>			

\*Said benefits are provided not as directors but as officers of the bank.

D. Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
<i>None</i>	<i>None</i>	<i>None</i>

E. Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
<i>Antonio V. Paner/EVP &amp; Treasurer</i>	<i>P128,016,925.98</i>
<i>Natividad N. Alejo/Executive VP</i>	
<i>Joseph Albert L. Gotuaco/Executive VP</i>	
<i>Simon R. Paterno/Executive VP</i>	
<i>Alfonso L. Salcedo Jr./Executive VP</i>	

E. BOARD COMMITTEES



1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

*The Board has established committees to assist in exercising its authority in monitoring performance of the Bank, within the limits allowed by law. These Board committees provide organized and focused means for the directors to achieve specific goals and address issues, including those related to governance. The Bank has nine (9) Committees as follows: Executive Committee, Audit Committee, Nominations Committee, Personnel and Compensation Committee, Corporate Governance Committee, Risk Management Committee, Trust Committee, Related Party Transaction Committee and Retirement and Pension Committee.*

Committee	No. of Members			Committee Charter	Functions Key Responsibilities Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)		
1.Executive	1	5	1	Yes	<p><i>Functions:</i></p> <ol style="list-style-type: none"> <li><i>Functions as the Board’s committee for the approval of all major credit risks and major policies and corporate actions, i.e., approved contracts, sale of real properties, HR Matters (such as compensation, hiring, promotions, terminations), transfers and relocation of branches, approval of Bank Policies and other matters which require ExCom approval.</i></li> <li><i>Serves as the operating arm of the Board in all matters relating to corporate governance.</i></li> </ol> <p><i>Key Responsibilities:</i></p> <ol style="list-style-type: none"> <li><i>The Executive Committee shall be a part of the permanent organization of the Bank, and which shall in the interim between meetings of the Board of Directors, possess and exercise all the powers of Board in the management and direction of the affairs of the Bank.</i></li> </ol> <p><i>Powers:</i></p> <ol style="list-style-type: none"> <li><i>Executes the resolutions adopted in all the stockholders’ meetings and resolutions of the Board of Directors other than those directed to the President.</i></li> <li><i>Exercises the power of the Board in the management and direction of the affairs of the Bank subject to the limits provided by law and the Bank By-Laws.</i></li> <li><i>May approve all major policies and oversees all major risk taking activities on a more detailed basis.</i></li> </ol>

2. Audit	0	3	2	Yes	<p><i>Functions:</i></p> <ol style="list-style-type: none"> <li>1. <i>Monitors and evaluates the adequacy and effectiveness of the internal control system, including financial reporting control and information technology security.</i></li> <li>2. <i>Provides oversight over the:</i> <ul style="list-style-type: none"> <li>- <i>overall management of credit, market, liquidity, operational, legal, and other risks of the Bank;</i></li> <li>- <i>internal and external auditors;</i></li> <li>- <i>quality of compliance with the Corporate Governance Manual; and</i></li> <li>- <i>Review conducted by BSP.</i></li> </ul> </li> </ol> <p><i>Key Responsibilities:</i></p> <ol style="list-style-type: none"> <li>1. <i>To review and monitor internal control system/process, including financial reporting control and information technology security.</i></li> <li>2. <i>To oversee:</i> <ul style="list-style-type: none"> <li>- <i>the financial reporting and disclosure process;</i></li> <li>- <i>the appointment, performance, and independence of the Chief Audit Executive (internal auditor) and external auditors;</i></li> <li>- <i>the performance of the internal audit function;</i></li> <li>- <i>Regulatory compliance, ethics, fraud prevention and detection, including whistle blower policy/ program.</i></li> </ul> </li> </ol> <p><i>Powers:</i></p> <ol style="list-style-type: none"> <li>1. <i>Investigates any matter within its terms of reference;</i></li> <li>2. <i>Seeks any information it requires from employers;</i></li> <li>3. <i>Obtains assurances, and when appropriate, reports from Bank officers, external auditors, or outside counsel;</i></li> <li>4. <i>Obtains professional advice at Bank's expense, and secure attendance of outsider with relevant experience/expertise whenever, necessary;</i></li> <li>5. <i>Invites any director or executive officer to attend its meetings;</i></li> <li>6. <i>Secures adequate resources to enable it to effectively discharge its functions;</i></li> <li>7. <i>Provides oversight over the Audit Committees of subsidiaries.</i></li> </ol>
3. Nomination	0	3	2	Yes	<p><i>Functions:</i></p> <ol style="list-style-type: none"> <li>1. <i>Installs and maintains a process to ensure that all directors to be nominated for election at the next Annual General Stockholders Meeting have the qualifications and none of the disqualification stated above;</i></li> <li>2. <i>Encourages the selection of a mix of competent</i></li> </ol>

					<p>directors, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies;</p> <p>3. Reviews and evaluates the qualifications of all persons nominated to positions in the Corporation which require appointment by the Board.</p>
4. Personnel & Compensation	0	4	1	Yes	<p>Functions:</p> <ol style="list-style-type: none"> <li>1. Directs and ensures the development and implementation of long term Human Resources (HR) Strategy/Plan based on the Board's vision of the organization. Such a strategy should embody the following: <ol style="list-style-type: none"> <li>a. The organization's values</li> <li>b. The human resources philosophy and policies</li> <li>c. Compensation philosophies and guidelines</li> <li>d. Recognition and rewards philosophies and guidelines.</li> </ol> </li> </ol> <p>Key Responsibilities:</p> <ol style="list-style-type: none"> <li>1. To annually review and approve corporate goals and objectives relevant to CEO compensation, the board of directors, senior management and key officers of the Bank to enable the Bank to attract and keep superior human talents in its fold;</li> <li>2. To annually review and approve base salary, incentive compensation for senior management, board of directors and key officers and recommend appropriate remuneration package to the Board for approval;</li> <li>3. To ensure the establishment, documentation through a formal manual, timely dissemination and proper implementation of personnel policies and guidelines;</li> <li>4. To review and approve recommendations for promotions to and from the rank of AVP and up and submit to the Board for confirmation/approval;</li> <li>5. To review and endorse proposals for Early Retirement Program as well as any severance payment or similar termination payments proposed to be made by BPI to its officers and staff;</li> <li>6. To review impact on compensation, the plans of mergers, spin-offs and other similar organizational or operating changes;</li> <li>7. To review together with the CEO, the talent development process within the Bank;</li> <li>8. To review the Personnel Handbook;</li> <li>9. To perform annual reviews of PerCom's performance;</li> </ol>

					<p>10. To periodically assess the adequacy of its charter and recommend changes to the Board as needed;</p> <p>11. To exercise such powers and duties as may from time to time to be delegated by the Board to the PerCom.</p>
					<p><i>Powers:</i></p> <ol style="list-style-type: none"> <li>1. Has direct access to and complete and open communication with senior management;</li> <li>2. May obtain advice and assistance from internal legal, accounting and other advisors to assist it;</li> <li>3. May retain independent legal, accounting, and other advisors to assist it; and</li> <li>4. May determine the compensation of such advisors and the Bank shall be responsible for any costs or expenses so incurred.</li> </ol>
5. Corporate Governance	0	3	3	Yes	<p><i>Functions:</i></p> <ol style="list-style-type: none"> <li>1. Assists the Board of Directors in fulfilling its corporate governance responsibilities;</li> <li>2. Ensures the Board's effectiveness and due observance of sound corporate governance principles and guidelines.</li> </ol> <p><i>Key Responsibilities:</i></p> <ol style="list-style-type: none"> <li>1. To recommend, for approval of the Board, a written Charter of the Committee that describes, among others, the duties and responsibilities of the Committee and its members. This charter shall be reviewed for its adequacy, at least annually by the Committee and any proposed changes submitted to the Board for Approval;</li> <li>2. To review the Manual of Corporate Governance, its effective dissemination and implementation on an annual basis, or more frequently if appropriate, and recommend changes for the approval of the Board, where necessary;</li> <li>3. To develop and recommend for the approval of the Board a performance evaluation process of the Board and its committees and executive management for the purpose of, among others,</li> </ol>

					<p><i>assessing their effectiveness in enhancing shareholder value. The evaluation should be of the Board's and the Committees' contribution and performance as a whole and their compliance with their duties and responsibilities under the Manual of Corporate Governance;</i></p> <p><i>4. To conduct a self evaluation of its performance as a Committee in such manner as the Committee deems appropriate;</i></p> <p><i>5. To recommend comprehensive orientation programs for new directors and, from time to time, continuing education programs for directors when appropriate;</i></p> <p><i>6. In coordination with the Personnel and Compensation Committee, to make recommendations to the Board on matters relating to assignment of Directors to Board Committees, succession planning for the Directors, the Chief Executive Officer and other senior officers and their remuneration in a manner commensurate with their performance;</i></p> <p><i>7. In coordination with the Nomination Committee, to make recommendations to the Board or to the Nomination Committee itself on matters relating to the review and evaluation of the qualifications of persons nominated to the Board and senior officer positions taking into account the appropriate qualifications, expertise and characteristics required of the positions;</i></p> <p><i>8. To develop and recommend a process to ensure the Board's observance of corporate governance principles and guidelines as embodied in the Manual of Corporate Governance;</i></p> <p><i>9. To conduct an annual performance evaluation of the Board of Directors and senior management; When a director or officer has multiple positions, to determine whether or not said director or officer is able to and has been adequately carrying out his / her duties and, if necessary, to recommend changes to the Board based upon said performance / review;</i></p> <p><i>10. To perform such additional duties and responsibilities as the Committee may deem appropriate within the scope of its primary functions or as may be assigned by the Board from time to time.</i></p>
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6. Risk Management	1	1	4	Yes	<p><i>Functions:</i></p> <ol style="list-style-type: none"> <li>1. Oversees and manages the BPI Group’s exposures to risks and monitors the BPI Group’s regulatory and internal capital adequacy vis-à-vis these exposures to risks;</li> <li>2. Nurtures a culture of risk and capital management across the entity;</li> <li>3. Implements and oversees the enterprise risk management program to assist the Board in fulfilling its corporate governance responsibilities relating to the management of risks.</li> </ol> <p><i>Key Responsibilities:</i></p> <ol style="list-style-type: none"> <li>1. To develop, implement and oversee the capital management program;</li> <li>2. To develop, implement and oversee the risk management program;</li> <li>3. To identify and assess risk exposures;</li> <li>4. To perform other functions as may be mandated by the Board relating to the management of the entity’s capital and risks covering credit, market, operating, reputational, strategic and other risks.</li> </ol> <p><i>Powers:</i></p> <ol style="list-style-type: none"> <li>1. Form sub-committees and delegate its capital and risk management functions to sub-committees or line management as may be deemed necessary;</li> <li>2. Require/receive reports from the Bank’s management committees and personnel that are necessary to monitor and assess the capital adequacy and risk exposures and their implication to the Bank;</li> <li>3. Recommend to the Board for approval the – <ol style="list-style-type: none"> <li>a. Most appropriate capital structure for the BPI Group in consideration of the BPI Group’s long-term strategic objectives, current business plans, and risk appetite;</li> <li>b. BPI Group’s capital management and risk management policies;</li> </ol> </li> <li>4. Confirm or approve proposals relating to risk limits, risk exposure allocation, capital allocation and risk management policies.</li> </ol>
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7. Trust	2	3	2	Yes	<p><i>Functions:</i></p> <ol style="list-style-type: none"> <li>1. <i>Reviews and approves transactions between trust and/or fiduciary accounts; and</i></li> <li>2. <i>Reviews trust and other fiduciary accounts at least once every twelve (12) months to determine the advisability of retaining or disposing of the trust or fiduciary assets and/or whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship</i></li> </ol> <hr/> <p><i>Key Responsibilities:</i></p> <ol style="list-style-type: none"> <li>1. <i>To ensure that fiduciary activities are conducted in accordance with applicable laws, rules and regulations and prudent practices;</i></li> <li>2. <i>To ensure that policies and procedures that translates the Board's objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective;</i></li> <li>3. <i>To oversee the implementation of the risk management framework and ensure that internal controls are in place relative to the fiduciary activities;</i></li> <li>4. <i>To adopt an appropriate organizational structure/staffing pattern and operating budgets that shall enable the trust department to effectively carry out its functions;</i></li> <li>5. <i>To oversee and evaluate performance of the Trust Officer;</i></li> <li>6. <i>To conduct regular meetings every month;</i></li> <li>7. <i>To report regularly to the Board of Directors on matters arising from fiduciary activities.</i></li> </ol> <hr/> <p><i>Powers:</i></p> <ol style="list-style-type: none"> <li>1. <i>Powers delegated by the Board of Directors in the administration, management and direction of the Trust business of the Bank.</i></li> </ol>
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8. <i>Related Party Transactions Committee</i>	1	1	2	Yes	<p><i>Functions:</i></p> <ol style="list-style-type: none"> <li>1. <i>Review and endorse all related party transactions (RPTs) including those involving DOSRI, which shall require final Board approval.</i></li> <li>2. <i>Formulate, revise, and approve policies on related party transactions.</i></li> <li>3. <i>Conduct any investigation required to fulfill its responsibilities on RPTs.</i></li> <li>4. <i>Assesses agreements of any kind with a related party to ensure that transactions are entered into on terms no less favorable to the Bank than terms generally available to an unaffiliated third-party under the same or similar circumstances.</i></li> <li>5. <i>Review the adequacy of Management’s monitoring and reporting systems on RPTs.</i></li> </ol> <p><i>Key Responsibilities:</i></p> <ol style="list-style-type: none"> <li>1. <i>Assist the Board in assessing material agreements of any kind with a related party in determining whether to approve, ratify, disapprove or reject a Related Party Transaction.</i></li> <li>2. <i>The Committee shall take into account whether the RPT is entered into on terms no less favorable to the Bank than terms generally available to an unaffiliated third-party under the same or similar circumstances.</i></li> <li>3. <i>For transaction involving a sale of the Bank assets, review results of the appraisal, valuation methodology used as well as alternative approaches to valuation.</i></li> <li>4. <i>Assess the extent of the Related Party’s interest in the transaction:</i> <ul style="list-style-type: none"> <li>- <i>Term of the transaction</i></li> <li>- <i>The Related party’s Interest in the transaction</i></li> <li>- <i>The purpose and timing of the transaction</i></li> <li>- <i>Whether the Bank is a party to the transaction and if not the nature of the Bank’s participation in the transaction.</i></li> <li>- <i>If the transaction involves the sale of an asset, a description of the asset including date acquired and costs basis,</i></li> <li>- <i>Information concerning potential counterparties in the transactions;</i></li> <li>- <i>The approximated value of the transaction and the approximated value of the Related Party’s interest in the transaction;</i></li> <li>- <i>Description of any provisions or limitations imposed as a result of entering into the proposed transactions</i></li> <li>- <i>Whether the proposed transaction includes</i></li> </ul> </li> </ol>
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					<p>any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction and</p> <ul style="list-style-type: none"> <li>- Purpose of the transaction and potential benefits to the Bank.</li> </ul> <p>5. Require adequate and accurate information from the Management.</p> <p>6. Review the adequacy of Management's monitoring and reporting systems on RPTs.</p> <p>7. Review and assess the adequacy of this Charter at least annually and obtain approval of any revisions to this Charter from the Board of Directors. The Committee shall annually review the Committee's own performance.</p> <p><b>Powers:</b></p> <p>1. Review and endorse all RPTs including those involving DOSRI which shall require final Board approval;</p> <p>2. Formulate, revise and approve policies on related party transactions;</p> <p>3. Conduct any investigation required to fulfil its responsibilities on RPTs;</p> <p>4. Consult or retain at the Bank's expense such outside legal counsel, accounting or other advisers, consultants or experts as the Committee may consider necessary from time to time to carry out its duties.</p> <p>5. Access to all Unibank records in order to perform its responsibilities.</p>
9. Retirement and Pension	1	2	0	Yes	<p><b>Functions:</b></p> <p>1. Oversees the fiduciary, administrative, investment portfolio, and other non-investment aspects of the Bank's retirement plan.</p>

## 2) Committee Members

### Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held*	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Jaime Augusto Zobel de Ayala	April 3, 2003	35	27	77%	11
Vice-Chairman (NED)	Fernando Zobel de Ayala	April 3, 2003	35	17	49%	11
Member (ED)	Cezar P. Consing	April 18, 2013	35	29	83%	1.75
Member (NED)	Aurelio R. Montinola III	March 25, 2004	35	29	83%	10
Member (ID)	Antonio Jose U. Periquet	April 18, 2013	35	32	91%	1.75
Member (NED)	Rebecca G. Fernando	March 31, 2009	35	31	89%	5
Member (NED)	Mercedita S. Nolloedo*	April 10, 2014	35	25	71%	0.75

\*Up to April 10, 2014 Ms. Nolloedo was an alternate member, starting April 10, 2014, she became a regular member.

## Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Xavier P. Loinaz	April 15, 2010	13	11	85%	4
Member (ID)	Octavio V. Espiritu	April 15, 2010	13	13	100%	4
Member (NED)	Aurelio R. Montinola III	April 18, 2013	13	8	62%	1.75
Member (NED)*	Oscar S. Reyes	March 25, 2004	13	13	100%	10
Member (NED)	Dolores B. Yuvienco	April 10, 2014	9	9	100%	.75

\*Independent Director (ID) as of April 08, 2015

Disclose the profile or qualifications of the Audit Committee members.

1. **Xavier P. Loinaz** – (Independent Director), 71 years old, Filipino, has been a member of the Board of Directors of Bank of the Philippine Islands (BPI) since 1982. He served as the President of BPI from 1982 to 2004 (22 years). Likewise, he was the President of the Bankers Association of the Philippines from 1989 to 1991. Currently, Mr. Loinaz also holds the following corporate positions: Independent Director of BPI; Chairman of the Audit Committee and Member of the Nomination Committee of BPI; Independent Director of Family Savings Bank, Inc., BPI/MS Insurance Corporation, and Ayala Corporation. He is the Chairman of the Board of Directors of Alay Kapwa Kilusan Pangkalusugan, XPL Manitou Properties, Inc.; and Vice-Chairman of XPL MTJL Properties, Inc. and Member of the Board of Trustees of E. Zobel Foundation.

He graduated with an A.B. Economics degree from the Ateneo de Manila University in 1963 and obtained his MBA Finance at the Wharton School of Pennsylvania in 1965.

2. **Octavio V. Espiritu** - (Independent Director), 71 years old, Filipino, has been a member of Board of Directors of Bank of the Philippine Islands (BPI) since April 2000. A three term former President of the Bankers Association of the Philippines and former President and Chief Executive Officer of Far East Bank & Trust Company. He was also the Chairman of the Board of Trustees of Ateneo de Manila University for 14 years. He is currently the Chairman of the BPI Risk Management Committee and a Member of the Audit Committee of BPI.

Mr. Espiritu is at present the Chairman of GANESP Ventures, Inc., Member of the Board of Directors of International Container Terminal Services, Inc., Philippine Dealing System Holdings Corporation and Subsidiaries; Philippine Stratbase Consultancy, Inc., and Netvoice, Inc.

He graduated with an AB Economics degree from the Ateneo de Manila University in 1963 and obtained his M.A. Economics degree from the Georgetown University, USA in 1966.

3. **Aurelio R. Montinola III** - 63 years old, Filipino, has served as President and CEO of Bank of the Philippine Islands (BPI) for 8 years (2005-2013), the Bankers Association of the Philippines for 4 years and the Chamber of Thrift Banks for 1 year. He is a member of the BPI's Executive Committee, Audit Committee, Risk Management Committee and Personnel and Compensation Committee. Mr. Montinola is presently the Chairman of Far Eastern University and the Vice-Chairman of Philippine Business for Education. His present affiliations, among others, include being Director of BPI, BPI Family Savings Bank, Inc. and BPI Capital Corporation, BPI Globe BankKO, Inc., A Savings Bank, and BPI Europe, PLC; He is also the Chairman of BPI/MS Insurance Corporation, BPI-Philam Life Assurance Corporation,

FEU East Asia Education Foundation, Amon Trading Corporation; and of Lafarge Republic, Inc. Finally, he is a member of the Management Association of the Philippines and Trustee of the Makati Business Club and WWF Philippines.

Significant awards include Management Man of the Year 2012 (Management Association of the Philippines), Asian Banker Leadership Award (twice), and Legion d'Honneur (Chevalier) from the French Government. He graduated MBA in 1977 from the Harvard Business School and BS Management Engineering degree at the Ateneo de Manila University in 1973.

4. **Oscar S. Reyes (Independent Director)** – 68 years old, Filipino, is a Member of the Board of Directors of Bank of the Philippine Islands since April 2003. He is a member of the Audit Committee, Corporate Governance Committee, Personnel & Compensation Committee and Related Party Transaction Committee.

Mr. Reyes is a member of the Advisory Board of the Philippine Long Distance Telephone Company (PLDT) and of the Board of Directors of Manila Water Co., PLDT Communications and Energy Ventures Inc., Basic Energy Corporation, Cosco Capital Inc. and Sun Life Financial Phils., Inc., Clark Electric Distribution Corp., and Republic Surety & Insurance Co., Inc. among other firms. He is a Director of Manila Electric Company where he also holds the position of President and Chief Executive Officer. He is also President of Meralco PowerGen Corporation and Chairman of Pepsi Cola Products Philippines, Inc., Meralco Industrial Engineering Services Corporation (MIECOR), CIS Bayad Center Inc., Meralco Energy, Inc. (MEI), Redondo Peninsula Energy, Inc., and Pacific Light Pte. Ltd.

He finished Bachelor of Arts Major in Economics, cum laude, from the Ateneo de Manila University in 1965 and Master of Business Administration (academic units completed) from the Ateneo Graduate School of Business Administration in 1971; Program for Management Development from the Harvard Business School, Boston, in 1976; and Commercial Management Study Program at the Lensbury Centre, Shell International Petroleum Co., United Kingdom. He also took up Business Management Consultants and Trainers Program at the Japan Productivity Center/Asian Productivity Organization, Tokyo, in 1968; and International Management Development Program leading to (1) Diploma in Business Administration and (2) Certificate in Export Promotion at the Waterloo University, Ontario, Canada in 1969-1970.

3. **Dolores B. Yuvienco** – 66 years old, Filipino, was elected as Director of Bank of the Philippine Islands (BPI) on April 10, 2014. She is a member of the Audit Committee and Corporate Committee of BPI.

Ms. Yuvienco joined Bangko Sentral ng Pilipinas (formerly known as Central bank of the Philippines) in April 1972 as Senior Executive Assistant – Office of the Governor. She transferred to the Supervision and Examination Sector in 1975 and moved up the organization until she retired as Assistant Governor at the Bangko Sentral in March 2013. While working at the Supervision and Examination Sector, she participated in the crafting of major policies on banking supervision, as well as in the on-site and off-site supervision activities over BSP supervised entities. She represented the BSP in international fora like the EMEAP (Executives Meeting for East Asia and the Pacific Central Banks) Working Group on Banking Supervision and the SouthEast Asian Center for Central Banking (SEACEN) Group on Banking Supervision. She served as a member of the Technical Working Group of the Financial Sector Forum, a voluntary intersectoral body formed by the Bangko Sentral ng Pilipinas, the Securities and Exchange Commission, the Insurance Commission, and the Philippine Deposit Insurance Corporation. She is part of the speakers' pool of the Rural Bankers Association of the Philippines (RBAP) Foundation that delivers the basic governance course for bank directors. A former president of the BAIPhil, a training provider for bankers, she continues to be an adviser to the BAIPhil Training Institute.

*She graduated in 1967 from St. Theresa's College, Quezon City with the degree of Bachelor of Science in Commerce, major in Accounting. She took up post graduate studies at the University of the Philippines, Diliman. She is a certified Public Accountant and a Career Executive Service Professional.*

Describe the Audit Committee's responsibility relative to the external auditor.

*The Audit Committee provides oversight on External Audit, and is responsible for the following:*

- 1) Appointment of an External Auditor, including the assessment of their effectiveness, independence and objectivity.*
- 2) Review of scope of the proposed external audit for the current calendar year*
- 3) Approval of all audit and non-audit services, including its fees*
- 4) Ensure that external auditors have free and full access to all Bank's records, properties, and personnel to enable them to perform their audit functions.*

#### Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Romeo L. Bernardo	April 14, 2011	1	1	100%	3
Member (ID)		April 07, 2005 (to April 14, 2011)				6.5
Member (ID)	Xavier P. Loinaz	March 31, 2009	1	1	100%	5
Member (ED & NED)		Apr. 03, 2003 (to Mar. 31, 2009)				6.5
Member (NED)	Jaime Augusto Zobel de Ayala	14 April 2011	1	1	100%	3
Chairman (NED)		Apr. 03, 2003 (to Apr 14, 2011)				9.5
Member (NED)	Fernando Zobel de Ayala	April 10, 2014	-	-	-	.75
Member (NED)	Vivian Que Azcona	April 10, 2014	-	-	-	.75

#### Personnel & Compensation Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Fernando Zobel de Ayala	April 3, 2003	8	8	100%	11
Member (ID)	Romeo L. Bernardo	April 3, 2003	8	8	100%	11
Member (NED)	Aurelio R. Montinola III	April 18, 2013	8	5	63%	2
Member (NED)*	Oscar S. Reyes	March 31, 2009	8	8	100%	5
Member (NED)	Vivian Q. Azcona	April 10, 2014	6	5	83%	.75

\*Independent Director (ID) as of April 08, 2015

Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

(e.1) Corporate Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Artemio V. Panganiban	April 15, 2010	2	2	100%	4
Member (ID)	Romeo L. Bernardo	April 7, 2005	2	2	100%	9
Member (NED)	Astrid S. Tuminez	April 10, 2014	2	2	100%	.75
Member (NED)	Mercedita S. Nolledo	April 6, 2006	2	2	100%	8
Member (NED)**	Oscar S. Reyes	April 7, 2005	2	2	100%	9
Member (NED)	Dolores B. Yuvienco	April 10, 2014	2	2	100%	.75

\*Independent Director (ID) as of April 08, 2015

(e.2) Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Octavio V. Espiritu	April 03, 2003	13	13	100%	11
Member (ID)	Cezar P. Consing	April 15, 2010 to Dec. 2012				2
Member (ED)		April 18, 2013	13	11	85%	1.75
Member (ID)	Romeo L. Bernardo	April 3, 2008	13	13	100%	6
Member (ED)	Aurelio R. Montinola III	April 7, 2005 to April 17, 2013				8
Member (NED)		April 18, 2013	13	8	62%	1.75
Member (ID)	Antonio Jose U. Periquet	April 19, 2012	13	9	69%	2.75
Member (NED)	Astrid S. Tuminez	April 10, 2014	13	6	46%	.75

(e.3) Trust Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Mercedita S. Nolledo	March 10, 1992	13	13	100%	22.75
Member (ID)	Antonio Jose U. Periquet	April 19, 2012 to April 17, 2013				1
Vice-Chairman		April 18, 2013	13	11	85%	1.75
Vice-Chairman (NED)	Fernando Zobel de Ayala	April 3, 2003 to April 17, 2013				10
Member (NED)		April 18, 2013	13	7	54%	1.75

Member (ED)	Cezar P. Consing	April 18, 2013	13	11	85%	1.75
Member (ID)	Romeo L. Bernardo	April 3, 2003	13	13	100%	11.75
Member (NED)	Rebecca G. Fernando	March 31, 2009	13	12	92%	5.75
Member (ED)	Maria Theresa M. Javier, Trust Officer	April 21, 2010	13	13	100%	4.75

(e.4) Related Party Transaction Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Octavio V. Espiritu	April 10, 2014	11	11	100%	.75
Member (NED)	Rebecca G. Fernando	April 10, 2014	11	11	100%	.75
Member (ID)	Romeo L. Bernardo	April 10, 2014	11	11	100%	.75
Member (NED)*	Oscar S. Reyes	April 10, 2014	11	11	100%	.75

\*Independent Director (ID) as of April 08, 2015

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Audit	Dolores B Yuvienco	New
Nomination	Solomon M Hermosura	Replaced
Nomination	Fernando Zobel de Ayala	New
Nomination	Vivian Que Azcona	New
Risk Management	Astrid S Tuminez (Independent)	New
Corporate Governance	Solomon M Hermosura	Replaced
Corporate Governance	Astrid S Tuminez	New
Corporate Governance	Dolores B Yuvienco	New
Retirement/Pension Committee	Fidelina A. Corcuera, Human Resources Officer	Replaced
Retirement/Pension Committee	Florendo G. Maranan, Head of Human Resources Management	New
Personnel and Compensation	Vivian Que Azcona	New
Related Party Transactions	Octavio V. Espiritu (Independent)	New Committee
	Rebecca G. Fernando	New Committee
	Oscar S. Reyes*	New Committee
	Romeo L. Bernardo (Independent)	New Committee
	Rosemarie B. Cruz, Chief Audit Executive (Non-voting)	New Committee
	Marita Socorro D. Gayares, Chief Compliance Officer (Non-voting)	New Committee

\*Independent Director (ID) as of April 08, 2015

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
<i>Executive</i>	<p>1. <i>Deliberated on and approved:</i></p> <ul style="list-style-type: none"> <li>a) <i>Credit proposals</i></li> <li>b) <i>Sale of real properties</i></li> <li>c) <i>Purchase of CAPEX</i></li> <li>d) <i>HR matters, (e.g. hiring, promotions, termination, compensation, early retirement program) authorized signatories, policy manual, contracts, and service agreements among others.</i></li> </ul>	<p><i>The Executive Committee addressed issues with respect to credit proposals, ROPA sales, manpower administration, capital expenditures, policy manuals, service contracts and agreements, and designation of authorized signatories.</i></p>
<i>Audit</i>	<ul style="list-style-type: none"> <li>a) <i>Discussed and endorsed to the Board for approval the audited consolidated financial statements of BPI as of and for the year ended December 31, 2014, including the assessment of the Bank's internal controls relative to the financial reporting process.</i></li> <li>b) <i>Reviewed and endorsed to the Board for approval the quarterly unaudited financial statements, including Management's analysis and discussion on results of operations.</i></li> <li>c) <i>On External Auditors:</i>  <i>Reviewed and approved the overall scope, approach and audit plan of the external auditor, including fees, terms of engagement.</i>  <i>Held executive session with the external auditors</i>  <i>Assessed the performance and recommended the re-engagement of the external auditor</i></li> <li>d) <i>On Internal Audit</i>  <i>Reviewed and approved the 2014 Internal Audit Work Plan, changes in the Internal Audit Charter, Risk Assessment Model, and Audit Rating Framework.</i>  <i>Reviewed the performance of internal audit function, competence of staff, adequacy of resources, and access to relevant bank records and documents.</i>  <i>Evaluated the performance of the Chief Audit Executive</i>  <i>Reviewed the reports of Internal Audit, Compliance Office, Bank's Investigation Unit, Fraud Reports, and other regulatory bodies, ensuring that Management is taking appropriate action in a timely manner, including status of Management's corrective actions on internal control, risks and compliance issues.</i></li> <li>e) <i>Discussed the BSP Report of Examination as of September 30, 2013.</i></li> </ul>	<p><i>The Audit Committee monitors resolutions on the operational, control and regulatory risks and issues cited in the internal audit, BSP and other regulatory reports.</i></p>

	<p>f) Reviewed minutes of meetings of the different Audit Committees of BPI Subsidiaries.</p> <p>g) Reviewed and updated the Audit Committee Charter, which was endorsed to the Board for approval.</p> <p>h) Coordinated with Risk Management Committee to ensure that risks identified in the audit are properly evaluated, monitored and addressed.</p> <p>i) Received updates on new relevant accounting standards, corporate governance and other regulations.</p> <p>j) Complied with the SEC requirement on Self-Assessment on the performance of the Audit Committee</p>	
Nomination	1. Processed and evaluated the nominees to the Board of Directors	The Nominations Committee deliberated on the qualifications or disqualifications of nominees.
Personnel & Compensation	<ol style="list-style-type: none"> <li>Handled the nomination of Mr. Cezar P. Consing to succeed Mr. AR Montinola II as President and CEO;</li> <li>Reviewed the HR programs to enable the Bank to remain competitive in the industry;</li> <li>Achieved an Employer-of-Choice status and increased attractiveness for returning bank talent from overseas and within the local scenario. Approved hiring's and promotions of AVPs and up;</li> <li>Approved 2012 Table of Organization and appointments of Senior Officers to different positions within the Bank;</li> <li>Approved the Early Retirement Program which allowed the organization to achieve a level of staffing consistent with its current business requirements. It improved the organization's level of productivity and upgraded its quality of customer service.</li> </ol>	The PerCom Committee tackled the Succession Plan for the President, Compensation and Total Rewards Programs, Talent Management Program, Organizational Changes and the 2012 Early Retirement Program.
Corporate Governance Committee	<ol style="list-style-type: none"> <li>Ensured that the best Corporate Governance Practices are adopted and observed by the Bank.</li> </ol> <p>Amended the Corporate Governance Committee Charter, Corporate Governance Manual and Audit Committee Charter to include the provisions in BSP Circular No. 749, Series of 2012, as amended by BSP Circular No. 757 entitled Guidelines in Strengthening Corporate Governance in BSP Supervised Financial Institutions, SEC Circular No. 9, Series of 2011, Term Limits of Independent Directors; and SEC Circular No. 4, Series of 2012, Guidelines for the</p>	The Corporate Governance Committee covered adoption of best practices and updating of the Bank's Corporate Governance Charter and Corporate Governance Manual.



	<p><i>Assessment of the Performance of Audit Committees of Companies Listed on the Exchange.</i></p> <p><i>2. Performance of Audit Committees of Companies Listed on the Exchange.</i></p>	
<p><i>Risk Management Committee</i></p>	<p>With a higher loan portfolio as of end-December 2014 (up by 25.62% from end-2013), the level of the Bank's credit risk management and oversight prudently followed growth in loans. However, the credit risk ratings, portfolio profile and overall asset quality have been maintained with adequate loan provisions and total loan loss reserves (90-day, 10.7% increase from end-2013). The Risk Management Committee regularly reviewed credit risk reports.</p> <p>In 2014, the Credit Policy and Risk Management unit reviewed eight (8) key lending units and portfolios nationwide, and its reviews revealed generally acceptable credit performance and portfolio qualities. As the bank's loan portfolio grew, asset quality generally improved in terms of both non-performing loan amounts and ratio. As of year-end 2014, the Bank's gross 90-day NPL ratio stood at 1.52 percent and net 30-day NPL ratio at 0.5 percent, the lowest for the Bank in the last seven years. In accordance with PFRS reporting standards, NPL reserves cover improved in 2014 to 109 percent from 105 percent in 2013. The levels of loan provisions and reserves cover were continuously reviewed by the RCom. Compliance to regulatory ceilings (including the enhanced policy and vetting process on related party transactions) has been generally observed. Asset quality and credit policies and processes will continue to be regularly reviewed and improved, also in view of the new BSP Circular 855 on the comprehensive '<i>Guidelines on Sound Credit Risk Management Practices</i>,' which is expected to be implemented starting year 2015.</p> <p>The RCom regularly reviewed the Bank's market risk appetite and approved risk metrics to guide the risk-taking units (Treasury) in preserving the Bank's market position and profitability during times of volatility and uncertainty. The RCom approved the implementation of stringent measures to</p>	<p><i>Credit Risk Management and Asset Quality</i></p> <p><i>Market Risk Management (including Interest Rate Risk in the Banking Book)</i></p>

	<p>manage the market risk exposures of the bank, in particular, the risk of rising interest rates. Supplemental measures were introduced to highlight sensitivities to movements in additional risk factors, as well as risk-adjusted performance measures to highlight quality of earnings.</p> <p>As of end December 2014, the average daily Value-at-Risk for the Bank's trading portfolios is at P358.0Mn (Parent) and P460.0 (BPI Group). The average Balance Sheet Value-at-Risk for the Bank's non-trading book is at P1, 627.0Mn (Parent) and P1, 932.0 (BPI Group). These are well within the Bank's established risk appetite approved by RMC.</p> <p>The Bank's liquidity profile is observed and monitored using the minimum cumulative liquidity gap metric, which is computed monthly and reported to the RMCom. MCLG measures net inflow levels of the Bank. BPI, on a consolidated basis, should be liquid enough to provide sufficient buffer for critical liquidity situations. A red flag is raised to the RMCom and Management should the MCLG projected within the next quarter breaches the RMCom-prescribed MCLG limit. Also noted as a significant area of focus in 2014 is improving the Bank's liquidity and repricing gap models, its assumptions, as well as incorporating global scenarios in stress test models. This headway in liquidity and interest rate risk management is aligned with building the Bank's foundation of integrity and prudent risk management.</p> <p>The RMCom reviewed and approved the Bank's revised Operational and IT Risk Management framework and the proposed operational and IT risk appetite statements. The RMCom also approved the new internal risk categories aligned with the Basel II risk categories, and the designation of the Business Risk Officers in various business and operating units to serve as points-of-contact for all risk management activities and to also strengthen the risk management function in the first line of defense.</p> <p>The RMCom monitored key information security and technology risk issues, and the status of projects to mitigate these risks. The</p>	<p><i>Liquidity Risk Management</i></p> <p><i>Operational and Information Technology Risk Management</i></p> <p><i>KRI Monitoring and Conduct of Risk Assessments</i></p>
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	<p>enhanced Risk and Control Self-Assessment system was launched in 2014 to further improve the quality of the conduct of the annual risk assessments.</p> <p>In 2014, the RMCom approved the reinstatement of the Bank's Operational and IT Risk Management Committee to provide oversight over its OITRM unit, in accordance with regulatory requirements. This is also to address the evolving trends in IT risk, a significant re-evaluation of the Bank's current IT risk management approach and practices has been done, taking into account the newly-issued BSP Circular 808, '<i>Guidelines on Information Technology Risk Management.</i>'</p> <p>For business continuity preparedness, the RMCom was updated of the Bank's 3rd business continuity alternate site which became operational in 2014. The Bank completed its evacuation drills for all Head Office premises and the annual BCP test exercises were conducted by 99% of the critical business units. The RMCom monitored major business continuity incidents comprised of infrastructure/system-related incidents (87%) and natural calamity events (13%).</p> <p>The RMCom was also updated of legal and tax cases resolved, resulting to a 21% reduction from the total outstanding cases for the year 2014. The Legal Affairs and Dispute Resolution unit also reported recovery of assets totaling about P1.38Bn from favorable judgments and judicial compromise.</p> <p>The RMCom was regularly updated of the continuous testing of the quality of the Bank's risk models. The Risk Models Validation unit is responsible for conducting the independent model validation activities of the bank's risk models. The validation of risk models is governed by the RMCom-approved model risk management policy and governance framework, aimed at ensuring an active and effective model risk management across the BPI Group.</p> <p>In 2014, the Bank has also fully integrated the accountability of the risk management unit of the Asset Management and Trust business</p>	<p><i>Business Continuity Management</i></p> <p><i>Legal and Tax Risk Management</i></p> <p><i>Model Risk Management</i></p> <p><i>Asset Management and Trust Risk</i></p>
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	<p>under the auspices of the Bank’s CRO and Risk Management Office. In so doing, the Bank has enforced bank-wide standards on the unit’s risk management policies and methodologies, KRIs, and reporting, altogether now under the purview with the Bank’s other self-assessment and control units. The unit regularly reports its risk dashboards and metrics to the RMC.</p> <p>The Bank is sufficiently capitalized with Capital Adequacy Ratio (CAR) as of December 2014 at 13.56% (BPI Parent) and 14.85% (BPI Group), and CET1 ratios at 12.69% (BPI Parent) and 13.97% (BPI Group), all very well above the Bank’s CAR Management Action Trigger (CARMAT) and the BSP’s 10% minimum regulatory CAR.</p> <p>The Bank has also undertaken an enterprise and integrated risk and capital stress testing approach as part of improving its ICAAP processes. BPI was also recently awarded by Asia Risk magazine as 2014 ‘House of the Year–Philippines,’ the first-ever bestowed to a local bank. The RMCom was duly apprised of all these updates.</p> <p>Lastly, the RMCom was also updated of the workshop, orientation, and learning programs continuously being made available to increase awareness and in building a strong risk culture in the BPI organization. The Risk Management Office also continuously worked and coordinated with Business/Group Heads and line managers to establish honesty, integrity, trust and transparency on risk-related issues, as well as to establish core competencies and skills in risk management function.</p>	<p><i>Capital Management and Risk Management Governance</i></p> <p><i>Developing the Bank’s Risk Management Awareness and Culture</i></p>
<p><i>Trust Committee</i></p>	<p><i>Provided oversight functions in the conduct of AMTG’s Trust and Fiduciary Activities</i></p> <p><i>I. On Investments/Credit Matters</i></p> <p><i>A. Approved New investment outlets for Various Managed Accounts</i></p> <ul style="list-style-type: none"> <li><i>- Peso and Dollar Denominated Corporate Notes, Bonds, Loans and Preferred Shares of various Top Domestic Corporate issuers</i></li> <li><i>- Investment Lines for Various Local and Foreign Banks, Sovereign and Other Counterparties</i></li> </ul> <p><i>B. Approved accreditation of New Equity Issues</i></p> <p><i>C. Approved directional investments of Various Institutional Accounts Portfolios</i></p> <p><i>D. Approved changes in Plan Rules/Trust Fees/Duration Limits/Benchmarks of various</i></p>	<p><i>Allowed AMTG various managed funds the opportunity to invest and diversify in bonds and equity issues of top corporate issuers subject to approved lines/limits</i></p> <p><i>Streamlined AMTG’s equity investment process in terms of accreditation, monitoring and reporting</i></p>

	<p><i>BPI Investments Funds</i></p> <p><i>E. Approved proposed Investment Guidelines covering Equity Investments, Stock Accreditation and Equity Limits Monitoring and Reporting</i></p> <p><i>II. On Risk Management, Compliance and Regulatory Matters</i>  <i>Approved policies/manuals/standards in the areas of risk management e.g. liquidity management, trading and investment practices, handling requirements for the delivery of asset management and trust products and services including investment in SDA facility.</i>  <i>Discussed and Noted Management's Presentation of the BSP Final Report of Examination and BPI AMTG Management Replies.</i></p> <p><i>III. Monthly and Year End Management's Presentation of Trust Business and Investment Performance Reports</i>  <i>Discussed and Noted:</i>  <i>-Trust Business Performance – Managements presentation of AMTG's monthly and year end performance in terms of AUM and revenues and expense growth (monthly and yoy changes as well as against budget)</i>  <i>Investment Performance Review – Managements presentation of: a) latest financial markets performance and, b. AMTG's investment funds and segregated portfolios (quarterly basis), including returns vs. benchmarks and risk parameters, e.g. duration risks</i>  <i>-Accounts Opened and Closed for the Month</i></p> <p><i>IV. Noted Management Presentation of the unqualified Audited FS of Trust Funds and Managed Funds for 2014 and 2013</i></p>	<p><i>Ensured effective risk Management and compliance to both internal and regulatory rules/laws</i></p> <p><i>Ensured that the TrustCom members are updated of AMTG's performance on a monthly basis and how it fares vs. competition. Based on the performance report, strategic business directions are outlined.</i></p>
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5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
<i>Executive</i>	<i>The Committee will continue to be guided by the principles of Fairness, Transparency Accountability and do what it has been doing as stated in its Charter, By-Laws and Corporate Governance Manual.</i>	<i>None</i>

<i>Audit</i>	<i>The Committee will continue to be guided by the principles of Fairness, Transparency Accountability and do what it has been doing as stated in its Charter, By-Laws and Corporate Governance Manual.</i>	<i>None</i>
<i>Nomination</i>	<i>The Committee will continue to be guided by the principles of Fairness, Transparency Accountability and do what it has been doing as stated in its Charter, By-Laws and Corporate Governance Manual.</i>	<i>None</i>
<i>Personnel &amp; Compensation</i>	<i>The Committee will continue to be guided by the principles of Fairness, Transparency Accountability and do what it has been doing as stated in its Charter, By-Laws and Corporate Governance Manual.</i>	<i>None</i>
<i>Others (Corporate Governance, Risk management and Trust)</i>	<i>The Committee will continue to be guided by the principles of Fairness, Transparency Accountability and do what it has been doing as stated in its Charter, By-Laws and Corporate Governance Manual.</i>	<i>None</i>

## **F. RISK MANAGEMENT SYSTEM**

### 1) Disclose the following:

#### (a) Overall risk management philosophy of the company;

*The Bank* espouses a comprehensive risk management and capital management framework, which integrates the management of all its financial and non-financial risk exposures. The framework conforms not only to the Bank's own rigorous standards, but also Bangko Sentral directives in promoting an effective Internal Capital Adequacy Assessment Process (ICAAP) and other risk management processes; also ensures that the Bank has adequate liquidity and capital to mitigate risks. The framework focuses on three (3) key components of –

- I. Sound Risk Management Governance.*
- II. Effective processes, information systems, and controls.*
- III. Timely and reliable risk data*

BPI's Board of Directors fulfills its risk management function through its Risk Management Committee. At the management level, the Risk Management Office is headed by the Chief Risk Officer. The CRO is ultimately responsible in leading the formulation of risk management policies and methodologies in alignment with the overall strategy of the Bank, ensuring that risks are prudently and rationally undertaken and within the Bank's risk appetite, as well as commensurate and disciplined to maximize returns on capital. The CRO and the RMO facilitate risk management learning programs and promote best practices on an enterprise-wide basis.

The Bank's risk exposures are tracked according to three (3) major classifications:

1. **Credit Risk** *the largest single risk for most local banks, arises from the Bank's core lending and investing business, and involves the thorough evaluation, appropriate approval, management and continuous monitoring of exposure risks, such as borrower (or counterparty) risk, facility risk, concentrations and industry risk relating to each loan account. In BPI, the entire credit risk management process is governed by stringent underwriting policies and rating parameters, and lending procedures and standards which are regularly reviewed and updated given regulatory requirements and market developments. The Bank's loan portfolio is continuously monitored and reviewed as to overall quality, concentration and utilization of limits. The Bank recently implemented its enhanced retail housing credit risk scorecards and an internal credit risk rating model for SMEs (following its large corporate model), incorporating probability of default estimates, as part of the Bank's preparations to transition into a Basel internal ratings-based (foundation IRB) approach.*
2. **Market Risk** *arises from the Bank's business in managing interest rate and liquidity gaps, as well as in the trading and distribution of fixed income, foreign exchange, and derivative instruments (as allowed by regulation). Price risk and liquidity risk are managed using a set of established policies and metrics guided by the Bank's market risk management framework set by the Board/RMC. Price risk is the risk that the Bank's earnings will decline immediately (or over time) because of volatility in interest rates, FX rates, or equity prices. The Bank employs various methodologies such as value-at-risk, loss limits, and earnings-at-risk, supplemented by regular stress tests. Liquidity exposures on funding mainly come from the mismatches of asset, liability, and exchange contract maturities. The Bank manages liquidity risk by setting a minimum cumulative liquidity net inflow limit, conducting liquidity stress tests, and a contingency funding plan.*
3. **Operational Risk** *arises from the Bank's people and processes, its information technology, threats to the security of its facilities, personnel, or data, business interruption risk, reputational risk, and compliance obligations to regulatory or taxing authorities, amongst others. Operational and IT risk management in the Bank involves the formulation of policies, setting and monitoring of key risk indicators, and overseeing the thoroughness of bank-wide risk and control self-assessments, and loss incident management; and in the process, creating and maintaining a sound business operating environment that ensures and protects the integrity of the Bank's assets, transactions, reputation, records and data of the Bank and its customers, the enforceability of the Bank's claims, and compliance with all pertinent legal and regulatory parameters.*

Risk management is carried out by a dedicated team of skilled risk managers and senior officers who have extensive prior operational experience working within the Bank. The Bank's risk managers regularly monitor key risk indicators and report exposures against carefully-established credit, market, and operational and IT risk metrics and limits approved by the RMC. Finally, independent reviews are regularly conducted by the bank's Internal Audit group, regulatory examiners, and external auditors to ensure that risk controls and mitigants are in place and functioning effectively as intended.

- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Board of Directors carries out the risk management function through the Risk Management Committee (RMC) of the Board. The Risk Management Committee is tasked with nurturing a culture of risk management across the enterprise. It proposes guidelines and regularly reviews risk management structures, metrics, limits, and issues across the Bank, in order to meet and comply with regulatory and international standards on risk measurement and management. It also supports technology and training for key personnel in risk management. Specifically, the Risk Management Committee –

1. *Reviews the reports from the Bank's various management committees and business units that are necessary to identify, monitor and assess the risk exposures and capital adequacy and their implication/s to the bank.*
2. *Reviews and recommends to the Board for approval the -*
  - a. *The most appropriate capital structure for the BPI Group in consideration of the BPI Group's long-term strategic objectives, current business plans, and risk appetite; and*
  - b. *The BPI Group's risk and capital management policies.*
3. *Reviews, approves and/or confirms proposals relating to risk limits, risk exposure allocation, capital allocation and other related risk management policies.*

The Bank's RMC regularly reviews the Bank's risk management systems and structures in its monthly meetings (or more frequent meetings may also be called) and conducted its annual full year 2014 review in its January and February 2015 meetings.

(c) Period covered by the review: Full Year 2014

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and

*The BSP regulatory Internal Capital Adequacy and Assessment Process (ICAAP) document is presented to and reviewed by the Board's Risk Management Committee annually. ICAAP's purpose is to determine the amount of capital the BPI Group needs to maintain in order to satisfy regulatory risk and capital requirements, meet its obligations and overall business initiatives, cover possible risks presented by the market and external environments and to stay in business on a going-concern basis. BPI believes that capital adequacy is one of the most important metrics to measure the risk-taking ability of the bank. As such, the ICAAP document encapsulates the business actions, risk management systems, capital policies and contingency plans envisioned to be consistently undertaken with the objective of maintaining a prudent yet efficient capital base.*

*Parts of the ICAAP include the key risk indicators, materiality, limits and management action triggers (MATs) that enumerate when management action should be triggered for the different types of risk exposures and key risk indicators.*

*On top of this, the Risk Management Committee convenes regularly every month to monitor the BPI Group's capital and management of risk exposures in credit, market, operational and IT, reputational, strategic and other risk areas.*

(e) Where no review was conducted during the year, an explanation why not.  
*Not applicable since RMC was able to convene monthly.*

## 2) Risk Policy

### (a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:



<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
<i>Credit Risk</i>	<i>Credit Risk Policies covering both Corporate and Consumer Lending activities as governed mainly by the Bangko Sentral ng Pilipinas Manual of Regulations for Banks (and related regulatory issuances)</i>	<i>Credit risk management provides the comprehensive set of lending guidelines and established underwriting policies. Credit risk-taking is monitored to ensure these are within the approved risk appetite of the Bank, and rules and limits set both internally and by regulatory bodies.</i>
<i>Market or Price Risk</i>	<i>Market Risk Management Policies for managing exposures to market, liquidity and interest rate risks as governed</i>	<i>Market risk management entails the identification, measurement, monitoring, and control of risks which would have an outright financial impact (i.e. loss) on the value of the Bank's investments. The risk exposures are compared against the Board-approved risk limits which should be aligned to the Board's investment goals and risk tolerance and should be monitored against the Bank's capital.</i>
<i>Operating related risks - I. Personnel risk II. Reputation risk III. Compliance risk IV. Legal risk and Tax risk V. Inadequate or failed systems VI. Business continuity failure VII. Inadequate or failed processes</i>	<i>Operational and IT risk management policies covers the framework which defines the responsibilities related to the performance of the risk management function, the reporting line, the tools employed and the risk management processes cycle to manage operational and IT risks.</i>	<i>Operational and IT risk management entails building an operational and IT risk management culture in the Bank and developing awareness of such among all the Bank employees. It shall provide the framework needed to manage these risks and to ensure that policies and standards are consistently and effectively applied in the Bank's processes and systems.</i>
<i>Business strategy related risks</i>	<i>Business strategy risk policies for managing exposures arising from adverse business decisions, improper plans or failure to implement plans, improper response or failure to respond to environmental challenges, inappropriate management structures or quality, and/or inappropriate organizational structure or quality.</i>	<i>Business and strategy risk management involves the identification, measurement, mitigation and control, and monitoring and reporting of risks which would impact the Bank's overall business sustainability and short- to long-term strategy goals.</i>
<i>Asset Management and Trust Risk</i>	<i>Asset Management and Trust risk management policies managing the exposures to market, liquidity, credit, legal, compliance, operational, strategic and reputational risks over the Bank's trust and fiduciary business as governed mainly by the Bangko Sentral's Manual of Regulations for Banks and Trust Entities.</i>	<i>Asset Management and Trust risk management involves the identification, measurement, mitigation and control, and monitoring and reporting of risks which would impact the Bank's Trust business.</i>

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Same identified risk exposure/s, risk management policies, and objectives as with the Company.

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
<i>Credit Risk</i>	Same	Same
<i>Market or Price Risk</i>	Same	Same
<i>Operating related risks -</i>	Same	Same
<i>Business strategy related risks -</i>	Same	Same
<i>Asset Management and Trust Risk</i>	Same	Same

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

<b>Risk to Minority Shareholders</b>
The minority shareholders, if ever, may be outnumbered/surpassed in major corporate decisions and/or actions.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
<i>Operational and IT Risk</i>	<p><i>The following tools are employed to aid in the management of operational and IT risks and in the analysis of their profiles:</i></p> <ol style="list-style-type: none"> <li><i>1. Key Risk Indicator (KRI), which are metrics or indicators that monitor the current level of operational and IT risk exposure. These indicators are regularly monitored to assist in the early detection and correction of emerging operational and IT risk issues, and also serve as basis for assessing operational and IT risk, and related mitigation strategies.</i></li> <li><i>2. Incident Management System that provides the ability to record</i></li> </ol>	<p><i>The steps in the Operational and IT Risk Management Process Cycle are the same for any of the Risk Assessment processes described in the previous column. These include:</i></p> <ol style="list-style-type: none"> <li><i>1. Risk Identification - to ensure that risks inherent in the Bank's processes, people, systems and risks from external events are properly identified</i></li> <li><i>2. Risk Assessment - to ensure that identified risks are properly assessed as to impact and probability of occurrence, and measured quantitatively and qualitatively in terms of estimating cost of losses that may be incurred should the risk events</i></li> </ol>

	<p>internal events as they arise. Loss incidents are attributed to various categories of operational and IT risk, and are tracked until closure. The collection and analysis of the incidents provide useful management information for operational and IT risk management and mitigation process.</p> <p>3. Risk and Control Self-Assessment (RCSA), which involves identification of potential threats and vulnerabilities in each of the identified key processes of the business units, considering their potential impacts, is undertaken annually. Scorecards built on RCSAs by weighting residual risks provide a means of translating the output into metrics that give a relative ranking of the risk and control.</p> <p>Other mitigation measures and/or tools to manage and control operational and IT risks include:</p> <p>1. Business Continuity Plans (BCP) Business Continuity and Disaster Recovery Plans describe how the Bank operates and recovers in the event of a severe business disruption to ensure its ability to operate critical services and operations on an ongoing basis and limit losses. These are reviewed and tested at least annually to ensure that they are consistent with the Bank's current operations and business strategies.</p> <p>2. Information Security Program The Bank has a separate Enterprise Information Security Unit dedicated to manage the Bank's information security program. This unit is supervised by the Bank's Enterprise Information Security Officer (EISO) who oversees the implementation of the information security program.</p> <p>3. Incident Management An incident handling process is also in place which constitutes the Incident Management System. This is to ensure that incidents that may impact the confidentiality, integrity and availability of information are</p>	<p>occur. This will serve as basis for prioritizing the risks to be treated.</p> <p>3. Risk Treatment - to ensure that adequate controls are established to prevent or detect exposure to operational and IT risks in a timely manner, and that appropriate corrective actions shall be taken promptly to mitigate losses, and systemic treatment measures to prevent or minimize the recurrence or the risk events.</p> <p>4. Risk Monitoring - to ensure that operational and IT risk profiles, material exposure to losses and implementation of approved treatment measures are regularly monitored and reported to senior management and the Board of Directors.</p> <p>5. Risk Reporting – to ensure that there is sufficient documentation showing the scope and sophistication of the Bank's operational and IT risk management framework reported to the Board and Senior Management</p>
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	<p><i>immediately dealt with, root causes are identified, and risk mitigation actions are undertaken as necessary.</i></p> <p><b>4. Risk Awareness</b></p> <p><i>The Bank aims to build a strong risk culture and develop risk awareness activities. These are fully supported by the Board and Senior Management as manifested thru the (1) adherence to the three lines of defense model with clearly defined roles and responsibilities; (2) establishment of operational and IT risk management framework and risk appetite; (3) designation of Business Risk Officers in the major business lines to serve as coordinators for all risk management activities; (4) Availability of workshop and orientation programs to increase knowledge and understanding of risks throughout the Bank.</i></p>	
<p><b>Credit Risk</b></p>	<p><i>Credit risk exposure is assessed using internal credit risk rating models for large and SME corporations, and scorecards for retail types of loans such as housing, auto, credit cards and personal loans. These credit risk rating models and scorecards take into account the Bank's existing exposures to the counterparty, the counterparty's probability of default and the value recoverable from the counterparty in the event of default. The models and scorecards were developed internally using statistical analysis and credit judgment. Their predictive power and performance have been independently validated by a reputable third-party jointly with the Bank's Risk Models Validation unit. Credit risk exposures are classified according to rating grades and are monitored as they migrate between rating grades. Expected losses are constantly assessed and measured following internal and regulatory provisioning policies.</i></p> <p><i>The Bank also measures credit risk exposures in terms of regulatory capital requirement using the</i></p>	<p><i>Credit Policy and Risk Management (CPRM) regularly monitors past dues (PDO) and non-performing loans (NPLs) ratios per market segments and results are reported to the Risk Management Committee (RMC). Likewise, CPRM reviews lending units' performance. In 2014, seven (7) marketing units were assessed to be generally acceptable. Even with the robust expansion of our total loan portfolio, over-all asset quality has improved as our 90-day NPL ratio has declined, from 1.74% in December 2013 to 1.51% in December 2014 as loan growth outpaced the increase in NPLs. The latter are closely monitored and reviewed.</i></p> <p><i>Further, set ceilings approved by Management, which are based on regulatory limits and the Group's risk tolerance, are monitored by CPRM. Breaches if any are elevated to Management and RMC for remedial or action plans. Furthermore, the credit approval process itself has controls along the way through established authority levels, separation between credit evaluation, which is handled by a distinct group, and marketing, which originates</i></p>

	<p>standardized approach. Under this method, the Bank's credit exposures are risk-weighted to reflect the third-party credit assessment of the individual exposure from acceptable external credit rating agencies and allow the use of eligible collaterals to mitigate credit risk.</p> <p>Regular stress testing are undertaken using BSP's Uniform Stress Test for the Group's Top 20 Borrower groups, industry sectors (based on economic activity codes), real estate stress testing and recently, reversed stress testing using the breaking-point NPL method. All results are duly reported to the RMC.</p>	<p>and manages the relationship with clients.</p> <p>Embedded in the process is the maker-checker concept from preparation of documents, review of documentation and loan release, all of which are conducted by different units in the Group. The process also varies per product type and market segment but over-all controls are fundamentally the same.</p> <p>The Group employs basically two (2) major types of processes which are: a) individual review approach for corporate accounts and b) automated process for retail customers. They may differ in origination (target market segment or channel used), evaluation, facility structure, approval levels, implementation and administration but both have set guidelines and parameters to ensure asset quality.</p> <p>All corporate accounts are required to be Credit Risk Rate as an independent assessment from the evaluation conducted by credit officers. A total of 6,967 accounts were credit risk-rated in 2014 using internal models of which large corporations (assets size of P100Mn and above) comprised 44% and SME accounted for 56%. As of December 2014, about 80% of the large loan portfolio were rated 1.1 to 4.3 (out of 18 rating grades) showing strong to moderate weakness while bulk of SMEs were in rating grades of 4 to 5 (out of 10 rating grades) reflecting moderate to weak financial conditions in terms of withstanding adverse economic or market changes. However, these entities remain current (non-default). Only a very small percentile (4% to 6%) - of these accounts' Credit Risk Ratings worsened to watch-listed status and adverse classifications. Please note that the Group's Non-Performing Loan is only 1.51% of its total loan portfolio of about P811 billion as of December 2014.</p> <p>Retails loans are processed in an automated front end system and are approved based on passing scores. Both</p>
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		<p>corporate and individual borrowers are credit checked with internal and external credit bureaus for both positive and negative information. Appraisal of collateral is done by an independent unit within and outside the Group using best international valuation practices/methods. Deviations and exceptions are raised to the next higher credit body. Documentation is reviewed by Loans Operations Division before loan proceeds are credited to the borrower's account.</p>
<p>Market Risk</p>	<p>Market risk exposures arising from the Bank's trading activities are measured using the Value at Risk model, supplemented by stress tests. The trading book is subject to mark to market and trading gains and losses and as an additional control measure, the RMC has given approval for stop loss limits.</p> <p>The Bank has existing liquidity risk models such as gap models and stress testing that provide analysis to the Bank relating to its liquidity positions. Moreover, the Bank in spite of its observed liquidity historically, has a functional liquidity contingency funding plan in case of unexpected stress events</p> <p>Interest rate risk in the banking book arises from the BPI Group's core banking activities. The main source of this type of interest rate risk is repricing risk, which reflects the fact that the BPI Group's assets and liabilities are of different maturities and are priced at different interest rate curves. Interest margins may increase as a result of such changes but may also result in losses in the event that unexpected movements arise. The Risk Management Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly by the Risk Management Office.</p>	<p>Regular reporting of risk exposures versus RMC-approved limits are observed by the Bank.</p> <p>Risk monitoring is facilitated using an automated Market Risk and Asset &amp; Liability System that can execute scenario analyses under static and dynamic balance sheet conditions. Furthermore, VaR calculations could be drilled down to the product level, taking into consideration diversification effects of multi-product portfolios. Likewise, the Bank has employed escalation procedures to ensure that breaches of limits, if any, with corresponding explanations and action plans are properly reported to the RMC. All price, liquidity and repricing risk models are continuously reviewed and improved through regular updates of key risk factors and assumptions.</p>
<p>Asset Management and Trust Risk</p>	<p>Asset Management and Trust risk management process involves recognizing and understanding the risks arising from fiduciary activities, as</p>	<p>As described, Asset Management and Trust risk management involves identification, measurement, mitigation and control and monitoring and</p>

	<p><i>well as determining tolerance for or appetite for such risks. It also entails applying measurement techniques or models to quantify identified risks. After this, risk mitigating control processes and risk limits in line with the risk tolerance standards set by the Board of Directors, Risk Management Committee, and/or Trust Committee, and the clients shall be established. Lastly, risk monitoring involves comparing actual risk exposures against approved limits and communicating the results to the appropriate committees and/or Board of Directors through the regular generation of risk monitoring reports.</i></p>	<p><i>reporting. After risks are identified and measured, risk mitigating control processes and risk limits in line with the risk tolerance standards set by the Board of Directors, Risk Management Committee, and/or Trust Committee, and the clients shall be established.</i></p>
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(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Same identified risk exposure/s, risk assessment (monitoring and measurement process), risk management and control (structures, procedures, and actions taken) as with the Company.

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<i>Operational and IT Risk</i>	Same	Same
<i>Credit Risk</i>	Same	Same
<i>Market Risk</i>	Same	Same
<i>Asset Management and Trust Risk</i>	Same	Same

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
<i>Corporate Governance Committee</i>	<i>The Corporate Governance Committee is the Committee tasked to assist the Board of Directors in fulfilling its corporate governance responsibilities. Thus, it shall ensure the Board's effectiveness and due observance of sound</i>	<ol style="list-style-type: none"> <li><i>Recommend, for approval of the Board, a written Charter of the Committee that describes, among others, the duties and responsibilities of the Committee and its members. This Charter shall be reviewed for its adequacy, at least annually by the Committee and any proposed changes submitted to the Board for approval</i></li> </ol>

	<p><i>corporate governance principles and guidelines.</i></p> <p><i>The Committee believes that sound and effective corporate governance practices constitute the cornerstone of the Bank's strength and long term existence and the key to enhancing long term shareholders' value.</i></p>	<p><i>2. Review the Manual of Corporate Governance its effective dissemination and implementation on an annual basis, or more frequently if appropriate, and recommend changes for the approval of the Board, where necessary</i></p> <p><i>3. Develop and recommend for the approval of the Board a performance evaluation process of the Board and its committees and executive management for the purpose of, among others, assessing their effectiveness in enhancing shareholder value. The evaluation should be of the Board's and the Committees' contribution and performance as a whole and their compliance with their duties and responsibilities under the Manual of Corporate Governance.</i></p> <p><i>a) To conduct an annual performance evaluation of the Board of Directors and senior management. When a director or officer has multiple positions, the committee should determine whether or not said director or officer is able to and has been adequately carrying out his/her duties and, if necessary, recommend changes to the Board based upon said performance/review.</i></p> <p><i>b) The corporate governance committee may coordinate with external facilitators in carrying out board assessment, within the frequency approved by the entire board. The corporate governance committee shall also decide whether or not a director is able to and has been adequately carrying out his/her duties as director based on its own assessment or the assessment of external facilitators, bearing in mind the director's contribution and performance (e.g., competence, candor, attendance, preparedness and</i></p>
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		<p>participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards.</p> <p>4. Review and deliberate the Bank's Corporate Governance Scorecard prescribed by regulatory authorities and those by private entities advocating good corporate governance practices.</p> <p>5. Recommend comprehensive orientation programs for new directors and, from time to time, continuing education programs for directors when appropriate.</p> <p>6. In coordination with the Personnel and Compensation Committee, make recommendations to the Board on matters relating to assignment of Directors to Board committees, succession planning for the Directors, the Chief Executive Officer and other senior officers and their remuneration in a manner commensurate with their performance.</p> <p>7. In coordination with the Nomination Committee, make recommendations to the Board or to the Nomination Committee itself on matters relating to the review and evaluation of the qualifications of <b>all</b> persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors taking into account the appropriate qualifications, expertise and characteristics required of the positions</p> <p>8. Develop and recommend a process to ensure the Board's observance of corporate Governance principles and guidelines as embodied in the Manual of Corporate Governance.</p> <p>9. Perform such additional duties and responsibilities as the Committee may deem appropriate within the scope of its primary functions or as may</p>
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		<i>be assigned by the Board from time to time.</i>
<i>Audit Committee</i>	<i>The Audit Committee reports regularly to the Board regarding the execution of the Audit Committee's duties, responsibilities, activities, and any issues encountered and any recommendations.</i>	<p><i>1. General Procedures</i></p> <p><i>a. Review and reassess adequacy of Audit Committee Charter at least annually</i></p> <p><i>b. Undertake an annual evaluation assessing its performance with respect to its purposes and its duties and tasks set forth in the Audit Committee Charter, with such evaluation being reported to the Board of Directors.</i></p> <p><i>c. Ensure that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually</i></p> <p><i>2. Internal Audit</i></p> <p><i>a. Approve and periodically review the Internal Audit Charter</i></p> <p><i>b. Oversee the appointment and formally evaluate the performance of the Chief Internal Auditor, who shall report directly to the Audit Committee, including his/her replacement, reassignment, or dismissal</i></p> <p><i>c. It shall also maintain internal auditors with sufficient knowledge, skills, experience and professional certifications to effectively discharge its functions.</i></p> <p><i>d. Review the internal audit function of BPI including its independence and the authority of its reporting relationships.</i></p> <p><i>e. Review and approve the annual internal audit risk assessment and plan including the audit scope and frequency, and any significant changes to the internal audit plan.</i></p> <p><i>f. Review at the end of calendar year the implementation of the approved</i></p>

		<p><i>internal audit plan.</i></p> <p><i>g. Review the final audit reports prepared by the Internal Audit for matters deemed significant by the Chief Internal Auditor and management's response to such reports and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by auditors.</i></p> <p><i>h. Ensure that internal auditors have free and full access to all the Bank's records, properties and personnel relevant to and required by its function and that the Internal Audit shall be free from interference in determining its scope, performing its work and communicating its results.</i></p> <p><b>3. External Audit</b></p> <p><i>a. Appoint a BSP-accredited external auditor for the purpose of preparing or issuing an audit report or related work in accordance with BSP Circular 245.</i></p> <p><i>b. Assess the external auditor's effectiveness, independence and objectivity, ensuring that key partners are rotated at appropriate intervals; and remove the external auditors if circumstances warrant. The Committee shall oversee the resolution of disagreements between management and the external auditors in the event that they arise</i></p> <p><i>c. Review with the internal auditor the scope of the proposed external audit for the current calendar year, considering the coordination of internal and external audit procedures to promote an effective use of resources and ensure a complete but non-redundant audit</i></p> <p><i>d. Approve all audit and non-audit services, <b>including its fees</b>, to be provided by the external auditor to</i></p>
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		<p><i>the Bank and its subsidiaries. The Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to its independence. The non-audit work, if allowed, shall be disclosed in the Bank's annual report.</i></p> <p><i>e. Review the external audit fees and recommend it for approval by the Board.</i></p> <p><i>f. Ensure that external auditors have free and full access to all the Bank's records, properties, and personnel to enable them to perform their audit functions.</i></p> <p><i>g. Review with the external auditor any problems or difficulties encountered and management's response; review the external auditor's attestation and report on management's internal control report, and hold timely discussions with the external auditors.</i></p> <p><b>4. Financial Statements and Disclosure Matters</b></p> <p><i>a. Review and discuss with management the quarterly, half year financial reports, and with the external auditor, the annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards/ financial reporting regulations, and compliance with tax, legal and stock exchange requirements;</i></p> <p><i>b. Review and discuss with management and the external auditor significant financial reporting issues and judgments made in connection with the preparation of the BPI's financial statements, including any significant changes in the BPI's</i></p>
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		<p><i>selection or application of accounting principles, any major issues as to the adequacy of the BPI's internal controls, unusual or complex transactions including all related party transactions, and any special steps adopted in light of material control deficiencies.</i></p> <p><b>5. Internal Controls</b></p> <p><i>a. Ensure that a review of the internal auditors' evaluation of the effectiveness of the Bank's internal controls, including financial, operational, information technology, and compliance controls, and risk management, is conducted at least annually.</i></p> <p><i>b. Discuss with management the Bank's major risk exposures and the steps management has taken to monitor and control such exposures, including the Bank's risk assessment and risk management processes, policies, controls and governance processes.</i></p> <p><i>c. Review with management the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Bank.</i></p> <p><i>d. Oversee the quality of compliance by operating management in their performance of the following tasks;</i></p> <p><i>i. Employing the proper documentation to ensure enforceability of rights and contracts;</i></p> <p><i>ii. Employing appropriate technology and operating hardware and software systems to ensure the proper recording, storage, retrieval and analysis of transaction data;</i></p> <p><i>iii. Installing the appropriate control mechanisms, systems and processes (e.g., policy manuals, risk measurement and control</i></p>
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		<p>systems, performance reports, internal audit programs, reviews, and reports, external audit program and reports, etc.) to ensure the identity and authority of counterparties, the validity and integrity of transactions and data, and the competent management of risks;</p> <p>e. Elevate to international standards the accounting processes, practices and methodologies.</p> <p>f. Ensure sound operation of a transparent financial management system that will ensure the integrity of internal control activities throughout BPI through procedures and policies and handbook that will be used by the entire organization;</p> <p>g. Ensure that the Bank has a framework for fraud prevention and detection including whistle-blower policy/program by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints;</p> <p>h. Oversee the compliance with quality management standards, i.e. 1809001:2000.</p>
<p><i>Risk Management Committee</i></p>	<p><i>The Risk Management Committee (RMC) shall oversee and manage the BPI Group's exposures to risks and monitor the BPI Group's regulatory and internal capital adequacy vis-à-vis these exposures to risks. The committee shall nurture a culture of risk and capital management across the</i></p>	<p>1. Develop, implement and oversee the risk management program</p> <p>a. Establish an integrated enterprise risk management framework and communicate the organization's enterprise risk management objectives, direction, and strategy.</p> <p>b. Set the BPI Group's risk appetite and limits and establish strategies, including but not limited to,</p>

	<p><i>entity and shall implement and oversee the enterprise risk management program to assist the Board in fulfilling its corporate governance responsibilities relating to the management of risks.</i></p> <p><i>The Risk Management Committee regularly reports to the Board all matters concerning management of all risk exposure and provision of capital to cover such risk exposures.</i></p>	<p><i>controlling risk tolerances, risk exposure allocation and capital allocation.</i></p> <ul style="list-style-type: none"> <li><i>c. Review and assess the integrity, adequacy, and effectiveness of the risk management functions of the BPI Group.</i></li> <li><i>d. Review and approve risk management frameworks and policies that are compliant with regulatory requirements and aligned with international standards on risk management best practices.</i></li> <li><i>e. Review key risk and capital management methodologies, risk metrics and rating systems, including framework and results of stress testing exercises.</i></li> <li><i>f. Monitor and ensure that the necessary infrastructure are established for the effective and efficient implementation and communication of the BPI Group's enterprise risk management program</i></li> <li><i>g. Review and revise risk management program to ensure that it is kept relevant, comprehensive and effective</i></li> </ul> <p><i>2. Monitor and oversee the capital management program</i></p> <ul style="list-style-type: none"> <li><i>a. Monitor the BPI Group's capital, encompassing both the demand and supply of capital, to ensure that the enterprise maintains an appropriate level and quality of capital commensurate with all relevant risks to which the enterprise is exposed, vis-a-vis related business opportunities, and in compliance with regulatory requirements.</i></li> <li><i>b. Review the BPI Group's policies and processes for the management of capital and ensure that capital planning and capital management are effectively implemented, communicated and integrated into bank's overall management culture and approach.</i></li> </ul> <p><i>3. Identify and assess risk exposures</i></p>
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		<p><i>a. Ensure the proper identification, measurement, monitoring and control of the BPI Group's risk exposures vis-a-vis acceptable risk appetite, tolerances and approved risk limits and in relation to the enterprise business objectives</i></p> <p><i>1) Credit Risk</i></p> <p><i>a) Review the total loan portfolio of the BPI Group and monitor and control existing credit exposures to different industries and groups or classification of account or customer segments to monitor loan portfolio quality and credit concentration risk, if any.</i></p> <p><i>b) Oversee the development and maintenance of an effective Internal Credit Risk Rating System and comply with Basel and BSP requirements, including risk-adjusted pricing structure</i></p> <p><i>c) Review stress tests and sensitivity analyses of the BPI Group's loan portfolio and compliance to regulatory ceilings, metrics or limits.</i></p> <p><i>2) Market Risk</i></p> <p><i>a) Monitor and control the BPI Group's exposure to market risk, interest rate risk in the banking book, and liquidity risk and review compliance with defined risk limits.</i></p> <p><i>3) Operational and IT Risks</i></p> <p><i>a) Review management's assessments and treatment plans on various key risk indicators and operational and IT risk-related incidents</i></p> <p><i>b) Review the adequacy of the operational and IT risks loss data</i></p> <p><i>c) Monitor the performance and results of risk and control self-assessments by Bank units</i></p>
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		<p>d) Monitor completeness and relevance of management and operating manuals including business continuity plans</p> <p>e) Approve recommendations of operational and IT risk management strategies including the enhancements of risk management processes and controls</p> <p>4) Provide senior management recommendations and/or plans of actions, including resolutions to significant risk issues and exposure limit breaches, to minimize losses from probable or realized risks.</p> <p>5) Regularly report to the Board the Bank's overall risk exposure and necessary action taken / recommendations to mitigate risks</p> <p>4. Perform other functions as may be mandated by the Board relating to the management of the BPI Group's capital and risks covering credit, market, operational and IT, investment risk from the asset management and trust business, reputational, strategic and other risks.</p>
<p><i>Related Party Transaction Committee</i></p>	<p><i>The RPTC is composed of at least two independent directors and meets regularly every month to vet on credit and non-credit related party transactions of significant amounts (P50Mn and above). An RPTC director, who is also a director of the counterparty being vetted, is required to abstain from endorsing the transaction. The Bank's Chief Compliance Officer and Chief Audit Executive are non-voting members of the RPTC to ensure that independence, compliance and good governance standards are maintained.</i></p>	<ol style="list-style-type: none"> <li>1. Review and endorse all related party transactions (RPTs) including those involving DOSRI, which shall require final Board approval.</li> <li>2. Formulate, revise, and approve policies on related party transactions.</li> <li>3. Conduct any investigation required to fulfill its responsibilities on RPTs.</li> <li>4. Assesses agreements of any kind with a related party to ensure that transactions are entered into on terms no less favorable to the Bank than terms generally available to an unaffiliated third-party under the same or similar circumstances.</li> <li>5. Review the adequacy of Management's monitoring and reporting systems on RPTs.</li> </ol>

	<p><i>All significant related party transactions have to be endorsed by the RPTC prior to Executive Committee and/or Board approval. An annual assessment of the RPTC's performance is submitted to the Board of Directors.</i></p>	
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## **G. INTERNAL AUDIT AND CONTROL**

### **1) Internal Control System**

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

*Internal control system is a set of measures and rules designed and put in place by the Company to minimize business risks and ensure regular, secure and efficient operation to meet the Bank's objectives.*

*The Board of Directors is responsible for fostering the Bank's internal control culture that promotes integrity, morality and competence throughout the organization. The Board has the primary responsibility to review and approve systems and processes proposed by Management to identify, monitor, and control major operating risks impacting the business.*

*The Risk Management Committee is the arm of the Board specifically charged to oversee the management of operating risks of the Bank, and to review and approve operating control policies as proposed by Management. The Audit Committee on the other hand, is responsible for monitoring the adequacy and effectiveness of internal control system, including financial reporting control and information technology security. It provides oversight over the overall management of credit, market, liquidity, operational and other risks of the Bank. It also provide oversight on the activities of internal and external auditors, quality of compliance with the Corporate Governance Manual, and review conducted by the Bangko Sentral ng Pilipinas (BSP).*

*Management is responsible for implementing strategies and policies approved by the Board and establishing an effective system of internal control.*

*Internal Audit assists the Audit Committee in the discharge of its oversight responsibilities by providing an independent reasonable assurance that the Bank's system of risk management, internal controls, and corporate governance processes are adequate and effective, as well as ensuring that operating and business units adhere to internal processes and procedures and to regulatory and legal requirements.*

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

*Based on Internal Audit assurance activities, Internal Audit through the Chief Audit Executive provides reasonable assurance to the Audit Committee, Board of Directors and Senior Management that the Bank's systems of internal controls, corporate governance, and risk management processes are adequate and generally effective.*

(c) Period covered by the review; *Year Ended December 31, 2014*

- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

*At least annually. The assessment of controls, systems and processes of the Bank is covered by the annual audit work plan, which is developed using the Audit Risk Assessment/scoring model. The annual work plan is reviewed and approved by the Audit Committee. The audit risk scoring model is also reviewed annually and approved also by the Audit Committee. The COSO internal control framework comprising of its components, i.e. Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities, and the Control Objectives for Information and Related Technology (COBIT) are the frameworks being used/considered in the assessing the effectiveness of the internal control system.*

- (e) Where no review was conducted during the year, an explanation why not.

*Not applicable. All auditable units/risk areas, as covered in the approved work plan were reviewed in 2014.*

## 2) Internal Audit

- (a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

*The role /responsibility and scope of internal audit work are defined in the Internal Audit Charter, which is reviewed annually and approved by the Audit Committee.*

<b>Role</b>	<b>Scope</b>	<b>Indicate whether In-house or Outsource Internal Audit Function</b>	<b>Name of Chief Internal Auditor/Auditing Firm</b>	<b>Reporting process</b>
<i>Provide an independent, objective assurance on the Bank's risk management, internal controls and governance process</i>	<i>Risk based audit of :</i> <ul style="list-style-type: none"> <li>▪ <i>business units ' processes and financial records</i></li> <li>▪ <i>Application Systems/ Technology Infrastructure</i></li> <li>▪ <i>Risk Management</i></li> <li>▪ <i>Governance</i></li> <li>▪ <i>Business Continuity Plans</i></li> <li>▪ <i>Information Security,</i></li> <li>▪ <i>Fraud Investigation</i></li> </ul>	<i>In-house</i>	<i>Rosemarie B. Cruz</i>	<i>Functionally to the Audit Committee, and administratively to the President &amp; CEO</i>
<i>Annual Audited Financial Statements</i>	<i>Financial Statements and Controls on the Reporting process</i>	<i>Outsourced</i>	<i>Isla Lipana &amp; Company</i>	<i>Audit Committee</i>

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

*Yes. This is contained in the Audit Committee Charter wherein the Audit Committee oversees the appointment of the Internal Auditor and the External Auditor.*

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

*The Chief Audit Executive (CAE) directly reports to the Board thru the Audit Committee. The CAE has unrestricted access to all functions, records, property, and personnel, and has full and free access to the Audit Committee/ Board of Directors.*

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

<b>Name of Audit Staff</b>	<b>EFFECTIVITY DATE</b>	<b>Reason</b>
<b>RESIGNED:</b>		
<i>AM Elenina P. Javier</i>	<i>January 20, 2014</i>	<i>Migrate</i>
<i>Brett Ashley T. Mamaradlo</i>	<i>January 23, 2014</i>	<i>Change of career</i>
<i>Annaliza B. Raguindin</i>	<i>February 10, 2014</i>	<i>Financial considerations</i>
<i>Ma. Xiela E. Villahermosa</i>	<i>June 16, 2014</i>	<i>Financial considerations</i>
<i>Ribbon Nina Marissa D. Faigmane</i>	<i>June 27, 2014</i>	<i>Financial considerations</i>
<i>VP Gerardo I. Rarela</i>	<i>July 01, 2014</i>	<i>Normal Retirement</i>
<i>Reina Joy D. Alcantara</i>	<i>July 10, 2014</i>	<i>Family matters</i>
<i>Athenee M. Kanisi</i>	<i>July 11, 2014</i>	<i>Health Reasons</i>
<i>Alyssa Kirstin M. Manaog</i>	<i>July 21, 2014</i>	<i>Financial considerations</i>
<i>Rachel C. Macaraeg</i>	<i>July 26, 2014</i>	<i>Migrate</i>
<i>Joanna Marie J. Gannaban</i>	<i>July 26, 2014</i>	<i>Change of Career</i>
<i>Nelmer B. Balungay</i>	<i>July 28, 2014</i>	<i>Financial considerations</i>
<i>Venna Dianne B. Atienza</i>	<i>July 30, 2014</i>	<i>Financial considerations</i>
<i>Janet F. Pineda</i>	<i>September 05, 2014</i>	<i>Family matters</i>
<i>Aileen M. Chavez</i>	<i>September 29, 2014</i>	<i>Migrate</i>
<i>Angelie S. Concepcion</i>	<i>October 13, 2014</i>	<i>Financial considerations</i>
<i>Joanna Rose Y. Uy</i>	<i>October 13, 2014</i>	<i>Financial considerations</i>
<i>Ma. Alyssa D. Adlawan</i>	<i>October 24, 2014</i>	<i>Financial considerations</i>
<i>Manelle Ann M. Panaligan</i>	<i>November 10, 2014</i>	<i>Financial considerations</i>
<i>Edna F. Obayan</i>	<i>November 21, 2014</i>	<i>Financial considerations</i>
<i>Karina Mae L. Dellosa</i>	<i>November 29, 2014</i>	<i>Financial considerations</i>
<i>May Anne L. Bangcale</i>	<i>December 31, 2014</i>	<i>Financial considerations</i>
<b>TRANSFERRED TO OTHER UNITS (as part of IA's commitment to transfer knowledge and support the needs of the Bank):</b>		
<i>AM April N. Salazar</i>	<i>February 16, 2014</i>	<i>To BPI Sucat Branch</i>
<i>AM Roshely P. Cerbo</i>	<i>June 01, 2014</i>	<i>To BFB Cebu Business Center</i>

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

<b>Progress Against Plans</b>	<b>109%</b>
<b>Issues<sup>6</sup></b>	<i>None</i>
<b>Findings<sup>7</sup></b>	
<b>Examination Trends</b>	

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

*Internal Audit conducts an annual planning, review of risk universe, and risk assessment to come up with the annual work plan to be presented to the Audit Committee for its approval. Status/Progress of this work plan is also regularly presented to the Audit Committee for monitoring.*

*For each audit engagement/activity, findings/issues are documented thru the Audit Operative Reports (AOR) that are being discussed and provided to the respective Unit Heads/Process Owners for their response and to indicate actions to be taken, including the timeline. This would be the basis for the conduct of an "Exit" conference with the Unit, and basis for the preparation of the Audit Executive Report that would be submitted and presented to the Audit Committee.*

*At the end of the year, an annual Internal Audit report, which contains the overall assessment on the internal control system of the Bank, is also being prepared and submitted to the Audit Committee.*

*Examination Trends:*

*Monitoring of outstanding "high" risks issues is also being done monthly, and is also being presented to the Audit Committee. For outstanding "medium" risk issues, monitoring and reporting is done quarterly.*

*Progress Against Plans:*

*Based on the approved 2014 Work Plan, Internal Audit had attained its target measurable activities by 109% (736/675). Internal Audit also conducts desk reviews to complement the field audit activities and to provide continuous monitoring as part of control structure and ensure corrective measures, as necessary to improve business processes.*

*Findings:*

*For 2014, significant findings pertained to performance of due diligence/KYC, documentation deficiencies in lending, account maintenance and monitoring, and administrative that were accordingly resolved and/or being addressed by the respective units. Deficiencies in information technology pertained to documentation of access matrices, server configuration, and monitoring of service level agreement with outsourced service that are also being address by Management.*

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<sup>6</sup> "Issues" are compliance matters that arise from adopting different interpretations.

<sup>7</sup> "Findings" are those with concrete basis under the company's policies and rules.

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
<i>Internal Audit Charter</i>	<i>Implemented</i>
<i>Audit Risk Assessment</i>	<i>Implemented</i>
<i>Audit Planning &amp; Monitoring</i>	<i>Implemented</i>
<i>Pre-Engagement Activities</i>	<i>Implemented</i>
<i>Audit Fieldwork &amp; Reporting</i>	<i>Implemented</i>
<i>Audit Survey</i>	<i>Implemented</i>
<i>Audit Sampling</i>	<i>Implemented</i>
<i>Preparation of Audit Working Papers</i>	<i>Implemented</i>
<i>Audit Rating Guidelines</i>	<i>Implemented</i>
<i>Preparation of Audit Executive Report</i>	<i>Implemented</i>
<i>Audit Report and Turn-Around Time</i>	<i>Implemented</i>
<i>Internal and External Quality Assessment Review</i>	<i>Implemented</i>
<i>Monitoring of Outstanding Audit Issues</i>	<i>Implemented</i>
<i>Fraud Investigation</i>	<i>Implemented</i>
<i>Professional Development</i>	<i>Implemented</i>
<i>Consulting Activities</i>	<i>Implemented</i>
<i>Outsourced Services</i>	<i>Implemented</i>
<i>Performance Measures</i>	<i>Implemented</i>

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

<b>Auditors (Internal and External)</b>	<b>Financial Analysts</b>	<b>Investment Banks</b>	<b>Rating Agencies</b>
<ul style="list-style-type: none"> <li><i>The Audit Committee has to approve all audit and non-audit services, including its fees, to be provided by the External Auditor to the Bank and its subsidiaries.</i></li> <li><i>The External Auditor shall be rotated every 5 years or earlier, or the handling partner shall be changed.</i></li> <li><i>No External Auditor can be engaged by the Bank if he had or was confirmed to acquire any direct or material indirect financial interest in the Bank, or if his independence is considered impaired under the circumstances specified in the Code of Professional Ethics for Certified Public Accountants. In the case of partnership, this</i></li> </ul>	<p><i>The Bank has an Investor Relation Unit tasked with:</i></p> <ul style="list-style-type: none"> <li><i>a) Creation and implementation of an investor relations program that reaches out to all shareholders and fully inform them of corporate activities;</i></li> <li><i>b) Formulation of a clear policy on communicating or relating relevant information to BPI stockholders and to the broader investor community accurately, effectively and sufficiently;</i></li> <li><i>c) Alternatively, preparation of disclosure documents to the Philippine Securities and Exchange Commission (PhilSEC) and the Philippine Stock Exchange (PSE); and</i></li> </ul>		

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p><i>limitation shall apply to the partners, associates and the auditor-in-charge of the engagement.</i></p>	<p><i>d) Arranging meetings, briefings, and conferences for investors, analysts and members of the media.</i></p>		
<ul style="list-style-type: none"> <li>• <i>The external auditor and the members of the audit team shall not have outstanding loans or any credit accommodation (except credit card obligations) with the Bank at the time of signing the engagement and during the engagement.</i></li> <li>• <i>The external auditor and the members of the audit team adhere to the highest standards of professional conduct, including integrity and objectivity.</i></li> </ul>	<p><i>In addition, the Bank's corporate governance manual states that the Board shall commit at all times to fully disclose all material information about the company for the benefit of the stockholder and other stakeholders.</i></p> <p><i>All material information that could potentially affect share price, shall be publicly disclosed. Such information shall include earnings results, materially significant acquisition or disposal of assets, board changes, related party transactions which are not in the ordinary course of business, shareholding of directors and major changes to ownership. All such disclosures shall be submitted to Philippine Stock Exchange and Securities and Exchange Commission following their respective guidelines for the interest of all stockholders and other stakeholders.</i></p>		
<ul style="list-style-type: none"> <li>• <i>The Chief Audit Executive and personnel of Internal Audit are not authorized to:</i> <ul style="list-style-type: none"> <li>▪ <i>Perform any operational duties for the organization or its affiliates</i></li> <li>▪ <i>Initiate or approve accounting transactions external to Internal Audit,</i></li> <li>▪ <i>Direct the activities of any organization employee not employed by Internal Audit.</i></li> </ul> </li> </ul>	<p><i>The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders</i></p>		
<p><i>The Bank also has an Insider Trading Policy which strictly prohibits covered persons (i.e. members of the Board, officers of BPI with rank of SVP &amp; up, and other officers, employees, and consultants/ advisers or any other parties who may be in possession or knowledge or material non-public information about BPI) from trading for their own personal account, ten (10) calendar trading days before and three (3) calendar trading days after the disclosure of quarterly and annual financial statements.</i></p> <p><i>To further safeguard independence, the Bank also has established policies and procedures pertaining to:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Self-dealing activities</i></li> <li>▪ <i>Conflict of Interest (Request or Acceptance of Fees, Commissions, Gifts and Use of Company Resources and Exposing the Bank to Reputation Risk)</i></li> <li>▪ <i>Related Party Transactions</i></li> </ul>			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

*The Chief Compliance Officer certifies full compliance to the revised SEC Code of Corporate Governance and attested to by the President.*

## ROLE OF STAKEHOLDERS

7) Disclose the company's policy and activities relative to the following:

*The Bank seriously takes its responsibility in developing and sustaining relationships with its stakeholders, internal and external. Its stakeholders may be grouped into two: those who are directly affected by its business operations and outcomes, and those who guide and influence the Bank in carrying out its business.*

*The first group consists of investors, clients, employees, suppliers and the community at large, while the latter includes government and regulatory agencies, non-government and civil society groups and industry organizations.*

*The Bank's engagement with stakeholders takes on various forms and is carried out through a range of information, communication and consultative activities and disclosures. The Bank conducts dialogues about its role in society, products and services, business performance and other issues, at the business unit and Group levels.*

*This active engagement has allowed the Bank and its stakeholders to:*

- *Identify our most significant stakeholder groups and their specific interests, and determine the most significant issues from the economic, environmental and social sustainability perspective.*
- *Become more responsive in addressing various concerns, from customer service to financial solutions, systems, promotion-related complaints, shareholder return, operational strategies, business outlook, regulatory compliance, employee conduct, and employee salaries, benefits and financial assistance.*
- *Integrate the outcomes of our stakeholder engagement with well-established risk management processes, allowing us to address potential risks and align the management of sustainable issues with our business processes and strategies.*
- *Innovate and improve our products, services, systems, operational processes and practices.*

	<b>Policy</b>	<b>Activities</b>
Customers' welfare	<i>The Bank's Credo holds that BPI's first responsibility is to its Clients. If the Bank understands and addresses clients' financial needs, it will be trusted with their most important financial transactions, and will build lasting relationships. We do well when our clients do well.  BPI continues to focus in how it</i>	<i>The Bank's active engagement with Customers is done through:  BPI Customer Care Department - These include financial wellness events such as those launched with the personal finance symposia with Suze Orman and participation in the Money Summit and Wealth Expo.  BPI Contact Center and BPI Express Online - Customer feedback system is obtained through the BPI Contact Center and our website. Feedback received is handled by our</i>



	<p><i>responds more effectively to the customers' financial needs.</i></p> <p><i>The Bank also strives to deepen its understanding of customer expectations to allow it to improve the way it does business.</i></p>	<p><i>Customer Care Department which is dedicated to attend and take appropriate action on customer complaints.</i></p> <p><i>The BPI Contact Center is equipped to operate on a 24-hour, 7-days a week basis to allow customers easy access to assistance and information most especially should they encounter any problems and difficulties for any banking needs.</i></p> <p><i>The Bank also has its Risk Management and Compliance Units which focus on fraud monitoring to assist customers should there be any concerns on ATM use or possible fraud-related incidents such as unauthorized withdrawals, non-dispensing machines or card captures.</i></p> <p><i>BPI Facebook and Twitter Accounts, BPI Express Mobile – The Bank also enhanced its social media presence through Facebook and Twitter. Our official Twitter account (@talktobpi) and Facebook fan page (www.facebook.com/bpi) disseminates and addresses customer service information and concerns. In addition, the Bank also dominates the mobile arena with its mobile app, BPI Express Mobile, which allows greater servicing and reach of Bank customers and communication of announcements as well as provision of answers and solutions to frequently asked questions.</i></p> <p><i>With regards health and safety of customers, the Bank has as a matter of policy, ensured that all bank premises follow proper health and safety protocols, i.e., ban on smoking, ban on firearms, disaster preparedness (fire, earthquake, etc.), special access ramps for PWDs, pest prevention and more.</i></p>
<p>Supplier/contract or selection practice</p>	<p><i>The Bank focuses on giving equal opportunities for qualified suppliers/contractors.</i></p>	<p><i>The Bank's active engagement with Suppliers is done through:</i></p> <p><i>We have established processes for accreditation, vendor selection and suppliers audit to assure qualified suppliers of equal opportunity when bidding for projects with the Bank.</i></p> <p><i>All related policies, i.e., Conflict of Interest, Related Party Transactions, etc., are enforced to ensure that the Bank and the counterparties themselves are protected by the rule of fairness, accountability and transparency.</i></p> <p><i>Examples of supplier activities facilitated through the Ariba Spend Management System:</i></p> <ol style="list-style-type: none"> <li><i>1) Twelve (12) strategic sourcing projects which included HO renovation requirements, desktop computers, photocopying service, record management and chillers;</i></li> <li><i>2) Forty six (46) construction projects for branches.</i></li> <li><i>3) Seventy eight (78) repair transactions on air conditioners, genets, civil works, CCTV, and data cabling.</i></li> </ol>

<p>Environmentally friendly value-chain</p>	<p><i>The Bank's environmental responsibility starts from within BPI — by adopting policies, standards and practices to make the workplace, not just a conducive environment for work, but a place that works better for the environment as well.</i></p>	<p><i>The Bank's active engagement in support of an environmentally friendly value chain is done through memberships and partnerships with non-government and civil society groups with common sustainability objectives: We engaged our service providers to partner with us in a program called "Greening the Supply Chain." This new sustainability program demonstrates our holistic approach to "Greenovation," which called for the support of as many stakeholders as possible in trying to make the effects of our programs more lasting and meaningful.</i></p> <p><i>Continuous improvements are being done at the Bank's Head Office and at its branches in order to support its greening and sustainability initiatives, i.e., more energy efficient equipment and set-ups, minimized use of paper, recycling, etc.</i></p>
<p>Community interaction</p>	<p><i>The Bank embarks on initiatives to help improve the lives of people in the communities. It does this by embedding corporate social responsibility in its business, and also through BPI Foundation, the Bank's social development arm, as well as engaging its employees through volunteerism initiatives.</i></p> <p><i>As a responsible corporate citizen, the Bank contributes to building a sustainable society in partnership with non-government organizations, government institutions, and other civic organizations on projects that promote entrepreneurship, education, and the environment.</i></p>	<p><i>The Bank's active engagement in support of the communities it serves is done through:</i></p> <p><i>Memberships</i>  <i>Volunteerism Activities</i>  <i>Dialogues and Fora</i>  <i>Events</i>  <i>CSR Activities</i></p> <p><i>The following are only a few of such community upliftment activities of the Bank:</i></p> <ul style="list-style-type: none"> <li>- <i>BPI-ISEA Capacity Building on Financial Management and Social Return on Investments</i></li> <li>- <i>Show Me, Teach Me, MSMEs - Empowering Entrepreneurs (entrepreneurship learning)</i></li> <li>- <i>BPI for Teachers (Build, Promote and Improve)</i> <ul style="list-style-type: none"> <li>• <i>BPI Builds for Teachers - initiated the housing program for public school teachers in partnership with Habitat for Humanity Philippines</i></li> <li>• <i>BPI post graduate scholarship - master's degree in teaching English, Science and Math of 12 public high school teachers from Region XII at Mindanao State University -General Santos</i></li> <li>• <i>Skills Improvement and Enhancement training for teachers - in partnership with UP Manila's Pahinungod, Miriam College's G.U.R.O., Filipinas Heritage Library and UP Alumni Association of Davao.</i></li> </ul> </li> <li>- <i>Scholarship Program</i> <ul style="list-style-type: none"> <li>• <i>"1000 Teachers" program - a scholarship program for college students taking up Bachelors in Education major in English, Science and Math in partnership with Philippine Business for Education;</i></li> <li>• <i>College Scholarship for Dependents of BPI Employees - scholarship for deserving and qualified dependents of the</i></li> </ul> </li> </ul>

		<p><i>Bank's employees who are going to take up science and engineering courses from accredited universities</i></p> <ul style="list-style-type: none"> <li>• <i>Endowed Scholarship for OFW Dependent - scholarship for an overseas Filipino worker who will pursue a business related course under a four-year scholarship in Miriam College.</i></li> <li>• <i>Scholarship Program for Educational Assistance and Development - for economically disadvantaged honor students from Southern Luzon who wish to take up Bachelor of Science in Computer Science at DLSU' Aguinaldo Campus in Cavite</i></li> </ul> <p>- <i>BPI-DOST Science Awards An award recognizing the top 3 graduating science and technology college students of BPI's 10 partner universities providing P25,000 cash incentives and trophy.</i></p> <p>- <i>BPI Library Infanta - in partnership with Filipinas Heritage Library and the LGU of Infanta for the purchase of books and other library materials, computer unit, book racks and for other pre-operating expenses</i></p> <p>- <i>BPI Museum Cebu - the first bank museum located at BPI Cebu Main building located at the corner of P. Burgos and Magallanes streets, Cebu.</i></p> <p>- <i>BPI Museum Zamboanga - a "lifestyle museum" that depicts the life and culture of Zamboanguenos located at the second floor of BPI Zamboanga Main branch.</i></p> <p>- <i>Business Risk Assessment and the Management of Climate Change Impacts - multi-city study on the impact of climate change on businesses localities identified to be especially vulnerable conducted by World Wide Fund for Nature (WWF-Philippines)</i></p> <p>- <i>Bayanihan Para sa Inang Bayan (BPI Bayan) - an employee volunteerism program that engages the BPI employees to give back to the society.</i></p>
<p>Anti-corruption programs and procedures?</p>	<p><i>The Bank puts the highest premium on sound, responsible and effective corporate governance. As such, it has enabled and equipped the Bank's citizenry with the requisite policies, programs and guidance to combat risks in corruption.</i></p>	<p><i>Among others, the Bank's policies on conflict-of-interest, insider trading, whistleblowers and other guidelines are embodied in the Bank's corporate governance manual and included in the Bank's Management and Operating Manual and Personnel Policy Manual, each of which is recorded in electronic databases readily accessible for guidance of Bank employees. Aside from availability in these databases, Bank policies are regularly announced via internal email-facility to ensure constant top-of-mind awareness of the need to comply with these policies.</i></p> <p><i>All officers and employees undergo trainings and briefings on the Bank's various anti-corruption programs and procedures, i.e., Code of Conduct, Conflict-of-Interest,</i></p>

		<i>Related Party Transactions, etc.. New employees immediately undergo said trainings while continuing education is also provided through e-learning courses within the Bank's intranet.</i>
Safeguarding creditors' rights	<p><i>As previously stated, the Bank also gives utmost priority to safeguarding rights of its creditors (depositors) who, in this instance, are also its major customers.</i></p> <p><i>For its institutional creditors and investors, the Bank also has in place the aforementioned corporate governance and compliance measures to ensure their rights are protected.</i></p>	<p><i>Same as above.</i></p> <p><i>In addition to protecting the Banks' creditors or depositors, the Bank also provides its institutional creditors or investors with protection through its full disclosure mechanisms in place and done through the Banks' various information dissemination channels, Investor Relations, website, bank announcements at branches, etc.</i></p>

8) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

*Yes, a separate corporate responsibility and sustainability report/section is included in the 2013 Annual Report.*

9) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

*BPI strives to be an employer of choice by providing a safe, secure and conducive working environment for its employees. It continually safeguards their rights and provides equal opportunity for people to realize their fullest potential and make them agents of change for their communities.*

*Global institutions benchmarking corporate employee engagement initiatives have reported that the Bank has strength in three main employee engagement drivers: career development and opportunities, goal clarity, and leadership. The Bank has also introduced more initiatives to boost competency development among its officers and staff; worked to accelerate promotions; and identified the right metrics to better align human resource measures with corporate strategy. Moreover, it introduced a number of employee engagement to sustain or further boost employee commitment.*

(b) Show data relating to health, safety and welfare of its employees.

*We run education and training programs regarding serious illnesses. Examples of programs implemented are seminars on cancer awareness, prevention of stroke, and basic life support. Aside from health education, we also have risk-control programs in place to assist workforce members and their families regarding serious diseases. This was done through wellness fairs conducted in the head offices and provincial business centers where employees and their families avail of free or discounted services such as vaccinations, bone screening and physical examinations.*

*As a specific example, the Bank has been running the "Keep fit, feed a child" program. This unique wellness program engaged employees who pledged to lose weight for the benefit of Kabisig ng Kalahi, a non-government organization that conducts feeding programs in elementary schools. From among Kabisig ng Kalahi's numerous beneficiaries, BPI zeroed in on 30 kindergarten, grade 1 and grade 2 students from the Gregorio del Pilar Elementary School in Tondo, Manila. Every pound lost by an employee was matched by a*

*Php 100 donation from the Bank to the feeding program. In 2013, BPI donated Php 60,000 to this program, providing healthy lunch and milk every school day for six months to each of the 30 school children. After six months in this feeding program, the children attained their ideal, age-appropriate weight.*

(c) State the company's training and development programs for its employees. Show the data.

#### *Continuing education*

*We continue to provide a range of training programs designed along the Bank's business objectives. These development programs are aimed at honing the skills and capabilities of our employees in carrying out their daily duties, as well as preparing them to assume higher responsibilities as the next leaders of the organization. We use a blended learning approach that includes workshops, coaching/mentoring, instructor-led training sessions, and web-based training courses. We also design and facilitate leadership and management training programs for supervisors, functional managers, and senior managers to support our investment in leadership development. Mid-level officers take part in the BPI Leadership Excellence Acceleration Program (BPI LEAP). BPI LEAP has become a benchmark in training and development.*

*By ensuring that our staff, specialists, and officers are trained, steeped in best practices, and exposed to an environment that nurtures continuous learning, we are able to provide the highest quality service to our customers.*

*In general, the Bank's Learning and Development program for our employees takes a holistic approach to learning and development and is categorized into the following training programs for everyone:*

- 1. Leadership and Management Development – Programs that provide opportunities for BPI Leaders to develop their ability to lead, inspire and motivate their team members and organization. This would also cover Professional Effectiveness Programs that would develop Personal Leadership*
- 2. Functional – Programs that develop and strengthen specific functional and technical competencies required from the individuals so they can perform their functional tasks effectively*
- 3. Core and Team Effectiveness – Programs that would provide foundational knowledge and competencies for any member of the BPI team. This would also cover programs and interventions for teams at BPI.*

*Significant highlights of recent training and development programs are:*

*Credit Risk Analysis Certification Program. This program, designed for corporate account managers and credit policy officers, enhanced the credit assessment capabilities of officers and improved the bank's lending practices overall, helping to boost its aggressive growth strategy.*

*"Target shooting" sales course. Relationship managers and sales assistants who took part in this program improved their skills in sales and executing campaigns in offsite or out-of-branch locations. Some 400 Relationship Managers and Sales Assistants participated in this refresher course.*

*Cross-selling program. The bank's branch personnel were drilled in the practice of cross-selling in support of our retail client campaigns. Training on this front focused on providing tools that enabled value-adding conversations with our customers.*

*As mentioned above, the Bank also has its regular training and development programs. Through our so-called BPI University, unbankers benefit from a process of continuous training throughout their careers in the bank—these programs range from the new employee orientation and values orientation workshops for new hires; officers training program, which initiates our growing corps of officers into their leadership roles; sales officers training program; the Leadership Excellence Acceleration Program, conducted in partnership with Harvard Business School, focusing on executive education; and the RM Academy, an intensive two-month program designed for strengthening the financial advisory skills of our relationship*

managers. Aside from a wide range of mandatory, functional, leadership and core courses offered in-classroom or online via BPI's My eLearning portal, the bank introduced new focused programs in 2014, including the corporate finance program for investment and corporate banking employees, a supply chain management workshop for the shared administrative services group, and a business process redesign workshop for the operations team.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

*BPI ensures a sound Compensation and Rewards Systems that is aimed at attracting, retaining and motivating its employees.*

1. *Compensation must reflect internal equity -recognizes the differences in the relative values of the jobs/ in the organization and the competencies required to perform the job and establishes appropriate pay for each type of job/role to achieve internal equity.*
2. *Compensation must be externally competitive - conducts regular salary review to ensure that the BPI total remunerations levels compare favorably with those prevailing in the market.*
3. *Compensation emphasizes rewards based on performance - potential to assume bigger responsibility and higher position is recognized; meritorious performance and contribution to the company's growth is rewarded.*

10) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

*The employees may report directly or thru the Whistleblower Policy (a reporting process, beyond the normal reporting lines).*

*Under the Whistleblower Policy, there are provisions on non-retaliation:*

- (1) *An individual who makes a "protected disclosure" shall not suffer harassment, retaliation, or adverse employment consequences. Any person who retaliates against any individual who makes a protected disclosure shall be subject to discipline up to an including termination.*
- (2) *The right of a whistleblower for protection against retaliation does not include immunity for his/her wrongdoing or participation in the reported irregularity and such participation was eventually verified and proven during the course of the investigation.*
- (3) *In case the whistleblower believes he has been retaliated against for whistleblowing, he may seek redress or file a formal complaint to the HRD Group Head, Chief Internal Auditor, or the Chief Risk Officer.*

## H. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more (as of December 31, 2014)

Shareholder	Number of Shares	Percent	Beneficial Owner
<i>PCD Nominee Corp. (Non-Filipino)</i>	<i>1,016,391,218</i>	<i>25.8478%</i>	<i>Various Stockholders/ Clients</i>
<i>PCD Nominee Corp. (Filipino)</i>	<i>334,429,755</i>	<i>8.5049%</i>	<i>Various Stockholders/ Clients</i>
<i>Ayala Corporation</i>	<i>858,599,200</i>	<i>21.8350%</i>	<i>Ayala Corporation</i>
<i>Ayala DBS Holdings, Inc.</i>	<i>837,630,845</i>	<i>21.3018%</i>	<i>Ayala DBS Holdings, Inc.</i>
<i>AC International</i>	<i>341,845,066</i>	<i>8.6934%</i>	<i>AC International</i>

<i>Finance Limited</i>			<i>Finance Limited</i>
<i>Roman Catholic Archbishop of Manila</i>	327,904,251	8.3389%	<i>Roman Catholic Archbishop of Manila</i>

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
<i>None of the Bank's Senior Management owns 5% or more of the outstanding capital stock of the Bank</i>	<i>Not applicable</i>	<i>Not applicable</i>	NA
<b>TOTAL</b>			

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	No
Number of board of directors/commissioners meetings held during the year	No*
Attendance details of each director/commissioner in respect of meetings held	No*
Details of remuneration of the CEO and each member of the board of directors/commissioners	No

\*The Bank used to put this in the SEC Form 17-A report in the Corporate Governance Section but has deleted that section per SEC memorandum Circular No. 5, Series of 2013, issued last march 20, 2013.

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

*The Bank defines all its stakeholder interactions with fairness, accountability and transparency. As such, the Bank ensures that all material information that could potentially affect share price are publicly disclosed through the PSE and SEC. Further, while it may not always be the case due to physical/technological/media-related constraints, the Bank also strives to ensure consistency and extent of information disclosed across the different media formats and platforms.*

3) External Auditor's fee

Name of auditor	Audit Fee*	Non-audit Fee
Isla Lipana & Co.	₱ 5,040,000.00	0.00

\*For fiscal year 2014 paid in 2015.

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

1. *Electronic or hard copy disclosure or reports to Philippine Stock Exchange, Inc. (PSE) Securities and Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BSP);*
2. *Publication in newspapers of general circulation or press releases submitted to regulatory bodies;*
3. *The Bank's website: BPI Express Online;*
4. *Stockholders' Meetings and media briefings;*
5. *Through the Investor Relations Office which hosts Investors' Conferences and One-on-One Meetings.*

5) Date of release of audited financial report: *February 19, 2014*

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	<b>Yes</b>
Financial statements/reports (current and prior years)	<b>Yes</b>
Materials provided in briefings to analysts and media	<b>Yes</b>
Shareholding structure	<b>Yes</b>
Group corporate structure	<b>Yes</b>
Downloadable annual report	<b>Yes</b>
Notice of AGM and/or EGM	<b>Yes</b>
Company's constitution (company's by-laws, memorandum and articles of association)	<b>Yes</b>

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT

RPT	Relationship	Nature	Value
<i>Loans and Advances from Subsidiaries/Associates/AC/Subsidiaries of AC</i>	<i>Subsidiaries/Associates/AC/Subsidiaries of AC</i>	<i>These are loans and advances granted to related parties that are generally secured.</i>	<i>(in Million of Pesos) P10,662</i>
<i>Deposits from Subsidiaries/Associates/Ayala Group/Key Management Personnel</i>	<i>Subsidiaries/Associates/Ayala Group/Key management personnel</i>	<i>These are interest-bearing demand, savings and time deposits.</i>	<i>P42,781</i>
<i>Interest Income/Other Income</i>	<i>Subsidiaries/Associates/AC/Subsidiaries of AC</i>	<i>These consists of Interest and other income from rentals and revenue from service arrangements with related parties.</i>	<i>P 947</i>
<i>Interest Expense/Other Expenses</i>	<i>Subsidiaries/Associates/AC/Subsidiaries of AC/Key management personnel</i>	<i>Other expenses mainly consist of rental expenses and management fees.</i>	<i>P 524</i>



When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

*In the normal course of the business, the Parent Bank transacts with related parties consisting of its subsidiaries and associates. Likewise, the BPI Group has transactions with Ayala Corporation (AC) and its subsidiaries (Ayala Group).*

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

*As aforementioned, the Bank has a Related Party Transactions Committee and Policy to provide guidance and vet on credit and non-credit related party transactions of significant amounts (P50Mn and above):*

- 1. Formulate, revise, and approve policies on related party transactions.*
- 2. Conduct any investigation required to fulfill its responsibilities on RPTs.*
- 3. Assesses agreements of any kind with a related party to ensure that transactions are entered into on terms no less favorable to the Bank than terms generally available to an unaffiliated third-party under the same or similar circumstances.*
- 4. Review the adequacy of Management’s monitoring and reporting systems on RPTs.*

## I. RIGHTS OF STOCKHOLDERS

### 1) Right to participate effectively in and vote in Annual/Special Stockholders’ Meetings

#### (a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders’ Meeting as set forth in its By-laws.

<b>Quorum Required</b>	<i>No meeting of stockholders shall be competent to transact business unless a majority of the outstanding and subscribed capital stock entitled to vote is represented, except to adjourn from day to day or until such time as may be deemed proper.</i>
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#### (b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	<i>Balloting/Voting</i>
<b>Description</b>	<i>Detailed proposal together with justification is presented to the appropriate approving bodies, e.g. ExCom, Board and other Committees. Then the approving body will discuss, ask questions and clarifications and if satisfied will approve said proposal, otherwise the proposal is either disapproved or will be resubmitted to satisfy the issues or questions raised before.</i>  <i>Voting for the election of members of the Board of Directors and upon all questions before the stockholders’ meeting shall be by shares of stock, that is, one share entitles the holder thereof to one vote, two shares to two votes, etc; but in the election of members of the Board of Directors, any stockholder may cumulate his vote as provided for in the Corporation Law.</i>

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
To receive notice of meeting at least two(2) weeks prior to the meeting	<i>BPI strictly complies with what is provided for by the Corporation Code, SEC and BSP regulations.</i>
Right to vote	
Right to appoint a proxy	

Dividends

Declaration Date	Record Date	Payment Date
<i>April 17, 2013</i>	<i>June 01, 2013</i>	<i>June 16, 2013</i>
<i>November 06, 2013</i>	<i>January 03, 2014</i>	<i>January 24, 2014</i>
<i>May 21, 2014</i>	<i>July 14, 2014</i>	<i>August 4, 2014</i>
<i>December 19, 2014</i>	<i>February 24, 2015</i>	<i>March 17, 2015</i>

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

2. Measures Adopted	3. Communication Procedure
<i>Stockholders are free to participate in the Annual Stockholders meeting and to ask questions, to comment and vote. In fact they are encouraged to participate. They are always free to present their views and discussed the same during the meeting.</i>	<i>During the annual stockholders meeting, the stockholders can always address the Chairman directly or any individual director or committee members. The views of the stockholders as well as the other proposal are discussed and reflected in the minutes.</i>

8. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
  - a. Amendments to the company's constitution
  - b. Authorization of additional shares
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

*The policy of the Bank is to give the stockholders in advance copy of the materials and encourage them to attend the meeting if one will be called for the purpose of discussing the amendments to the company's constitution, authorization of additional shares and transfer of all or substantially all assets, which in effect results in the sale of the company. The Bank is always very transparent on matters of this nature and it encourages the stockholders to attend the meeting by sending individual notices to the stockholders, publication in the newspaper, posting in the Bank's website, notice to PSE and SEC reports.*

9. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

*BPI follows the SRC Rule 20 – Disclosures to Stockholders Prior to Meeting x x x The information statement, proxy form and the management report under paragraph (4) of this Rule, if applicable, shall be distributed to security holders at least fifteen (15) business days from the date of the stockholders' meeting. x x x .*

a. Date of sending out notices: *March 3, 2014*

b. Date of the Annual/Special Stockholders' Meeting: *April 10, 2014*

10. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

One of the stockholders present, asked about the number of BPI ATM machines in the Philippines, and BPI's responsibilities regarding the safe and secure operation of its ATMs. The President replied that BPI has 1,900 ATM machines. He explained that BPI does what it can to ensure that customers feel safe transacting with the Bank. BPI was one of the first to introduce cameras, and now has installed PIN shields, and also issued advisories to customers not to disclose their PIN. BPI works with Bancnet and Megalink to ensure that these are conveyed to everyone.

Another stockholder, related his experience with the limitations on withdrawal of funds over the counter and thru ATMs, and for different products such as SDA and MaxiSaver. He asked, in view of the financial turmoil in other countries and if ever said turmoil extends to our country, if a customer would be able to withdraw all of his money. The President said that the rules for withdrawal depend on the instrument and whether withdrawal takes place at a teller or an ATM. There is an element of choice for the customer. The President also said that historically BPI has been known in the Philippines as a safe bank. The stockholder thanked the President.

Another stockholder, extended his compliments to the President and thanked him for the replies to his questions when they met on another occasion. This stockholder then asked about PDIC insurance on and/or accounts. The President said that, although it would be best to clarify with PDIC, his understanding is that an and/or account is treated as a different account. He added that this would be referred to the appropriate group in BPI for confirmation.

A client and stockholder of BPI since the 1970s, congratulated the management and staff of BPI for a very good year. This stockholder also said that he has always known the President to be very helpful and courteous. He expressed hope that the next President will jump start the Bank, in the same way as the present President did when his predecessor turned over the reins to him. On another note, this stockholder then stated that Filipinos have a very strong connection to family, and suggested that BPI as an institution communicate the message of strengthening the family in the Philippines. The Chairman thanked this stockholder for his comments.

11. Result of Annual/Special Stockholders' Meeting's Resolutions

12. Resolution	13. Approving	14 Dissenting	15. Abstaining
<i>Approval Minutes of Annual Stockholders' Meeting held on April 10, 2014</i>	<i>3,218,542,186 shares or 99.63%</i>	<i>0.00 share or 0.0%</i>	<i>11,931,827 shares or 0.37%</i>
<i>Reading of Annual Report and approval of</i>	<i>3,218,542,211 shares or 99.63%</i>	<i>0.00 share or 0.0%</i>	<i>11,931,802 shares or 0.37%</i>

<i>the Bank's Statement of condition as of December 31, 2014 incorporated in the Annual Report.</i>			
<i>Approval and confirmation of all Acts during the past year of the Board of Directors, Executive Committee, and all other Board and Management Committees and other Officers of BPI</i>	3,218,536,096 shares or 99.63%	0.00 share or 0.0%	11,937,917 shares or 0.37%
<i>Election of 15 Members of the Board of Directors</i>			
<i>Jaime Augusto Zobel de Ayala</i>	3,173,227,007 shares or 98.23%	45,151,413 shares or 1.40%	12,095,593 shares or 0.37%
<i>Fernando Zobel de Ayala</i>	3,169,412,407 shares or 98.11%	48,967,577 shares or 1.52%	12,094,029 shares or 0.37%
<i>Cezar P. Consing</i>	3,206,793,049 shares or 99.27%	11,207,051 shares or 0.35%	12,473,913 shares 0.38%
<i>Vivian Que Azcona</i>	3,212,412,805 shares or 99.44%	5,928,425 shares or 0.18%	12,132,783 shares or 0.38%
<i>Romeo L. Bernardo</i>	3,215,817,383 shares or 99.55%	2,599,718 shares or 0.08%	12,056,912 shares or 0.37%
<i>Octavio V. Espiritu</i>	3,211,223,468 shares or 99.40%	7,206,493 shares or 0.23%	12,044,052 shares 0.37%
<i>Rebecca G. Fernando</i>	3,183,978,351 shares or 98.56%	34,362,671 shares or 1.06%	12,132,991 shares 0.38%
<i>Xavier P. Loinaz</i>	3,199,061,702 shares or 99.03%	18,573,774 shares or 0.57%	12,838,537 shares 0.40%
<i>Aurelio R. Montinola III</i>	3,180,136,515 shares or 98.44%	38,287,442 shares or 1.19%	12,050,056 shares or 0.37%
<i>Mercedita S. Nollado</i>	3,183,995,195 shares or 98.56%	34,362,671 shares or 1.06%	12,116,147 shares 0.38%
<i>Artemio V. Panganiban</i>	3,171,989,271 shares or 98.19%	44,179,719 shares or 1.37%	14,305,023 shares 0.44%
<i>Antonio Jose U. Periquet</i>	3,215,187,580 shares or 99.53%	3,155,401 shares or 0.09%	12,131,032 shares 0.38%
<i>Oscar S. Reyes</i>	3,169,016,544 shares or 98.10%	49,331,028 shares or 1.53%	12,126,441 shares 0.37%
<i>Astrid S. Tuminez</i>	3,218,342,045 shares or 99.62%	330 shares or 0.00%	12,131,638 shares or 0.38%
<i>Dolores B. Yuvienco</i>	3,184,053,984 shares or 98.57%	34,362,671 shares or 1.06%	12,057,358 shares or 0.37%
<i>Election of External Auditors and fixing their Remuneration</i>	3,185,320,447 shares or 98.60%	31,577,060 shares or 0.98%	13,576,506 shares 0.42%
<i>Amendment of the Third Article of BPI's</i>	3,218,526,704 shares or 99.63%	0.00 share or 0.00%	11,948,309 shares or 0.37%

<i>Articles of Incorporation &amp; Article I of its By-Laws re: specific address of its principal office.</i>			
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Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: *June 07, 2014*

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

<b>Modifications</b>	<b>Reason for Modification</b>
<i>No modification was made.</i>	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held: April 10, 2014

<b>Type of Meeting</b>	<b>Names of Board members / Officers present</b>
<i>Annual</i>	<i>Jaime Augusto Zobel de Ayala  Fernando Zobel de Ayala  Aurelio R. Montinola III  Xavier P. Loinaz  Cezar P. Consing  Rebecca G. Fernando  Mercedita S. Nolleto  Artemio V. Panganiban  Solomon M. Hermosura  Antonio Jose U. Periquet  Oscar S. Reyes  Astrid S. Tuminez  Dolores B. Yuvienco  Vivian Que Azcona  Carlos B. Aquino  Maria Cristina L. Go  Noelito C. Marcos  Marie Josephine M. Ocampo  Maria Theresa M. Javier  Josenia D. Nemeno  Barbara Subiaga Munoz  Michael D. Calleja  Elfrida S. Narboneta  Elfrida San Pedro Narboneta  Santiago L. Garcia, Jr.  Beatrice Marie R. Guzman  Heidi P. Ver  Raul D. Dimayuga  Alfonso L. Salcedo, Jr.  Aniceta P. Del Mundo  Grace Pacita Aliga Saulog</i>

	<p>Amy Belen R. Dio  Benedicto Rosario-Jurado  Maria Socorro D. Gayares  Jesusa Camila Gangoso  Maria Consuelo Lukban  Eugenio Mercado  Natividad N. Alejo  Mario T. Miranda  Antonio V. Paner  Gerardo Rarela  Ma. Corazon S. Remo  Maria Dina Soriano  Edgardo D. Madrilejo</p>
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(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

*Yes. BPI appoints Isla Lipana & Co., to count and/or validate the votes at the ASM.*

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

*Yes. BPI's common shares carry one vote for one share except in election of members of the Board.*

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	<i>The Proxy Form must be executed by the stockholder or by the duly authorized representative in case of juridical person.</i>
Notary	<i>The Bank's Proxy Form is not required to be notarized</i>
Submission of Proxy	<i>The Proxy Form shall be submitted within the time as indicated in the Notice of Annual Stockholders Meeting</i>
Several Proxies	<i>The stockholder shall be limited to a single proxy at any one time but he may name alternate proxies.</i>
Validity of Proxy	<i>The proxy shall be filed with the Secretary of the Bank at least ten (10) days before the meeting and shall be valid until revoked.</i>
Proxies executed abroad	<i>Are accepted provided it basically conforms to the form requirement, filed on time and supporting documents attached.</i>
Invalidated Proxy	<i>Proxies which do not comply with the substantive and procedural requirement of the company are invalidated.</i>
Validation of Proxy	<i>Done after four (4) days from the deadline of submission of proxy</i>
Violation of Proxy	<i>Material violation by Proxy which will affect the validity of his designation will not be accepted.</i>

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
<i>All Stockholders of record are entitled to Notice of Stockholders meeting at least fourteen (14) days prior to the date of the meeting.</i>	<i>Stockholders' meeting shall be called by written or printed notice, in paper, digital or compact disc form or electronic medium, delivered personally or electronically, or deposited in the post office, addressed to each stockholder at his last known place of residence or office or at his e-mail or electronic address as disclosed by the Registry Book of the Bank, at least fourteen (14) days prior to the date of the meeting.</i>

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	<i>11,858 certificated stockholders and PCD participants</i>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	<i>March 16, 2015</i>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	<i>March 16, 2015</i>
State whether CD format or hard copies were distributed	<i>CD format were distributed to shareholders</i>
If yes, indicate whether requesting stockholders were provided hard copies	<i>Yes requesting stockholders were provided hard copies.</i>

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	<i>Yes</i>
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	<i>Yes</i>
The auditors to be appointed or re-appointed.	<i>Yes</i>
An explanation of the dividend policy, if any dividend is to be declared.	<i>Yes when applicable</i>
The amount payable for final dividends.	<i>Yes when applicable</i>
Documents required for proxy vote.	<i>Duly accomplished proxy forms. If the stockholder is a Corporation enclose Board resolution authorizing said proxy to represent said stockholder</i>

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company’s policies with respect to the treatment of minority stockholders.

Policies	Implementation
<i>Equal protection of all stockholders up to the extent of their stockholdings.</i>	<i>All stockholders are treated equally and there is no “favored” stockholder treatment.</i>

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes.

**J. INVESTORS RELATIONS PROGRAM**

1) Discuss the company’s external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

*As stated in the Bank’s Corporate Governance Manual, the Investor Relations Unit of the Bank is tasked to:*

- 1. Create and implement an investor relations program that reaches out to all shareholders to fully inform them of corporate activities;*
- 2. Formulate a clear policy on communicating or relating relevant information to BPI stockholders and to the broader investor community accurately, effectively and sufficiently;*
- 3. Alternatively, prepare disclosure documents to the Philippine Securities and Exchange Commission (PhilSEC) and the Philippine Stock Exchange (PSE). These tasks are reviewed together with the review of the Corporate Governance Manual.*
- 4. Disseminate the Corporate Governance Manual, and conduct an orientation program for the Board and Management.*

*As a listed company, the Bank is regulated both by the PhilSEC and PSE. As such, corporate actions are required to be disclosed to these two (2) regulatory bodies. Corporate actions are approved by the Board of Directors and/or Executive Committee. Any corporate action is disclosed by the Bank’s Corporate Secretary or the Investor Relations Unit in accordance with the minutes of the meeting of the Board or the Executive Committee.*

*Quarterly financial statements are presented to the Audit Committee and/or Board of Directors before disclosure to the PhilSEC and PSE. Press releases relative to the financial performance are pre-cleared with the President.*

2) Describe the company’s investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	<i>a. To communicate the Bank’s basic direction, strategies, financial condition/operating performance investors/shareholders, research or sales personnel of securities/investment houses</i>



	<i>b. To act as resource for publications and other external communication initiatives of the Bank's Corporate Communication Unit.</i>
(2) Principles	<p><i>a. Timely reporting of corporate actions and financial performance in compliance with PhilSEC and PSE rules</i></p> <p><i>b. Quarterly update of database relative to details of financial performance necessary for properly communicating the results of operations</i></p> <p><i>c. Knowledge of external environment which may impact the Bank's performance, such as the economy, the banking industry, regulations from the PhilSEC/PSE, BSP, BIR and new laws</i></p> <p><i>d. The Bank subscribes to a policy of full disclosures that are uniform and standard and carrying with them the rule of fairness and transparency.</i></p>
(3) Modes of Communications	<i>Disclosures to the SEC/PSE which are posted in the PSE website and the BPI website (www.bpiexpressonline.com); emails to analysts of securities houses and fund managers (who requested to be included in the mailing list) on the disclosures and some financial information; one-one meetings with analysts, existing and potential investors in the BPI office; non-deal roadshows arranged by securities houses (one-on-one meetings in the office of the investors); attendance to securities houses sponsored conferences in the Philippines and abroad (one-one meetings, small group meetings, workshops); presentation in the stockholders' meeting; press releases</i>
(4) Investors Relations Officer	<p><i>Tel. No.: (632 ) 8455774/(632) 8169557</i></p> <p><i>Fax: (632) 8169109</i></p> <p><i>Email: investorrelations@bpi.com.ph</i></p>

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

*Opportunities for acquisitions and mergers (assuming the owners of the target companies are agreeable) which are identified to be of value to the Bank by either the Management and/or Chairman and/or Vice Chairman of the Board are first discussed among small group composed of Management and the Chairman of the Board. After an evaluation of Management, this is presented to the Executive Committee for approval. Due diligence is conducted for a deeper review of the company and to determine the value of the proposed acquisition. Once pricing is negotiated, the item goes to the Executive Committee or the Board for approval. If the bid is awarded, the proper documentation is prepared and proper approvals are obtained from the regulatory bodies, including the Bangko Sentral ng Pilipinas. If merger related, the approval of the stockholders are required in a special stockholders scheduled for such purpose. After which, the process of integration is effected by the Management team.*

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

*The Executive Committee is composed of 2 independent directors, hence no specific independent director is assigned to evaluate the transaction. In certain cases, an external investment adviser, assists as well in the valuation of the target company.*

## K. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

*The Corporate Social Responsibility initiatives of Bank of the Philippine Islands are embedded in its business and also through BPI Foundation, the Bank's social development arm in partnership with non-government organization, government institutions, and other civic organizations on projects that promote entrepreneurship, education, and the environment.*

Initiative	Beneficiary
<i>BPI-ISEA Capacity Building on Financial Management and Social Return on Investments</i>	<i>Social entrepreneurs</i>
<i>Show Me, Teach Me, MSMEs - Empowering Entrepreneurs (entrepreneurship learning)</i>	<i>Micro, small, medium sized entrepreneurs</i>
<p><i>BPI for Teachers (Build, Promote and Improve)</i></p> <ul style="list-style-type: none"> <li>• <i>BPI Builds for Teachers - initiated the housing program for public school teachers in partnership with Habitat for Humanity Philippines for Php 14 million; turned over 77 houses to date in Bistekville, Quezon City and Panabo, Davao.</i></li> <li>• <i>BPI post graduate scholarship - master's degree in teaching English, Science and Math of 12 public high school teachers from Region XII at Mindanao State University -General Santos</i></li> <li>• <i>Skills Improvement and Enhancement training for teachers - in partnership with UP Manila's Pahinungod, Miriam College's G.U.R.O., Filipinas Heritage Library and UP Alumni Association of Davao teacher's training in effective teaching of English, science, math and on arts</i></li> </ul>	<i>Public elementary and high school teachers</i>
<p><i>Scholarship Program</i></p> <ul style="list-style-type: none"> <li>• <i>"1000 Teachers" program - a scholarship program for college students taking up Bachelors in Education major in English, Science and Math in partnership with Philippine Business for Education; providing financial support for monthly living allowance and tuition fee for their review classes in Licensure Examination for Teachers (LET)</i></li> <li>• <i>College Scholarship for Dependents of BPI Employees - scholarship for deserving and qualified dependents of the Bank's employees who are going to take up science and engineering courses from accredited universities with full tuition fee support.</i></li> <li>• <i>Endowed Scholarship for OFW Dependent - scholarship for an overseas Filipino worker who will pursue a business related course under a four-year scholarship in Miriam College.</i></li> <li>• <i>Scholarship Program for Educational Assistance and Development - for economically disadvantaged honor students from Southern Luzon who wish to take up Bachelor of Science in Computer Science at DLSU'</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>20 college students enrolled in PNU- Isabela, UP Diliman and Ateneo de Naga University;</i></li> <li>• <i>Dependents of BPI Employees</i></li> <li>• <i>OFW dependent</i></li> <li>• <i>College students from Southern Luzon</i></li> </ul>

<i>Aguinaldo Campus in Cavite</i>	
<i>BPI-DOST Science Awards</i> <i>An award recognizing the top 3 graduating science and technology college students of BPI's 10 partner universities providing P25,000.00 cash incentives and trophy.</i>	<i>Graduating science and technology college students from BPI's 10 partner universities.</i>
<i>BPI Library Infanta - in partnership with Filipinas Heritage Library and the LGU of Infanta contributing Php 600,000.00 for the purchase of 500 books and other library materials, computer unit, book racks and for other pre-operating expenses</i>	<i>Community of Infanta, Quezon</i>
<i>BPI Museum Cebu - the first bank museum located at BPI Cebu Main building located at the corner of P. Burgos and Magallanes streets, Cebu. On display are historical pieces such as the first ever Philippine banknotes issued by BPI, gold coins, the Bank's journal in 1855 and other bank equipment.</i>	<i>Local and foreign tourists</i>
<i>BPI Museum Zamboanga - a "lifestyle museum" that depicts the life and culture of Zamboanguenos located at the second floor of BPI Zamboanga Main branch.</i>	<i>Local and foreign tourists</i>
<i>Business Risk Assessment and the Management of Climate Change Impacts - multi-city study on the impact of climate change on businesses localities that have been identified to be especially vulnerable conducted by World Wide Fund for Nature (WWF-Philippines)</i>	<i>City planners and decision makers of the city covering Baguio, Cebu, Davao, Iloilo, Cagayan de Oro, Dagupan, Laoag and Zamboanga.</i>
<i>Bayanihan Para sa Inang Bayan (BPI Bayan) - an employee volunteerism program that engages the BPI employees to give back to the society</i>	<i>Various communities, schools, institutions for cancer/aged patients, etc.</i>

#### L. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	<b>Process</b>	<b>Criteria</b>
<b>Board of Directors</b>		
<b>Board Committees</b>	<i>Submission of Accomplishment Reports to the Board by the different committees. In addition, the Audit Committee submits the "Self Assessment in the Performance of the Audit Committee" to the SEC.</i>	
<b>Individual Directors</b>	<i>Each director is required to fill-up a Self-Assessment Form annually</i>	<ul style="list-style-type: none"> <li>• <i>Performance of fiduciary duties</i></li> <li>• <i>Practice of due diligence in carrying out duties as directors</i></li> <li>• <i>Observance of confidentiality</i></li> </ul>

		• <i>Attendance and punctuality</i>
<b>CEO/President</b>	<i>The CEO/President's performance is evaluated at least once a year by the PerCom and ExCom</i>	

**M. INTERNAL BREACHES AND SANCTIONS**

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

<b>Violations</b>	<b>Sanctions</b>
<i>Breach of policy, rules, procedures due to oversight, negligence, malice or deliberate intent or action that constitute breach of trust.</i>	<i>Ranging from verbal reprimand to termination</i>
<i>Directors who willfully and knowingly vote or consent to patently unlawful acts of BPI or who are guilty of gross negligence or bad faith in directing the affairs of BPI or acquire any personal or pecuniary interest in conflict with their duty as such directors.</i>	<i>Shall be liable jointly and severally for all damages resulting therefrom suffered by BPI, its stockholders and other persons aside from other sanction prescribed under existing rules and regulations.</i>