

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1. Report is Filed for the Year .....2012.....
  
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  
  
**ZIP Code 0720**  
.....  
Postal Code
  
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

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## A. 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	14
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

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	04/19/2012	Annual Meeting	22
Fernando Zobel de Ayala	NED	Ayala Corp.	Jaime Augusto Zobel de Ayala	10/19/1994	04/19/2012	Annual Meeting	18
Aurelio R. Montinola III	ED	Ayala Corp.	Jaime Augusto Zobel de Ayala	01/12/2004	04/19/2012	Annual Meeting	8
Romeo L. Bernardo	NED			04/2001	04/2001		3
	ID	-	Gil M. Lopez. Mr. Bernardo is not related to the nominator	08/21/2002	04/19/2012	Annual Meeting	10
Chng Sok Hui	NED	DBS Bank, Ltd.	CEO Piyush Gupta	04/03/2003	04/19/2012	Annual Meeting	9
Cezar P. Consing	NED			02/1995	01/2000		5
	ID			01/2007	01/01/2007		2.5
	ID		Gil M. Lopez. Mr. Consing is not related to the nominator	04/15/2010	04/19/2012	Annual Meeting	2
Octavio V. Espiritu	NED			03/2002	03/31/2002		2
	ID	-	Gil M. Lopez. Mr. Espiritu is not related to the nominator	04/2002	04/19/2012	Annual Meeting	10
Rebecca G. Fernando	NED	Roman Catholic Archdiocese of Manila		2007	2007		12
	NED		Gaudencio B. Cardinal Rosales	03/31/2009	04/19/2012	Annual Meeting	3
Khoo Teng Cheong	NED	DBS Bank, Ltd.	CEO Piyush Gupta	06/16/2010	04/19/2012	Annual Meeting	2
Xavier P. Loinaz	ED	Ayala Corp.		2004	2004		12
	NED	Ayala Corp.		2009	2009	Annual Meeting	4
	ID	-	Gil M. Lopez. Mr. Loinaz is not related to the nominator	03/31/2009	04/19/2012	Annual Meeting	3
Mercedita S. Nollado	NED	Ayala Corp.	Jaime Augusto Zobel de Ayala	11/20/1991	04/19/2012	Annual Meeting	21

<sup>1</sup> Reckoned from the election immediately following January 2, 2012.

Artemio V. Panganiban	ID	-	Gil M. Lopez. CJ Panganiban is not related to the nominator.	04/15/2010	04/19/2012	Annual Meeting	2
Antonio Jose U. Periquet	ID	-	Gil M. Lopez. Mr. Periquet is not related to the nominator.	04/19/2012	04/19/2012	Annual Meeting	.75
Oscar S. Reyes	NED		Gil M. Lopez	04/03/2003	04/19/2012	Annual Meeting	9
Tan Kong Khoon	NED	DBS Bank, Ltd.	CEO Piyush Gupta	08/17/2011	04/19/2012	Annual Meeting	1

- (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 the Bank is based on Fairness, Accountability and Transparency. All stockholders whether with minority or majority interest are treated equally by the Board of Directors. 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.*

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

*The vision and mission of the Bank has been in existence for a long time but it was formalized in 1980. The specific objectives 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.

<b>Director's Name</b>	<b>Corporate Name of the Group Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
<i>Jaime Augusto Zobel De Ayala</i>	<i>BPI Family Savings Bank, Inc. (BPI Family); BPI Capital Corporation (BPI Capital)</i>	<i>Non-Executive – Chairman Non-Executive – Chairman</i>
<i>Romeo L. Bernardo</i>	<i>BPI Family, BPI Capital, BPI/MS Insurance Corporation (BPI/MS-IC), BPI Globe BankO, Inc. and BPI Philam-Life Assurance Corporation</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, BPI Capital, BPI Direct Savings Bank, Inc. and BPI/MS-IC</i>	<i>Independent Director</i>
<i>Aurelio R. Montinola III</i>	<i>BPI Family, BPI Capital, BPI Direct Savings Bank, Inc. BPI/MS-IC and BPI Globe BankO, Inc. A Savings Bank</i>	<i>Non-Executive Director</i>
<i>Mercedita S. Nolleo</i>	<i>BPI Family, BPI Capital and BPI and Investment Management, Inc.</i>	<i>Non-Executive Director</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:

<b>Director's Name</b>	<b>Name of Listed Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
<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</i>
	<i>Ayala Land, Inc.</i>	<i>NED</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>First Gen. Corporation</i>	<i>ID</i>
	<i>Jollibee Foods Corporation</i>	<i>ID</i>
<i>Octavio V. Espiritu</i>	<i>Intl. Container Terminal Services, Inc.</i>	<i>NED</i>
	<i>SM Development Corporation</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 Investment Corp.</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>Jollibee Foods Corp.</i>	<i>NED</i>
<i>Antonio Jose U. Periquet</i>	<i>ABS-CBN Holdings 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>Oscar S. Reyes</i>	<i>Alcorn Gold Resources Corp.</i>	<i>ID</i>
	<i>Basic Energy Corporation</i>	<i>ID</i>
	<i>Pepsi Cola Products Phils., Inc.</i>	<i>ID</i>
	<i>Ayala Land, Inc.</i>	<i>ID</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>	<i>No. A director shall 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. 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>	<i>Subject to guidelines stated herein.</i>
<b>Non-Executive Director</b>	<i>No. A director shall 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. 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>	<i>Subject to guidelines stated herein.</i>
<b>CEO</b>	<i>No. A director shall 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. 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>	<i>Subject to guidelines stated herein.</i>

(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>285</i>	<i>None</i>	<i>0.0000%</i>
<i>Aurelio R. Montinola III</i>	<i>1,416,148</i>	<i>None</i>	<i>0.0398%</i>
<i>Romeo L. Bernardo</i>	<i>12</i>	<i>None</i>	<i>0.0000%</i>
<i>Chng Sok Hui</i>	<i>19</i>	<i>None</i>	<i>0.0000%</i>
<i>Cezar P. Consing</i>	<i>355</i>	<i>None</i>	<i>0.0000%</i>
<i>Octavio V. Espiritu</i>	<i>1,062,453</i>	<i>None</i>	<i>0.0299%</i>
<i>Rebecca G. Fernando</i>	<i>18</i>	<i>None</i>	<i>0.0000%</i>
<i>Khoo Teng Cheong</i>	<i>19</i>	<i>None</i>	<i>0.0000%</i>
<i>Xavier P. Loinaz</i>	<i>3,123,465</i>	<i>None</i>	<i>0.0878%</i>
<i>Mercedita S. Nolleto</i>	<i>51,475</i>	<i>None</i>	<i>0.0010%</i>
<i>Artemio V. Panganiban</i>	<i>10</i>	<i>None</i>	<i>0.0000%</i>

<i>Antonio Jose U. Periquet</i>	400,010	None	0.0112%
<i>Oscar S. Reyes</i>	1.076	None	0.0000%
<i>Fernando Zobel de Ayala</i>	120	None	0.0000%

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>Aurelio R. Montinola III</i>

- (b) Roles, Accountabilities and Deliverables

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

	<b>Chairman</b>	<b>Chief Executive Officer</b>
<i>Role</i>	<i>To preside at and conduct the meetings of the stockholders and the Board of Directors, with a right to vote; To call special meetings of the stockholders ; To 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>	<i>Subject to the control of the Board, have direct charge and supervision of the business and properties of the Bank.</i>
<i>Accountabilities</i>	<i>To provide leadership in the Board of Directors. The Chairperson of the Board shall ensure effective functioning of the board, including maintaining a relationship of trust with board members.</i> <i>Assist in ensuring compliance with the Corporation's guidelines on corporate governance</i>	<i>Ultimately accountable for the Corporation's organizational and procedural controls</i> <i>Have general supervision of the business, affairs, and property of the Corporation, and over its employees and officers.</i>
<i>Deliverables</i>	<i>To ensure that the Board takes an informed decision. The Chairperson of the Board shall ensure a sound decision making process and he should encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-making process.</i>	<i>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.</i> <i>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 Personnel and Compensation Committee (PerCom) of the Bank 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, shall, as part of the executive planning process, evaluate, and nominate potential successors to the CEO. It shall also initiate, require, and review reports as well as receive 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.

*All nominees to the Board of Directors are evaluated by the Nomination Committee to ensure that they have a wide range of experience and they possess all the qualifications and none of the disqualifications to become a director of BPI.*

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. Some of the members of the Board of Directors have extensive banking experience being bank presidents in the past.*

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>	<i>Subject to the control of the Board, have direct charge and supervision of the business and properties of the Bank.</i>	<i>The corporate powers of a bank shall be exercised, its business conducted and all its property controlled and held, by its board of directors. The directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the bank.</i>	<i>The corporate powers of a bank shall be exercised, its business conducted and all its property controlled and held, by its board of directors. The directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the bank.</i>
<b>Accountabilities</b>	<i>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>	<i>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. The board of directors is also responsible for monitoring and overseeing</i>	<i>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. The board of directors is also responsible for monitoring and overseeing</i>

		<i>the performance of senior management as the latter manages the day to day affairs of the institution.</i>	<i>the performance of senior management as the latter manages the day to day affairs of the institution.</i>
<i>Deliverables</i>	<i>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. 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>	<i>These 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.</i>	<i>These 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.</i>

Provide the company's definition of "independence" and describe the company's compliance to the definition.

*"Independence" means that a person is not an Officer, executive and employees of BPI, no holdings or interest in BPI exceeding 2% not a beneficial owner of BPI's security, not related to any director, officer or substantial shareholder of BPI or any of its related companies or any of its substantial shareholders, not 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.*

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.

*Independent Directors are elected in accordance with law, Company By-Laws and Manual of Corporate Governance.*

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>Tan Kong Khoon</i>	<i>Non-Executive Director</i>	<i>October 18, 2012</i>	<i>When DBS Bank Limited sold part of its shareholdings in BPI</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>		
(i) 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)	<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> <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>
(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)	<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> <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>
(iii) Independent	Evaluation and recommendation by the	<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</li> </ol>

Directors	Nomination Committee of the Board in accordance with the rules provided for by the regulators (SEC, BSP and PSE)	<p>have been engaged or exposed to the business of BPI for at least five (5) years;</p> <p>3. He shall possess integrity/probity, and</p> <p>4. He shall be assiduous.</p>
<b>b. Re-appointment</b>		
(i) 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)	<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> <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>
(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)	<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> <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>

		<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>	<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. 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> <li>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;</li> <li>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;</li> <li>5. Any person who had served as officer and/ or</li> </ol>

		<p><i>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>6. <i>Any person judicially declared to be insolvent or incapacitated to contract;</i></p> <p>7. <i>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>8. <i>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.</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>1. <i>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>2. <i>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.</i></p> <p>3. <i>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>4. <i>Any person finally found by the SEC or a court or other administrative body to have willfully violated, or</i></p>



		<p><i>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 paragraphs.</i></p>
<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>	<p><i>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</i></p> <p><i>2. When the beneficial security ownership exceeds two percent (2%) of the outstanding capital stock of BPI where he is such a director.</i></p> <p><i>3. Such other disqualifications which the Bank's Manual of Governance provides.</i></p>
<b>d. Temporary Disqualification</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>	<p><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></p> <p><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</i></p>

		<p>cleared himself of any involvement in the alleged irregularity;</p> <p>3. Conviction that has not yet become final referred to in the grounds for disqualification of directors; and</p> <p>4. Any person in delinquent status with respect to the payment of his obligations, direct or indirect.</p>
(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)	<p>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;</p> <p>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;</p> <p>3. Conviction that has not yet become final referred to in the grounds for disqualification of directors; and</p> <p>4. Any person in delinquent status with respect to the payment of his obligations, direct or indirect.</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>e. Removal</b>		
(i) 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.
(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.

<i>(iii)</i> <i>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>
<b>f. Re-instatement</b>		
<i>(i)</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)</i> <i>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)</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)</i> <i>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

Name of Director	Votes Received (% of Total Present)
<i>Jaime Augusto Zobel de Ayala</i>	<i>99.179%</i>
<i>Aurelio R. Montinola III</i>	<i>99.816%</i>
<i>Romeo L. Bernardo</i>	<i>99.816%</i>
<i>Chng Sok Hui</i>	<i>99.082%</i>
<i>Cezar P. Consing</i>	<i>99.858%</i>
<i>Octavio V. Espiritu</i>	<i>99.813%</i>
<i>Rebecca G. Fernando</i>	<i>99.813%</i>
<i>Khoo Teng Cheong</i>	<i>99.398%</i>
<i>Xavier P. Loinaz</i>	<i>99.813%</i>
<i>Mercedita S. Nolledo</i>	<i>99.813%</i>
<i>Artemio V. Panganiban</i>	<i>98.691%</i>
<i>Antonio Jose U. Periquet</i>	<i>99.858%</i>
<i>Oscar S. Reyes</i>	<i>98.410%</i>
<i>Fernando Zobel de Ayala</i>	<i>99.401%</i>

6) Orientation and Education Program

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

*Company's background, Table of Organization, Relevant polices and rules governing their roles as directors.*

- (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 by the various units of the Bank, for example, presentation on FATCA, Basel III, and new BIR regulations. Below are the in-house trainings available for 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*

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

<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.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Jaime Augusto Zobel de Ayala	January 2012 January 2013	World Economic Forum	
Aurelio R. Montinola III	March 2012	Institute International Finance	
Fernando Zobel de Ayala	January 2012 January 2013	World Economic Forum	
Mercedita S. Nolleto	Jan. 24, 25, and 31, 2013 Feb. 01, 2013	Mandatory Continuing Legal Education	Asean Center for Legal Experience
Artemio V. Panganiban	November 19, 2012	Corporate Governance Enhancement Session- “Navigating the New World of Business”	First Pacific Leadership Academy
Oscar S. Reyes	November 19, 2012	Corporate Governance Enhancement Session- “Navigating the New World of Business”	First Pacific Leadership Academy

## 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	Covered by a policy- Handling Conflict of Interest. 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. The policy covers: (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.		
(b) Conduct of Business and Fair Dealings	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.		
(c) Receipt of gifts from third parties	Covered by the policy on Conflict of Interest under Request or Acceptance of Fees, Commissions, Gifts – 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 which requires disclosure/ approval.		
(d) Compliance with Laws & Regulations	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.		

(e) <i>Respect for Trade Secrets/Use of Non-public Information</i>	<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.</i>	
(f) <i>Use of Company Funds, Assets and Information</i>	<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 secrets of trade without proper authorization</i>	
(g) <i>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>	
(h) <i>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>	<i>Covered by a policy which addresses the commitment of the Bank to integrity and ethical behavior by helping to foster and maintain an environment where employees and external parties can act appropriately without fear of retaliation. The policy sets forth a reporting process through a protected disclosure beyond the normal reporting lines.</i>	
(j) <i>Conflict Resolution</i>		<i>Imbedded in the Disciplinary Procedure covering Case handling and Conflict resolutions ensuring observance of due process.</i>

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

*YES and posted online.*

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

*Continuing reminders on the Code of Ethics, part of the Employee Orientation Program. Bank monitors compliance thru regular audits, risk control self assessment exercises and other feedback mechanisms coming from the employees themselves (e.g. Whistleblower policy, Labor Management Conferences).*

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
(1) Parent Company	<p>The Bank in compliance with legal and regulatory requirements maintains transparency of related party transactions between and among the Bank and its subsidiaries, affiliates, directors, officers, stockholders, related interests (DOSRI) and joint ventures.</p> <p>Subject to BSP rules and regulations including limit and reportorial requirement</p>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(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.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	NONE
Name of Officer/s	NONE
Name of Significant Shareholders	NONE

(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.

	Directors/Officers/Significant Shareholders
Company	We apply Conflict of Interest Policy Rule
Group	

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
Not Applicable		

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

- (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>Not applicable</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>Did not have any dispute 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, 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	Jaime Augusto Zobel de Ayala	April 19, 2012	14	9	64%
Member	Fernando Zobel de Ayala	April 19, 2012	14	10	71%
Member/ President/CEO	Aurelio R. Montinola III	April 19, 2012	14	13	93%
Member	Chng Sok Hui	April 19, 2012	14	9	64%
Member	Khoo Teng Cheong	April 19, 2012	14	8	57%
Member	Rebecca G. Fernando	April 19, 2012	14	13	93%
Member	Mercedita S. Nolleto	April 19, 2012	14	14	100%
Member	Artemio V. Panganiban	April 19, 2012	14	14	100%
Member	Oscar S. Reyes	April 19, 2012	14	13	93%
Member	Tan Kong Khoon (resigned on 18 October 2012)	April 19, 2012	14	8/10	80%
Independent	Romeo L. Bernardo	April 19, 2012	14	14	100%
Independent	Cezar P. Consing	April 19, 2012	14	13	93%
Independent	Octavio V. Espiritu	April 19, 2012	14	13	93%
Independent	Xavier P. Loinaz	April 19, 2012	14	12	86%
Independent	Antonio Jose U. Periquet (newly elected)	April 19, 2012	14	8/10	80%

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

*Yes at least once.*

- 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

- (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?

<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.

The role of the Corporate Secretary is to serve as an adviser to the directors on their responsibilities and obligations, keep the minutes of meetings of the stockholders, the Board of Directors, the Executive Committee, and all other committees of the Board, keep in safe custody the seal of BPI and affix it to any instrument requiring the same, in charge of the stock certificate book and such other books and papers as the Board may direct, giving and serving of notices of Board and shareholder meetings, 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, oversee the adequate flow of information to the Board prior to meetings, 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 should the answer be in the negative.

Yes. The present Company Secretary has a well- rounded training not only in Legal and Business but also in human relations and administrative work.

- (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
Executive	Directors are all aware that they 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. Materials are delivered to the office/residence of directors.
Audit	Directors are all aware that they 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. Materials are delivered to the office/residence of directors. Internal Audit emails and advance copy of the materials to the members of the Committee.
Nomination	Directors are all aware that they 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. Materials are delivered to the office/residence of directors.
Remuneration	Directors are all aware that they 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. Materials are delivered to the office/residence of directors.
Others (Corporate Governance and Trust)	Directors are all aware that they have an unhampered, unlimited and direct access to the Corporate Secretary either

	<i>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. Materials are delivered to the directors.</i>
<i>Others (Risk Management and Trust)</i>	<i>Directors are all aware that they 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. 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>

6) External Advice

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

<b>Procedures</b>	<b>Details</b>
<i>If so requested by the Chairman or other directors said directors can ask for briefing on some legal issues and/or financial matters from external/specialists or consultants.</i>	<i>If so requested by the Chairman or other directors said directors can ask for briefing on some legal issues and/or financial matters from external/specialists or consultants.</i>
	<i>Management can arrange for the internal auditor, management services company or consultants to present to the Bank.</i>
	<i>The Corporate Secretary &amp;/or Management calendars for the next meeting requested briefing</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:

<b>Existing Policies</b>	<b>Changes</b>	<b>Reason</b>
<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	
(1) Fixed remuneration	<p>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</p>	<ul style="list-style-type: none"> <li>• Salary reviews (covering fixed and variable compensation) are done annually to ensure market competitiveness of the Company's total remuneration.</li> <li>• The Company participates in Executive and Total Remuneration Surveys to benchmark on its market positioning.</li> <li>• An annual merit increase may be granted upon Management discretion based on the Officers' performance.</li> <li>• All salary programs are subject to the approval of the Personnel and Compensation Committee (PERCOM) and the Board of Directors</li> </ul>	
(2) Variable remuneration			
(3) Per diem allowance			<ul style="list-style-type: none"> <li>• The Company grants travel privileges to its Officers who need to go <u>abroad</u> for official or business reasons.</li> <li>• All travel expenses are shouldered by the Company, including the travel allowance / per diem, subject to policy guidelines</li> <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	<p>Note: The CEO/Executive Director receive remuneration as Officer and not as Director of the Company</p>		
Non-Executive Directors	<p>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</p>	<p>Per diems for Committee and Board of Directors attendance</p>	<p>Amount is set and approved by the Board from year to year.</p>

	<i>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>and Annual Directors bonus</i>	<i>Historically it is a fraction of one percent of the total net income of the Bank</i>
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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. But the stockholders delegated this task to the Board provided the total bonus or compensation will not exceed 1% of net income of the Bank for the previous year and 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.

<b>Remuneration Scheme</b>	<b>Date of the Board or Stockholders' Approval</b>
<i>Director's Bonus approved 2010</i>	<i>April 15, 2010</i>
<i>Director's Bonus approved 2011</i>	<i>April 14, 2011</i>
<i>Director's Bonus approved 2012</i>	<i>April 19, 2012</i>

### 3) Aggregate Remuneration

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

<b>Remuneration Item</b>	<b>Executive Directors</b>	<b>Non-Executive Directors (other than independent directors)</b>	<b>Independent Directors</b>
<i>(a) Fixed Remuneration</i>		<i>There is no fixed remuneration for Non-Executive Directors</i>	<i>There is no fixed remuneration for Independent Directors</i>
<i>(b) Variable Remuneration</i>	<i>Note: The CEO/Executive Director receive remuneration as Officer and not as Director of the Company</i>	<i>None</i>	<i>None</i>
<i>(c) Per diem Allowance</i>		<i>₱8,150,000.00</i>	<i>₱7,240,000.00</i>
<i>(d) Bonuses</i>		<i>₱20,245,901.00</i>	<i>₱14,248,634.00</i>
<i>(e) Stock Options and/or other financial instruments</i>		<i>None</i>	<i>None</i>
<i>(f) Others (Specify)</i>		<i>None</i>	<i>None</i>
<b>Total</b>		<i>₱ 28,395,901.00</i>	<i>₱ 21,488,634.00</i>

Other Benefits	Executive Directors*	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances		None	None
2) Credit granted		None	None
3) 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>			

\*benefits provided as an officer of the bank

4) 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
NONE				

(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
NONE		

5) 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>Gil A. Buenaventura/Senior EVP and COO</i>	<i>P141,252,075.88</i>
<i>Antonio V. Paner/EVP and Treasurer</i>	
<i>Alfonso L. Salcedo Jr./ Executive VP</i>	
<i>Natividad N. Alejo/ Executive VP</i>	
<i>Maria Theresa M. Javier/Senior 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:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
<i>Executive</i>	<i>1</i>	<i>5</i>	<i>2</i>	<i>Yes</i>	<i>•To act on all credit applications, 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>	<i>The Executive Committee shall be a part of the permanent organization of the Bank, and which shall in the interim 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>	<i>•To execute the resolutions adopted in all the stockholders' meetings and resolutions of the Board of Directors other than those directed to the President. •To exercise the power of the Board in the management and direction of the affairs of the Bank subject to the limits provided by law and these By-Laws.</i>

Audit	0	2	2	Yes	<p>Monitors and evaluates the adequacy and effectiveness of the internal control system, including financial reporting control and information technology security. Provide oversight over the:</p> <ul style="list-style-type: none"> <li>• overall management of credit, market, liquidity, operational, legal, and other risks of the Bank,</li> <li>• internal and external auditors,</li> <li>• quality of compliance with the Corporate Governance Manual, and</li> <li>• review conducted by BSP</li> </ul>	<p>a) Review and monitoring of internal control system/ process, including financial reporting control and information technology security.</p> <p>b) Overseeing the financial reporting and disclosure process.</p> <p>c) Overseeing the appointment, performance, and independence of the Chief Audit Executive (internal auditor) and external auditors.</p> <p>d) Overseeing the performance of the internal audit function.</p> <p>e) Oversight of regulatory compliance, ethics, fraud prevention and detection, including whistle blower policy/ program.</p>	<p>The Committee is empowered by the Board to:</p> <ul style="list-style-type: none"> <li>•investigate any matter within its terms of reference</li> <li>•seek any information it requires from employees,</li> <li>•obtain assurances, and when appropriate, reports from Bank officers, external auditors, or outside counsel,</li> <li>•obtain professional advice at Bank's expense, and secure attendance of outsider with relevant experience/expertise whenever necessary</li> <li>•invite any director or executive officer to attend its meetings,</li> <li>•secure adequate resources to enable it to effectively discharge its functions,</li> <li>•provide oversight over the Audit Committees of subsidiaries</li> </ul>
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Nomination	0	2	2	Yes	<ul style="list-style-type: none"> <li>•Install and maintain 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;</li> <li>•Encourage the selection of a mix of competent directors, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies;</li> <li>•Review and evaluate the qualifications of all persons nominated to positions in the Corporation which require appointment by the Board.</li> </ul>		
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Personnel & Compensation	0	3	2	Yes	<p>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</p> <ol style="list-style-type: none"> <li>1. The organization's values</li> <li>2. The human resources philosophy and policies</li> <li>3. Compensation philosophies and guidelines</li> <li>4. Recognition and rewards philosophies and guidelines.</li> </ol>	<ol style="list-style-type: none"> <li>1. Annually reviews and approves 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. Annually reviews and approves 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. Ensures the establishment, documentation through a formal manual, timely dissemination and proper implementation of personnel policies and guidelines.</li> <li>4. Reviews and approves recommendati</li> </ol>	<p>Has direct access to and complete and open communication with senior management and may obtain advice and assistance from internal legal, accounting and other advisors to assist it. The PerCom may retain independent legal, accounting, and other advisors to assist it, and may determine the compensation of such advisors and the Bank shall be responsible for any costs or expenses so incurred.</p>
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					<p>ons for promotions to and from the rank of AVP and up and submit to the Board for confirmation/a approval.</p> <p>5. Reviews and endorses 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.</p> <p>6. Reviews impact on compensation, the plans of mergers, spin-offs and other similar organizational or operating changes</p> <p>7. Reviews together with the CEO, the talent development process within the Bank.</p> <p>8. Reviews Personnel Handbook</p> <p>9. Performs annual review of PerCom's performance.</p> <p>10. Periodically assesses the adequacy of</p>	
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						<p><i>its charter and recommend changes to the Board as needed.</i></p> <p><i>11. Exercises such powers and duties as may from time to time to be delegated by the Board to the PerCom</i></p>	
<p><i>Corporate Governance</i></p>	<p><i>0</i></p>	<p><i>3</i></p>	<p><i>2</i></p>	<p><i>Yes</i></p>	<p><i>•Assist the Board of Directors in fulfilling its corporate governance responsibilities . •Ensure the Board's effectiveness and due observance of sound corporate governance principles and guidelines.</i></p>	<p><i>•Assist the Board of Directors in fulfilling its corporate governance responsibilities . •Ensure the Board's effectiveness and due observance of sound corporate governance principles and guidelines.</i></p>	

Risk Management	1	1	4	Yes	<p>A. Develop, implement and oversee the capital management program</p> <p>B. Develop, implement and oversee the risk management program</p> <p>C. Identify and assess risk exposures</p> <p>D. 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.</p>	<p>A. Develop, implement and oversee the capital management program</p> <p>B. Develop, implement and oversee the risk management program</p> <p>C. Identify and assess risk exposures</p> <p>D. 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.</p>	<p>1. Form sub-committees and delegate its capital and risk management functions to sub-committees or line management as may be deemed necessary</p> <p>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</p> <p>3. Recommend to the Board for approval the –</p> <p>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</p> <p>b. BPI Group's capital management and risk management policies</p> <p>4. Confirm or approve proposals relating to risk limits, risk exposure allocation, capital allocation and risk management policies</p>
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Trust	2	4	2	Yes	<p>The review and approval of transactions between trust and/or fiduciary accounts and</p> <p>The review of 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.</p>	<p>Ensure that fiduciary activities are conducted in accordance with applicable laws, rules and regulations and prudent practices</p> <p>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</p> <p>Oversee the implementation of the risk management framework and ensure that internal controls are in place relative to the fiduciary activities</p> <p>Adopt an appropriate organizational structure/staffing pattern and operating budgets that shall enable the trust department to effectively carry out its functions</p>	<p>Powers delegated by the Board of Directors in the administration, management and direction of the Trust business of the Bank</p>
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						<p><i>Oversee and evaluate performance of the Trust Officer</i></p> <p><i>Conduct regular meetings every month</i></p> <p><i>Report regularly to the Board of Directors on matters arising from fiduciary activities</i></p>	
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2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
<i>Chairman (NED)</i>	<i>Jaime Augusto Zobel de Ayala</i>	<i>April 3, 2003</i>	<i>38</i>	<i>29</i>	<i>76%</i>	<i>9</i>
<i>Vice- Chairman (NED)</i>	<i>Fernando Zobel de Ayala</i>	<i>April 3, 2003</i>	<i>38</i>	<i>18</i>	<i>47%</i>	<i>9</i>
<i>Member (ED)</i>	<i>Aurelio R. Montinola III</i>	<i>March 25, 2004</i>	<i>38</i>	<i>28</i>	<i>74%</i>	<i>8</i>
<i>Member (NED)</i>	<i>Chng Sok Hui</i>	<i>April 14, 2011</i>	<i>38</i>	<i>0</i>	<i>0%</i>	<i>1</i>
<i>Member (ID)</i>	<i>Octavio V. Espiritu</i>	<i>April 07, 2000</i>	<i>38</i>	<i>35</i>	<i>92%</i>	<i>12</i>
<i>Member (NED)</i>	<i>Rebecca G. Fernando</i>	<i>March 31, 2009</i>	<i>38</i>	<i>35</i>	<i>92%</i>	<i>3</i>
<i>Member (ID)</i>	<i>Xavier P. Loinaz</i>	<i>March 31, 2009</i>	<i>38</i>	<i>34</i>	<i>89%</i>	<i>3</i>
<i>Member (NED) (Alternate)</i>	<i>Mercedita S. Nollo</i>	<i>April 19, 2012</i>	<i>38</i>	<i>18</i>	<i>47%</i>	<i>-</i>

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
<i>Chairman (ID)</i>	<i>Xavier P. Loinaz</i>	<i>April 15, 2010</i>	<i>13</i>	<i>13</i>	<i>100%</i>	<i>2</i>
<i>Member (ID)</i>	<i>Octavio V. Espiritu</i>	<i>April 15, 2010</i>	<i>13</i>	<i>12</i>	<i>92%</i>	<i>2</i>

Member (NED)	Khoo Teng Cheong	June 16, 2010	13	7	54%	2
Member (NED)	Oscar S. Reyes	March 25, 2004	13	13	100%	8

Disclose the profile or qualifications of the Audit Committee members.

1. **Xavier P. Loinaz** - (Independent Director), 69 years old, Filipino, has served as the President of BPI from 1982 to 2004. He has been a member of the Board of Directors of BPI since 1982 up to the present and starting 31 March 2009 was elected as Independent Director of BPI. Concurrently, he holds the following corporate positions: Chairman of the Audit Committee, Member of the Executive Committee and Nomination Committee of BPI; Independent Director of BPI Family Savings Bank, Inc., BPI Capital Corporation, BPI Direct Savings Bank, Inc., BPI/MS Insurance Corporation, Ayala Corporation and Globe Telecom, Inc.; Chairman of the Board of Directors of Alay Kapwa Kilusan Pangkalusugan and Member of the Board of Trustees of BPI Foundation, Inc., E. Zobel Foundation and PETA. 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), 69 years old, Filipino, has served as a Director of BPI since April 2000. He is an Independent Director of BPI since April 2002 and was last re-elected on 31 March 2009. He is the Chairman of the Risk Management Committee and a Member of the Executive Committee and Audit Committee of BPI. He also holds the following positions: Chairman of Delphi Group, Inc.; Chairman & President of MAROV Holding Company, Inc.; Director of International Container Terminal Services, Inc., Netvoice, Inc., Pueblo de Oro Golf and Country Club and SM Development Corporation. 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. **Khoo Teng Cheong**, 49 years old, Singaporean, was elected as Member of the Board of Directors of BPI on 16 June 2010. He is a member of the Audit Committee and Risk Management Committee of BPI. He is the Head and Senior Vice President of DBS Bank. Ltd. Group Planning since November 2008 and was promoted in March 2011 as Head and Managing Director of DBS Bank, Ltd., Planning Group. Mr. Khoo was from the Office of the Chairman, President and CEO of Citibank and the Senior Vice Chairman of Citigroup New York in 2008. Mr. Khoo holds a degree in BSC (2:1) Hons. Banking and Finance at Loughborough University in 1989. He also holds a degree in Master of Letters in Bible and Contemporary World with distinction in the dissertation at the University of St. Andrews, FIFE, UK in 2010.
4. **Oscar S. Reyes**, 66 years old, Filipino, was elected as Member of the Board of Directors of BPI in April 2003 and has been a director since that time. He is a member of the Audit Committee, Corporate Governance Committee and Personnel & Compensation Committee of BPI. Among his other positions are: Chairman of Link Edge, Inc. and MRL Gold Philippines, Inc.; Independent Director of the following Companies: Ayala Land, Inc., Alcorn Gold Resources Corporation, Manila Water Company, Pepsi Cola Products Philippines, Inc., Basic Energy Corporation, Sun Life Financial Plans, Inc., Sunlife Prosperity Dollar Abundance Fund, Sunlife Prosperity Dollar Advantage Fund, Petrolift Corporation, Sun Life of Canada Prosperity Bond Fund, Inc., Sun Life Prosperity Money Market Fund, Inc., and Sun Life GS Fund, Inc.; Director of Philippine Long Distance Telephone Co., SMART Communications, Inc., and Mindoro Resources Ltd; and Chief Operating Officer of Manila Electric Company. He finished Bachelor of Arts Major in Economics (Cum Laude) from the Ateneo de Manila University in 1965. He also took up the following courses: Business Management Consultants and Trainers Program from the Japan Productivity Center/Asian Productivity Organization, Tokyo, Japan and Hongkong in 1968; International Management Development Program leading to (1) Diploma in Business Administration and (2) Certificate in Export Promotion from the Waterloo University, Ontario, Canada in 1969-1970; European Business Program from UK, Netherlands, France, Germany, Switzerland in 1970; Master of Business Administration (Academic report completed) from the Ateneo Graduate School of Business Administration in 1971; Program for Management Development from the Harvard Business School, Boston, USA in 1976; and



Commercial Management Study Program from the Lensbury Centre, Shell International Petroleum Co., United Kingdom.

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.

(c) 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	2	2	100%	1
Member (ID)		April 07, 2005 (to April 14, 2011)				6
Member (NED)	Chng Sok Hui	April 14, 2011	2	0	0%	1
Member (ID)	Xavier P. Loinaz	March 31, 2009	2	2	100%	3
Member (ED & NED)		Apr. 03, 2003 (to Mar. 31, 2009)				6
Member (NED)	Jaime Augusto Zobel de Ayala	14 April 2011	2	1	50%	1
Chairman (NED)		Apr. 03, 2003 (to Apr 14, 2011)				9

(d) Remuneration 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	9	9	100%	9
Member (ID)	Romeo L. Bernardo	April 3, 2003	9	9	100%	9
Member (NED)	Chng Sok Hui	April 14, 2011	9	0	0%	1
Member (ID)	Cezar P. Consing	April 15, 2010	9	6	67%	2
Member (NED)	Oscar S. Reyes	March 31, 2009	9	9	100%	3

(e) 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	No. of Meetings	%	Length of Service in the
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			Held	Attended		Committee
Chairman (ID)	Artemio V. Panganiban	April 15, 2010	1	1	100%	2
Member (ID)	Romeo L. Bernardo	April 7, 2005	1	1	100%	7
Member (NED)	Chng Sok Hui	April 14, 2011	1	0	0%	1
Member (NED)	Mercedita S. Nolloo	April 6, 2006	1	1	100%	6
Member (NED)	Oscar S. Reyes	April 7, 2005	1	1	100%	7

(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	12	92%	9
Member (ED)	Aurelio R. Montinola III	April 7, 2005	13	10	77%	7
Member (ID)	Romeo L. Bernardo	April 3, 2008	13	13	100%	4
Member (ID)	Cezar P. Consing	April 15, 2010	13	11	85%	2
Member (NED)	Khoo Teng Cheong	June 16, 2010	13	5	38%	2
Member (ID)	Antonio Jose U. Periquet	April 19, 2012	13	7	54%	-

(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)	Mecedita S. Nolloo	March 10, 1992	12	12	100%	20
Vice-Chairman (NED)	Fernando Zobel de Ayala	April 3, 2003	12	7	58%	9
Member (ED)	Aurelio R. Montinola III	April 7, 2005	12	10	83%	7
Member (ID)	Romeo L. Bernardo	April 3, 2003	12	12	100%	9
Member (NED)	Rebecca G. Fernando	March 31, 2009	12	11	92%	3
Member (ID)	Antonio Jose U. Periquet	April 19, 2012	12	7	58%	-
Member (NED)	Tan Kong Khoon (resigned on Oct. 17, 2012)	August 17, 2011	12	8	80%	1
Member (ED)	Maria Theresa M. Javier	April 21, 2010	12	11	92%	2

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
Executive	There is no change in committee membership that occurred during the	

	<i>year</i>	
<i>Audit</i>	<i>There is no change in committee membership that occurred during the year</i>	
<i>Nomination</i>	<i>There is no change in committee membership that occurred during the year</i>	
<i>Remuneration</i>	<i>There is no change in committee membership that occurred during the year</i>	
<i>Others (specify) Trust</i>	<i>Tan Kong Khoon</i>	<i>Resignation</i>

#### 4) Work Done and Issues Addressed

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

<b>Name of Committee</b>	<b>Work Done</b>	<b>Issues Addressed</b>
<i>Executive</i>	<i>Deliberated and approved credit proposals, sale of real properties, purchased of CAPEX, HR matters, (e.g. hiring, promotions, termination, compensation, early retirement program) authorized signatories, policy manual, contracts, and service agreements among others.</i>	<i>Credit proposals, ROPA sales, Manpower administration, Capital expenditures, Policy Manuals, Service contracts and agreements, Designation of authorized signatories</i>
<i>Audit</i>	<p>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, 2012, including the assessment of the Bank's internal controls relative to the financial reporting process.</i></p> <p>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></p> <p>c) <i>On External Auditors:</i></p> <ul style="list-style-type: none"> <li>•<i>Reviewed and approved the overall scope, approach and audit plan of the external auditor, including fees, terms of engagement.</i></li> <li>•<i>Held executive session with the external auditors</i></li> <li>•<i>Assessed the performance and recommended the re-engagement of the external auditor</i></li> </ul> <p>d) <i>On Internal Audit</i></p> <ul style="list-style-type: none"> <li>•<i>Reviewed and approved the 2012 Internal Audit Work Plan, changes in the Risk Assessment Model, and Audit Rating Framework.</i></li> <li>•<i>Reviewed the performance of internal audit function, competence of staff, adequacy of</i></li> </ul>	<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>resources, and access to relevant bank records and documents.</p> <ul style="list-style-type: none"> <li>•Evaluated the performance of the Chief Audit Executive</li> <li>•Reviewed the reports of Internal Audit, Compliance Office, Bank's Investigation Unit, outsourced Payment Card Industry-Data Security Standard (PCI-DSS) validation, 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.</li> </ul> <p>e) Discussed the BSP Report of Examination as of April 30, 2011.</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>	
<p><i>Nomination</i></p>	<p>Processed and evaluated the nominees to the Board of Directors</p>	<p>Qualifications or disqualifications of nominees.</p>
<p><i>Personnel and Remuneration</i></p>	<ol style="list-style-type: none"> <li>1. Succession Plan for President</li> <li>2. Compensation and Total Rewards Programs</li> <li>3. Talent Management Program</li> <li>4. Organizational Changes</li> <li>5. Approval for 2012 Early Retirement Program</li> </ol>	<ol style="list-style-type: none"> <li>1. Nomination of Mr. Cezar P. Consing to succeed Mr. AR Montinola II as President and CEO.</li> <li>2. It enabled the Bank to remain competitive in the industry.</li> <li>3. The Bank has achieved an Employer-of-Choice status and increased attractiveness for returning bank talent from overseas and within the local scenario. Approved hirings and promotions of AVPs and up.</li> <li>4. Approval of 2012 Table of Organization, appointments of Senior Officers to different positions within the Bank.</li> <li>5. The ERP allowed the organization to achieve a level of staffing consistent with its current</li> </ol>

		<i>business requirements. It improved the organization's level of productivity and upgraded its quality of customer service.</i>
<i>Corporate Governance Committee</i>	<i>Oversee that the best Corporate Governance Practices are adopted and observed by the Bank. 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 Assessment of the Performance of Audit Committees of Companies Listed on the Exchange.</i>	<i>Oversee that best Corporate Governance Practices are adopted and observed by the Bank. Updated the Bank's Corporate Governance Charter, Corporate Governance Manual.</i>
<i>Risk Management Committee</i>	<p><i>Results of the BPI Group employees' profiling were reviewed by the RMCom to get a better handle on internal fraud cases. The RMCom also monitored key information security and technology risk issues, and the status of projects to mitigate these risks. The internal Risk and Control Self-Assessment system was improved to allow annual risk assessment conduct.</i></p> <p><i>Physical security incidents rose by 63% from 2011 totaling 5,381 in 2012, mainly due to false alarms. Vandalism incidents increased by 47% while bank robbery incidents went down from 3 to 2 in 2012. CCTVs were fully-deployed to all regular branches and to 10 out of 77 Express Banking Centers. The Central Video and Alarm Monitoring System (CVAMS) covered an additional 125 branches (out of 732), through which the Central Security Office resolved 177 cases for the year.</i></p> <p><i>The new business continuity alternate site in FGU Alabang was pilot-tested for both BCP drill and Telework program (2 new alternate sites will be ready by 2Q2013). The annual business continuity drills revealed 26 incidents due to: infrastructure failures (58%), physical and environmental events (35%), and other event types (7%). Overall, response and recovery processes were prompt and timely.</i></p> <p><i>The RMCom reviewed Project Value Realization Reports (PVRR), including trend analysis on the</i></p>	<p><i>KRI Monitoring and Conduct of Risk Assessments</i></p> <p><i>Physical Security Risk Management</i></p> <p><i>Business Continuity Management</i></p> <p><i>Systems Quality Assurance Management</i></p>

	<p><i>performance of 134 completed projects which have formally documented PVRRS.</i></p> <p><i>The Bank's CAMELS 4 rating, as of 30 April 2011, remains one of the highest among local banks. Enhanced corporate governance practices earned for BPI in 2012 the gold award for 2011 from the Institute of Corporate Directors. The BSP on-site examination for the year was completed on 16 November 2012, with the final report expected to be issued by 2Q 2013.</i></p> <p><i>517 legal and tax cases were resolved, resulting to a 25.66% reduction from the total outstanding cases in year 2011. The total number of outstanding cases at end-2012 stood at 1,988. The Legal Services Department also implemented the Automated Legal Management System (ALMS), towards the automated monitoring and reporting of the Bank's legal and tax cases.</i></p> <p><i>The full deployment of the eLearning facility resulted to higher completion rates for the following courses: Operating Risk Management Overview (83%), Information Security Risk Awareness (88%), Business Continuity Management (37%) and Conflict of Interest (68%). Provincial runs of the basic courses in Angeles, Bacolod and Cebu were also conducted in 3Q2012.</i></p> <p><i>The RMCom approved 5 new and 16 updated risk management and operating policies, standards and procedures for the various products and channels of the Bank.</i></p> <p><i>Establishment of risk limits for 2012, significant improvements in the policies, procedures and risk model assumptions and methodologies and advancement of market risk measurement thru an automated system.</i></p> <p><i>Establishment of an independent risk models validation unit, the Bank's model risk management policy and framework and independent model validation methodologies.</i></p>	<p><i>Compliance Risk Management</i></p> <p><i>Legal Risk Management</i></p> <p><i>Risk Awareness Programs / Initiatives</i></p> <p><i>Process Risk Management</i></p> <p><i>Market Risk Management</i></p> <p><i>Model Risk Management</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>	<p><i>Allowed AMTG various managed funds the opportunity to invest and diversity in bonds and equity issues of top corporate issuers</i></p>

	<p>- <i>Peso and Dollar Denominated Corporate Notes, Bonds, Loans and Preferred Shares of various Top Domestic Corporate issuers</i></p> <p>- <i>Investment Lines for Various Local and Foreign Banks, Sovereign and Other Counterparties</i></p> <p>B. <i>Approved accreditation of New Equity Issues</i></p> <p>C. <i>Approved directional investments of Various Institutional Accounts Portfolios</i></p> <p>D. <i>Approved changes in Plan Rules/Trust Fees/Duration Limits/Benchmarks of various BPI Investments Funds</i></p> <p>E. <i>Approved proposed Investment Guidelines covering Equity Investments, Stock Accreditation and Equity Limits Monitoring and Reporting</i></p> <p>II. <i>On Risk Management, Compliance and Regulatory Matters</i></p> <p><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></p> <p><i>Discussed and Noted Management's Presentation of the BSP Final Report of Examination and BPI AMTG Management Replies.</i></p> <p>III. <i>Monthly and Year End Management's Presentation of Trust Business and Investment Performance Reports</i></p> <p><i>Discussed and Noted:</i></p> <p>-<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></p> <p><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></p> <p>-<i>Accounts Opened and Closed for the Month</i></p> <p>IV. <i>Noted Management Presentation of the unqualified Audited FS of Trust Funds and Managed Funds for 2011 and 2010</i></p>	<p><i>Streamlined AMTG's equity investment process in terms of accreditation, monitoring and reporting</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</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>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 The Committee will continue to do what it is doing as stated in the Charter, By-Laws and Corporate Governance Manual</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 The Committee will continue to do what it is doing as stated in the Charter, By-Laws and Corporate Governance Manual</i>	
<i>Remuneration</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 The Committee will continue to do what it is doing as stated in the Charter, By-Laws and Corporate Governance Manual</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>	

## **F. RISK MANAGEMENT SYSTEM**

1) Disclose the following:

(a) Overall risk management philosophy of the company;

*BPI has Risk and Capital Management Framework in managing all risk exposures and in providing capital to cover risk exposures. This Framework follows BSP regulations and mandates to implement an Internal Capital Adequacy Assessment Process (ICAAP).*

*The enterprise risk management framework consists of three basic elements of People, Process and Technology.*



- I. *People element is embodied in the Bank's Organizational Structure.*
- II. *Process is in the design of the Enterprise Risk Management Process Cycle.*
- III. *Technology is how BPI manages the Bank's Business Enabling Information Systems.*

(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).*

*The Risk Management Committee –*

1. *Reviews the 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.*
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 capital management and risk management policies.*
3. *Reviews, confirms or approves proposals relating to risk limits, risk exposure allocation, capital allocation and risk management policies.*

(c) Period covered by the review: *Year 2012*

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

*The BSP requirement Internal Capital Adequacy and Assessment Document (ICAAP) document is presented to RMC annually. ICAAP's purpose is to determine the amount of capital the BGCs needs to maintain in order to satisfy regulatory requirements, meet its obligations and overall business initiatives, cover possible risks presented by the market environment and to stay in business for the long haul. BPI believes that capital adequacy is the single most important metric to measure the risk taking ability of the bank. As such, the ICAAP Document encapsulates the business actions, capital policies and plans envisioned to be consistently undertaken with the objective of maintaining an efficient capital base.*

*Part of ICAAP are the Key Risk Indicators (KRIs), Materiality, Limits and Management Action Triggers that enumerates when management action should be triggered for the different types of risks and KRIs.*

*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, operating, 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</i>	<i>Credit Risk Management provides the comprehensive set of lending</i>

	<i>activities as governed by the Bangko Sentral ng Pilipinas Manual of Regulations for Banks</i>	<i>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 and set 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>Operating Risk Management Policies covering the following specific management areas - I. Business Continuity II. Channel Management III. Communication Management IV. Compliance Management V. Customer Segment Management VI. Financial Services Management VII. Incident Management VIII. Information Security IX. Legal and Tax Risk Management X. Organization Management XI. People Management XII. Physical Security Management XIII. Products / Service Facility XIV. Project Management XV. Property and Outsourcing</i>	<i>I. To build the operating risk management culture in the Bank and develop operating risk awareness among all the Bank employees. II. To provide the framework for all policies, standards and procedures that shall be formulated to manage operating risks. III. To ensure that the policies and standards on operating risk management are consistently and effectively applied during the planning, development, and implementation of the Bank's processes and systems.</i>
<i>Business strategy related risks - 1. Adverse Business Decisions 2. Improper plans or failure to implement plans 3. Improper response or failure to respond to environmental challenges, 4. Inappropriate management structures or quality 5. Inappropriate organizational structure or quality.</i>		
<i>Finance related risks include –</i>		

<p>I. Credit risk</p> <p>II. Market or price risk</p> <p>III. Interest rate risk exposure of the banking book</p> <p>IV. Liquidity risk</p> <p>V. Earnings risk</p> <p>VI. Settlement and pre-settlement risks</p>		
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(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:

<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</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 and set 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</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>
<p><i>Operating related risks -</i></p> <p><i>I. Personnel risk</i></p> <p><i>II. Reputation risk</i></p> <p><i>III. Compliance risk</i></p> <p><i>IV. Legal risk and Tax risk</i></p> <p><i>V. Inadequate or failed systems</i></p> <p><i>VI. Business continuity failure</i></p> <p><i>VII. Inadequate or failed processes</i></p>	<p><i>Operating Risk Management Policies covering the following specific management areas -</i></p> <p><i>I. Business Continuity</i></p> <p><i>II. Channel Management</i></p> <p><i>III. Communication Management</i></p> <p><i>IV. Compliance Management</i></p> <p><i>V. Customer Segment Management</i></p> <p><i>VI. Financial Services Management</i></p> <p><i>VII. Incident Management</i></p> <p><i>VIII. Information Security</i></p> <p><i>IX. Legal and Tax Risk Management</i></p> <p><i>X. Organization Management</i></p> <p><i>XI. People Management</i></p> <p><i>XII. Physical Security Management</i></p>	<p><i>I. To build the operating risk management culture in the Bank and develop operating risk awareness among all the Bank employees.</i></p> <p><i>II. To provide the framework for all policies, standards and procedures that shall be formulated to manage operating risks.</i></p> <p><i>III. To ensure that the policies and standards on operating risk management are consistently and effectively applied during the planning, development, and</i></p>

	XIII. Products / Service Facility XIV. Project Management XV. Property and Outsourcing	implementation of the Bank's processes and systems.
Business strategy related risks - 1. Adverse Business Decisions 2. Improper plans or failure to implement plans 3. Improper response or failure to respond to environmental challenges, 4. Inappropriate management structures or quality 5. Inappropriate organizational structure or quality.		
Finance related risks include – I. Credit risk II. Market or price risk III. Interest rate risk exposure of the banking book IV. Liquidity risk V. Earnings risk VI. Settlement and pre-settlement risks		

(c) Minority Shareholders

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

Risk to Minority Shareholders

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:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Operating Risk	A Risk Assessment for System Design is undertaken every time a system or infrastructure project is implemented or enhanced, a new product is launched,	The steps in the Operating Risk Management Process Cycle are the same for any of the Risk Assessment processes described in the previous column. They are

	<p>or a new or improvement in process is implemented.</p> <p>A Risk and Control Self-Assessment is undertaken at least once annually to determine the level of risks and compliance to current controls in processes being performed to deliver the company's products and services.</p> <p>Specific Operating Key Risk Indicators are being monitored to ensure that causes for the actual occurrence of operating risk events pertaining to the Bank's operating key risk indicators are effectively treated, contributing to the reduction of operating risk related losses.</p>	<p>as follows:</p> <ol style="list-style-type: none"> <li>1. Risk Identification - purpose is to ensure that risks inherent in the Bank's processes, people and systems are properly identified</li> <li>2. Risk Analysis and Evaluation - purpose is 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 occur. This will serve as basis for prioritizing the risks to be treated.</li> <li>3. Risk Treatment - purpose is to ensure that adequate controls are established to prevent or detect exposure to operating 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.</li> <li>4. Risk Monitoring and Control - purpose is to ensure that operating 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.</li> </ol>
<p><i>Credit Risk</i></p>	<p>Credit risk exposure is assessed using credit rating models which take into account our existing exposure to the counterparty, the counterparty's probability of default, and the value recoverable from the counterparty in the event of default. The models were developed internally using statistical analysis and credit judgment. Their predictive power and performance are validated regularly. 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 policy.</p> <p>We also measure credit risk exposure in terms of regulatory capital requirement using the standardized approach. Under this method, our credit exposures are risk-weighted to reflect third-party credit assessment of the</p>	<p>Credit Policy Group reviewed 14 lending units with credit performance assessed to be generally acceptable. Even with the further expansion of the loan portfolios, asset quality has improved in terms of both non-performing loan (NPL) amounts and ratio. We regularly monitor our scoring models as to their predictive power and model performance. The processing and generation of daily ratings files for SME accounts under the existing scoring model were strengthened. For consumer loans, a more comprehensive suite of MIS for the credit card portfolio was created for a meaningful and pro-active portfolio management. The new Internal Credit Risk Rating System (ICRRS) for large corporate borrowers that incorporates probability of default (PD) estimates was validated by an external party. Other milestones achieved during the year include the completion of housing loans PD (Probability of Default) and LGD (Loss Given Default) models,</p>

	<i>individual exposure from acceptable external credit rating agencies and allow the use of eligible collaterals to mitigate credit risk.</i>	<i>initiation of SME IRBA compliant CRR model development, and automation of IRBA CAR reports generation.</i>
<i>Market Risk</i>	<i>We manage the market risk exposures of both our trading and non-trading portfolios. Our assets in both on- and off-balance sheet trading portfolios are subject to trading gains and losses. Market risk exposure from these portfolios is measured by the respective VaR models.</i>	<i>We implemented significant improvements in risk measurement, particularly pre-settlement risk and value at risk (VaR) models for derivative instruments. To ensure that risk exposures are accurately captured, reports were migrated to an automated market risk system, which is on a phased-in implementation. Together with models enhancement, we further improved on our policies and procedures resulting in a more comprehensive documentation. The Risk Models Validation Unit (RMVU) was also established to serve as the Bank's model risk manager and conduct the independent validation of the Bank's risk models. The validation of a model is governed by the Model Risk Management Policy and Governance Framework which aims to ensure an active and effective model risk management within BPI Group. We completed the validation, together with SGV &amp; Co.-Ernst &amp; Young (SGV-EY), of the quality of 21 Treasury/market risk models and two pricing models.</i>

(b) Group

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>Operating Risk</i>	<i>A Risk Assessment for System Design is undertaken every time a system or infrastructure project is implemented or enhanced, a new product is launched, or a new or improvement in process is implemented. A Risk and Control Self-Assessment is undertaken at least once annually to determine the level of risks and compliance to current controls in processes being performed to deliver the company's products and services. Specific Operating Key Risk Indicators are being monitored to ensure that causes for the actual occurrence of operating risk events pertaining to the</i>	<i>The steps in the Operating Risk Management Process Cycle are the same for any of the Risk Assessment processes described in the previous column. They are as follows: 1. Risk Identification - purpose is to ensure that risks inherent in the Bank's processes, people and systems are properly identified 2. Risk Analysis and Evaluation - purpose is 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 occur. This will serve as</i>

	<p><i>Bank's operating key risk indicators are effectively treated, contributing to the reduction of operating risk related losses.</i></p>	<p><i>basis for prioritizing the risks to be treated.</i></p> <p><i>3. Risk Treatment - purpose is to ensure that adequate controls are established to prevent or detect exposure to operating 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.</i></p> <p><i>4. Risk Monitoring and Control - purpose is to ensure that operating 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.</i></p>
Credit Risk	<p><i>Credit risk exposure is assessed using credit rating models which take into account our existing exposure to the counterparty, the counterparty's probability of default, and the value recoverable from the counterparty in the event of default. The models were developed internally using statistical analysis and credit judgment. Their predictive power and performance are validated regularly. 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 policy.</i></p> <p><i>We also measure credit risk exposure in terms of regulatory capital requirement using the standardized approach. Under this method, our credit exposures are risk-weighted to reflect 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.</i></p>	<p><i>Credit Policy Group reviewed 14 lending units with credit performance assessed to be generally acceptable. Even with the further expansion of our loan portfolios, asset quality has improved in terms of both non-performing loan (NPL) amounts and ratio. We regularly monitor our scoring models as to their predictive power and model performance. The processing and generation of daily ratings files for SME accounts under the existing scoring model were strengthened. For consumer loans, a more comprehensive suite of MIS for the credit card portfolio was created for a meaningful and pro-active portfolio management. The new Internal Credit Risk Rating System (ICRRS) for large corporate borrowers that incorporates probability of default (PD) estimates was validated by an external party. Other milestones achieved during the year include the completion of housing loans PD (Probability of Default) and LGD (Loss Given Default) models, initiation of SME IRBA compliant CRR model development, and automation of IRBA CAR reports generation.</i></p>
Market Risk	<p><i>We manage the market risk exposures of both our trading and non-trading portfolios. Our assets in both on- and off-balance sheet trading portfolios are subject to trading gains and losses. Market risk exposure from these portfolios is measured by the respective VaR models.</i></p>	<p><i>We implemented significant improvements in risk measurement, particularly pre-settlement risk and value at risk (VaR) models for derivative instruments. To ensure that risk exposures are accurately captured, reports were migrated to an automated market risk system, which is on a phased-in implementation. Together with models</i></p>

		<p>enhancement, we further improved on our policies and procedures resulting in a more comprehensive documentation.</p> <p>The Risk Models Validation Unit (RMVU) was also established in 2012 to serve as the Bank's model risk manager and conduct the independent validation of the Bank's risk models. The validation of a model is governed by the Model Risk Management Policy and Governance Framework which aims to ensure an active and effective model risk management within BPI Group. We completed the validation, together with SGV &amp; Co.-Ernst &amp; Young (SGV-EY), of the quality of 21 Treasury/market risk models and two pricing models.</p>
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(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
<p>Corporate Governance Committee</p>		<p>a. 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</p> <p>b. 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</p> <p>c. 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.</p> <p>To conduct an annual performance</p>



		<p><i>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>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 participation). Internal guidelines shall be adopted that address the competing time commitments that are faced when directors serve on multiple boards.</i></p> <p><i>d) Review and deliberate the Bank's Corporate Governance Scorecard prescribed by regulatory authorities and those by private entities advocating good corporate governance practices.</i></p> <p><i>e) Recommend comprehensive orientation programs for new directors and, from time to time, continuing education programs for directors when appropriate.</i></p> <p><i>f) 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.</i></p> <p><i>g) In coordination with the Nomination Committee, make recommendations to the Board or to the Nomination Committee itself on matters relating to</i></p>
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		<p>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>h) 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>i) 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.</p>
<p>Audit Committee</p>	<p>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.</p>	<p>a.) General Procedures</p> <ul style="list-style-type: none"> <li>- Review and reassess adequacy of Audit Committee Charter at least annually.</li> <li>-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.</li> <li>-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</li> </ul> <p>b.) Internal Audit</p> <ul style="list-style-type: none"> <li>-Approve and periodically review the Internal Audit Charter</li> <li>- 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.</li> <li>- It shall also maintain internal auditors with sufficient knowledge, skills, experience and professional certifications to effectively discharge its functions.</li> <li>- Review the internal audit function of BPI including its independence and the authority of its reporting relationships.</li> </ul>

		<ul style="list-style-type: none"> <li>- 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.</li> <li>- Review at the end of calendar year the implementation of the approved internal audit plan.</li> <li>- 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.</li> <li>- 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.</li> </ul> <p>c.) External Audit</p> <ul style="list-style-type: none"> <li>-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.</li> <li>-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</li> <li>- 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</li> <li>- Approve all audit and non-audit services, <b>including its fees</b>, to be</li> </ul>
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		<p><i>provided by the external auditor to 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. Review the external audit fees and recommend it for approval by the Board.</i></p> <ul style="list-style-type: none"> <li><i>- 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></li> <li><i>- 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></li> </ul> <p><i>d.)Financial Statements and Disclosure Matters</i></p> <ul style="list-style-type: none"> <li><i>- 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></li> <li><i>- 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 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</i></li> </ul>
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		<p><i>deficiencies.</i></p> <p><i>e) Internal Controls</i></p> <ul style="list-style-type: none"> <li>- <i>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></li> <li>- <i>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></li> <li>- <i>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></li> <li>- <i>Oversee the quality of compliance by operating management in their performance of the following tasks;</i> <ol style="list-style-type: none"> <li><i>1. employing the proper documentation to ensure enforceability of rights and contracts;</i></li> <li><i>2. employing appropriate technology and operating hardware and software systems to ensure the proper recording, storage, retrieval and analysis of transaction data;</i></li> <li><i>3. installing the appropriate control mechanisms, systems and processes (e.g., policy manuals, risk measurement and control 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;</i></li> </ol> </li> <li>- <i>Elevate to international standards the accounting processes, practices and methodologies.</i></li> </ul>
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		<p>-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>- 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>- Oversee the compliance with quality management standards, i.e. 1809001:2000.</p>
<p>Risk Management Committee</p>	<p>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.</p>	<p>a. Receive reports from different management committees/personnel, the total risk exposure in each area, the probability of adverse events in each area and the possible effects and costs to the Unibank.</p> <p>b. Propose risk limits and risk allocation for the different risk areas, as they impact on the Unibank's economic capital and shareholder value, subject to the approval of the Board.</p> <p>c. For Credit Risk; the RMC will:</p> <ul style="list-style-type: none"> <li>• monitor the progress of the existing Internal Credit Risk Rating System in order to achieve compliance with Basel II requirements.</li> <li>• review and evaluate the total loan portfolio of the Unibank and assess the risk profile per business segment, collateral type, currency, account groups and industry sector as a safeguard against undue credit concentration.</li> <li>• recover and review stress tests and/or</li> </ul>

		<p><i>sensitivity analyses of the loan portfolio to determine the effect on the bank's portfolio quality in the event of worsening economic scenario such as rising interest rates, peso devaluation and inflation rate.</i></p> <ul style="list-style-type: none"> <li>• <i>review the credit risk structure, risk adjusted pricing structure, process and delegation of authorities.</i></li> </ul> <p><i>d. Continue to perform its market risk functions as approved by the Board. These includes the following:</i></p> <ul style="list-style-type: none"> <li>• <i>assist the Board in reviewing and approving policies and limits relating to the management of market risk and liquidity risk;</i></li> <li>• <i>approve the delegation of market risk and liquidity risk decisions to the Finance and Risk Management Committee;</i></li> <li>• <i>periodically review profiles of the institution's market risk and liquidity risk at the portfolio level; and</i></li> <li>• <i>perform any other functions as may be agreed by the Board relating to the management of market risk and liquidity risk.</i></li> </ul> <p><i>e. Evaluate and assess the impact of operating risks and other risks (such as tax risks and business continuity risks) in coordination with the review of such risks by the Audit Committee and committees of the Board.</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 and provide oversight over the overall management of credit, market, liquidity, operational and other risks of the Bank. It also provide oversight on the financial reporting and on the activities of internal and external auditors as well as the quality of compliance with the Corporate Governance Manual .*

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

*Internal Audit supports the Audit Committee and is responsible for the independent evaluation and reporting on the adequacy and effectiveness of risk management, internal controls systems and governance process, as designed and represented by Management.*

- (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 2012*

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

*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, 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*

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.*

Role	Scope	Indicate whether In-house or Outsource Internal	Name of Chief Internal Auditor/Auditing Firm	Reporting process
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		<b>Audit Function</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>KATHERINE C. LEE</i>	<i>January 01, 2012</i>	<i>Financial considerations</i>
<i>JOSEPHINE L. RAMIREZ</i>	<i>March 06, 2012</i>	<i>Financial considerations</i>
<i>ANANANCY D, SAGRITALO</i>	<i>March 20, 2012</i>	<i>Financial considerations</i>
<i>ROZSVIE F. CORTEZ</i>	<i>April 01, 2012</i>	<i>Financial considerations</i>
<i>RONERISSA E. CASTOR</i>	<i>April 04, 2012</i>	<i>Financial considerations</i>
<i>AHRNI T. DE GUZMAN</i>	<i>April 23, 2012</i>	<i>Financial considerations</i>
<i>RICA I. DELA CRUZ</i>	<i>June 01, 2012</i>	<i>Financial considerations</i>
<i>WILHELMINA A. MIRASOL</i>	<i>June 07, 2012</i>	<i>Financial considerations</i>
<i>LAWARENCE ANTHONY D. ANENIAS</i>	<i>June 11, 2012</i>	<i>Financial considerations</i>
<i>MGR. MARGARETH M. DE PERALTA</i>	<i>June 16, 2012</i>	<i>Financial considerations</i>
<i>LIBERTY LOY VALLO</i>	<i>June 22, 2012</i>	<i>Financial considerations</i>
<i>MERRY CYSABEL B. PARADERO</i>	<i>June 26, 2012</i>	<i>Financial considerations</i>

EVANGELINE C. OCAMPO	July 11, 2012	Financial considerations
AM ANNA MARIE M. MADINO	July 15, 2012	Financial considerations
RICHIE G. LAMANOSA	September 12, 2012	Financial considerations
MA. ISABEL ANTONETTE E. ENCHALAR	September 12, 2012	Financial considerations
ALFE LYN C. ROSARIO	September 17, 2012	Financial considerations
MARK DENNIEL J. LOZERO	October 15, 2012	Financial considerations
MARY JOY ACABADO	November 10, 2012	Financial considerations
MGR. MARISSA R. RUTAQUIO	July 01, 2012	Early Retirement
TRECEFIN TERESITA R. MABBORANG	August 16, 2012	Early Retirement
<b>TRANSFERRED TO OTHER UNITS</b> (as part of IA's commitment to transfer knowledge and support the needs of the Bank):		
AM RACHEL S. NIERE	January 16, 2012	To HR-UIU
AM MYRLA MARICE T. ENRIQUEZ	February 01, 2012	To BFB Retail Lending
JOANNE M. ABAD	June 01, 2012	To BPI Baguio Legarda Branch
MGR MARIZA C. GALIVO	July 16, 2012	To BPI Direct Savings
MGR ROWENA LUCZON	June 16, 2012	To BPI Securities

(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>120%</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 Final Audit 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.*

*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.*

<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.

Based on the approved 2012 Work Plan, Internal Audit had attained its target measurable activities by 120% (662/550). 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.

For 2012, significant findings pertained to accounting /reconciliation, record management/documentation, account maintenance and monitoring, and administrative that were accordingly resolved and/or being addressed by the respective units.

(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>Adequately Complied</i>
<i>Audit Risk Assessment</i>	<i>Adequately Complied</i>
<i>Audit Planning &amp; Monitoring</i>	<i>Adequately Complied</i>
<i>Pre-Engagement Activities</i>	<i>Adequately Complied</i>
<i>Audit Fieldwork &amp; Reporting</i>	<i>Adequately Complied</i>
<i>Audit Survey</i>	<i>Adequately Complied</i>
<i>Audit Sampling</i>	<i>Adequately Complied</i>
<i>Preparation of Audit Working Papers</i>	<i>Adequately Complied</i>
<i>Audit Rating Guidelines</i>	<i>Adequately Complied</i>
<i>Internal and External Quality Assessment Review</i>	<i>Adequately Complied</i>
<i>Monitoring of Outstanding Audit Issues</i>	<i>Adequately Complied</i>
<i>Fraud Investigation</i>	<i>Adequately Complied</i>
<i>Professional Development</i>	<i>Adequately Complied</i>
<i>Consulting Activities</i>	<i>Adequately Complied</i>
<i>Outsourced Services</i>	<i>Adequately Complied</i>
<i>Performance Measures</i>	<i>Adequately Complied</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>
<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.</i>			
<i>The External Auditor shall be rotated every 5 years or earlier, or the handling partner shall be changed.</i>			
<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</i>			

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<i>Code of Professional Ethics for Certified Public Accountants. In the case of partnership, this limitation shall apply to the partners, associates and the auditor-in-charge of the engagement.</i>			
<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>			
<i>Covered persons (i.e. members of the Board, officers of BPI with rank of SVP &amp; up, and other officers, employees, and consultants/ advisers who may be in possession or knowledge or material non-public information about BPI) are strictly prohibited from trading 10 calendar trading days before and 3 calendar trading days after the disclosure of quarterly and annual financial statements.</i>			

(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.*

**H. ROLE OF STAKEHOLDERS**

1) Disclose the company’s policy and activities relative to the following:

	Policy	Activities
Customers' welfare	<p><i>We continue to focus in how we respond more effectively to the customers’ financial needs. We strive to deepen our understanding of their expectations to allow us to improve the way we do business</i></p>	<p><i>Financial wellness events were launched with the personal finance symposia with Suze Orman and participation in the Money Summit and Wealth Expo.</i></p> <p><i>Social networking presence through Facebook and Twitter. Our official Twitter account (@talktobpi) and Facebook fan page (www.facebook.com/bpi) disseminate and address customer service information and concerns.</i></p> <p><i>Customer feedback system through out BPI Contact Center and our website, BPI Expressonline. Feedback received is handled by our Customer Care Department which is dedicated to attend and take appropriate action on customer complaints.</i></p>

Supplier/contract or selection practice	<i>Equal opportunity for qualified supplier/contractor</i>	<p>Activities facilitated through Ariba Spend Management System:</p> <ol style="list-style-type: none"> <li>1) Twelve (12) strategic sourcing projects which included HO renovation requirements, desktop computers, photocopying service, record management and chillers;</li> <li>2) Forty six (46) construction projects for branches.</li> <li>3) Seventy eight (78) repair transactions on air conditioners, genets, civil works, CCTV, and data cabling.</li> </ol>
Environmentally friendly value-chain	<i>Our environmental responsibility starts from within BPI — by adopting policies, standards and practices to make our workplace, not just a conducive environment for work, but a place that works better for the environment as well.</i>	<i>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>
Community interaction	<p><i>We embark on initiatives to help improve the lives of people in the communities. We do this by embedding corporate social responsibility in our business, and also through BPI Foundation, our social development arm, as well as engaging our employees through volunteerism initiatives.</i></p> <p><i>As a responsible corporate citizen, we contribute 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>	<ul style="list-style-type: none"> <li>- BPI-ISEA Capacity Building on Financial Management and Social Return on Investments</li> <li>- Show Me, Teach Me, MSMEs - Empowering Entrepreneurs (entrepreneurship learning)</li> <li>- BPI for Teachers (Build, Promote and Improve) <ul style="list-style-type: none"> <li>• BPI Builds for Teachers - initiated the housing program for public school teachers in partnership with Habitat for Humanity Philippines</li> <li>• 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</li> <li>• 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.</li> </ul> </li> <li>- Scholarship Program <ul style="list-style-type: none"> <li>• "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;</li> <li>• 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</li> <li>• 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.</li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <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' Aginaldo Campus in Cavite</i></li> <li>- <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></li> <li>- <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></li> <li>- <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></li> <li>- <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></li> <li>- <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></li> <li>- <i>Bayanihan Para sa Inang Bayan (BPI Bayan) - an employee volunteerism program that engages the BPI employees to give back to the society.</i></li> </ul>
Anti-corruption programmes and procedures?		
Safeguarding creditors' rights		

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?  
*Yes, as included in the 2012 Annual Report.*

3) 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.*

(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.*

(c) State the company's training and development programmes 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.*

*Learning and Development for our employees*

*- Holistic approach to learning and development*

*- 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.*

(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.*

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? 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.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

#### (a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
<i>PCD Nominee Corp. (Non-Filipino)</i>	958,194,346	26.943%	<i>Various Stockholders/ Clients</i>
<i>PCD Nominee Corp. (Filipino)</i>	229,858,605	6.463%	<i>Various Stockholders/ Clients</i>
<i>Ayala Corporation</i>	776,802,113	21.843%	<i>Ayala Corporation</i>
<i>Ayala DBS Holdings, Inc.</i>	757,831,372	21.309%	<i>Ayala DBS Holdings, Inc.</i>
<i>AC International Finance Limited</i>	309,278,147	8.697%	<i>AC International Finance Limited</i>
<i>Roman Catholic Archbishop of Manila</i>	301,063,608	8.466%	<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>			
<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.

3) External Auditor's fee

Name of auditor	Audit Fee*	Non-audit Fee
<b>Isla Lipana &amp; Co.</b>	<b>₱ 13,175,561.28</b>	<b>0.00</b>

*\*For fiscal year 2011 paid in 2012.*

4) Medium of Communication

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

*Electronic or hard copy disclosure or reports to Philippine Stock Exchange, Inc. (PSE) Securities and Exchange Commission (SEC), Bangko Sentral ng Pilipinas (BSP), publication in the newspaper of general circulation and Bank's website.*

5) Date of release of audited financial report: *February 22, 2013*

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.*

## J. 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>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>
<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>

(c) Stockholders' Rights

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

<b>Stockholders' Rights under The Corporation Code</b>	<b>Stockholders' Rights <u>not</u> in The Corporation Code</b>
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

<b>Declaration Date</b>	<b>Record Date</b>	<b>Payment Date</b>
<i>March 21, 2012</i>	<i>April 27, 2012</i>	<i>May 12, 2012</i>
<i>October 17, 2012</i>	<i>December 05, 2012</i>	<i>December 20, 2012</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.

<b>2. Measures Adopted</b>	<b>3. Communication Procedure</b>
<i>4. 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>5. 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:
- Amendments to the company's constitution
  - Authorization of additional shares
  - 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 .*

- Date of sending out notices: *March 23, 2012*
- Date of the Annual/Special Stockholders' Meeting: *April 19, 2012*

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

**Other Matters**

***The Chairman inquired if there were other matters anyone may want to take up.***

*Mr. Philip Turner, a stockholder, introduced himself and remarked that based on the Annual Report, the results of BPI's performance was very impressive contrasted with other companies that spent too much time to think of excuses for their poor performance. He added that BPI is probably the best bank in the Philippines and stated that he is happy to know that the green energy project is doing well.*

*Mr. Montinola replied that what BPI did was to focus on the practical approaches by having a tie up with International Finance Corporation (IFC) and basically financing the corporations that wish to upgrade their old equipment, chillers, etc., resulting in a "win win" situation. BPI has extended about ₱4.0 Billion in financing already.*

*Mr. Turner then asked about the Bank's policy in an "and/or" account for deposits and in stock transfer transactions.*

*Mr. Montinola replied that on the banking side there will be two effects:*

- If the Bank has knowledge of the death of any of its depositors in an "and/or" Account, the Bank has to temporarily "freeze" such deceased depositors' "and/or" account until there is compliance with the requirements of the law.*

2. *If the Bank has no knowledge whatsoever of the death of any of the depositors in an "and/or" Account, the Bank may release the proceeds of the account under the normal banking procedures usually employed.*

*On the issue of Stock Transfer transaction, the Corporate Secretary said that practically the same rules apply.*

1. *If the Stock Transfer Agent ("STA") has knowledge of the death of any of the stockholders in a joint account ("and/or" account), the STA may not effect the transfer of the stock certificate/s in a joint account to the new owner in the books of the corporation, unless a certification that the estate taxes have been paid is shown.*
2. *However, if the STA has no knowledge whatsoever of the death of any of the stockholders in a joint account ("and/or" account), the STA may transfer the ownership of stocks to the new owner in the books of the corporation, subject to the stockholders' instructions and under the normal procedures usually employed.*

*Another stockholder, Mr. Jun Kabiling, expressed his gratitude to the management of BPI for good overall service and courtesy in all his banking needs. Of note were services like BPI trade, ExpressOnline and the consistent cash dividend policy of BPI.*

*The Chairman expressed his thanks to Mr. Kabiling and added that he is glad that BPI has been able to make customer life easier in many ways. He added that BPI spends a great deal of effort and time to make it easier for people to transfer funds globally as quickly, efficiently, and safely as possible.*

*Mr. Kabiling also expressed his thanks to the Chairman.*

*Mr. Elias Dulalia extended his congratulations to the Board of Directors and the management of BPI for its good financial performance despite the international economic crisis, which is reflective of effective management.*

*The Chairman expressed his thanks to Mr. Dulalia.*

*Mr. Liuag, another stockholder, thanked the Bank and the particular group that worked and made possible the crediting of BPI Cash dividends to stockholders accounts. He said this assured that said dividends are credited on time, saving the stockholders trips to the bank and saving the bank the cost of mailing and carrying charges as well as handling cost.*

*Mr. Montinola replied that the Office of the Corporate Secretary as well as the BPI Operations Groups are the groups that worked for the outright credit to account of the cash dividend.*

*Mr. Liuag suggested that for the benefit of the Senior Citizens and those using android tablets and mobile phones on BPI Express online.com banking, the 3 error attempts in entering the password be increased to 5 and the length of time allowed to type the reference should be lengthened by another minute before the user is logged out.*

*Mr. Montinola said he will look into the suggestion and will ask the appropriate group to evaluate this matter.*

*Mr. Antonio Garcia, another stockholder thanked the Chairman for the ₱0.50 cash*

*dividend and commented that the market price of BPI share is now quite high and for this reason some people now find it hard to accumulate more shares.*

*He further stated that since the Bank has not declared Stock Dividends for sometime, maybe it was time to declare stock dividends so the price of BPI shares will have “healthy corrections” enabling more people to accumulate shares.*

*The Chairman expressed his thanks to Mr. Garcia and said that the price of the stock is obviously good for the stockholders. He also said that high valuation is a positive endorsement of the institution. While a stock dividend makes the price per share lower, it just means more shares but the total value of shares held is the same. Furthermore, he said that the Bank opted in recent years to declare cash dividend as a way of giving funds back to the stockholders. The Chairman also said that the Board has to weigh very carefully and take into account the new risk and capital ratios required by the Bangko Sentral ng Pilipinas.*

*Mr. Robert Go, another stockholder remarked that the list of the branches nationwide of BPI and their affiliates, subsidiaries are not in Annual Report.*

*The Chairman stated that information about BPI branches must be available somewhere else, most probably in the Website. He said BPI is trying to move more and more information on the digital space for easier and faster access of everyone.*

*There were also other comments, questions and suggestions from different stockholders on various issues, such as:*

- 1) Whether or not BPI pays the highest cash dividend among the banking industry coming from Mr. Vicente Chua.*

*Mr. Montinola replied in the affirmative. He added that the highest paying **Cash** dividends should not be compared in absolute amount but in percentages.*

- 2) Putting up Branches in places where BPI has no presence like Banaue Ifugao coming from stockholder Mr. Stephen Soliven.*

*The President replied that while BPI has the largest branch distribution network – around 800 compared to the next bank which is in 700 range, it cannot be everywhere. The Bank is pushing for alternate channels, electronic channels, etc. The stockholders were also informed that 67% of the Bank’s total transactions are being done through the internet, the mobile and the ATM. The stockholders were also assured that evaluation on where to put up new branches is continuously being done by the BPI branches group.*

*The Chairman expressed his appreciation for the suggestion and said that in the Philippines the points of interest from the tourism point of view is becoming more important and increasing. He welcomed the feedback and said that not only Banaue but also other places that are now being frequently visited will be looked into for proper evaluation.*

- 3) Mr. Soliven also asked whether the Bank has plans of accepting US Dollar checking account.*

*Mr. Montinola replied that opening of U.S. Dollars checking account is not possible due to regulatory reasons. Local laws and regulations allow only U.S. Dollar Savings accounts.*

4) On the BPI Express Assist (BEA), a number of stockholders made the following comments:

4.1 Mr. Hernan Revadillo, a stockholder and long time depositor and Mr. Alan Robert R. Karaan commented about the long queues at the BEA and the limited number of terminals resulting in long wait and their frustration on the BPI 89-100 hotline.

Mr. Montinola said that BPI is moving to the new platform step by step since doing it all at the same time will result in a slower roll out. He then assured Mr. Revadillo and Mr. Karaan that BPI is constantly improving and that this matter will be taken up with the Electronic Channel Head.

4.2 Mr. Antonio Garcia, a stockholder, proposed that the IT personnel segregate the issuance of the queue numbers from the BEA so that those who need a queue number can go ahead and get one, instead of using the BEA.

4.3 Ms. Bel Garcia said that a customer can just select the "Others" option if the customer is not familiar with all the other options and that the tellers will assist the customer just the same when their number is called.

4.4 Ms. Lilia Bernardo, affirmed the earlier sentiments on BEA and added that this is not friendly for senior citizens who are either not familiar or comfortable with technology or prefer to use traditional methods of transacting. Although she recognized that some people want to use the BEA program and the thrust to reducing paper waste, she suggested that if a customer does not want to use the BEA and wants to transact with the Bank through the traditional way, she or he should be allowed to do so and be accommodated equally by the branch.

The President said that all the comments are being noted and will be referred to the proper group for evaluation.

11. Result of Annual/Special Stockholders' Meeting's Resolutions (April 18, 2013)

12. Resolution	13. Approving	14 Dissenting	15. Abstaining
Approval Minutes of Annual Stockholders' Meeting held on April 19, 2012	2,954,500,109 shares or 99.585%	0.00 share or 0.0%	12,309,129 shares or 0.415%
Reading of Annual Report and approval of the Bank's Statement of condition as of December 31, 2012 incorporated in the Annual Report.	2,954,497,507 shares or 99.585%	7,267 shares or 0.0%	12,304,464 shares or 0.415%

<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>	2,953,124,531 shares or 99.539%	7,267 shares or 0.0%	13,677,440 shares or 0.461%
<i>Election of 15 Members of the Board of Directors</i>			
<i>Jaime Augusto Zobel de Ayala</i>	2,919,490,587 shares or 98.405%	35,014,187 shares or 1.180%	12,304,464 shares or 0.415%
<i>Aurelio R. Montinola III</i>	2,935,465,65 shares or 98.944%	19,039,123 shares or 0.642%	12,304,464 shares or 0.415%
<i>Fernando Zobel de Ayala</i>	2,922,048,421 shares or 98.491%	32,456,353 shares or 1.094%	12,304,464 shares or 0.415%
<i>Romeo L. Bernardo</i>	2,938,805,309 shares or 99.056%	15,699,465 shares or 0.529%	12,304,464 shares or 0.415%
<i>Chng Sok Hui</i>	2,932,819,556 shares or 98.854%	21,685,218 shares or 0.731%	12,304,464 shares or 0.415%
<i>Cezar P. Consing</i>	2,952,638,534 shares or 99.522%	1,866,240 shares or 0.063%	12,304,464 shares 0.415%
<i>Octavio V. Espiritu</i>	2,946,791,051 shares or 99.325%	7,713,723 shares or 0.260%	12,304,464 shares 0.415%
<i>Rebecca G. Fernando</i>	2,932,819,288 shares Or 98.854%	21,685,486 shares or 0.731%	12,304,464 shares 0.415%
<i>Solomon M. Hermosura</i>	2,932,488,818 shares or 98.843%	22,015,956 shares or 0.742%	12,304,464 shares 0.415%
<i>Khoo Teng Cheong</i>	2,922,048,903 shares or 98.491%	32,455,871 shares or 1.094%	12,304,464 shares 0.415%
<i>Xavier P. Loinaz</i>	2,935,478,356 shares or 98.944%	18,814,578 shares or 0.634%	12,516,304 shares 0.422%
<i>Mercedita S. Nollo</i>	2,932,819,556 shares or 98.854%	21,685,218 shares or 0.731%	12,304,464 shares 0.415%
<i>Artemio V. Panganiban</i>	2,942,028,889 shares or 99.165%	12,475,885 shares or 0.421%	12,304,464 shares 0.415%
<i>Antonio Jose U. Periquet</i>	2,951,114,137 shares or 99.471%	3,390,637 shares or 0.114%	12,304,464 shares 0.415%
<i>Oscar S. Reyes</i>	2,904,095,774 shares or 97.886%	50,409,000 shares or 1.699%	12,304,464 shares 0.415%
<i>Election of External Auditors and fixing their Remuneration</i>	2,930,128,683 shares or 98.764%	14,414,695 shares or 0.486%	22,265,860 shares 0.750%

Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

June 07, 2013



(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:

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

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held: April 18, 2013

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	<i>Jaime Augusto Zobel de Ayala Fernando Zobel de Ayala Aurelio R. Montinola III Xavier P. Loinaz Romeo L. Bernardo Cezar P. Consing Rebecca G. Fernando Khoo Teng Cheong Mercedita S. Nollobo Artemio V. Panganiban Solomon M. Hermosura Antonio Jose U. Periquet Oscar S. Reyes Carlos B. Aquino Cristina I. Natividad Jesusa Camila Gangoso Antonio V. Paner Jose Augusto G. Santos Melvin M. Miranda</i>	<i>April 18, 2013</i>	<i>By poll</i>	<i>0.26%</i>	<i>83.16 %</i>	<i>83.42%</i>
Special	<i>The Bank did not have any special stockholders meeting for the year 2012 and until today.</i>					

(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.

	<b>Company's Policies</b>
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.

<b>Policies</b>	<b>Procedure</b>
<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>12,712 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 23, 2013</i>
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	<i>March 23, 2013</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.

<b>Policies</b>	<b>Implementation</b>
<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.

**K. 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.

*In the Corporate Governance Manual, the Investor Relations Unit of the Bank is tasked to a) create and implement an investor relations program that reaches out to all shareholders to fully inform them of corporate activities; b) formulate a clear policy on communicating or relating relevant information to BPI stockholders and to the broader investor community accurately, effectively and sufficiently; c) 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.*

*As a listed company, we are both regulated 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.

	<b>Details</b>
(1) Objectives	<p><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></p> <p><i>b. To act as resource for publications and other external communication initiatives of the Bank’s Corporate Communication Unit.</i></p>
(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>
(3) Modes of Communications	<p><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</i></p>

	<i>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	Tel. No.: (632 ) 8455774/(632) 8169557 Fax: (632) 8169109 Email: investorrelations@bpi.com.ph

- 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.*

#### L. 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.*

<b>Initiative</b>	<b>Beneficiary</b>
<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>
<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 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</i></li> </ul>	<i>Public elementary and high school teachers</i>

<p><i>University -General Santos</i></p> <ul style="list-style-type: none"> <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>	
<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' Aginaldo Campus in Cavite</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>
<p><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></p>	<p><i>Graduating science and technology college students from BPI's 10 partner universities.</i></p>
<p><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></p>	<p><i>Community of Infanta, Quezon</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. 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></p>	<p><i>Local and foreign tourists</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>Local and foreign tourists</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 that have been identified to be especially vulnerable conducted by World Wide Fund for Nature (WWF-Philippines)</i></p>	<p><i>City planners and decision makers of the city covering Baguio, Cebu, Davao, Iloilo, Cagayan de Oro, Dagupan, Laoag and Zamboanga.</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><i>Various communities, schools, institutions for cancer/aged patients, etc.</i></p>

**M. 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.

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

**N. 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

Violations	Sanctions
<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>

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Makati on May, 2013. The information contained herein are based on company records and reports of various groups of the Bank/company.

**SIGNATURES**

**Jaime Augusto Zobel de Ayala**  
 \_\_\_\_\_  
 Chairman of the Board

**Cezar P. Consing**  
 \_\_\_\_\_  
 Chief Executive Officer

**CJ Artemio V. Panganiban**  
 \_\_\_\_\_  
 Independent Director

**Romeo L. Bernardo**  
 \_\_\_\_\_  
 Independent Director

**Marita Socorro D. Gayares**  
 \_\_\_\_\_  
 Compliance Officer

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_ , affiant(s) exhibiting to me their CTC/Passport, as follows:

NAME/NO.	DATE OF ISSUE	PLACE OF ISSUE
Jaime Augusto Zobel de Ayala/Passport No. EB1548914	December 13, 2010	DFA Manila
Cezar P. Consing/Passport No. EB2384681	May 9, 2011	Hongkong
CJ Artemio V. Panganiban/Passport No. DE0000999	January 21, 2012	DFA Manila
Romeo L. Bernardo/Passport No. EB2294305	April 27, 2011	DFA Manila
Marita Socorro D. Gayares/Passport No. EB6600891	October 19 2012	DFA NCR Central

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