

CONSISTENT GROWTH,

BPI ended 2013 with the highest market capitalization in the industry at Php 302.5 billion, and Php 1.2 trillion in assets, making it the third-ranking bank in this category. The Bank's share price ended at Php 85.00 and traded at a premium of 2.9x its book value per share of P29.37.

Our capital adequacy ratio (CAR) was at 13.7%, lower than 2012's 14.2%, but still above the regulatory minimum requirement of 10%.

The Bank posted a net income of P18.8 billion for the full year 2013, representing a 15.0% increase over P16.4-billion 2012 net income, and translating to an ROE (return on equity) of 18.1% and an ROA (return on assets) of 1.9%.

Our net loan portfolio increased by 20.6% to Php 635 billion as both the corporate and consumer market segments delivered double-digit

growth of 23% and 13%, respectively. Loan-to-deposit ratio ended at 65%. Asset quality further improved, with the Bank's 90-day gross NPL ratio closing at 1.80%, as compared to 2.09% as of year-end 2012. The Bank's reserve-to-NPL ratio by end-2013 was at 105%. Impairment losses stood at Php 2.6 billion, compared with Php 2.9 billion in 2012.

Driven by growth in savings and demand deposits, the Bank's deposit base grew to Php 989 billion, Php 186 billion higher compared to 2012's Php 802 billion. Our float-to-bought ratio continued to improve at 69:31, compared to 2012's 61:39. Assets under management stood at Php 580 billion, the second largest in the industry. The Bank's customer base increased 12%, with customer count at 6.7 million by end-2013.



The Bank's financial performance in 2013 is built on the strength of its wide range of retail, commercial and corporate banking products and services tailored to the needs of its customers, offered through the Bank's various business segments and channels.

EXPANDING REACH

Consumer Banking: Democratizing access

BPI's consumer banking business encompasses the Bank's deposit products, retail customer segments and branch distribution network for a variety of other services such as retail loans, credit cards, investments and bancassurance.

- In line with the inclusive finance agenda of the BSP, we **increased field sales and improved the capabilities of field sales personnel**. The Bank now offers deposit-taking with the use of point-of-sale devices, allowing field personnel to open and accept deposits outside branch premises, thus giving a broader sector of society access to financial services. In addition, our investment products are now more accessible to a greater number of people, as the Bank's **minimum investment amount has been lowered to Php 10,000**.
- An important strategy we adopted towards client acquisition was our **"My Branch, My Store"** program, tasking each and every retail/branch manager to treat his branch as his own business, challenging him to understand his customers' needs better. This strategy allowed each branch to undertake its own initiatives to address client requirements, resulting in increased volume, reduced costs and higher bottom line.
- Through **mass media-based brand-building initiatives**, under a marketing campaign we called "Talk to Us," we brought to light everyday financial needs and aimed to drive customers to have more meaningful conversations with Bank personnel. This campaign framed the branches not only as transactional places, but as venues for financial advice.
- The Bank made huge investments in developing more relationship managers and

more specialized training to build a stronger team of financial experts through an RM Academy. Through this academy, bank's relationship managers (RMs) undergo financial advisory training to impress upon them the Bank's high professional standards and the role they play in helping customers reach their financial goals, with due consideration for the latter's risk appetite. They are trained in life-stage and portfolio analysis and the use of customer information, among other tools, to support them in their functions.

- We extended our BEA (BPI Express Assist) facility to the Web, expanding the BEA transaction capabilities outside the branch through **BEA Online, a Banking by Appointment online facility**. Through BEA Online, clients can pre-process their transactions, pick a time slot and preferred branch, and set appointments from anywhere they could access the Web. When such clients show up for their appointment at the branch, they are immediately serviced by Bank personnel. BEA itself has reduced waiting time at the teller's counter by an average of 30%, and now accounts for up to 95% of BPI's over-the-counter branch banking transactions.
- Branch front liners, who have a deep understanding of their local markets, were empowered to tailor and deliver marketing programs for their customers. Through a program called LAMP, or **Local Area Marketing Program**, branches created and ran localized programs, not only giving rise to more empowered and highly engaged RMs but making BPI more relevant in the local community.

In 2013, the Bank's total deposits increased by 23% at Php 989 billion, from previous year's Php 802 billion. Total deposits include savings and current accounts.

'WHO YOU ARE IS ALWAYS MORE IMPORTANT THAN WHAT YOU HAVE'

In line with the Bank's advocacy of financial wellness, internationally acclaimed financial guru and multi-awarded TV host Suze Orman came back to the Philippines in May 2013 to meet audiences in Manila and Cebu.

Orman, backed by years of personal experience and professional expertise, spoke at length about how Filipinos could handle their personal finances more efficiently and more successfully. As in her first trip to the Philippines upon the Bank's invitation in 2012, Orman dispensed nuggets of financial wisdom during her last sojourn, among them:

- If you want the Philippines to progress, start investing in yourselves—stay with the peso.
- Get more pleasure out of saving than spending.
- Live below your means, but within your needs.
- Who you are is always more important than what you have.
- You will never be powerful in life unless you have power over your money.

AT THE CORE: CUSTOMER RELATIONSHIP MANAGEMENT

At BPI, we use our capability for analytics—gathering and analyzing data—to undertake more insightful initiatives guided by customer insights and behavior. Our Customer Relationship Management (CRM) team has developed customer needs-based and analytics-driven campaigns across the retail segments, with over 100 campaigns implemented in 2013.

The team also spearheaded the development of a strategic CRM roadmap across people, process and technology, transforming the Bank and catapulting it to a strong position to excellently respond to customers' needs through a unique, integrated and sustainable customer experience.

Consumer Lending: Continued market leadership

BPI Family Savings Bank, BPI's consumer lending arm, fortified its market leadership position in the thrift bank industry in 2013, with total loans amounting to Php 146.9 billion, for a double-digit growth of 16%.

Home loans. BPI Family Savings Bank's home loan portfolio grew by 19%, while home loan releases expanded by 17%. In the first half of the year, strategic partnerships with real estate organizations were forged, which made possible, among other things, linking to each other's website to help complete the process of home acquisition. Potential homebuyers can, through a partner real estate firm's website, use a home mortgage calculator powered by the Bank.

Auto loans. Last year, the BPI Family Auto Loan's Online Auto Financing System embedded in the websites of partner car manufacturers and dealers served to more conveniently assist potential car buyers choose the best and suitable car financing package. The system now offers a complete car-buying process, with its First-Car Plan offering

special deals and discounted rates on starter models from partner-car makers.

Loans for business format franchising. In line with BPI Family's *Ka-Negosyo* Franchise Financing Program, the Bank introduced the *Ka-Negosyo Franchise Finder*, an interactive directory of franchise businesses that visitors could search for updated company information and franchise packages; the directory also contains an e-mail facility allowing prospective franchisees to communicate directly with the franchisor. We have also sustained our *Ka-Negosyo Best List* of expert-evaluated accredited franchise brands, providing the public a short list of franchise businesses with a proven track record and business model. Partnerships in the *Ka-Negosyo* program have resulted in an 8% increase in our small and medium enterprise (SME) loan volume.

A **Customer Help Desk** was established to address all customer concerns and complaints received from the BSP, the Office of the President and other sources, to ensure timely and effective resolution of such complaints.

Card Banking: Payments growth and healthy lending

The Bank offers card-based products and solutions that allow cardholders to enjoy cashless shopping with their credit, debit and prepaid cards. In 2013, Card Banking delivered a strong year—a combination of growth in payment transactions and healthy lending.

- Non-collateralized loans generated from the **credit cards and personal loans businesses grew by a robust 8% and 41%**, respectively. The credit cards business maintained its market position as the third most-used card issuer in the Philippines, posting a Php 8.7-billion or 11% growth in billings. The personal loans business showed impressive gains, with close to 29,000 accounts booked with a current loan amount of Php 1.8 billion.
- **Debit card transactions processed through the Express Payment System (EPS) facility increased by a healthy 16%**, translating to 22% growth in billings. The Prepaid Cards business, by catering to the unserved market especially in

e-commerce, grew its cardholder base by 36%. In fact, the prepaid portfolio showed a major shift in transactions from ATM cash withdrawals to spending at merchants and online, with 24% of the transactions now done online.

- In March 2013, **BPI Family Savings Bank launched its first credit card**, in response to the strong consumer demand for a low-rate, no-frills alternative to cash. Continuing BPI Family's tradition of offering accessible products, the card comes with a 2% finance charge, the lowest in the country.
- A variant of the BPI personal loan, **Personal Loan Seafarers** was developed to cater to the unique circumstances of Filipino seafarers, a major segment of overseas Filipino workers (OFWs). Loan terms are aligned with their employment contracts, and the loan repayment schedule closely follows their cash flow. This variant now accounts for almost 18% of all BPI personal loans.

The Bank aggressively grew its personal loans receivables by 46% while improving the delinquency profile of the portfolio. The marked improvement in the product delivery system with the introduction of a one-day processing lane reduced overall processing time by 40%, enhancing the overall customer experience.

BPI boosted its third-party payment centers to 173 locations nationwide when it partnered with a giant shopping center chain.

The increasing Internet penetration rate in the Philippines has resulted in BPI's continued expansion in the e-commerce space, with the Bank's e-commerce business experiencing 72% growth year-on-year.

CUSTOMER SATISFACTION

In 2013, we continued to conduct customer satisfaction surveys to identify, among others, the drivers for customer satisfaction and areas for improvement. These surveys also meant to determine if clients would recommend BPI and its products and services to family and friends. These are some of the key findings:

In the "mystery client survey," where service standards were measured based on customer feedback on certain parameters, like service time, grooming and corporate image projection, service readiness and product/service inquiry, the Bank scored 89.82, keeping the previous year's score.

The Bank's "net promoter score," or the likelihood of clients recommending BPI to family and friends, reached 54.28%, quite high by net promoter score standards.

In September 2013, the **BPI BebaPay Card**, a prepaid card and an early entrant in the micropayments arena, was launched at the De La Salle University (Taft), the Bank's first university partner for this product. The initiative converted more than 50% of the DLSU student population from being cash transactors to BebaPay cardholders and accredited more than half of the total concessionaires and merchants within the university. "Beba," which means "to transport" in Swahili, was piloted by Google in Kenya.

BANKING EVOLVED

1.71
MILLION
BPI CLIENTS BANKING
ONLINE OR VIA THEIR
MOBILE DEVICES

5.6 million
Inquiries via BPI
Express Phone's
Self-Service
Facility

216 million
ATM transactions in 2013

263,000
Branch appointments
scheduled via BPI
Express Online

5.4
MILLION
TOTAL TRANSACTIONS
VIA CASH DEPOSIT
MACHINES

344,000
Clients paying their bills
electronically

26,849
Number of point-of-sale
terminals, with total acquired
consolidated billings of
Php 9 billion

Electronic Banking: More cost-effective

Self-service transactions carried out by clients through its 24/7 and more cost-effective service channels now account for 71% of the Bank's total transactions.

- In 2013, our ATM network grew by 21%, for a total of **2,181 ATMs** and **326 cash deposit machines**. Through this expanded network, both withdrawal transactions and deposit volumes posted marked increases. Deposit transactions via the cash deposit machines increased by 90%. Additional ATM security features, such as PIN shields, fraudulent device inhibitors and anti-skimming software, were installed.
- **BPI Express Online's enrolled client base grew by 30%** in 2013, resulting in a client base of **1,550,850**. The total financial transaction count passing through this site was 18,060,756, a 15.3% growth over last year's count. Total financial transactions grew by 19.6% to Php 263 billion.
- An **eDonations facility** was introduced to make it easy for our customers to provide assistance to victims of typhoons and other calamities via different foundations and charitable organizations.
- The Bank now has 221 **online banking kiosks** located inside BPI branches, giving customers access to BPI Express Online on bank premises. In 2013, these kiosks generated **96,122 new enrollments**, representing an increase of 60% year-on-year. The number of financial transactions processed through the kiosks was 353,597, a growth of 35% from previous year.
- **BPI ExpressLink**, the Internet banking platform for corporate accounts, recorded a **total financial transaction count of 28,565,559**, a **20%** increase year-on-year, for a total transaction amount of Php 1.75 trillion. These transactions were carried out by 18,176 enrolled customers, an annual increase of 24%. ExpressLink Mobile, an app intended for corporate customers, now has a client base of 3,927, a 192% growth from last year's number.
- **BPI Express Mobile grew its unique user base by 56%** in 2013 to 674,830 users, making it the country's leader in mobile banking. Total financial count increased by 205% to over 3.3 million, valued at Php 22.3 billion, an astounding 393% growth year-on-year.
- **BPI Express Phone**, the Bank's phone-banking platform, recorded **over 6 million transactions**, for a total financial transaction value of Php **10.9 billion**.

Corporate Banking: Strong loan portfolio

The Bank's Corporate Banking business provides revolving credit, term credit, and trade finance products and services to Philippine-based corporations as well as a broad spectrum of multinationals. It also offers deposit taking, cash management and other transaction services to these corporate clients.

- **Driven by lending to top corporates.** With a year-on-year increase of 23%, Corporate Banking had more than doubled its loan portfolio in just four years. This impressive loan record may be attributed to the top corporate sector, with exposure to multinationals, including non-residents, growing by 58%, and to local conglomerates by 41%.
- **Term loans.** Loan demand was particularly strong in the manufacturing, real estate, utilities, construction and financial intermediation industries, mostly in the form of term loans, thereby providing stability to loan levels.
- **NPL ratio was kept at 1%** which is lower than the Bank and industry's previous NPL ratios.
- **Agribusiness financing.** We strengthened funding for agribusiness, facilitating among other things, the setting up of farm facilities, expanding or rehabilitating existing facilities, and raising additional working capital. Special financing solutions were set up for poultry and pig farming. We also forged a strategic partnership with the PIC (Pig Improvement Company) International Group.
- **Partnership with USAID.** We sealed cooperation agreement with the U.S. Agency for International Aid for a 10-year, Php 2.46-billion credit facility to encourage lending to SMEs. This facility will help provide SMEs increased access to capital in the provinces of Batangas, Iloilo and Misamis Oriental (Cagayan de Oro City).
- **PEZA desk.** To respond to the peculiar needs of locators in so-called ecozones, we strengthened our relationship with both the Philippine Economic Zone Authority and the companies located and conducting business from within the ecozones through a dedicated corporate banking desk.

Global Markets: Challenging environment

The Global Markets business of the Bank manages its liquidity position, trades fixed-income securities and provides global financial services to its clients.

- Despite the volatile global financial environment, the local currency treasury desk registered an increase of over 40% in securities trading income. The Bank was also granted Type 2 Dealership Authority from the BSP to engage in Non-Deliverable Swap (NDS) and Type 3 Limited End-User Authority to utilize Foreign Exchange Options, Bond Options and Credit Default Swap (CDS) for hedging purposes.
- Remittances remained strong in 2013, posting a 6.9% year-on-year increase in remittance volume. Total remittance transaction count grew by 10%, to 6.3M. The Bank's market share in the remittance industry is at a solid 28%.
- The BSP allowed the Bank to open a Representative Office in Japan to encourage more Japan-based Filipinos to send their remittances through banks and its partners, instead of informal channels.
- An online remittance service platform called Web Service Automation was developed and launched in September 2013 through a partnership with Wells Fargo US.
- The securities business of BPI International Finance Ltd. (BPI IFL) posted consistent growth, as more clients shifted from traditional deposits to higher-yielding investments. Income from service fees rose by more than 13% and trading gains increased by more than 120%. BPI IFL's loan portfolio increased by 47%.
- BPI Europe started accepting deposit accounts and introduced remittance facilities in its Milan, Italy branch in 2013. Clients can now fund their remittance to the Philippines through the post office or through the domestic transfer system in Italy. Online remittance service facilities were also introduced.

Investment Banking: Benchmark transactions

BPI's investment banking subsidiary, BPI Capital Corporation, has remained at the forefront of the most notable transactions of 2013. It has also maintained its leadership status by advising and underwriting a number of benchmark transactions, among them:

- The Development Bank of the Philippines Php 5.7 billion Tier 2 bonds, the country's first Basel III-compliant issue;
- The Php 3.9 billion acquisition by Max's Group of Companies of Pancake House, Inc., a landmark transaction in the Philippine food service industry;
- The US\$165-million acquisition financing for Del Monte Pacific Limited's (DMPL) US\$1.675-billion acquisition of the consumer food business of Del Monte Corporation in the US, a transformational transaction for DMPL; and
- The Automatic Fare Collection System Public-Private Partnership (PPP) project, won by the AF Consortium of Ayala Corporation and Metro Pacific Investment Corporation. This was an important milestone in the Philippine government's PPP initiative to increase infrastructure investment in the Philippines.

BPI Capital also introduced some of the most well-known Philippine corporates to the domestic capital markets for the very first time, such as Manila Electric Company's debut domestic retail bond offering, valued at Php 15 billion.

It has also been active in the U.S. dollar and international markets. Named Sole Issue Manager and Joint Lead Underwriter of the US\$500-million corporate note issuance of AES Philippines and as Lead Manager in the US\$500 million syndicated loan for Indonesian Export and Import Bank, BPI Capital is fulfilling lead roles in non-peso and offshore transactions.

BPI Capital's participation in capital-raising transactions reached an all-time high in 2013, being actively involved in over a dozen successful capital market transactions including equity, syndicated loans, as well as corporate bond and note issuances, with a combined issue value of over P459 billion.

Its subsidiary BPI Securities was equally active in 2013, increasing its engagement with its customer base with the establishment of, among other programs, the Premier/Elite Investors Club, the Youth Investor Club, and I-TRAC, which stands for Invest-In-You Trading Academy. Started in April 2013, I-TRAC is a series of lectures on fundamental analysis, website navigation and technical analysis, aimed at demystifying stock trading and exposing starting investors to the possibilities and returns that come with investing in the Philippine stock market.

This line of investor education programs has successfully combined practical and straightforward advice with updated and in-depth research, equipping clients with the necessary skills to maximize their portfolio profitability.

BPI Securities also strengthened its online presence via Facebook and Twitter, and increased branding for BPITrade.com, its fully integrated online stock trading platform. BPITrade.com also offers real-time stock market quotes, efficient portfolio management and comprehensive research.

Asset Management and Trust: Higher yields

The Bank's Asset Management and Trust business remains to be a strong business contributor in 2013 generating Php 3.8 billion in gross revenues from continuing operations, up by 28% from the previous year.

- BPI continued to be a major player in the Philippine asset management industry, with assets under management (AUM) amounting to Php 576 billion, a 16% annual growth over the past 10 years, outpacing the annual industry growth rate of 14.6%.
- Despite the complete wind-down of the Special Deposit Account facility for individual and investment management accounts, revenues grew by 28% as we expanded our investment funds business to comprise 68% of total revenue, and 45% of total AUM.
- Its core fund management business composed

of the BPI Investment Funds and the segregated portfolio accounts cushioned the impact of the slowdown in non-core traditional trust business, growing 66% and 11% in volume, respectively.

- The AUM of our peso fixed income funds grew by Php 95.1 billion or 109%, while our peso equity funds increased by Php 9.4 billion or 26%.
- The overall customer base of this business increased by over 6%, with online investors growing by a record 132% in 2013, driven primarily by the Personal Banking and the Overseas Filipino segments, expanding the Bank's reach in the mass market.
- Apart from BPI Expressonline, our investments funds are now in the BPI Mobile app.
- New investment products were launched, the BPI Philippine Equity Index Fund and the BPI Philippine High Dividend Equity Fund, to provide more higher-yielding investment options in a low interest rate environment.

Insurance: Securing lives and property

BPI-Philam Life Assurance Corporation (BPI-Philam) has secured its position as leading bancassurance company in the life insurance industry. A joint venture of Bank of the Philippine Islands and Philippine American Life and General Insurance Company, BPI-Philam has proven that the combined synergy of the two largest financial institutions in the Philippines is a formula for success.

To reach revenue goals and sustainable growth objectives, BPI-Philam strengthened its human resource complement, intensified sales and bank training programs, improved customer service and launched iPoS, an iPad application that allows paperless and straight-through processing of new sales. Favorable market sentiment in 2013 led to a stronger take-up of the company's variable universal life (VUL) products.

BPI/MS Insurance Corporation, the country's best financially managed non-life insurance company, grew its gross premiums written by 10.2% in 2013 year-on-year, to reach Php 5.1 billion (unaudited). Its net income after tax was Php 610.5 million (unaudited), resulting in an ROE of 26%.

To help mitigate the dire conditions brought about by super-typhoon Yolanda in November 2013, BPI/MS created a special task force to handle Yolanda-related claims in a prompt and judicious manner.

RESPONSIBLE MARKETING

BPI practices the highest standards in marketing its products and services. In 2013,

- There were no reported incidents of non-compliance with regulations concerning product and service information, and those referring to marketing communications.
- Marketing communications across BPI are reviewed periodically at the business unit level; the frequency of these reviews vary according to requirement. These reviews are embodied and specified in various standards and codes, including the Bank's own Branding Guidelines, the BSP Compliance Matrix, Risk and Control Self-Assessment and those of the PDIC.
- BPI does not sell products that are prohibited in certain markets or the subject of stakeholder questions or public debate.
- The Bank did not receive any substantiated complaint concerning breaches of customer privacy.
- There were no legal actions against BPI concerning anti-competitive behavior and violations of anti-trust and monopoly legislation.