

Senior Management

OFFICE OF THE CHAIRMAN

Senior Vice Presidents

Cruz, Rosemarie B.
Gayares, Marita Socorro D.
Madrilejo, Edgardo O.

Vice Presidents

Almazan, Jinky C.
Amado, Frances S.
Asis, Ma Cristina F.
Maramag, Angela Pilar B.
Mendiola, Nicanor A.
Paz, Jonathan John B.
Sumagpang, Sylvia P.
Villaflores-Balatan, Melissa B.

OFFICE OF THE PRESIDENT

Senior Vice President

Alonso, Joseph Anthony M.
Cruz, Ma Luisa L.

Vice Presidents

Jacinto, Miriam Jane M.
Mina, Andrea G.
Santos, Jose Roman H.
Silva, Elisa M.

RETAIL CLIENTS

Executive Vice President

Gotuaco, Joseph Albert L.

Senior Vice Presidents

Ang, Olga S.
Chuidian, Tomas S.
Jereza, Jose Raul E. IV
King, Angelie O.
Maranan, Florendo G.
Santamaria, Mary Catherine Elizabeth P.

Vice Presidents

Aguilar, D'artagnan M.
Altea, Bernardo R.
Barroquillo, Ericson H.
Bello, Ronald Bernard P.
Braganza, Sonia S.
Bustamante, Ma. Carmencita S.
Diomampo, Irene A.
Dionisio, Florisa F.
Escolar, Richmond Ezer O.
Farinas, Ritche G.
Galvez, Marwin L.
Gangoso, Jesusa Camila V.
Gasa, Jose Mari Israel V.
Gonzales, Glenda M.
Lamasuta, Aileen S.
Lucero, Joseph L.

Luna, Maria Ana M.

Melliza, Madeline H.

Monfort, Virginia L.

Perez, Art Gerald B.

Quimbo, Joseph Sidney D.

Ramirez, Maria Socorro D.

Saguindang, Isagani M.

Santos, Ma Claudina C.

Silos, Marie Elizabeth L.

Soriano, Ma Dina F.

Sta Ana, Ana Liza C.

Sta Ana, Lourdes O.

Sy, Cristina J.

Tabo, Eleanor S.

Tadique, Rommel D.

Taguba, Janette B.

Uichanco Jr., Edilberto N.

Velez, Gemma T.

CORPORATE CLIENTS

Executive Vice President

Montecillo, Daniel Gabriel M.

Senior Vice Presidents

Cruz, Luis Geminiano E.
Javier, Maria Cristina U.
Untalan, Barbara Ann C.
Velo, Roland Gerard Jr. R.

Vice Presidents

Aniceto, Homer L.
Basilio, Maria Cristina A.
Biason, Ma Nanette A.
Casals, Sheree N.
De Jesus, Marie Joan Socorro J.
Felipe, Herman Rufino S.
Garcia, Jeanette J.
Go, Raymond H.
Gozar, Carmencita Lilia B.
Laquindanum, Mary Jane Y.
Lim, Maria Teresa Anna K.
Lualhati, Genaro N. IV
Marcos, Noelito C.
Munoz, Barbara S.
Sangco, Jose Martin S.

FINANCIAL PRODUCTS AND SERVICES

Executive Vice President

Paterno, Simon R.

Senior Vice Presidents

Gomez, Jesus Angelo O.
Luchangco, Eric Roberto M.
Ocampo, Marie Josephine M.
Parungao, Joseph Philip Anthony S.
Tagaza, Manuel C.

Vice Presidents

Catelo, Felices V.

De Guzman, Ivy Maria E.

De Paula, Noel Isabelo S.

De Vera, Jose M.

Dulay, Melinda V.

Eala, Jo Ann B.

Feranil, Catherine Y.

Florentino, Maria Angelica G.

Gatuslao, Carlo Carmelo S.

Lacerna, Jenelyn Z.

Macatangay, Abraham Daniel J.

Marquez, Ma. Carmina T.

Navarrete, Armando T. Jr.

Ocliasa, Dominique R.

Oliva, Arnold E.

Paulino, Ma Genalyn R.

Santiago, Noel A.

Sison, Ana Maria C.

Tan, Ma Elizabeth V.

Urcia, Luis C.

Villaraza, Carmel Ace Q.

Yu, Jocelyn O.

GLOBAL MARKETS

Executive Vice President

Paner, Antonio V.

Senior Vice Presidents

Biacora, Estelito C.
Calleja, Michael D.
Gasmen, Dino R.

Vice Presidents

Agdeppa, Maria Lourdes Valerie C.
Arceo, Henry C.
Barrameda, Ma Lourdes D.
Cayetano, Alan C.
Cabrero, Jaena A.
Dytoc, Brenno C.
Fernandez, Rinaldo H.
Garcia, Cyril S.
Guevara, Jenny C.
Manalo, Susana M.
Neri, Emilio S. Jr.
Pineda, Donarber N.
Salvan, Jose Esteban J.
Singian, Jennifer Gayle P.
Sorra, Jethro Daniel S.
Tan, Arthur Noel S.

STRATEGY AND DEVELOPMENT

Senior Vice President

Javier, Maria Theresa Marcial

Vice Presidents

Campos, Lourdes Suzanne S.
Gatmaytan, Ma. Lourdes P.
Lukban, Maria Consuelo A.
Osalvo, Emmanuel Jesus G.
Ysmael, Paul Roderick A.

ENTERPRISE SERVICES

Executive Vice President

Jocson, Ramon L.

Senior Vice Presidents

Marquez, Pilar Bernadette C.
Mercado, Eugenio P.
Pertierra, Rafael J.
Remo, Maria Corazon S.

Vice Presidents

Almirante, Joseph Y.
Alviar, Jocelyn C.
Bables, Daniel S.
Bednar, Maria Concepcion A.
Bernales, Dominador R. Jr.
Calingasan, Reynaldo C.
Chan, Aurora Socorro O.
Co, Giovanni Cornelius U.
Del Fierro, Anna Christina U.
Ejercito, Dennis Joy B.
Ferrer, Josephine B.
Flores, Andre M.
Lee, Eugene O.
Leong, Maria Antonia O.
Lim, Roseller B.
Lustre, Francisca Ann M.
Narboneta, Elfrida S.
Segundo, Servillano R.
Umayam, Editha F.

BPI FAMILY SAVINGS BANK, INC.

President

Go, Maria Cristina L.

Senior Vice Presidents

Abola, Joaquin Ma. B.
Carlos, Felipe D.
Dimayuga, Raul Marcelo D.
Ricardo, Victoria Marie G.
Roces, Ma. Mercedes D.

Vice Presidents

Altamirano, Ramon Noel S.
Ampolitud, Mary Jane L.
Ballelos, Luisito R.
Celestino, Aurora L.

Dio, Amy Belen R.

Erguiza, Susan L.

Fronza, Dennis T.

Lazo, Ma Cynthia N.

Pagulayan, Rhodora Adelaida C.

Ramos, Erick M.

Velasco, Ma Josephine P.

BPI/MS INSURANCE CORP.

President

Takahashi, Masayuki

Business Directors

Santos, Alberto C.
Cutiongco, Ma Perpetua A.
Bernabe, Anthony Lou M.
Kano, Yasuhiro

BPI DIRECT BANKO, INC.

President

Minglana, Jerome B.

Vice President

Mabiasen, Rodolfo K. Jr.

BPI CAPITAL CORP.

President

Syquia, Juan Carlos L.
(Co-head, Investment Banking)

Senior Vice Presidents

Cariaso, Reginaldo Anthony B.
(Co-head, Investment Banking)
Huang, Rhoda A.
Collado, Marie Natalie J.
Gealogo, Noravir A.
Jardeleza, Francis L.
Picache, Ma Josefina P.
Uy-Tioco, George S. Jr.

BPI SECURITIES CORP.

Managing Director & CEO

Narvaez, Hermenegildo Z.

Senior Directors

Bonilla, Claro P.
Ongpin, Marianna M.

BPI CENTURY TOKYO LEASE AND FINANCE CORP.

President

Kurebayashi, Hiroyuki

Vice Presidents

Bandol, Christine Grace A.
Ikeda, Masahito

BPI FOREX CORP.

President

Figueroa, Susan C.

BPI EUROPE PLC

Managing Director

Opulencia, Ramon G.

Vice President

Yulo, Lizbeth Joan P.

BPI INTERNATIONAL FINANCE LTD.

Managing Director

Lin, Archie

AYALA PLANS INC.

Director & Officer in Charge

Tan, Elizabeth J.

BPI ASSET MANAGEMENT AND TRUST CORP.

President

Miranda, Mario T.

Senior Vice Presidents

Chua, Smith L.
Garcia, Maria Paz A.
Tan, Sheila Marie U.

Vice Presidents

Ayson, Remarie Suzette A.
Balita, Jose Erwin B.
Cervantes, Miguel P. Jr.
De Peralta, Yvette Mari U.
Dee, Allen Martin O.
Enrile, Roberto Martin S.
Evaristo, Mario Gerardo Z.
Jalandoni, Carlos A.
Kawpeng, Marijoy Y.
Limketee, Aileen Beryl A.
Manalo, Andrae V.
Sevilla, Christmas G.
Taco, Eliza May T.
Valdez, Amalia Lourdes S.
Zialcita, Luis Antonio P.

BPI INVESTMENT MANAGEMENT INC.

President

Espiritu, Ruben Enrique A.

BPI FOUNDATION, INC.

Executive Director

San Diego, Ma. Cristina L.

In 2017, the changes in pressures and dynamics around the world that boards of directors faced were diverse and significant in their impact. Globally, institutional investors continued their push for more uniform standards of corporate governance while also increasing their expectations of the role that boards should play in responsibly representing shareholders. Regulators, particularly in emerging economies and those with nascent corporate governance regimes, responded by aligning approaches to corporate governance within and across borders and pushing for governance reforms that compelled boards in publicly-listed companies to demonstrate how much more they are actively involved in a company beyond guiding strategy-setting for long-term value creation.

Not coincidentally, the Bank had already begun further strengthening its corporate governance framework early in 2017. One of the first major initiatives was the redrafting of the Employee's Code of Business Conduct and Ethics. In the past 2-3 years, regulators had been shifting much of their focus on testing the robustness of the corporate governance framework of listed companies and financial institutions. BSP Cir. 900, Guidelines on Operational Risk Management, and the SEC Code of Corporate Governance for Publicly-Listed Companies, both issued in 2016, pointed to the need for us to review our Code of Conduct and make the necessary amendments.

The renewed Code is more comprehensive encompassing conduct provisions aligned with the BPI Credo, that bring to the fore the interests of our clients, employees, shareholders and the nation. New regulatory mandates on consumer protection and data privacy were incorporated as well. The renewed Code was approved by the Personnel and Compensation Committee and Executive Committee in August and was published on the company website in September 2017.

Another major governance milestone for 2017 was the creation of the Director's Code of Conduct. The renewal of the Employee's Code surfaced the need to create a separate Code for Directors because of the specific conduct rules and standards applicable only to the Board which would not be covered under the Employee's Code. There was also a need for a separate Director's Code to also improve compliance with the aforementioned BSP Circular 900 and SEC Code, as well as the standards of the ASEAN Corporate Governance Scorecard Version 2. The creation of the Director's Code, predating the issuance of BSP Circular 969 on Enhanced Corporate Governance Guidelines for BSP Supervised Financial Institutions, correctly anticipated the shifting governance focus and overriding theme both locally and in the region which was: the importance of board quality, composition and governance.

Looking ahead to 2018, even with the heightened challenge to transform into a more strategically focused, technologically modern, and operationally agile institution that provides relevant and competitive products and services in the face of unyielding competition from fintech disruptors and non-traditional digital payment companies, BPI's main competitive advantage remains to be its uncompromising integrity and governance standards that buttress its more than 166-years as a Trusted Bank.

Our corporate governance practices are embodied in our Manual of Corporate Governance and the Integrated - Annual Corporate Governance Report, which may be read in our website at <https://www.bpiexpressonline.com> under About Us/ Governance.

Advisory Council

The Advisory Council to the Chairman was organized following the annual stockholders meeting in April 2016. The Advisory Council was formed to expand the range of expertise, experience, and collective wisdom available to the Bank.

Board of Directors

The leadership and stewardship of the Board of Directors is one of the most important factors accounting for the Bank's long-term growth and success. In discharging their oversight responsibilities as guardians of the Bank's financial prudence and strength, the Board provides challenge, oversight, and advice to ensure that BPI continues to do the right things the right way, assuring its long-term sustainable success. Under the leadership of the Chairman, the Board creates the framework within which the Bank's executive team, headed by our President and Chief Executive Officer, steers the business. The Board sets the Bank's strategy and risk appetite, and approves capital and operating plans presented by management for sustainable achievement of strategic objectives.

Considering the Bank's role in the BPI group as parent and publicly listed company, the Board of Directors ensures that BPI maintains an effective, high-level risk management and oversight process across all companies in the group, with due consideration for the group's business and reputation, the materiality of financial and other risks inherent in the business, and the relative costs and benefits of implementing specific controls.

The Board also decides on all other important matters that pertain to the entire group, in view of their strategic, financial, regulatory and reputational implications.

Board Charter

The charter of the Board of Directors articulates with specificity the governance and oversight responsibilities exercised by the directors and their roles and functions in the Bank. It includes provisions on Board composition, Board Committees and board governance, subject to the Bank's Articles of Incorporation, Amended By-Laws and applicable laws and does not limit, enlarge or change in any way the responsibilities of the Board.

The Board Charter is incorporated in our Manual of Corporate Governance, both of which are reviewed annually. The Bank's updated and revised Manual of Corporate Governance was approved and adopted by our Board of Directors in its entirety on May 31, 2017.

Composition and Qualifications

Board membership was reinvigorated in 2017 with the election of a new Non-Executive Director to replace an outgoing one at the Annual Stockholders' Meeting in April. Majority or 14 of the 15-member board still comprised of Non-Executive Directors, safeguarding the independent oversight of management. The only executive Director is the Bank's President and CEO. The size of our Board is deemed appropriate given the complexity of operations of the Bank and the entire BPI group, the geographical spread of our business, and the significant time demands placed on the Directors.

Our Board of Directors enjoys the trust and respect of the local and international business community. They are established professionals who provide perspective, objectivity, practical wisdom, and sound judgment in their oversight, recommendations and evaluation of bank operations and management.

As we are a financial institution imbued with public interest, qualifications for membership in our Board of Directors are dictated by our Amended By-Laws, Manual of Corporate Governance, the Corporation Code, and relevant regulations of the Bangko Sentral and the SEC.

As a publicly listed company, we also take special care to ensure that the Board's composition and the director qualifications meet the pertinent governance regulations, requirements, and standards of the PSE.

See Annex A149-A153 for full biographies of our Board of Directors.

Diversity

The Board Diversity Policy, adopted in 2015, underscores diversity at the Board level as an essential element of sound corporate governance, sustainable and balanced development, and effective business strategy. Diversity—in terms of gender, age, cultural background, education, professional experience, skills, knowledge, length of service, and other regulatory requirements—is duly considered in the design and selection of the Board's composition.

Almost a third of our 2017 Board are women, two of whom are Independent Directors.

Our full Board Diversity Policy may be read in our website, www.bpiexpressonline.com, under About Us/Corporate Governance/Board Matters.

Power of the Board of Directors

The corporate powers of a bank shall be exercised, its business conducted and all its property controlled and held by its Board of Directors. The powers of the Board of Directors as conferred by law are original and cannot be

revoked by the stockholders. The Directors hold their office, charged with the duty of exercising sound and objective judgment for the best interest of the Bank.

Duties and Responsibilities 102-26

The Board bears the primary responsibility for creating and enhancing the long-term shareholder value of BPI, and generating reasonable and sustainable returns on shareholder capital by, among others, reviewing and approving the Bank's mission, vision, strategies and objectives; appointing senior executives and confirming organizational structures; approving enterprise-wide policies and procedures; monitoring business and financial performance; overseeing risk management frameworks and risk appetite, and fostering regulatory compliance.

Selection 102-24

Our shareholders may recommend candidates for board membership for consideration by the Nominations Committee. Such recommendations are sent to the Committee through the Office of the Corporate Secretary. Candidates recommended by shareholders are evaluated in the same manner as Director candidates identified by any other means. The Committee itself may identify and recommend qualified individuals for nomination and election to the Board. For this purpose, the Committee may utilize professional search firms and other external groups to search for qualified candidates.

The Nominations Committee pre-screens the candidates and prepares a final list of candidates prior to the Annual Stockholders' Meeting. Only nominees whose names appear on the final list of candidates are eligible for election to the Board.

No other nomination shall be entertained after the final list of candidates are drawn up. No nomination shall be entertained or allowed on the floor during the Annual Stockholders' Meeting.

Board members are elected by BPI stockholders who are entitled to one vote per share at the Bank's Annual Stockholders' Meeting, where votes may be cumulated as provided for in the Corporation Code. The nominees receiving the highest number of votes are declared elected and hold office for one year until their successors, qualified in accordance with the by-laws, are elected at the next Annual Stockholders' Meeting.

Induction and Director Education 102-27

Board members acquire appropriate skills upon appointment, and thereafter remain abreast of relevant new laws, regulations, and changing commercial risks through in-house training and external courses.

New Directors are briefed on BPI's background, organizational structure, and, in compliance with Bangko Sentral Circular No. 758, the general and specific duties and responsibilities of the Board. They also receive briefings on relevant policies and rules governing their roles as Directors. They are given an overview of the industry, regulatory environment, business of banking, strategic plans of the Bank, its governance framework, i.e., Manual of Corporate Governance, Director's Code of Conduct, Board operations (schedules, procedures and processes), including support from the Corporate Secretary and senior management.

Continuing education of Board members includes internal meetings with senior executives and operational or functional heads, dedicated briefings on specific areas of responsibility within the business and special presentations on current issues or regulatory initiatives with respect to Data Privacy, Cyber Risk and Cyber Security, the Anti- Money Laundering and Terrorist Financing Prevention Program, Foreign Account Tax

Compliance Act, Securities Regulations Code, SEC memorandum circulars, and Bangko Sentral regulations, among others. The Bank brings in technical, subject matter experts as needed. Other in-bank courses, also available to senior management, include seminars and online courses on anti-money laundering, business continuity management, conflict of interest, risk management overview, and information security awareness. Board members also regularly attend governance fora, conferences, and summits.

In 2017, all the members of our Board, including our senior officers, attended the requisite corporate governance seminars provided by SEC- and Bangko Sentral-accredited institutions.

Remuneration 102-35, 102-36

Our remuneration decisions for the Board and management are aligned with risk incentives and support sustainable, long-term value creation. Apart from ensuring that Board and management pay appropriately reflects industry conditions and financial performance, the Bank likewise rebalances returns back to shareholders through consistent dividend declaration.

Under the Bank's Amended By-Laws, as approved by the shareholders, the Board of Directors, as a whole, determines the level of remuneration and/or benefits for directors sufficient to attract and retain directors and compensate them for their time commitments and responsibilities of their role.

Our Personnel and Compensation Committee recommends to the Board the fees and other compensation for directors, ensuring that compensation fairly remunerates directors for work required in a company of BPI's size and scope. As provided by our Amended By-Laws and pursuant to a Board resolution, each director is entitled to receive fees and other compensation for his services as director. The Board has 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 the Board of Directors exceed 1% of the Bank's net income before income tax during the preceding year.

Board members receive per diems for each occasion of attendance at meetings of the Board or of a board committee. All fixed or variable remuneration paid to directors may be given as approved by stockholders during the Annual Stockholders Meeting, upon recommendation of the Personnel and Compensation Committee. Other than the usual per diem arrangement for Board and Committee meetings and the aforementioned compensation of Directors, there is no standard arrangement as regards compensation of directors, directly or indirectly, for any other service provided by the directors for the last completed fiscal year.

Board members with executive responsibilities within the BPI group are compensated as full-time officers of the company, not as Executive Directors or Non-Executive Directors.

No director participates in discussions of the remuneration scheme for himself or herself. Historically, total compensation paid annually to all directors has been significantly less than the cap of 1% of the total net income stipulated by the Bank's Amended By-Laws. The remuneration policy is reviewed annually to ensure that it remains competitive and consistent with the Bank's high performance culture, objectives, and long-term outlook, risk assessment and strategies.

In 2017, BPI's Board of Directors, as a whole, received a total of P70.32 million as fees and other compensation for the services rendered by them to the Bank for the same year. The compensation for all Directors in 2017 was equivalent to less than 1% of the net income of the Bank before tax.

Meetings and Attendance

The BPI Board meets regularly for the effective discharge of its obligations. Regular board meetings are convened monthly, held every third Wednesday of the month. Board of Directors meetings are set immediately after the Annual Stockholders Meeting to cover the full term of the newly elected or re-elected members of the Board, reckoned from the date of the current year's Annual

Stockholders' Meeting to that of the following year. Special meetings may be called for as needed. Discussions during the board meetings are open and independent views are given due consideration. Board reference materials are made available to the directors at least five days in advance of the scheduled meeting.

Independent and Non-Executive Directors of the Bank also meet at least once a year without the presence of the executive director or management.

In 2017, average attendance of re-elected and newly-elected members at the Board of Director's 14 meetings was 94%. In those instances when a Director was unable to attend meetings due to prior commitments or unavoidable events, said Director provided input to the chairman so that his views were known and considered.

The Board's full-year attendance at the 2017 Board Meetings and Committee Meetings may be found in Annex A155.

Performance Evaluation and Self-Assessment 102-28

Monitoring of governance by the Board requires a continuous review of the internal structure of the Bank to ensure that there are clear lines of accountability for management throughout the organization.

In this regard, the Board, under the guidance of the Corporate Governance Committee, annually conducts a self-assessment to ascertain the alignment of leadership fundamentals and issues, validate the Board's appreciation of its roles and responsibilities and confirm that the Board possesses the right mix of background and competencies. Performance of the Board is measured on the basis of what it delivers and how it delivers, how it meets its responsibilities to all BPI stakeholders, and how it addresses issues that impact the Board's ability to effectively fulfill its fiduciary duties.

Using a widely-advocated, standard evaluation method of self-assessment and feedback review, performance is assessed across four levels: the Board as a body, Board Committees, individual Directors, and President and CEO. Key evaluation criteria are built on the Board's terms of reference and committee charters, and framed around broad leadership fundamentals and best practices.

The Corporate Governance Committee processes and tabulates the results of the self-assessments and communicates them to the Board. Areas for improvement are discussed by the Board, in order to agree on remedial actions. The Corporate Governance Committee may also develop recommendations and action plans for the Board, whenever necessary and desirable.

Succession Planning and Talent Management

Financial services today face many transformative factors— regulation, market disruption, new technologies and business models, competition—that affect the business in major and long-term ways. Our Board understands that the Bank must continually evolve, adapt, and even restructure the business to remain ahead of strategic, market, technology and regulatory shifts. The Board, through its Personnel and Compensation Committee, manages the talent pipeline and assembles the required personnel capable of navigating such changes.

In consultation with the President and CEO, the Personnel and Compensation Committee reviews the Bank's talent development process for proper management. Senior management provides a report to this Committee on the results of its talent and performance review process for key management positions and other high-potential individuals. Aside from ensuring that there is a sufficient pool of qualified internal candidates to fill senior leadership positions, this review process identifies opportunities, performance gaps,

and proactive measures in the Bank's executive succession planning. And as part of the same executive planning process, the Committee as a whole or a part thereof, in consultation with the Board and the President and CEO, evaluates and nominates potential successors to the President and the CEO.

Our succession planning has effectively ensured leadership continuity in the last two decades, witnessing three President and CEO changes, marked by early planning and mentoring, smooth organizational and operational transitioning, and prudent but progressive institutional building at BPI and across the BPI group. Our Board is likewise regularly refreshed in a continuing cycle for the Bank to remain relevant, agile, and anticipatory of future programs and directions.

Board Committees 102-22

The Board established Committees to heighten the efficiency of board operations and assist in exercising its authority for oversight of internal control, risk management, and performance monitoring of the Bank. In 2017, the Bank had eight Board-level committees. As part of the annual Board effectiveness review, a separate exercise was conducted to assess the performance of each of the eight committees. The assessment found that all the committees performed effectively.

Attendance of the members of our Board to the various committee meetings in 2017 are shown in Annex A155.

The charters of all Board-level committees are found in our website, www.bpiexpressonline.com under About Us/Governance/Board Matters.

Chairman	Jaime Augusto Zobel de Ayala
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Vice Chairman	Fernando Zobel de Ayala
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Members	Cezar P. Consing, President and CEO Rebecca G. Fernando Aurelio R. Montinola III Antonio Jose U. Periquet (Independent) Mercedita S. Nollo
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Chairman	Dolores B. Yuvienco (Independent)
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Members	Mercedita S. Nollo Ignacio R. Bunye (Independent) Dr. Astrid S. Tuminez (Independent)
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Chairman	Romeo L. Bernardo (Independent)
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Members	Jaime Augusto Zobel de Ayala Fernando Zobel de Ayala Xavier P. Loinaz (Independent) Aurelio R. Montinola III
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Chairman	Xavier P. Loinaz (Independent)
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Members	Octavio V. Espiritu (Independent) Dolores B. Yuvienco (Independent)
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Executive Committee

The Executive Committee, between meetings of the Board, possesses and exercises all powers of the Board in the management and direction of the affairs of the Bank subject to the provisions of its by-laws, and the limitations of the law and other applicable regulations. It serves as the operating arm of the Board in all matters related to corporate governance. It approves all major policies and oversees all major risk-taking activities, including the approval of material credit exposure.

Corporate Governance Committee

The Corporate Governance Committee assists the Board in fulfilling its corporate governance responsibilities, and ensures the Board's effectiveness and due observance of sound corporate governance principles and guidelines, as embodied in the Manual of Corporate Governance.

Nomination Committee

The Nominations Committee ensures that the Board of Directors is made up of individuals of proven integrity and competence, and that each possesses the ability and resolve to effectively oversee the Bank in his capacity as board member and member in their respective board committee. This Committee also reviews and evaluates the qualifications of all persons nominated to the Board.

Audit Committee

The Audit Committee monitors and evaluates the adequacy and effectiveness of the Bank's system of internal control systems, risk management, and governance practices. It provides oversight on the integrity of the Bank's financial statements and financial reporting process, performance of the internal and external audit functions and compliance

with bank policies, applicable laws, and regulatory requirements.

This Committee also reviews the external auditor's annual audit plan and scope of work, and assesses its overall performance and effectiveness. In consultation with management, this Committee also approves the external auditor's terms of engagement and audit fees.

Risk Management Committee

The Risk Management Committee is tasked with nurturing a culture of risk management across the enterprise. It supports the Board by overseeing and managing the Bank's exposures to financial and non-financial risks, assesses new and emerging risk issues across the Bank, regularly reviews the Bank's risk management appetite, policies, structures and metrics, and monitors overall liquidity and capital adequacy, in order to meet and comply with regulatory and international standards on risk measurement and management.

Personnel and Compensation Committee

The Personnel and Compensation Committee directs and ensures the development and implementation of long-term strategies and plans for the Bank's human resources, in alignment with the Board's vision for the organization.

Retirement and Pension Committee

The Retirement and Pension Committee oversees the fiduciary, administrative, investment portfolio, and other non-investment aspects of the Bank's retirement plan.

Chairman	Octavio V. Espiritu (Independent)
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Members	Romeo L. Bernardo (Independent) Aurelio R. Montinola III Dr. Astrid S. Tuminez (Independent)
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Chairman	Fernando Zobel de Ayala
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Members	Romeo L. Bernardo (Independent) Aurelio R. Montinola III Delfin C. Gonzales, Jr. Gerardo C. Ablaza, Jr.
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Chairman	Mercedita S. Nollo
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Members	Delfin C. Gonzalez, Jr. Rebecca G. Fernando
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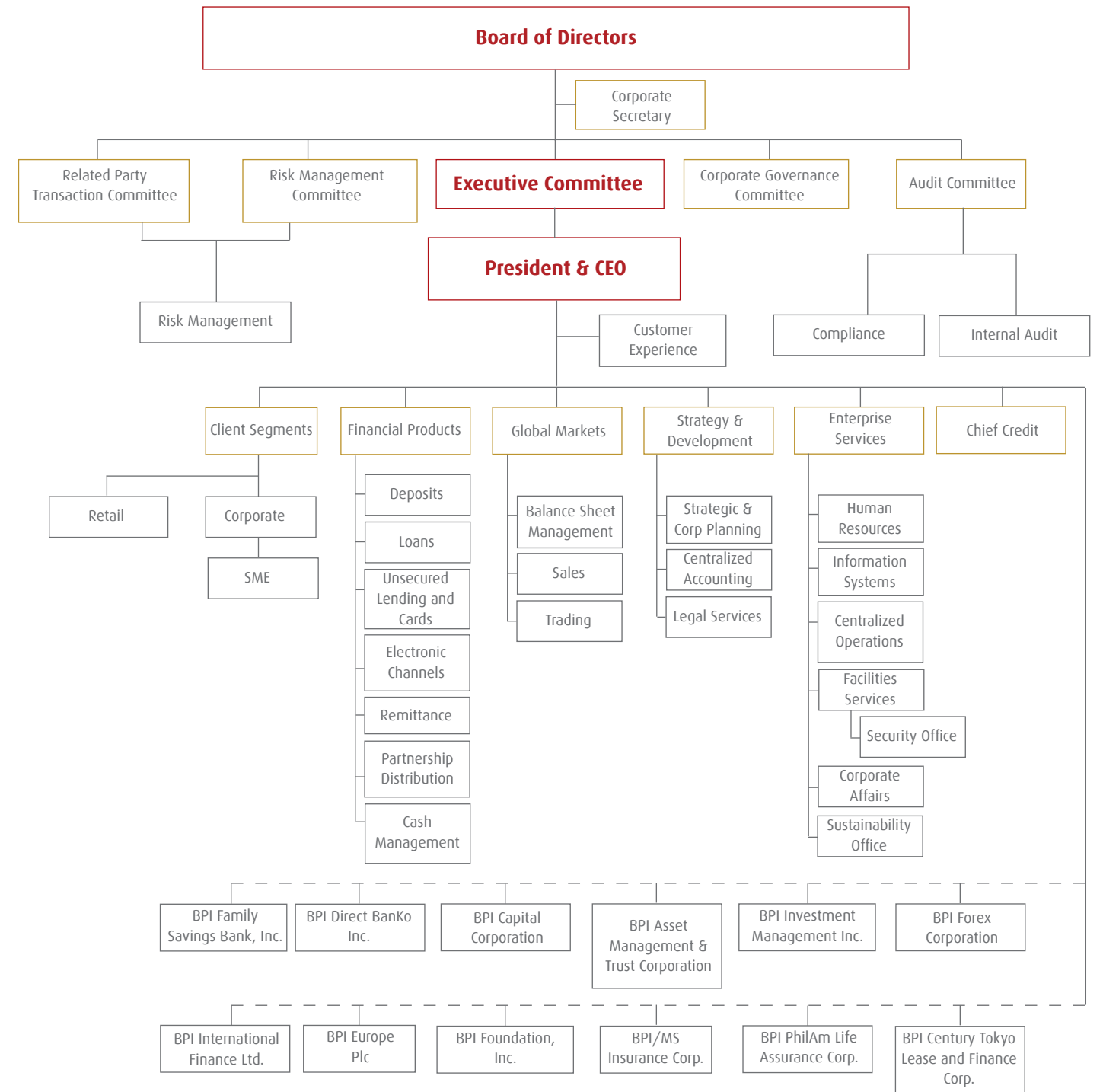
Chairman	Octavio V. Espiritu (Independent)
Members	Rebecca G. Fernando Romeo L. Bernardo (Independent) Rosemarie B. Cruz, Chief Audit Executive (Non-Voting) Marita Socorro D. Gayares, Chief Compliance Officer (Non-Voting)

Related Party Transaction Committee

The Related Party Transaction Committee is charged with ensuring that the Bank’s dealings with the public and various stakeholders are imbued with the highest standards of integrity. In conjunction with the Executive, Audit, Risk, and Corporate Governance Committees, this Committee endeavors to ensure compliance with Bangko Sentral regulations and guidelines on related party transactions.

It independently reviews, vets, and endorses significant and material related party transactions—above and beyond transactions qualifying under directors, officers, shareholders, and related interests restrictions—such that these transactions are dealt on terms no less favorable to the Bank than those generally available to an unaffiliated third party under the same or similar circumstances.

The following is an overview of the Bank’s principal activities and its functional organization (as of December 31, 2017): **BPI TABLE OF ORGANIZATION**



Organization

BPI's President and CEO is responsible for formulating the business strategy and the overall management of the Bank in order to fulfill its objectives. Effective January 2017, the Bank has eight senior executive officers, each responsible for an area of the Bank's business. They directly report to the President and CEO.

These senior executive officers are Joseph Albert L. Gotuaco, Executive Vice President, Retail Clients; Daniel Gabriel M. Montecillo, Executive Vice President and Head, Corporate Clients; Simon R. Paterno, Executive Vice President and Head, Financial Products and Services; Antonio V. Paner, Treasurer, Executive Vice President and Head, Global Markets; Ramon L. Jocson, Executive Vice President and Head, Enterprise Services; Maria Theresa Marcial Javier, Chief Finance Officer, Senior Vice President and Head, Strategy and Development; Edgardo O. Madrilejo, Senior Vice President and Chief Risk Officer; and Joseph Anthony M. Alonso, Senior Vice President and Chief Credit Officer.

Planning and Performance Management

The Bank articulates its strategy in periodic planning exercises, realizes plans in formal budgets, and conducts periodic performance reviews against both our budgets and our past performance. We act in accordance with well-defined operating policies and procedures, and ensure the accuracy and transparency of our

operational and financial reporting to protect the Bank's reputation for integrity and fair dealing. We also strive to achieve accountability in our revenue performance, efficiency in our expenditure of resources, and high quality in the delivery of services and achievement of customer satisfaction. Our management is periodically reviewed and rewarded according to their performance relative to innovation, initiatives, assigned targets, and feedback from customers, peers, and the Board.

We place strong emphasis on prudent risk-taking and risk management. Specific management committees ensure that major risks are identified, measured, and controlled against established limits. These key management committees are the Credit Committee, Assets and Liabilities Committee, Operational and IT Risk Management Committee, Crisis Resiliency Committee, Information Technology Steering Committee, Capital Expenditures Committee, Anti-Money Laundering Evaluation Committee, Fraud and Irregularities Committee, ROPA Sales Committee, and Management Vetting Committee. Members of these committees are senior officers (in the case of the Information Technology Steering Committee, a non-executive board member) who are subject matter experts in areas of knowledge relevant to the respective committees. They include client specialists, product specialists, senior officers of the Risk Management Office, and other senior executives.

Comprehensive Framework. BPI pursues best practices in enterprise risk management across our businesses and processes. We espouse a comprehensive risk management and capital management framework, which integrates the identification, measurement, monitoring, and controlling of our risk exposures. We work to ensure that we have adequate liquidity and capital at all times in order to mitigate risks. Our framework conforms not only with our own rigorous standards, but also with Bangko Sentral directives promoting an effective internal capital adequacy assessment and other risk management processes. Our risk management framework focuses on three key components: sound risk governance; effective processes, information systems, and controls; and timely and reliable data.

Risk management in BPI follows a top-down approach, with risk-appetite setting and overall risk strategy emanating from the Board of Directors. Our Board fulfills its risk management function through the Risk Management Committee. The RMC defines risk appetite statements at functional risk areas, aggregate, and enterprise levels, and directs our risk strategy anchored on sound risk management governance, value-enhancing risk methods

and processes, and risk-intelligent data and technology. It oversees and manages our exposures to financial and non-financial risks and monitors our regulatory and internal capital adequacy vis-a-vis these exposures. It nurtures a culture of risk management across the BPI Group and exercises oversight over the various subsidiaries across the enterprise. We manage risks through clearly-delineated functions, using the "three lines of defense" model, to ensure effective risk management governance and control processes across the Bank. This model defines the risk management responsibilities of each unit depending on whether they own and manage the risk (1st line), oversee risk management (2nd line), or provide independent assurance on the quality and effectiveness of risk management (3rd line).

Our risk culture is strongly anchored in our vision of transparency and integrity in the workplace, creation of sustainable value, and delivery of maximum returns to shareholders. In order to succeed in our mission of satisfying our responsibilities to our clients, employees, shareholders, and country, we exercise proactive and prudent risk management. Our Risk Management Office, headed by the Chief Risk Officer, leads the formulation of risk

management policies and methodologies in alignment with our strategy. The CRO, who is primarily responsible for the overall management of the BPI Group's total risk, ensures that risks are rationally undertaken, within our risk appetite and commensurate to returns on capital. Our risk appetite is a careful measure of the amount of risk we are willing to assume in order to achieve our business objectives. Our risk appetite statements on key risk areas are regularly reviewed, approved by, and reported to the Board through the RMC.

We track risks according to three major classifications—credit, market and liquidity, and operational and IT. Credit risk arises from our core lending and investing business; market and liquidity risk arises from our business in managing interest rate and liquidity gaps, as well as in the trading and distribution of fixed income, foreign exchange, and derivative instruments (as allowed by regulation); and operational and IT risk arises from inadequate or failed internal processes, people, information technology and systems, and threats from external events that pose risks of financial losses and damage to our reputation.



We have established robust and effective risk management processes and controls that allow us to manage risks closer to their source, either preventing them from happening or mitigating their impact. We use various methodologies, tools, and systems to measure our risk exposure. We continuously invest in risk technology and business-enabling systems, and enhance our processes to ensure completeness and accuracy of data, and timely reporting.

Our financial risk management is carried out by a dedicated team of competent risk managers and senior officers who have extensive operational experience working for the Bank. Our risk managers regularly monitor key risk indicators, and report exposures against carefully established credit, market and liquidity, and operational and IT risk metrics and limits approved by our RMC.

We continuously promote a culture of proactive and prudent risk management, with the CRO and the RMO continuously engaging the RMC, management, and business units, communicating the risk awareness culture to the rest of the Bank through various internal channels, facilitating learning programs on risk management, and promoting best practices enterprise-wide.

All these efforts have been undertaken and conscientiously practiced in recognition of the Bangko Sentral's issuance of the *Guidelines on Risk Governance*.

Credit Risk. Our Credit Policy and Risk Management unit is responsible for the overall management of the Bank's credit risk. CPRM is accountable to the RMC in assisting to establish our risk appetite and in the RMC's oversight function on credit risk and asset quality. In addition, CPRM supports senior management in ensuring the quality of our loan portfolio by identifying, measuring, reporting, and controlling credit risks. CPRM ensures that our stringent underwriting standards and rating

parameters are met by the various lending units. In 2017, we experienced significant growth in loan volumes but ably managed overall low credit risk and maintained asset quality, in general compliance with regulatory and prudential requirements relating to credit risk management (for example, DOSRI and RPT compliance, single borrower's limits, and credit concentration, amongst others).

We continue to maintain a diversified loan portfolio with no significant concentrations. Our top borrower-group exposures generally remain within the internal single borrower's limit and operate in diversified industries. Our corporate credit risk exposures are assessed individually using internal credit risk rating models that generate a probability of default per rating grade and take into account credit risk mitigants. Credit risk rating models are developed internally by our Credit Risk Modeling team using statistical methods on quantitative and qualitative risk factors, including credit judgment overlays to account for borrower-specific and such other factors that cannot be modeled statistically. The credit risk ratings of corporate accounts are generally updated on an annual basis. For consumer loans, we adopted credit risk scorecards to assess borrowers' creditworthiness. Both financial and non-financial variables were considered in the scorecard development process, and all scorecards were also subjected to expert judgment meetings with key business lending units. Our models are independently validated, and their predictive power and performance are regularly monitored to ensure they are qualitatively and statistically acceptable.

We regularly conduct stress tests on our loan portfolio to determine the impact of various economic scenarios, to surface any undue credit concentration risk and to comply with regulatory reporting. Results showed that our capital adequacy ratio (CAR) and common equity tier 1 ratio (CET1) will generally remain above or at about the regulatory capital requirements even

with assumed write down scenarios on our large exposures, exposures by industry (including real estate), and consumer portfolios. Any shortfall is expected to be adequately covered by our realizable future income.

We regularly review the appropriateness of classifications and impairment rates of classified loan accounts for proper assessment of loan quality. Corporate exposures are classified and managed according to rating grades. Each rating grade has a corresponding probability of default that exponentially increases as a rated account moves from the best to the worst rating grade. The migration of accounts between rating grades is regularly monitored and analyzed. Loss provisioning also takes into account the rating grade of each exposure. While specific reserves are set up for defaulted exposures and reviewed regularly, provisioning for non-default exposures is based on incurred loss, which is a function of the probability of default and loss given default (under the Basel standardized approach). On the other hand, consumer loans are impaired through a portfolio approach methodology using historical flow-rates as basis for the impairment factors. We have begun internal preparations, including model development and validation of PFRS 9-based expected credit loss impairment models, in time for the implementation of the standard effective January 1, 2018.

We regularly conduct credit reviews to assess that the credit process—from loan origination, credit analysis, approval, implementation, and administration—conforms to the standards set in our internal policies and complies with regulatory requirements. In 2017, we reviewed key lending units, credit products, and portfolios nationwide that revealed generally acceptable credit performance and portfolio qualities.

We measure our credit risk exposures in terms of regulatory capital requirement using the standardized approach in compliance with Basel and BSP standards on minimum capital

requirements. Using this method, our credit exposures to sovereigns, corporates and banks are risk-weighted to reflect credit assessment from eligible ratings agencies (Fitch, Moody's, Standard & Poors, and PhilRatings, where applicable). This method also allows for the use of eligible collaterals (cash, financial instruments, and guarantees) to mitigate credit risk. We ensure all documentation used in collateralized or guaranteed transactions are binding on all parties and legally enforceable in the relevant jurisdiction.

We continuously enhance our credit policies, guidelines, and lending programs specifically on credit risk limits-setting process, credit risk concentration framework, and align regulatory changes in the treatment of past due and non-performing loans. Our credit risk information system is continuously being improved to enable more robust and granular analysis of the loan portfolio while delivering timely and accurate reporting of the Bank's loan structures, credit concentrations, and other risk data analytics.

All these efforts have been undertaken in recognition of the Bangko Sentral's issuance of the *Guidelines on Sound Credit Risk Management Practices*.

Market, Interest Rate in the Banking Book, and Liquidity Risks. Our Market Risk Management unit employs various risk metrics commensurate to the size and sophistication of its business operations which guide the Bank to effectively manage the risks arising from position-taking strategies balanced by the Board's overall risk appetite. Risk limits are continuously reviewed and updated to align with the Bank's goals, objectives, strategies, and overall risk appetite. MRM also provides forward-looking scenario analysis, simulations, and stress tests to complement the risk metrics and provide a broader and holistic risk perspective to the Management and RMC. For 2017, BPI's market, interest rate in the banking book, and

liquidity risk exposures were generally within the RMC-approved limits.

We closely monitor the risk exposures of both trading and non-trading portfolios. Assets in both on- and off-balance sheet trading portfolios are marked-to-market and the resulting gains and losses are recognized through profit or loss. Market risk exposures from these portfolios are measured by using the historical simulation value-at-risk model complemented by several risk metrics such as Stop Loss and DV01. We have exposures in interest rate swaps, currency swaps, and structured notes as part of our trading and position-taking activities. Financial derivatives are also used to hedge open exposures to mitigate price risk inherent in our portfolios.

Interest rate risk in the banking book (IRRBB) is inherent to our business operations, as movements in interest rates expose us to adverse shifts in the level of net interest income and could impair the underlying values of its assets and liabilities. We are exposed to interest rate risk on unfavorable changes in the interest rate curves, which would have adverse effects on the BPI Group's earnings and its economic value of equity. Interest rate risk exposure arising from the core banking activities is measured by (a) earnings-at-risk (EaR), or the potential deterioration in net interest income over the next 12 months, and (b) balance sheet value-at-risk (BSVaR), or the impact on the economic value of the future cash flows in the banking book due to changes in interest rates. The interest rate gap model is measured based on the re-pricing schedule of the balance sheet accounts. For instance, loan accounts paying fixed interest rate are mapped according to maturity date, while loan accounts paying floating interest rate are mapped according to interest rate review dates. Likewise, for deposit accounts that do not have defined maturity dates, re-pricing schedules are derived from our historical review of depositors' behavior and aging profile.

We ensure adequate liquidity levels at all times and contingency plans are in place in the event of liquidity stress. Our liquidity profile is measured and monitored through the minimum cumulative liquidity gap (MCLG) metric. MCLG measures the smallest net cumulative cash inflow (if positively gapped) or the largest net cumulative cash outflow (if negatively gapped) over the next three months. This indicates the biggest funding requirement in the short term and the degree of liquidity risk present in the current cash flow profile of the Bank. BPI, on a solo and consolidated basis, should maintain adequate liquidity to provide sufficient buffer for critical liquidity situations. An escalation procedure is in place to immediately report to management and the RMC when MCLG levels are about to drop below the approved floor levels. Corrective actions are identified and implemented to resolve breaches, if any, in order to maintain a stable liquidity environment. Scenario analyses and simulations provide forward looking liquidity conditions to anticipate potential funding requirements.

We continuously improve our liquidity and re-pricing gap models through improvements in model assumptions, resulting in more extensive and robust liquidity stress tests. Under assumed severe market stress scenarios, our CAR and CET1 will still be above the minimum regulatory requirement; in addition, our liquidity profile could withstand an assumed prolonged crisis period.

Operational and Information Technology Risks. Our Operational and Information Technology Risk Management unit monitors risks arising from inadequate or failed internal processes, people, and systems or from external events such as natural disasters that damage physical assets, electrical or telecommunication failures that disrupt business. Operational risk is inherent in all banking products and services, and may include risks that give rise to adverse legal, tax, regulatory, or reputational consequences. Information technology is a

significant risk factor assumed in conjunction with operational risk, given the highly automated nature of our processes and services. We define IT risk as the risk of any potential adverse outcome arising from the use of or reliance on IT (i.e. computer hardware, software, devices, systems, applications and networks). IT risk includes, but is not limited to, information security, service availability, reliability and availability of IT operations, completion-on-specification of IT development projects, and regulatory compliance pursuant to the Bangko Sentral's policy guidelines on *Information Technology Risk Management*. The Operational and IT Risk Management Committee provides the oversight over its OTRM unit, in accordance with regulatory requirements.

One of the significant resources that we employed are Business Risk Officers. We have several BROs embedded across the organization in key functional and business units. The BROs are responsible to the Risk Management Office for promoting a sound risk management culture, implementing enterprise risk management best practices as determined by RMO, and ensuring timely submission of operational, IT, and other risk reports.

We develop and monitor key risk indicators (KRI), and oversee thoroughness of bank-wide risk and control self-assessments, loss event management processes, and operational risk management awareness and appreciation programs. We manage our operational and IT risks by ensuring such risks are thoroughly identified, assessed, monitored, reported, and mitigated. We have defined clear responsibilities related to the performance of the risk management function, as well as the accountabilities, methods, and tools employed to identify and mitigate operational and IT risks in our operating units. We require operating units to undertake regular self-assessments to identify risks, assess the inherent and residual risks, identify controls, and assess the design and the performance effectiveness of the controls. KRIs are used to monitor risk profiles, trigger early warning alerts, and instigate mitigating action. Operational

loss events data collection and analysis provide meaningful information in effectively managing risks. The risk and control library improves our aggregation and reporting process by providing an aligned taxonomy of risks and controls.

Our exposure to operational risks are identified, assessed, and monitored as an integral part of the risk assessment processes. We currently use the Basel regulatory basic indicator approach to quantify operational risk-weighted assets, by using the historical total annual gross income as the main measure of risk.

As part of our initiatives to advance risk management methodologies, we regularly perform *operational risk stress tests, through scenario analysis, to support the internal capital assessment for operational and IT risks.* Through a series of stress scenarios, we were able to identify, analyze, and assess the impact of unexpected and severe operational risk events. This exercise ensures that the impact of high severity events are captured during risk assessment, especially those not yet reflected in our existing historical loss data.

Our risk management processes are ingrained in our new product development efforts. From inception to launch, new products, as well as its related processes and systems, are subject to design and testing activities aimed at safeguarding both the Bank and our clients from the risk of economic loss, operational disruption, or compromise of personal or financial data. We have updated our guidelines on the assessment and approval process for engaging in new business activities to cover not only products and processes, but also new markets and new business locations or offices.

We continue to closely monitor established measurements and limits on risk indicators, and implement mitigating measures in view of increasing IT-related losses (mostly from industry-wide credit card fraud and card skimming incidents). We have employed a real-time card fraud detection system that helps the Bank significantly improve fraud detection, false positive rates, and fraud case handling

efficiencies. We have also implemented One-Time Password (OTP) functionality to enhance security for credit card transactions. We are also updating our fraud detection system to include debit card transactions. E-mail and SMS notifications for ATM withdrawals exceeding set threshold amounts are also in place. We also have recently updated our ATM switch and upgraded our ATMs to be EMV-compliant. We have also started migrating debit cards to become EMV-compliant. Moreover, awareness campaigns covering both clients and employees are being done through BPI Express Online and social media channels.

Business Continuity Risk. *We have a robust Business Continuity Management (BCM) program in place to ensure that the Bank is able to provide critical products and services even during times of business disruptions.* To ensure recovery and availability of all critical customer-servicing infrastructures, we have in place sound business continuity and disaster recovery plans. With the implementation of the improved BCM Program, we increased the level of resilience and enhanced our capability in responding to emergencies and crisis events. The result of the Business Impact Analysis helped us identify and prioritize the most urgent products and services. Likewise, recovery strategies to address evolving threats were calibrated and included in the respective functional Business Continuity Plans (BCP). Cross-functional teams are identified to manage potential disruptive events, emergency situations, or disasters. A Crisis Resiliency Committee (CRC) provides oversight on incident management and handles incidents that rise to the level of a true crisis requiring strategic involvement and decision-making. We have an established crisis communications manual and a related social media policy that supplements our BCM and Crisis Resiliency manuals. We also have a robust BCM management structure that includes BCP sites in strategic locations for critical head office services, and a secondary data center which houses backup facilities. The evaluation of our BCM performance metrics ascertained the effectiveness of our BCM program and that our capability to recover is aligned with our business objectives.

The BCM program was put to a test during an incident in June 2017 when an error by one of the Bank's systems programmers resulted in double posting of transactions, which affected some 1.5 million bank customers. The incident was resolved within 36 hours and did not result in material loss or expense to the Bank.

This incident also resulted to the implementation of improved IT processes and quality control measures to avoid incidents of similar nature.

Information and Physical Security Risks. *We are vigilant about information and physical security.* Our Enterprise Information Security Management team is continuously revalidating and building the inventory of our information assets to enhance monitoring and reporting of information security risks. We address the evolving cyber threat landscape and adhere to applicable laws such as the Data Privacy Act by further improving our defenses through continued investments in technical controls. Recognizing the criticality of a cyber-aware organization in securing the Bank from attacks, we have deployed awareness programs that include trainings, roadshows, periodic bulletins and e-learning courses. Awareness campaigns for clients to combat fraud are also conducted extensively online via social media, the BPI website, and e-mail bulletins.

We have established a third-party/vendor risk management program to ensure that the use of service providers and IT suppliers do not unnecessarily expose the Bank to operational, regulatory, and reputational risk. Due diligence activities have been improved to include assessment of service providers' capability to secure our and our clients' information. Contracts have been revised to add provisions that require compliance to our information security requirements. Management oversight of outsourced processes has also been enhanced through centralized monitoring and reporting activities.

Our Central Security Office is responsible for the security of the Bank's facilities and the overall safety of our clients and employees. Increasingly sophisticated and cross-border threats on financial products and services fulfillment require an integrated approach to premises, infrastructure, people, and information security. CSO is at the forefront of ensuring an environment within which our clients and personnel can conduct business safely. To ensure this, we have deployed and constantly optimized a combination of physical assets, personnel and technologies. Upgrades to our office and branch security infrastructures, including the enhancement and value engineering of monitoring systems, have been made to stay ahead of the evolving nature of financial fraud and related threats. Moving forward, investments in command and control will be made to improve situational awareness and response.

Legal and Tax Risks. *We have two competently manned and specialized legal services divisions composed of highly trained legal professionals with extensive experience in banking and corporate law that serve as the BPI Group's main legal resource.*

Our Corporate Legal Affairs unit has a critical role of providing proactive legal measures to effectively manage legal and tax risks. It has the documentation and research departments to respectively ensure that our rights and obligations are protected in our contractual relations and that we are abreast with the most recent legal developments and requirements. It also conducts a legal risk assessment of potential claims against the Bank and recommends legal risk mitigation measures. It further empowers the Bank units by issuing legal and tax advisory bulletins and providing supporting training seminars that highlight legal issues, new laws, and regulatory fiats that impact our products and services, and promote awareness of initiatives of various regulatory agencies.

Our Dispute Resolution and Litigation unit plays a significant role in protecting our rights

and interests and in avoiding losses when we are involved in litigation. It files offensive criminal, civil and administrative cases (including cybercrime cases) against delinquent clients or any party that attempts to violate any of our rights or impair our interests. Likewise, it handles defensive cases filed by any party against us for any reason.

We continually implement programs to make clients and employees aware of current cybercrime landscapes, emerging risks and trends and mitigating measures to further strengthen operational risk and information awareness. We have launched an online training platform that is accessible anytime, anywhere and covers the basic and advanced information security awareness courses, as well as the business continuity management course, for employees. We also facilitated Risk Management, Compliance, and Internal Audit forums to select head office and branch employees with the goal of reinforcing risk management and internal control awareness, regulatory and AML developments, aligned with our three-lines-of-defense risk management model, which will be continuously rolled-out moving forward.

Model Risk. Our Risk Models Validation unit is responsible for conducting the independent model validation activities of our risk and stress testing models. The independent validation of risk models is governed by our model risk management policy and governance framework, aimed at ensuring an active and effective model risk management across the enterprise. The RMV unit conducts an annual inventory of our models to ensure relevance, comprehensiveness, and usability across functional risk areas, to which the validation of all on-the-run models have been completed in 2017. Given the increased regulatory expectations on model validation and review in the context of PFRS9 and stress testing, and the necessity for business-enabling and risk-informed decision-making, we will continuously test the quality and robustness of our models, benchmarked to global best practices on model risk management.

Capital Adequacy

Our Strategic and Corporate Planning division oversees the management of the Bank's capital adequacy. Capital adequacy ratio, or CAR, is a measure of the Bank's total qualifying capital relative to its risk-weighted assets, and indicates the ability of its capital funds to cover various business risks.

This division also ensures compliance with regulatory and internal minimum capital adequacy requirements, referred to as the Bank's internal minimum CAR, or IMCAR, and the CAR management action trigger, or CARMAT, which incorporate the Bank's internal capital buffers and limit triggers, and capture risks beyond Pillar 1 (credit, market, and operational).

Furthermore, as the central planning unit of the Bank, this division is responsible for assessing and raising the strategic capital needs of the Bank, as well as initiating approvals for dividend payments to shareholders.

Sound Capital Management. Effective capital management supports the Bank's assets and absorbs losses that may arise from credit, market and liquidity, operational and IT, and other risk exposures. The Bank's capital management framework ensures that on stand-alone and group bases, there is sufficient capital buffers at all times to support the respective risk profiles of the various businesses of the Bank, as well as changes in the regulatory and accounting standards and other future events.

BPI submits a comprehensive internal capital adequacy assessment process, or ICAAP, document annually to the Bangko Sentral, in accordance with the Pillar 2 guidelines of the Basel framework.

As of December 31, 2017, BPI's solo (parent) and consolidated CAR stood at 11.39% and 12.74%, respectively, higher than the minimum regulatory requirement of 10.0% and the Bank's internally set IMCAR and CARMAT. The Bank's solo and consolidated CET1 capital ratio, at 10.48% and 11.84%, respectively, likewise

compare favorably with regulatory and internal limits and buffers.

The table below shows the Bank's CAR components for December 2017 and 2016:

Risk (Php Mn)	Regulatory Capital	
	2017	2016
Credit Risk	116,658	102,839
Market Risk	2,247	1,459
Operational Risk	11,785	10,287
Total	130,691	114,585

Capital Adequacy (Php Mn)	2017	2016
CET1/Net Tier1 ^{1/}	154,801	138,691
T2/Net Tier2 ^{2/}	11,682	10,299
Total QC ^{3/}	166,484	148,989
Total CRWA ^{4/}	1,166,583	1,028,388
Total MRWA ^{5/}	22,475	14,590
Total ORWA ^{6/}	117,849	102,868
TRWA ^{7/}	1,306,907	1,145,846

Consolidated Ratios (%)

CAR	12.74	13.00
CET1	11.84	12.10

Solo (Parent) Ratios (%)

CAR	11.39	11.62
CET1	10.48	10.71

^{1/} Common Equity Tier 1 Capital/Net Tier 1

^{2/} Tier 2 Capital/Net Tier 2

^{3/} Qualifying Capital

^{4/} Credit risk-weighted assets

^{5/} Market risk-weighted assets

^{6/} Operational risk-weighted assets

^{7/} Total risk-weighted assets

The Bank's total qualifying capital for the years ended 2017 and 2016 were at Php 166.5 billion and Php 149.0 billion, respectively. The Bank's total qualifying capital for 2017 and 2016 were largely composed of CET1/Tier 1 capital at 93.0% and 93.1%, respectively.

A summary of our CAR is set forth in the audited financial statements of this annual report, under Note 29.7 (Capital Management). Computation of the Bank's CAR in the audited financial statements was primarily based on the CAR reporting template provided by Bangko Sentral circulars and other relevant updates.

To fully comply with the phased-in implementation of the Basel III capital and liquidity reforms by the Bangko Sentral effective January 2014, BPI has adopted the Basel III CAR reporting template, as well as aligned with limits and reportorial requirements on liquidity coverage, domestic systemically important banks, and leverage ratios. The Bank continues to monitor and prepare for possible effects of Basel III revisions to risk-based capital requirements by performing simulations, such as those relating to the net stable funding ratio, as well as an interim stress testing, based on mid-year financial data.

Discussions both at the Bank management and Board levels also covered the subsequent phases of the transition and implementation plans in order to meet the revised minimum capital and liquidity requirements prescribed by Basel III, including interdependencies with the impending PFRS 9 implementation by January 2018.

Supplemental schedules on capital and risk management disclosures pursuant to Bangko Sentral memorandum M-2014-007 are found at the end of this chapter.

Related Party Transactions

In the normal course of business, the Bank transacts with related parties which include its Directors, officers, stockholders and related interest, subsidiaries and affiliates (including those under the Ayala group of companies, or conglomerate), as well as other related parties defined in the Bank's internal policy.

These transactions involve credit and non-credit exposures such as borrowings, guarantees, agreements for the periodic provision of leases or other services, asset purchases and sales, derivative transactions, trust transactions, and investments for which related parties are perceived to have significant influence. As part of the Bank's effort to ensure that transactions with related parties are normal banking activities and are done at arm's length (particularly, on terms and conditions comparable to those offered to non-related parties or to similar transactions in the market), *vetting is done either by the Board-level Related Party Transaction Committee or Management Vetting Committee, depending on materiality, prior to implementation.* Related parties whose individual and group exposures, existing or potential, are considered material have been vetted by the RPTC.

The RPTC is composed of three Directors, majority of whom are Independent including its chairman, and two non-voting members from management, the Chief Audit Executive and the Chief Compliance Officer, both of whom perform post-reviews to ensure proper implementation of related party transactions. On the other hand, the Management Vetting Committee is composed of the Executive Vice Presidents of the Bank.

Loans and advances granted to related parties as disclosed in the Audited Financial Statements, particularly Note 27 on RPTs and in Schedule B, are generally secured with interest rates ranging from 1.37% to 7.64% (including those pertaining to foreign currency-denominated loans) and maturity periods ranging from four days to 14 years.

The Bank is committed to ensure strict compliance with laws, regulations and reporting requirements relating to DOSRI and related party transactions, by instituting rigorous vetting processes and establishing adequate controls and oversight mechanisms.

The Bank views compliance to mean not only adherence to laws, regulations, and standards but, more importantly, the *consistent conduct of the affairs of the Bank within a culture of high integrity, bounded by conformity to ethical business practice, abiding by the principles of fair dealing, accountability and transparency*. This ensures that in all our areas of activity, the Bank and its stakeholders are protected from business risks as comprehensively as possible. We value most our reputation and the fact that we are trusted by our shareholders, clients, employees, partners, and members of the communities we serve.

Oversight of the management of the Bank's business risk and implementation of its compliance function is the responsibility of our Board of Directors, through the Audit Committee. At the management level, the compliance function is carried out by the Compliance Office, led by our Chief Compliance Officer.

The Compliance Office *oversees the implementation of the Bank's enterprise-wide compliance programs*. These programs take into account the size and complexity of the Bank, the relevant rules and regulations that affect its operations, and the business risks that may arise due to non-compliance. By using regulatory and self-assessment compliance matrices, compliance measures are formulated to mitigate identified business risks and tested to ensure effectiveness.

The Compliance Office routinely provides advice to individual business units on applicable laws, directives, standards, and regulations as well as provides compliance support to the Group Compliance Coordinating Officer.

It jointly develops guidance on operations and business processes in order to guard against potential compliance risk, and reviews and assists in interpretations of laws, implementing rules and regulations, standards and guidelines of the Bangko Sentral, SEC, AMLC, PSE, PDIC, IC, National Privacy Commission and other regulatory bodies for compliance, communicating them and verifying adherence.

The Compliance Office also helps in efforts towards achieving adherence to the Bank's internal confidentiality regulations ("China Wall"); provides regular training and education for employees on the applicable regulations, rules and internal standards; and leads the Bank's business units in compliance risk assessment, rules-based testing and reporting.

The Compliance Office is currently organized to cover *Regulatory Compliance, Corporate Governance, Anti-Money Laundering Compliance, FATCA Compliance, Enterprise Information Security Management, and the Data Privacy Office*. Considering the rapid developments in the regulatory sphere as well as the growing complexity of the Bank's products, services and transactions, the Compliance Office evolves in its coverage of compliance practice areas to anticipate and meet forward challenges. Enhancement of our compliance function's scope and domain is redefined for new and emerging sources of compliance risk.

The Compliance Office is also empowered by the accountability to it of *14 Group Compliance Coordinating Officers, or GCCOs*, who are embedded in operational units throughout the Bank. The GCCOs are charged with enforcing Compliance Office initiatives, as well as providing timely reports to the Compliance Office.

The Compliance Office applies a *three-layered compliance testing and monitoring process*, which includes unit self-assessment testing, conducted by GCCOs; independent random testing, performed by the Compliance Office; and independent periodic review by the Bank's Internal Audit Division, whose results are reported regularly to the Audit Committee.

Overall enforcement is through *self-regulation within the business units, and independent testing and reviews* conducted by the Compliance Office and Internal Audit. Results of these reviews are elevated to the Board's Audit Committee and, with respect to governance issues, the Corporate Governance Committee.

The Compliance Office promotes adherence and awareness to laws, rules and regulations by electronically posting information and documents in a compliance database that is accessible to all employees. Regular meetings are conducted by the Compliance Office with the GCCOs to discuss the impact of new regulations, decide on the required compliance measures and amend compliance matrices as necessary. Through continued liaison and dialogue with regulators, the Compliance Office ensures the prompt dissemination of new regulations and other developments affecting bank operations.

Regulatory Compliance. Our Regulatory Compliance Department covers adherence to all relevant and applicable Philippine banking laws and regulations. They are in charge especially of regulatory compliance management with respect to the Bangko Sentral's institutional compliance rating system, which comprehensively evaluates the effectiveness of a bank's compliance system in mitigating business risk.

Partnership-building with our regulators (Bangko Sentral, SEC, PSE, AMLC and PDIC), external auditor, and industry organizations (like the Association of Bank Compliance Officers and the Bankers Institute of the Philippines) is also essential work in regulatory compliance management. Through continued liaison and dialogue with regulators and interaction with compliance colleagues in the industry, this department ensures the prompt dissemination of information on new regulations and compliance-related developments affecting bank operations.

Corporate Governance. The Corporate Governance Department covers the compliance aspect of the Bank's corporate governance framework and governance requirements, externally, with respect to the laws relevant and applicable to BPI as a bank and as a publicly listed company such as the Corporation Code, and the rules and regulations of the Bangko Sentral, SEC, PDIC and the PSE, and internally, with respect to BPI's Amended By-Laws, Manual of Corporate Governance, Code of Business Conduct and Ethics, Director's Code of Conduct and corporate governance-related policies such

as those on insider trading, whistleblower, and related party transactions.

The Corporate Governance Department also monitors compliance with respect to the Bank's participation in regional corporate governance initiatives jointly sponsored by the SEC and the Institute of Corporate Directors such as the ASEAN Corporate Governance Scorecard. Working closely with the Board-level Audit and Corporate Governance Committees, this department ensures that the Bank's corporate governance foundations can withstand rigorous tests and demands of more stringent supervision, regulation, disclosure, and bank governance best practices.

Anti-Money Laundering Compliance. The prevention of financial crimes is a top priority of BPI, not only because they pose a significant threat to our reputation, but because they weaken the integrity of the global financial system. Hence, our Compliance Office extends its ambit beyond the Bank, its policies, and its employees to ensure that our clients also act within the law and do not use the Bank for illegal activities.

The Compliance Office's Anti-Money Laundering Department is responsible for *monitoring customer and counterparty transactions in compliance with the Anti-Money Laundering Law, its implementing rules and regulations, and Bangko Sentral Circular No. 706*. Developed under the guidance of the Bangko Sentral's Money Laundering and Terrorist Financing Prevention Program, the Bank's anti-money laundering program covers all its subsidiaries and affiliates.

This program aims to implement sound anti-money laundering practices and combat terrorist financing and other financial crimes. It consists of conscientious customer due diligence and know-your-customer, or KYC, processes; technology and automated tools to identify and detect financial transactions of a suspicious nature; and monitoring, periodic review, and timely reporting of anti-money laundering-combating the financing of terrorism (AML-CFT) events to senior management. This program also includes regular and effective AML-CFT training and awareness programs for all personnel; maintenance of customer data and transaction documents within prescribed timelines;

and timely updates of policies and procedures in accordance with changes in regulations and AML and CFT typologies.

With increasing global AML initiatives and numerous new regulations, we recognize that our AML processes and controls are changing from a stand-alone function under Compliance, to an increasingly complex and overarching function cutting across legal, risk and operations. *We constantly review our program to ensure compliance with the latest legislative and regulatory developments*. Our Board and management support bank-wide efforts towards establishing strong AML assurance mechanisms and globally consistent procedures.

Our specialized IT system captures information required for covered transaction reports, and detects suspicious transaction patterns for reporting to the Anti-Money Laundering Council.

And to promote awareness, knowledge and understanding of AML concepts, principles and requirements, all employees are required to attend *training programs conducted by our AML Department or through e-Learning courses* available with the BPI University, our in-house training academy.

FATCA Compliance. We recognize global movements to widen tax regimes across borders such as the enactment into law by the United States government of the Foreign Account Tax Compliance Act. We value our ability to transact efficiently in US dollars and, in support thereof, established a FATCA Compliance Department to *ensure consistent and effective compliance with FATCA regulations throughout the Bank and its subsidiaries*.

As required under the rules of FATCA, we have appointed a responsible officer to oversee the Bank's compliance with regulations, establish a program to ensure its effective implementation, and accomplish certain certifications with the IRS. Our FATCA compliance program provides for additional requirements on customer due diligence and documentation and new reporting guidelines to relevant tax authorities.

Enterprise Information Security Management.

The Enterprise Information Security Management (EISM) Unit which is headed by BPI Group's Enterprise Information Security Officer (EISO), manages the Bank's information security management program. The information security program ensures that information assets across the Bank are protected and secured by technology-based and process-based controls commensurate to their value. The Bank continues to put a premium on building and maintaining a cyber-aware organization and has correspondingly invested in an Information Security Awareness Program that ensures that employees are aware of the importance of protecting information and how best to handle these assets securely. The Bank has online information security training programs which are taken by employees as mandatory courses and regularly observes the Cyber Security Awareness Month where lectures, workshops and demonstrations on current cyber-attacks, emerging defense technologies and best practices are conducted by regional experts from the Bank's partner cyber security firms. EISM also functionally reports to the Risk Management Office and the Board's Risk Management Committee.

Data Privacy Office. Republic Act No. 10173, known as the Data Privacy Act of 2012, requires government and private sector entities to apply the principles of Transparency, Legitimate Purpose and Proportionality in their processing of personal data so that the data is only used in relevant and specifically stated ways, is not stored for longer than necessary, is kept safe and secure, is used only within the confines of the law and is stored following people's data protection rights. Cybersecurity and data privacy and protection have, today, become corporate governance and risk management concerns.

BPI has established a comprehensive Data Privacy Program utilizing a combination of policies, organizational structure, access controls and technologies designed for risk reduction. The Bank has a Data Privacy Office, headed by a Board-appointed Data Privacy Officer (DPO), a lead senior management officer.

The key focus of the DPO is to oversee data privacy compliance and manage data protection risks for the organization consistent with the Data Privacy Act rules and regulations, issuances by the National Privacy Commission and other applicable laws. Management has also appointed Compliance Officers for Privacy (COP) for major business units of the Bank.

INTERNAL AUDIT AND CONTROL

Our Internal Audit Division is an independent body that supports the Audit Committee in fulfilling its oversight responsibilities by providing an independent, objective assessment on the adequacy and effectiveness of the Bank's risk management, internal controls, and governance processes through well-established risk-based audit plans. Internal Audit also ensures that the Bank's operating and business units adhere to internal processes and procedures and to regulatory and legal requirements.

This unit *reports directly to the Board through its Audit Committee*. It collaborates with other assurance providers such as the Risk Management Office, Compliance Office, external auditors, and other oversight units for a comprehensive review of risks and compliance in the institution, and ensures that business units proactively manage the risk and compliance exposures.

The internal audit function as *empowered by the Internal Audit Charter* includes free access to all records, properties and personnel. In this respect, the Audit Committee reviews the internal audit function, including its independence and the authority of its reporting relationships. The Internal Audit Division continuously improves the capabilities of its auditors through continuous education on specialized areas of knowledge, auditing techniques, regulations, and banking products and services.

The Internal Audit Division has an *established quality assurance and improvement program* to ensure that audit activities conform to the International Standards for the Professional

Practice of Internal Auditing. The program includes periodic internal and external quality assessments and ongoing monitoring of the performance of the internal audit activity. Periodic internal assessments are conducted annually, while external quality assessments are conducted at least once every five years by a qualified independent validator. This unit maintains its "generally conforms" ratings on both internal and external assessments, which indicate that its activities have continuously conformed to professional standards, code of ethics, and other internal standards.

The Internal Audit Division is headed by a Chief Audit Executive who is appointed by the Board and reports functionally to the Board of Directors through the Audit Committee and administratively to the President and CEO. This ensures that the Chief Audit Executive is not dependent on any bank executive or operating officer for the security of his or her position. Additionally, it ensures that the Chief Audit Executive has access to the Board, on a confidential basis, and that the Internal Audit Division is independent of bank management, both by intent and actual practice.

The Audit Committee recommends to the Board the appointment of a Bangko Sentral-accredited external auditor for the purpose of preparing or issuing an audit report or related work. It also assesses the external auditor's effectiveness, independence and objectivity, ensuring that key partners are rotated at appropriate intervals. The Committee also reviews the external auditor's annual plan, scope of work, and, in consultation with management, approves the external auditor's term of engagement and audit fees. They also oversee the resolution of disagreements between management and the external auditors in the event that they arise.

For fiscal year 2017, fees to the Bank's external auditor, Isla Lipana & Co., amounted to Php 13.145 million. BPI did not have any non-audit engagements with its external auditor for the year 2017.

CODE OF BUSINESS CONDUCT AND ETHICS 102-17

BPI has Codes of Business Conduct and Ethics for its directors, officers and employees that provide the key practices and behaviors derived from the BPI Credo and Core Values, that guides what they say and do, in order that the right decisions are taken in performing their respective roles and responsibilities across various functions in the Bank and in handling relationships with all stakeholders.

Employee Code of Business Conduct and Ethics. The Code is applicable to and mandatory for all BPI employees at all levels, including officers, as are the core values embodied in the Bank's Credo. As no code could address every situation an employee may encounter, all employees, including officers, are required to follow both the spirit and the letter of the Code, its policies, and procedures. All BPI officers and employees must abide and fulfill their duty and personal responsibility to read, understand and comply with the Code of Business Conduct and Ethics.

Director's Code of Conduct. BPI has a Code of Conduct for its Board of Directors, adopted in September 2017, which applies to and is binding on all directors of the Bank. The Director's Code is intended to provide guidance to directors, whether executive, non-executive or independent, with policies on standards for conduct of the business of the Bank, the protection of the rights of the Bank and its stakeholders, maintaining BPI's reputation for integrity and fostering compliance with applicable laws and regulations. The Director's Code, therefore, sets forth policy in several basic areas that commonly require Directors to exercise sound and informed judgment, recognize and deal with ethical issues, report possible unethical conduct, and foster a culture of openness, fair dealing, diligence and accountability.

Compliance with the Codes. All employees, including senior officers and directors, acknowledge annually through a Statement of Affirmation that they have read and understood the employee Code of Conduct and/or the Director's Code, respectively, as well as the

Manual of Corporate Governance, and fully comply and adhere to the principles, standards and policies therein.

Conflict of Interest. BPI does not tolerate those who place their interest above that of our institution, our clients, or our business partners. We have in place standards on conflict-of-interest that elevate the interest of the Bank above that of the personal interests of Directors, officers, and employees. These standards prohibit Directors, officers, and employees from using their position of authority or rank to directly or indirectly derive personal gain or advantage. 102-25

Our standards on conflict of interest expect all Directors, officers and employees to refrain from any conduct that could be viewed unfavorably by our clients, co-employees, competitors, suppliers, investors, regulators, or the public. The standards also require full cooperation and provision of complete and accurate information from employees during government, regulatory or internal enquiries, investigations and audits.

The standards also cover specific conflict-of-interest situations such as receipt of gifts from third parties, respect for trade secrets, and use of non-public information, and use of company funds, assets and information.

Anti-Bribery and Anti-Corruption. The Bank puts the highest premium on sound, responsible and effective corporate governance and does not tolerate bribery or corruption of any kind. It advocates that Directors, officers and employees do not tolerate corruption or any form of bribery nor provide or accept improper inducements in the course of any business dealing.

Insider Trading. The Bank has an Insider Trading Policy which prohibits its covered persons or directors, officers, employees, and other parties who are considered to have knowledge of material facts that have not been disclosed to the public, including any information that will likely affect the market price of BPI's securities or BPI clients' securities, from buying or selling these securities for their own personal account.

Covered persons are strictly prohibited from trading during periods of structured and non-structured disclosure (trading blackout). This prohibition includes passing on material, non-public information relating to BPI or its clients to anybody who may buy or sell securities. A trading blackout prohibits trading once the covered person is in receipt of material information before a structured or unstructured disclosure is made until after said disclosure.

All Directors and senior management conform to the normal, regular reportorial requirements of the SEC and the PSE for the purchase and sale of BPI shares.

Whistleblower. The Bank supports a whistleblower program, *an important mechanism for preventing and detecting fraud or misconduct, and enabling fast and coordinated incident responses as we establish cause, remedial actions, and damage control procedures.*

All personnel, including the Board, officers and employees, as well as clients, suppliers, and all stakeholders, can report any violation of policies, procedures and applicable laws and regulations which include, but are not limited to, fraud, sexual harassment, theft, stealing, conflict of interest, information security violation, violation of bank policies, rules and regulations, and any other acts which are inimical to the interests of the Bank and the BPI Group.

The whistleblower may approach any of the following officers who are the designated contacts for the Bank and the primary reporting line: Head of the Human Resources Management Group, Chief Audit Executive, and Chief Risk Officer. Under extraordinary circumstances, the whistleblower may also course the complaint through other reporting lines, like the President and CEO or the Chairman of the Bank's Audit Committee.

The whistleblower may send or communicate a report, formally or anonymously, with the primary contacts or communicate in writing, by telephone, in person, or through the external email *eye_report@bpi.com.ph* or the internal e-mail *BPI Eye Report Box*.

Upon receipt of the whistleblower report, the personnel to whom the report was disclosed shall immediately initiate the investigation by turning over the details, and documents, if any, of the reported case to the investigating unit of the Bank. The investigation of the whistleblower report shall follow due process as stipulated in the Bank's manual of operations on standards in handling fraud and irregularities.

Our whistleblower policy emphasizes our *commitment to fostering and maintaining an environment of utmost confidentiality where all personnel may act appropriately without fear of reprisal, and be treated with utmost confidentiality.* 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, including termination.

In case the whistleblower believes he has been subjected to retaliation, he may seek redress or file a formal complaint to the Head of the Human Resources Management Group, Chief Audit Executive or Chief Risk Officer.

Conflict of interest standards, and insider trading, and whistleblower policies and guidelines are included in the Bank's management and operating manual and personnel policy manual, each of which is recorded in electronic databases readily accessible to employees. In addition, these policies are regularly reiterated via internal e-mail to ensure constant awareness of the need to comply with said policies.

Data Privacy. BPI has a strong Data Privacy Policy in place, which describes to whom the policy applies, what personal data the Bank collects and how such data is collected, how the Bank may use personal data for core business and marketing purposes, how the Bank may disclose and share such personal data, how such personal data is stored and retained, and how such data can be accessed or corrected. The Data Privacy Policy is posted on the company website and complies with the requirements of the Data Privacy Act and the National Privacy Commission.

INVESTOR RELATIONS

BPI believes that transparent and accurate reporting of operating and financial results, major business decisions and developments gives shareholders and investors the relevant inputs to their investment decisions. In addition, such reporting provides the basis for the sound, and robust market valuation of our shares and a proper view to all stakeholders of possible future losses or gains.

Our Investor Relations Unit, which is part of the Bank's Strategic and Corporate Planning Division, is tasked with a program of proactive, uniform, appropriate and timely communication and reporting, in the spirit of full disclosure and in compliance with the Securities Regulation Code, and SEC and PSE rules, regulations and disclosure guidelines.

Apart from structured disclosures, the Bank, through this unit, also discloses information not required under the disclosure rules if, in the Bank's estimation, such matters would impact on investment decisions by interested parties. Such matters are disclosed as promptly and comprehensively as possible by appropriate methods.

In carrying out its structured and unstructured disclosures, the Bank makes full use of the electronic facilities provided by the PSE's Electronic Disclosure Generation Technology or PSE EDGE, a state-of-the-art, fully automated system that facilitates the efficient processing, validation, submission, distribution, and analysis of time-sensitive disclosure reports submitted to the exchange. Information disclosed on PSE EDGE is also promptly disclosed to the SEC as required and via other media, including the Bank's site and electronic mail to relevant, interested parties.

The Investor Relations Unit also provides company presentations in the annual

stockholders meeting and works with the Bank's corporate communications team for media briefings and press releases. Such information on the company is shared regularly with the investing public, analysts, and members of the media. Statements in these presentations describing BPI's objectives, projections, estimates, expectations may be forward-looking. Actual results may differ materially from the statements made in the presentations, whether expressed or implied.

All investor relations presentations and press releases distributed, including presentations of the Chairman and the President and CEO at the company's Annual Stockholders' Meeting, may be viewed at bpiexpressonline.com.

FINANCIAL CONSUMER PROTECTION FRAMEWORK

In 2017, the Bank, through its Customer Experience Management Office (CXMO) established the BPI Customer Assistance Program to establish guidelines that will help ensure that all feedback from customers and potential customers are well handled in alignment with the Bank's consumer protection policies. The designated Customer Assistance Officers underwent onsite training to equip them in their function in addressing customer issues and to ensure compliance with the Bank's Consumer Protection Program. The need to conduct continuous information and education campaign on the Financial Consumer Protection Program has been a major priority of the unit.

To deepen customer engagement and address specific customer needs, CXMO spearheaded the conduct of the Service Quality Review (SQR) where various business units present their performance updates on their defined service quality goals to the Bank's Customer Experience Council. The Customer Experience Council includes top executives of the Bank. A Customer Feedback Database was also created to

strengthen the role of the frontliners in addressing and reporting customer issues. For 2017, the Bank tracked and monitored customer issues and feedback concerning its products and services (the table below shows the number of customer complaints we received for the past three years, and the number of customer transactions recorded for the same year). Action plans were implemented to ensure that the most pressing and important issues raised by customers were resolved within the committed turn-around times.

	2015	2016	2017
Complaints (in thousands)	291.5	306.0	437.5
Transactions (in millions)	1,268.1	1,341.4	1,442

COMMUNICATION AND INFORMATION

Management is primarily responsible to the Board for the adequate flow of information, such as but not limited to financial information. Any variance between projections and actual results requires management's explanation to the Board.

The Board is committed to fully disclose at all times all material information about the Bank for the benefit of the shareholders. All material information that could potentially affect the Bank's share price is publicly disclosed in a timely manner through the PSE and SEC.

Additionally, we hold meetings, briefings, and conferences for investors, analysts, and members of the media.

More information on BPI's corporate governance philosophy, policies and practices may be found in our website, www.bpiexpressonline.com.

SUPPLEMENTARY SCHEDULES ON CAPITAL AND RISK MANAGEMENT DISCLOSURES PURSUANT TO THE BANGKO SENTRAL'S MEMORANDUM M-2014-007

Capital Structure

The Bank's qualifying capital for the years ended 2017 and 2016 were Php 166.5 billion and Php 149.0 billion, respectively. The Bank's total qualifying capital for 2017 and 2016 were largely composed of CET1 capital and Tier1 at 93.0% and 93.1%, respectively.

The table below shows the composition of the Bank's capital structure and total qualifying capital.

Capital Structure (Php Mn)	December 31, 2017			December 31, 2016		
	CET1/ Tier1	Tier 2	TOTAL	CET1/ Tier1	Tier 2	TOTAL
Core Capital	177,172	11,682	188,855	160,901	10,299	171,200
Paid-up common stock	39,336	-	39,336	39,308	-	39,308
Additional paid-in capital	29,690	-	29,690	29,511	-	29,511
Retained earnings	90,514	-	90,514	75,764	-	75,764
Undivided profits	22,528	-	22,528	21,827	-	21,827
Net unrealized gains or losses on AFS securities	(3,381)	-	(3,381)	(4,047)	-	(4,047)
Cumulative foreign currency translation	(187)	-	(187)	(313)	-	(313)
Remeasurements of Net Defined Benefit Liability (Asset)	(1,764)	-	(1,764)	(1,488)	-	(1,488)
Minority interest ^{1/}	435	-	435	339	-	339
General loan loss provision ^{2/}		11,682	11,682	-	10,299	10,299
Deductions	22,371	-	22,371	22,210	-	22,210
Total O/S unsecured credit accommodations ^{3/}	1,296	-	1,296	1,846	-	1,846
Total O/S unsecured loans ^{4/}	32	-	32	120	-	120
Deferred tax assets	8,955	-	8,955	8,398	-	8,398
Other intangible assets	2,178	-	2,178	2,054	-	2,054
Defined benefit pension fund assets	49	-	49	18	-	18
Investments in equity ^{5/}	2,287	-	2,287	2,645	-	2,645
Significant minority investments ^{6/}	3,775	-	3,775	3,548	-	3,548
Other equity investments ^{7/}	3,799	-	3,799	3,582	-	3,582
TOTAL QUALIFYING CAPITAL	154,801	11,682	166,484	138,691	10,299	148,990
% to Total	93%	7%	100%	93%	7%	100%

^{1/} Minority interest in subsidiary banks, which are less than wholly-owned

^{2/} General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio

^{3/} Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)

^{4/} Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates

^{5/} Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable) and Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)

^{6/} Significant minority investments (10%-50% of voting stock) in securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)

^{7/} Other equity investments in non-financial allied undertakings and non-allied undertakings

Credit risk-weighted assets. Using the Basel regulatory standardized approach, our total credit risk-weighted assets as of December 31, 2017 amounted to Php 1.17 trillion, and are composed of on-book credit exposures after risk mitigation of Php 1.15 trillion, off-balance sheet risk-weighted assets of Php 7.4 billion, counterparty risk-weighted assets in the banking book of Php 1.5 billion and counterparty risk-weighted assets in the trading book of Php 4.4 billion.

The table below provides a summary of the Bank's credit risk-weighted assets for 2017 and 2016:

Credit RWAs (Php Mn)	Amount	
	2017	2016
Total RWA (On-balance sheet) ^{0/}	1,154,999	1,020,825
Total RWA (Off-balance sheet) ^{0/}	7,389	4,909
Total counterparty RWA (banking book) ^{1/}	1,454	830
Total counterparty RWA (trading book)	4,388	3,325
Total RWA credit-linked notes (banking book)	-	-
Total Gross RWA	1,168,230	1,029,890
Deductions: General loan loss provision ^{2/}	(1,647)	(1,502)
Total Credit RWAs	1,166,583	1,028,388

^{0/} Risk-weighted assets

^{1/} For derivatives and repo-style transactions

^{2/} In excess of the amount permitted to be included in upper Tier 2

The Bank's credit risk exposures on both on- and off-balance sheet assets after mitigation, broken down by risk buckets, for 2017 and 2016 are as follows:

Schedule A

(Php Mn)	Exposure after risk mitigation	Risk Weights						Total CRWA ^{1/}
		0%	20%	50%	75%	100%	150%	
		Cash on hand	34,876	34,876	-	-	-	
Checks and other cash items	256	-	256	-	-	-	-	256
Due from BSP	255,962	255,962	-	-	-	-	-	255,962
Due from other banks	13,078	-	589	12,147	-	343	-	13,078
Available-for-sale (AFS)	22,516	13,306	1,314	4,414	-	3,481	-	22,516
Held-to-maturity (HTM)	276,950	165,303	10,602	63,129	-	12,644	-	251,679
UDSCL ^{2/}	-	-	-	-	-	-	-	-
Loans and receivables	1,106,060	-	81,587	50,903	56,434	910,559	6,578	1,106,060
Loans and receivables - Others ^{3/}	7,299	7,299	-	-	-	-	-	7,299
Sales contract receivables	278	-	-	-	-	278	-	278
ROPA ^{4/}	2,891	-	-	-	-	-	2,891	2,891
Sub-total	1,720,166	476,746	94,349	130,592	56,434	927,305	9,468	1,694,895
Other assets	36,562	-	-	-	-	36,562	-	36,562
Total exposures, plus other assets	1,756,729	476,746	94,349	130,592	56,434	963,868	9,468	1,731,458
Total risk-weighted OBSA (no CRM) ^{0/ 5/}			18,870	65,296	42,326	963,868	14,202	1,104,562
Total risk-weighted OBSA (with CRM) ^{5/}			215	286		49,937		50,437
Total RWA (On-Balance Sheet)			19,084	65,582	42,326	1,013,804	14,202	1,154,999

(Php Mn)	Exposure after risk mitigation	Risk Weights						Total CRWA ^{1/}
		0%	20%	50%	75%	100%	150%	
		Cash on hand	35,460	35,460	-	-	-	
Checks and other cash items	252	-	252	-	-	-	-	252
Due from BSP	239,527	239,527	-	-	-	-	-	239,527
Due from other banks	21,728	-	1,737	19,759	-	232	-	21,728
Available-for-sale (AFS)	23,711	2,167	7,133	9,989	-	4,423	-	23,711
Held-to-maturity (HTM)	267,361	174,303	13,742	57,984	-	12,174	-	258,202
UDSCL ^{2/}	-	-	-	-	-	-	-	-
Loans and receivables	981,591	-	48,676	48,946	51,883	825,744	6,342	981,591
Loans and receivables - Others ^{3/}	4,577	4,577	-	-	-	-	-	4,577
Sales contract receivables	460	-	-	-	-	460	-	460
ROPA ^{4/}	3,004	-	-	-	-	-	3,004	3,004
Sub-total	1,577,672	456,033	71,540	136,678	51,883	843,034	9,346	1,568,514
Other assets	27,646	-	-	-	-	27,646	-	27,646
Total exposures, plus other assets	1,605,318	456,033	71,540	136,678	51,883	870,680	9,346	1,596,160
Total risk-weighted OBSA (no CRM) ^{0/ 5/}			14,308	68,339	38,912	870,680	14,019	1,006,258
Total risk-weighted OBSA (with CRM) ^{5/}			983	572	-	13,012	-	14,566
Total RWA (On-Balance Sheet)			15,291	68,911	38,912	883,692	14,019	1,020,825

^{0/} On-balance sheet assets

^{1/} Credit risk-weighted assets

^{2/} Unquoted debt securities classified as loans

^{3/} Loans and receivables arising from repurchase agreements, certificates of assignment/participation with recourse, and securities lending and borrowing transactions

^{4/} Real and other properties acquired

^{5/} Not covered by, and covered by credit risk mitigants, respectively

Schedule B

RWA (Off-Balance Sheet) (Php Mn)	CEA ^{0/}	Risk Weights						Total CRWA ^{1/}
		0%	20%	50%	75%	100%	150%	
		Direct credit substitutes ^{2/}	4,404	-	132	-	657	
Transaction-related contingencies ^{3/}	3,069	-	10	-	35	1,438	-	1,483
Trade-related contingencies ^{4/}	11,409	-	4	-	45	2,200	-	2,249
Total RWA (Off-Balance Sheet)	18,882	-	146	-	737	6,506	-	7,389

December 31, 2016								
RWA (Off-Balance Sheet) (Php Mn)	CEA ^{0/}	Risk Weights						Total CRWA ^{1/}
		0%	20%	50%	75%	100%	150%	
Direct credit substitutes ^{2/}	2,437	-	-	-	646	1,576	-	2,222
Transaction-related contingencies ^{3/}	1,107	-	-	-	19	1,081	-	1,101
Trade-related contingencies ^{4/}	1,740	-	31	-	91	1,465	-	1,587
Total RWA (Off-Balance Sheet)	5,284	-	31	-	757	4,122	-	4,909

^{0/} Credit equivalent amount

^{1/} Credit risk-weighted assets

^{2/} Such as general guarantees of indebtedness and acceptances

^{3/} Such as performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions

^{4/} Arising from movement of goods, such as documentary credit collateralized by underlying shipments, and commitments with an original maturity of up to 1 year

Schedule C

December 31, 2017								
Counterparty Assets Banking Book (Php Mn)	Net Amount ^{0/}	Risk Weights					Total CRWA ^{1/}	
		0%	20%	50%	100%	150%		
Derivative exposures:								
Exchange rate	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Equity contracts	-	-	-	-	-	-	-	-
Credit derivatives	-	-	-	-	-	-	-	-
Counterparty Exposures arising from Financial Assets ^{2/}								
Available-for-Sale	-	-	-	-	-	-	-	-
Held-to-Maturity	2,907	-	-	1,454	-	-	-	1,454
Total counterparty RWA ^{3/} of derivative transactions	2,907	-	-	1,454	-	-	-	1,454

December 31, 2016								
Counterparty Assets Banking Book (Php Mn)	Net Amount ^{0/}	Risk Weights					Total CRWA ^{1/}	
		0%	20%	50%	100%	150%		
Derivative exposures								
Exchangerate	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Equity contracts	-	-	-	-	-	-	-	-
Credit derivatives	-	-	-	-	-	-	-	-
Counterparty Exposures arising from Financial Assets ^{2/}								
Available-for-Sale	-	-	-	-	-	-	-	-
Held-to-Maturity	1,660	-	-	830	-	-	-	830
Total counterparty RWA ^{3/} of derivative transactions	1,660	-	-	830	-	-	-	830

^{0/} Net Exposures After CRM (Uncovered Portion)

^{1/} Credit risk-weighted assets

^{2/} Sold/Lent under Repurchase Agreements, Certificates of Assignment/Participation with Recourse, Securities Lending and Borrowing Agreements (Repo-style Transactions)

^{3/} Risk-weighted assets

Schedule D

December 31, 2017								
Counterparty Assets Trading Book (Php Mn)	CEA ^{0/}	Risk Weights					Total CRWA ^{1/}	
		0%	20%	50%	100%	150%		
Derivative exposures								
Exchange rate	5,848	-	234	1,879	920	-	-	3,033
Interest rate	2,580	-	28	1,200	38	-	-	1,266
Credit derivatives	167	-	-	83	0	-	-	83
Equity contracts	5	-	-	-	5	-	-	5
Total counterparty RWA ^{2/} of derivative transactions	8,600	-	262	3,163	963	-	-	4,388

December 31, 2016								
Counterparty Assets Trading Book (Php Mn)	CEA ^{0/}	Risk Weights					Total CRWA ^{1/}	
		0%	20%	50%	100%	150%		
Derivative exposures								
Exchange rate	3,709	-	52	1,383	685	-	-	2,119
Interest rate	1,711	-	32	767	16	-	-	816
Credit derivatives	780	-	-	390	-	-	-	390
Total counterparty RWA ^{2/} of derivative transactions	6,200	-	84	2,541	701	-	-	3,325

^{0/} Credit equivalent amount

^{1/} Credit risk-weighted assets

^{2/} Risk-weighted assets

Market risk-weighted assets. In terms of capital usage using the Basel standardized approach, total market risk-weighted assets stood at Php 22.5 billion as of end-2017, of which foreign exposures accounted for more than half, followed by interest rate exposures and equity exposures, respectively.

The table below presents the breakdown of the Bank's market risk-weighted assets for 2017 and 2016:

MARKET RWA (Php Mn)	AMOUNT	
	2017	2016
Using standardized approach		
Interest rate exposures	4,409	9,919
Foreign exposures	17,394	4,411
Equity exposures	672	260
TOTAL MARKET RWA ^{0/}	22,475	14,590

^{0/} Risk-weighted assets

Operational risk-weighted assets. We currently use the Basel regulatory basic indicator approach to quantify operational risk-weighted assets, by using the historical total annual gross income as the main measure of risk. In 2017, the Bank's total operational risk-weighted assets stood at Php 117.8 billion.

The table below presents the Bank's operational risk-weighted assets for the years 2017 and 2016:

OPERATIONAL RWA (Php Mn)	AMOUNT	
	2017	2016
Gross income (a)	63,794	59,206
Capital requirement ^{1/}	9,569	8,881
Average capital requirement (b) ^{2/}	9,428	8,229
Adjusted capital charge (c) ^{3/}	11,785	10,287
TOTAL OPERATIONAL RWA ^{0/4/}	117,849	102,868

^{0/} Risk-weighted assets

^{1/} (a) multiplied by 15 percent

^{2/} Average of 15 percent of (a) for the past (3) years

^{3/} (b) multiplied by 125 percent

^{4/} (c) multiplied by factor 10

BPI SENIOR LEADERSHIP



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