

BUSINESS REVIEW





Amidst the uncertainties and challenges brought about by the lingering effects of the global financial crisis, BPI identified new business opportunities from the evolving needs and requirements of its various customers. The bank focused on relevant product and service innovations, quality service, market expansion and prudent management in line with its sustainability strategies.

15

BUSINESS REVIEW

BRANCH BANKING

Despite the economic slowdown, BPI encouraged its customers to save by offering a complete line-up of value added deposit solutions aligned with the varying needs of the customers.

The strategy revolves around the customers' identified needs to transact, to build up, and to invest relative to a deposit account. To address these, BPI launched the following products:



BPI Save-Up introduces the habit of saving to payroll account holders. This account automatically transfers funds from a linked payroll account or any ATM-based account every payday or at specified regular pay period. It earns a higher interest rate and is bundled with a free insurance coverage up to 10 times the account's balance or up to P4 million.

BPI Maxi-Saver provides the flexibility of a regular savings account in accessing funds, while providing tiered interest rates based on balances and a 1% bonus interest if no withdrawal is made in a month. It is a product to build up funds without having to lock up the funds, which respond to the aspiration of the mass affluent customers of the bank.

BPI Get Started is a savings account that is bundled with a free life insurance coverage equivalent to five times the savings account balance of up to P2 million but with no premium payments and no medical check-ups required. This value laden deposit equates to long term security for the mass affluent customers.

Above products were supported by two promotional campaigns. The 'Gift with Account Opening' promotion entitles clients to a free Maxi-watch when they open a Maxi-Saver or a Get Started savings account. This brought



NATIVIDAD N. ALEJO
Senior Vice President
Consumer Banking Group



MARKET SHARE
Deposits



BPI's PhP 579 billion deposit level represents 13.2% market share

155,000
new accounts

opened under BPI Save-up, Maxi-Saver and Get Started

in 18,000 new accounts worth P3.4 billion deposits, 148% and 329% beyond the projected acquisitions and volume goals, respectively. The other one is the 'Real Thrills' instant gift promotion which rewards clients with a wide selection of gift items for new accounts opened or additional deposits made. The three new products altogether generated close to 155,000 new accounts and P11.6 billion in fresh funds during the year.

Furthermore, the bank organized a 'Coffee Talk' event for Preferred clients on the benefits of the new deposit products. This also resulted in on-the-spot acquisitions.

Worksite Marketing initiatives likewise generated cross-selling opportunities from the corporate

payroll customer base. For 2009, the BPI OnCall team was able to visit 847 companies and conducted financial wellness seminars in 131 companies promoting savings, smart spending, investing, and asset protection.

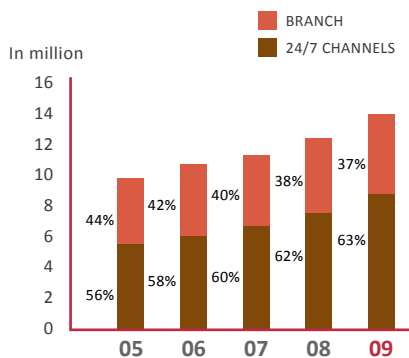
The bank's wholly-owned internet and mobile subsidiary, BPI Direct Savings Bank, also grew its customer base by 94% to 440,713 this year. Correspondingly, deposit level increased by 74.5% to P3.8 billion.

All these efforts made it possible for the deposit business to exceed target metrics. Deposits increased to P579 billion or 7% higher than the previous year. The float-bought ratio improved dramatically to 54:46 from last year's 47:53, thereby improving the cost of deposits to 2.0% from last year's 2.6%.

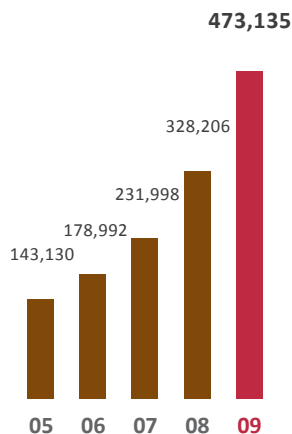
BUSINESS REVIEW

ELECTRONIC BANKING

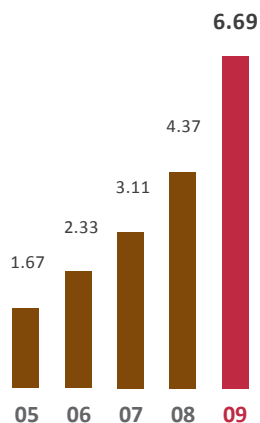
UNIBANK MONETARY TRANSACTIONS



EXPRESS ONLINE CUSTOMER BASE



EXPRESS ONLINE MONETARY TRANSACTION COUNT (in Mn)



BPI remained the market leader with the widest ATM network of 1,566 representing 18% of the industry. The number of cash acceptance machines which do not require deposit envelopes were expanded. A total of 335 new Cardless and Payment ATMs were deployed to provide more convenience to the bank's customers. These new machines allow deposits to BPI accounts and payments to enrolled merchants without the use of the ATM card but by entering the account number only of the said transactions.

BPI's 24/7 Banking Channels continued to provide clients the freedom to do banking transactions anytime and anywhere. The number of transactions in these channels increased by 12.3% to 8.8 million, which represented 62% of the bank's total deposit monetary transactions.

BPI Express Online, the bank's internet banking platform, ranked first among Financial Institutions and No.22 among Top Philippine Websites with a monthly splash page hit of 4.1 million. Enrolled active clients in this channel grew by 44% to 473,135 thus increasing the number of financial transactions by 53% from 4.4 million to 6.7 million, with Funds Transfer and Bills Payment being the most widely used transactions.

BPI Express Mobile, BPI's mobile banking platform, grew its user base faster by 48% to 143,369 from 96,790 last year.

In line with the Memorandum of Agreement forged with SMART Communications, Inc. towards the end of 2008, mobile banking convenience was provided to SMART subscribers. Clients of the two biggest telecommunication companies in the Philippines, Globe and SMART, can now enjoy the services available in the most innovative mobile banking platform in the country.

In addition to the menu-based service that allows clients to do banking transactions and more, including real-time reloading of prepaid phone, BPI Express Mobile introduced the telco-agnostic Mobile Banking Applet, an internet based application. This revolutionary mobile application allows clients greater flexibility in doing banking transaction as it makes both the bank and the mall just a thumb-click away. Aside from having an Express Online-like platform in



Sure Seats Cinema Tickets at Ayala Malls paid through BPI Express Mobile.



BPI Sta. Cruz branch continued to be operational to serve customers in the aftermath of supertyphoon Ondoy.

their mobile phones, client can enjoy unparalleled shopping convenience thru its Mobile Mall facility. This facility, powered by i-Can, enables clients to order and pay for purchases at partner establishments including Ayala Cinemas, Philips, Memo Express, PowerMac, Rustan's Supermarket, Rustan's Department Store and the

StoreSpecialists Inc. For entrepreneurs, BPI Express Mobile also has the Mobile Commerce application, which functions as an inventory manager. Clients can order their goods, pay for these via a debit from their deposit account, and have them delivered to their offices.

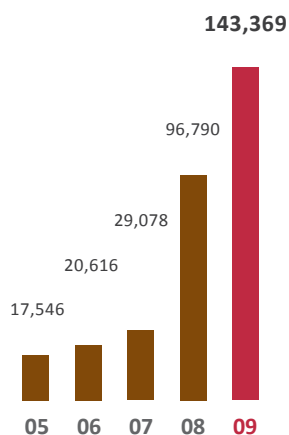
BPI Express Phone, the bank's phone banking platform, serviced over 12 million transactions and needs of the bank's customers through its full service facility and by BPI phone bankers.

Throughout the crisis brought about by typhoons Ondoy (Ketsana) and Pepeng (Pharma), the bank's affected customers relied on the BPI's 24/7 banking channels. BPI's Automated Teller Machines (ATMs) continued to be operational. BPI phone bankers and officers braved the rains and manned the bank's Call Center, thus BPI Express Phone was able to service some very urgent transactions of customers such

as reports of lost or damaged ATM and credit cards. In places where electricity and telecommunications were available, clients made use of BPI Express Online and BPI Express Mobile to transfer funds to friends' and/or relatives' accounts for their withdrawal at a working flood free ATM.

As corporate clients seek efficiency, cash management customer base went up by 17% to 11,353 while ExpressLink users grew by 18% to 9,698. As transaction count rose by 16%, the ExpressLink infrastructure underwent comprehensive improvements from software packages comprising the application and database systems to physical servers supporting these components. This increased the capacity, reliability, and security of this corporate internet banking platform.

BPI EXPRESS MOBILE CUSTOMER BASE



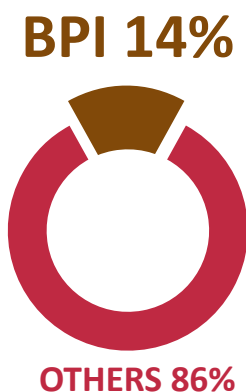
BUSINESS REVIEW

CARD BANKING

In 2009, BPI Credit Cards outperformed the industry in all fronts thus solidifying its industry position. It became the second most used card with billings growth of 22% and higher market share of 16.4%. Its cardholder base expanded by 5% to 891,000, the third largest in the industry. Receivables likewise increased by 16% versus only 3% for the industry.

This notable performance in the highly competitive credit cards industry were accomplished through compelling and relevant best-in-class, innovative marketing programs. The Real Thrills programs at omnibus, store-specific and product-specific levels offered customers more value anywhere they shop. Through the market-defining partnership with the Jollibee Food Group and Goldilocks, customers get rewarded with free meals simply by presenting their charge slips at the numerous outlets of Jollibee or Chowking or Goldilocks nationwide. For the BPI Gold MasterCard, the product-specific Italianni's and TGIFriday's Anywhere Gold Cardholders Shop was launched in partnership with the Bistro Group. At the store level, the loyal customers are better rewarded by participating merchant establishments.

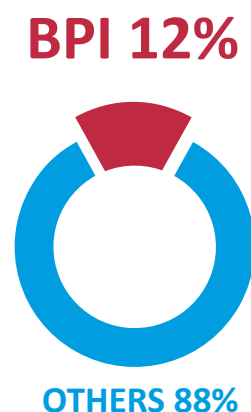
MARKET SHARE
Credit Card Base



MARKET SHARE
Credit Card Billings



MARKET SHARE
Credit Card Receivables



MA. YSABEL P. SYLIANTENG
Senior Vice President
Card Banking and CRM Group

Clients get more value for their money thru BPI's Real Thrills program.



Market surveys attested to the bank's customers' appreciation of the superior value of BPI Credit Card as embodied in the following accolades by international organizations.

- Gold distinction in the Reader's Digest Trusted Brand Award for two years in a row
- Awards from the first Lafferty Southeast Asia Payment Cards Awards in Jakarta
 - *Best Classic Card for BPI Blue MasterCard*
 - *Most Trusted Card Issuer*
 - *Best Card Issuer in the Philippines*

To encourage BPI Express Teller cardholders to use their ATM cards to purchase through the Express Payment System instead of withdrawing cash, BPI pioneered the Real Thrills Shop Anywhere free meals at Jollibee as well as the equivalent program at the participating supermarkets.

BPI's Prepaid Cards gained ground as a superior form of alternative payment to cash. The BPI Express Cash Photo Gift Card was made available to the public thru the BPI Express Online. Customers may customize their prepaid card by simply uploading their photos or may choose from a gallery of photos.

BUSINESS REVIEW

CONSUMER LENDING

BPI Family Savings Bank (BFSB) led the consumer lending industry by providing its clients with their required complete loan packages. The bank's competitive rates, flexible products, and sustained advertising and marketing initiatives successfully increased new clients by 11%. Loan portfolio thus grew by 10% to P84.5 billion.

Auto Loans improved by 9% over the previous year. This volume growth was achieved through several promotions namely, a 12-month auto insurance package payable in equal monthly installments or for the entire term of the loan; a free Petron-BPI Mastercard; and an innovative tie-up promo with Cebu Pacific for its Real Thrills rewards program. The Bank also held the industry's first Nationwide Auto Madness in March which brought together over a hundred dealer partners and top car brands under one roof. In this event, BFSB provided auto financing through its Drive Your Dream Auto Loan with lower interest rate.

Retail Mortgage Loan Portfolio increased by 10% brought about by the strong partnerships with brokers and developers. BFSB teamed up with sister company, Ayala Land, Inc. to organize ALI-BPI Dream Deals events that combined ALI's developments with BFSB's financing services. Several Housing Madness events were also held with other partner

developers. BFSB also entered into a pioneering partnership with Home Depot, a home supplier merchant, a first in the banking industry. Clients received 10% discounts for Home Depot purchases, gift items, and a chance to win prizes such as a P500,000 cash in a raffle draw.

BFSB launched Grow Your SME Business Loans to provide a complete financial solution for the small and medium entrepreneur. The solutions offer not only business loans but also online cash management bundles, a check-accessed credit line, and savings and investment products. The SME portfolio of BFSB thus grew by 9.2%

The bank also engaged in a number of CSR efforts. BFSB Drive Your Dream Auto Loans jointly with Honda Safety Driving Center conducted an education campaign on safe driving. To support SMEs, BFSB partnered with organizations and institutions such as the Association of Filipino Franchisers, Inc. (AFFI) and the Philippine Franchise Association (PFA), among others. BFSB's efforts in this area was recognized by PFA with a Special Citation Award for Franchise-Friendly Bank, a first for a bank. The bank also teamed up with Go Negosyo to recognize inspiring and financially sound Filipino enterprises through its Business Excellence Awards.

To support SMEs, BFSB partnered with organizations and institutions such as the Association of Filipino Franchisers, Inc. (AFFI) and the Philippine Franchise Association (PFA), among others. BFSB's efforts in this area was recognized by PFA with a Special Citation Award for Franchise-Friendly Bank, a first for a bank.



ALFONSO L. SALCEDO
President
BPI Family Savings Bank



Total credit facilities made available to microfinance institutions (MFIs) like non-government offices (NGOs), cooperatives and rural banks grew by 10% from P861 million to P949 million. With this funding, the bank's client-MFIs, in turn, reached a total of 190,000 micro-entrepreneurs. Despite the typhoons that affected many MFIs, collection experience remained excellent with nil past due loans.

Ayala Corporation and Globe Telecom bought 40% and 20% of the shares, respectively, of Pilipinas Savings Bank from BPI. Pilipinas Savings was subsequently renamed BPI Globe BankO, the first microfinance-focused bank with mobile phone technology as the main platform for banking service delivery to reach the unbanked and the underbanked segment of the market.

BPI Globe BankO will manage the wholesale microfinance lending operations of the bank as well as provide capacity building, knowledge sharing and training support to the MFIs. It will offer financial inclusion in the form of microloans, microsavings and microinsurance services to micro-entrepreneurs through partnership arrangements with MFIs.

BPI Family Savings Bank holds its first-ever Nationwide Auto Madness which generated record-breaking number of auto-loan applications.

BUSINESS REVIEW

CORPORATE BANKING

Corporate loan portfolio excluding the SMEs booked at BFSB slightly contracted by 2% at the end of 2009, despite the growth in the middle and SME markets, due to the weak demand from the top tier market. This was reflected as well in the outstanding loans of large scale companies, of which top tier firms ended lower by 9% primarily due to pay downs of multinational loans in the fourth quarter of 2008. Prime borrowers also had high liquidity position, access to the capital market and preference for corporate notes and bonds.

24

Middle Market loans on the other hand grew by 9% due to term loans to finance ongoing projects, and loans to trading communities, food manufacturing, and pharmaceuticals. SME loans grew faster at 11% as lending in the provincial areas expanded by a hefty 21%. Economic activity was robust in the construction, real estate, retail trading, health care, education, and tourism industries. The bank also significantly increased exposure to non-traditional sectors such as local government units and water districts to further boost countryside development. Recognizing the vast potential in underserved territories, new lending desks were established in Legaspi, Albay and San Pedro, Laguna in

Luzon and in Dumaguete, Butuan, Surigao, Ozamis, Dipolog, and Tagum in Visayas and Mindanao.

For two years in a row, the Bank's trade finance was awarded the following:

- Best Local Trade Bank in the Philippines by the Euromoney PLC Trade Finance Asian Awards for Excellence
- Best Local Trade Finance Bank by Alpha Southeast Asia

Quality Recognition awards were likewise bestowed by the following foreign banks:

- JP Morgan Chase Bank for the 6th consecutive year
- Bank of America for the 5th consecutive year
- BNY Mellon for the 4th consecutive year and
- Commerzbank AG for the 3rd consecutive year

BPI Leasing Corporation (BLC) and BPI Rental Corporation (BRC) maintained its over 30% market share in the industry amidst tough competition. Both companies booked new leases of P4.0 billion or 8.0% higher than last year.

BLC's thrust was to tap SMEs to help entrepreneurs grow

MARKET SHARE
Leasing

OTHERS 70%



GIL A. BUENAVENTURA
Senior Executive Vice President
Corporate Banking Group

their businesses and cope better with competition. Asset financing thus ranged from car fleet requirements of multinational or top corporations to equipment needs of small to medium-sized local companies. BLC's middle market and SME portfolio grew substantially by 41% over the last two years financing mostly core operating assets like production equipment, medical equipment, and heavy equipment.

Amount financed under the Sustainable Energy Finance (SEF) Program grew to over P1 billion since the inception of the program in 2008. Seven accounts in the feedmill, hospital, hotel and technology provider industries were the recipients of this program for 2009. Another P4 billion in potential investments in both energy efficiency and renewable energy have been identified to include projects requiring equipment acquisition where leasing could be used as a financing alternative. Consistent with the bank's commitment to promote sustainability development, the SEF Program in partnership with the IFC was renewed for another two years. Phase 2 aims to expand focus on renewable energy. Moreover, a Risk Sharing Agreement was also signed with IFC where up to 50% of loans granted by BPI under the SEF Program will be guaranteed by IFC.

In spite of the economic slowdown in 2009, foreclosed properties sales

reached P3.8 billion involving 1,790 property titles, generating profits of P563 million. This was achieved through strong business relationships with clients, continued search for new markets and channels, active involvement in industry activities and projects, incentive programs, and non-traditional marketing and selling activities.

A number of deals that will effectively assist community development were entered into by the bank in line with its sustainability objectives, to wit:

- Sale and development of a 40-hectare bank property in Bacolod that would give the 10,000 informal settlers the chance to acquire

genuine ownership of the land they currently occupy;

- Long-term joint venture agreement with property developer Greenfield Development Corporation to develop a 17-hectare prime bank property in Sta. Rosa, Laguna that would help bring about the sustainable urbanization to a larger number of people in the southern metropolis; and
- Voluntary sale of over 1,200 hectares of farm land to the government through the Department of Agrarian Reform for eventual distribution to qualified agrarian reform beneficiaries. BPI was the first bank to do this under the new law that extends the comprehensive agrarian reform program in the Philippines.



BPI continues to support ongoing projects of key corporate clients contributing to growth in loan portfolio.

BUSINESS REVIEW INVESTMENT BANKING

Despite a gloomy market outlook in the first half of the year, BPI Capital, the bank's investment banking arm, saw opportunities and participated in major fund raising and financial advisory deals in 2009.

BPI Capital was once again tapped as the Joint Issue Manager for the Bureau of Treasury's Retail Treasury Bond (RTB) following the successful issuances in the last 2 years. The RTB program in 2009 generated P114.4 billion from retail and institutional investors for the national treasury, surpassing the combined volume of the previous ten RTB tranches and exceeding its target volume for the 3 and 5 year tenor bonds in less than 2 days of public offering.

BPI Capital raised a total of P93.3 billion in corporate funds via the capital market for the following:

ROLE	PRODUCT	CLIENT	AMOUNT (P BN)
Sole Issue Manager and a Lead Underwriter	Fixed rate retail bonds	Globe Telecom	5.0
	Homestarter Bonds	Ayala Land Inc.	0.5
Joint Issue Manager and Lead Underwriter	Fixed rate retail bonds	Aboitiz Power Corp.	3.0
		Filinvest Land Inc.	5.0
Joint Lead Underwriter	Fixed rate retail bonds	San Miguel Brewery	38.8
		SM Investments Corp.	10.0
		Robinson's Land Corp.	10.0
		JG Summit Holdings' Inc.	9.0
		Energy Development Corp.	12.0

BPI Capital was once again tapped as the Joint Issue Manager for the Bureau of Treasury's Retail Treasury Bond (RTB) following the successful issuances in the last 2 years.



TEODORO K. LIMCAOCO
President
BPI Capital

In addition, BPI Capital acted as loan arranger in over P17 billion peso and dollar denominated loan syndications and private placements.

BPI Capital also concentrated on the energy/power sectors and arranged loans to fund acquisition and power project expansion of top corporations in the industry. Two significant transactions were:

- Cebu Energy Development Corporation's P16 billion loan co-arranged by BPI Capital and considered to be one of the largest loan syndications in the domestic market; and
- Petron Corporation's P10 billion fixed rate corporate notes, where BPI Capital acted as Issue Manager and Lead Manager/Bookrunner and was considered a landmark deal for being the largest domestic fixed rate corporate notes issue in the country.



BPI Capital likewise successfully concluded a number of key financial advisory transactions across various industries, such as a valuation of a public utilities company, acquisition strategies for a target power generation company, valuation and structured sale of a telecommunications company to name a few.

For the second year in a row, BPI Capital was recognized by the PDS Group as the Top Fixed Income Brokering Participant for Retail Transactions for generating the most number of trade transactions. The company also maintained its dominant position in the retail distribution market by garnering the top spot in the Philippine Dealing Exchange Market for 2009 in terms of number of retail trades among Brokering Participants.

BPI Securities Corporation, BPI Capital's wholly owned stock brokerage company, ranked among the top 10 local brokerage firms with a 19% growth in trading volume and a 10% increase in client base for the year. BPI Trade, the company's online investment channel, continued to gain patronage as client base improved by 13% and trading volume grew by 17%. BPI Securities was named among the Top 5 Depository Brokering Participant in 2009 by the PDS Group.

BUSINESS REVIEW

FINANCIAL MARKETS

BPI's Financial Markets Group (FMG) managed to expand its business volume by 20% this year while growing its Securities Trading Gains almost 15 times for the same period.

FMG ensured adequate liquidity for its clients amid the uncertainty. It cushioned the impact of lower interest rates on the bank's interest differential business, by efficiently sourcing P27.0 billion of lower-cost funding alternatives.

FMG likewise effectively managed its foreign currency portfolio allocation and optimized the asset returns through timely shifts in the investment outlets from high grade to high yield assets. The share in the foreign exchange market was maintained at 13% and thru accurate market calls, income from foreign exchange deals improved by 64%.

To serve the short and long-term foreign exchange and interest rate hedging requirements of its corporate clients, the bank obtained its Type 2 Derivatives license from the BSP. This development enabled the bank to capitalize on the

business opportunities offered by Cross Currency Swaps and Non-Deliverable Forward markets, and take advantage of attractive yields. FMG also worked with other bank units in servicing the various requirements for derivative products, loans and investment portfolio hedging instruments. The new product offerings expanded 2009's earnings from derivatives by 146% against its 2008 level.

FMG maintained its top ranking in the primary market and attained a 12% market share in the secondary market for local government securities trading. Hence, BPI was recognized as –

- one of the Best-Performing Government Securities Eligible Dealers (GSED) in both the Primary and Secondary Markets by the Bureau of Treasury (BTR), and
- among the Top 5 Fixed Income Dealing Participants by The Philippine Dealing System (PDS)

FMG traders and dealers received citations from prestigious publications like The Asset Magazine, which ranked BPI as the number one bank with the most number of nominations for Astute Investors in the Philippines. They likewise received special mention for having some of the top sell-side individual traders in the country and one of the Most Astute Investors in Asian G3 bonds.



ANTONIO V. PANER
Executive Vice President
Financial Markets Group

In addition, the following recognitions were received:

- Best Domestic FX Provider from Asia Money
- Best Domestic Innovative FX Products and Structured Ideas in the Philippines from Asia Money
- Best Domestic FX Bank in the Philippines from Asia Money
- Best FX Philippine Bank for 2009 from Finance Asia

In compliance with BSP Circular 639, FMG facilitated the submission of BPI's first trial document for the Internal Capacity Adequacy Assessment Process (ICAAP) to BSP.

To serve the short and long-term foreign exchange and interest rate hedging requirements of its corporate clients, the bank obtained its Type 2 Derivatives license from the BSP.



BUSINESS REVIEW

OVERSEAS BANKING

The BSP recognized BPI as the Best Commercial Bank Respondent on OFs Remittances for 2008. In 2009, USD4.5 billion or 26% of the total OF remittances was remitted through BPI and its extensive network. This marked a 14% increase from the previous year, ahead of the 5.6% growth of the industry.

MARKET SHARE
Remittance

BPI 26%



OTHERS 74%



The Bank continued to strengthen its presence in regions with high concentration of OFs. BPI expanded its network in the US, the Middle East, Europe, and Southeast Asia. In Saudi Arabia, it forged strategic tie-up agreements with National Commercial Bank, the largest bank in the Kingdom, and The Bank of Albilad.

The number of deposit and remittance customers of London-based Bank of the Philippine Islands (Europe) Plc. also improved by over 200% and 50%, respectively. Consequently, deposit volume increased by P18.3 million or 19.6% to P111 million. This was achieved through Euro and pound based products and services offered under the bank's cross-border license in Eurozone countries with high concentration of OFs.

Committed to helping OFs go beyond remittances, BPI conducted BPI Inoy Learning Series caravans which included BPI Inoy Tutorials on financial control, entrepreneurship, and investment. Approximately 2,500 families/beneficiaries of OFs attended these caravans held in various areas nationwide such as Iloilo, Cavite, Dumaguete, Cebu, and Davao.

The bank also sustained its morale-boosting activities by honoring OFs and their families in the BPI Inoy Awards and the Search for Ten Outstanding Expat Pinoy Children. BPI was also a major sponsor, together with Globe Telecom, of the 2009 Model OFW Family of the Year Awards (MOFYA) held at the Sofitel Philippine Plaza. The MOFYA, a joint project of the Overseas Workers Welfare Administration (OWWA), and the Department of Labor and Employment,



TERESITA B. TAN
Senior Vice President
Overseas Banking and Channel Services Group

distinguishes outstanding OF families who achieved success in their respective professions and maintained strong family relations even in the face of overseas migration of one or more members of their household.

The bank garnered three awards at the 2009 Tambuli Awards, the leading awards for Integrated Marketing Communications Effectiveness in the Philippines and Asia. The BPinoy Learning Program won silver in two categories: Most Effective Family-Oriented Brand Campaign and Best Innovative and Integrated Media Campaign while the Search for Ten Outstanding Expat Pinoy Children won silver in the Most Effective Teens Brand Campaign.

BPI likewise launched the BPinoy Real Thrills Program, an automated rewards program that gives equivalent credits for remittance transactions. For accumulated credits, beneficiaries of BPinoy remitters can redeem free meals from the Pinoy fast-food chain, Jollibee.

BPI FOREIGN EXCHANGE CORPORATION

Despite the lingering effects of the 2008 financial crisis on the currency markets, BPI Foreign Exchange Corporation maintained its status as one of the largest foreign currency banknotes traders in the industry and as the choice supplier of third currencies. Notwithstanding the global economic challenges in 2009, the company continued to provide the most competitive exchange rates for overseas remittances to benefit beneficiaries in the Philippines.

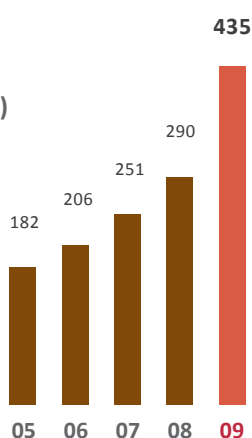


The BPinoy Learning Series, attended by around 2,500 OF families/ beneficiaries, provided tutorials on financial control, entrepreneurship, and investment.

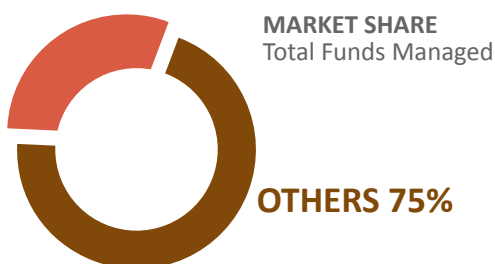
BUSINESS REVIEW

ASSET MANAGEMENT AND TRUST

TOTAL FUNDS
MANAGED (P Bn)



BPI 25%



BPI Asset Management delivered exceptional business volume growth of 50% in 2009, outperforming the industry and capturing 25% of the market. At year end, the bank's assets under management stood at P435 billion.

BPI Asset Management's dominance and exemplary performance backed by a complete line of trust products, state-of-the-art system infrastructure and highly qualified and certified management team earned for BPI the Best Asset Management Company in the Philippines award in The Asset Triple A Investment Awards 2009.

In addition, for the third time in a row, BPI Asset Management won the Reader's Digest Trusted Brand survey for May 2009 in the Investment Fund Category. Despite the difficult global financial environment, BPI Asset Management once again stood out in a league of its own from its competitors.

The newest member of the ALFM Family of Funds, the ALFM Growth Fund was introduced in January 2009. This is a balanced fund suitable for investors seeking a healthy mix of investments in both equities and fixed income. As of December 2009, the ALFM Growth Fund bested its competitors in the balanced fund category by posting the highest yield at 64.4%.

In line with BPI's 'Bank Anywhere' initiative, BPI Asset Management implemented Phase 1 of the Wealth Management System which allowed clients to invest



MARIA THERESA M. JAVIER
Senior Vice President
Asset Management and Trust Group

and transact in any of the more than 800 branches. Upon full implementation in 2010, the system will enable clients to do transaction online for investment funds, including redemptions. Consolidated financial statements of all managed mutual funds as against individual financial statements on a per currency basis, were also made available to clients.

Committed to help clients achieve financial security and independence, employees of the BPI Asset Management underwent continuous learning to become certified financial advisors. These training programs included Treasury Certification Program for the Investment Management team and Chartered Financial Advisors course for the senior investment officers. In addition, institutional account officers and investment consultants were accredited as certified financial planners under the International Association of Registered Financial Consultants.



BUSINESS REVIEW INSURANCE

The bank's insurance business delivered a strong performance in 2009 contributing P798 million in pre-tax income, 36% higher than the previous year.

Ayala Life Assurance, Inc. (Ayala Life), BPI's life insurance subsidiary, launched two Single Pay endowment products, EDP5 Plus and EDP7 Plus, which offered guaranteed cash benefits and life insurance protection.

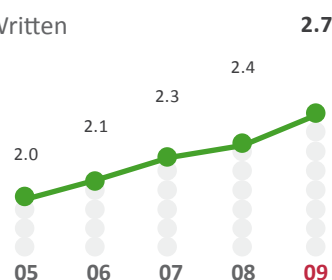


In November 2009, The Philippine American Life Insurance Company (Philamlife) acquired a 51% stake in Ayala Life from BPI. Ayala Life was subsequently renamed BPI-Philam Life Assurance Corp. and will serve as the platform for BPI and Philamlife's strategic bancassurance partnership. The joint venture is expected to benefit from the combined synergies, first-class resources and strength of two leading companies in the Philippine financial industry. Philamlife will bring insurance distribution, product development, and innovation to the joint venture, while gaining exclusive access to BPI's customer base via its extensive branch

network. BPI will have reciprocal access to Philamlife's customers for cross selling bank products.

BPI/MS Insurance Corp. (BPI/MS), BPI's non-life insurance company, increased by 10% its gross premiums written to P2.7 billion from the previous year and maintained its position as the third largest non-life insurance company in the country.

BPI/MS
Gross Premium Written
(in P Bn)



In the aftermath of typhoons Ondoy (Ketsana) and Pepeng (Pharma), BPI/MS processed more than 1,800 flood and typhoon claims of its Motor and Fire insurance policyholders in the second semester equivalent to an estimated P935 million loss. This affirmed BPI/MS commitment to its clients as well as the strength of its insurance protection.

Despite the increased loss experience due to the recent typhoons, BPI/MS managed to post the same level of net income of P282 million as in the previous year. Its combined ratio of 85%, which is a measure of underwriting profitability, outperformed its peer competitors.

The Philippine American Life Insurance Company (Philamlife) acquired a 51% stake in Ayala Life from BPI. Ayala Life was subsequently renamed BPI-Philam Life Assurance Corp. and will serve as the platform for BPI and Philamlife's strategic bancassurance partnership.

To provide the public protection against future calamities, BPI/MS introduced two new products – Home Care Advantage and Business Care Advantage. Home Care Advantage is a comprehensive insurance, re-designed to meet clients’ needs to protect their home, its contents and their personal belongings including money and jewelry. Business Care Advantage, on the other hand, is a comprehensive protection from all major property and liability risk in one package, targeted at SMEs.

With the implementation of the Quality Management System, BPI/MS was able to secure ISO 9001:2008 certification, proof of BPI/MS’ good management practices. The Quality Management System ensures standardized handling of transactions, proper tracking and resolution of client issues and complaints.

BPI/MS launched its new Merimen motor claims system, a web-based reporting and processing system which allows the client to file a motor claim at the nearest accredited dealer or repair shop. BPI/MS can approve and settle the claim on-line without physical inspection of the damaged vehicles. This pioneering initiative is aimed at providing utmost convenience to the clients and is likewise expected to revolutionize the motor car claims handling in the country.



BUSINESS REVIEW

HUMAN RESOURCES

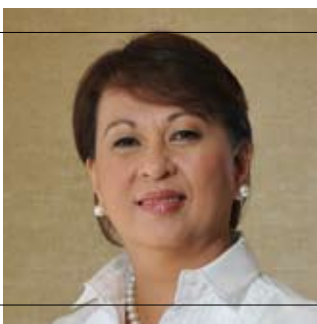
36



BPI In the tradition of providing excellent and dynamic customer service, BPI introduced two electronic Human Resource (HR) portals that revolutionized human resource management and engagement – MyeHR and MyBPIonline. These technology driven portals empowers BPI employees to have fast, friendly and paperless access to HR-related processes and services.

MyeHR is a personal, centralized, and secure online portal where employees can do HR-related transactions via the BPI intranet. Employees thru the Employee Self-Service function interact directly with an integrated HR data source, which allows them to update, manage, seek approvals and keep track of their records. Managers, on the other hand, thru the Manager's Self-Service function approve and endorse online to ensure information security.

MyBPIOnline is the employees' gateway to HR and an online tool for employees for managing their growth, keeping up-to-date, and staying connected at BPI. It provides pertinent information on what employees need to know about making the most of life as a BPI employee. Information ranges from getting settled in the employees' first few weeks on the job, to knowing about their benefits as a regular employee, to growing and finding fulfillment on the job. It is also a venue where the bank tried its best to answer all employees' questions and where it makes comprehensive information available.



FIDELINA A. CORCUERA
Vice President
Human Resources Management Group



BPI acts on its commitment to human resources development by providing an average of 40 hours of training and robust cross-posting program for its employees. BPI also partners with prestigious international institutions for its leadership and executive development. Now on its second year, is the bank's innovative leadership development program in partnership with the Harvard Business School Publishing. The BPI-Harvard Leadership Excellence Acceleration Program (LEAP) has graduated about 300 BPI leaders in its first 18 months. The program aims to cultivate consistent and capable leadership and to prepare BPI officers to lead strategic initiatives

in a dynamic business environment. This is a 3 year development program with the goal of developing a strong culture of leadership, innovation and customer centricity and a healthy leadership pool for BPI. The program is the first in Asia to utilize a scalable and innovative virtual learning medium that beams in Harvard faculty and thought leaders directly from Boston.

BPI demonstrates its generous corporate soul through various CSR volunteerism activities. With more than one thousand BPI employees affected by typhoons Ondoy and Pepeng, employees actively participated in the 'Employees for Employees (E4E)'

donation campaign. Donations came in the form of cash and relief goods, which the employees themselves packed and distributed to affected employees.

True to form, BPI balances work with a Wellness Program as employees and their families were likewise treated to an initial run of the wellness program at the NBC Tent in Bonifacio Global City. The program kicked off with a 2.3 km 'Walk-a-Fun' around Bonifacio Global City led by the President, Mr. Montinola. Thereafter, fitness trainers from different dance studios engaged employees in dancing, workout and yoga while the children enjoyed the games.

