

BUSINESS REVIEW



Unfazed by narrower spreads resulting from declining interest rates which reached a record low in the fourth quarter of 2010, BPI remained focused on its commitment to bring financial progress to more Filipinos through innovative and suitable product solutions for specific customer segments and operational ease in transaction points. This commitment was embodied in its 2010 institutional campaign “Let’s Make It Easy” which covered all aspects of the customer experience, from access to value-laden products and innovative services, to sound financial advice, thus ensuring that each point of customer interaction is convenient, hassle-free and financially empowering.



BUSINESS REVIEW

BRANCH BANKING

BPI deployed Customer Transaction Assist (CTA) machines in 100 branches. The CTA is a new standard for transacting in the branch which eliminates the deposit and withdrawal slips. Using touch-screen technology, branch customers simply encode on the CTA machine their transaction details which are automatically sent to the teller for processing. Customers can comfortably sit down while waiting for their queue numbers to be displayed in the LCD monitors which will prompt them to approach a specific teller. The CTA streamlines the transaction process cutting queue time and teller transaction time by 30%.



The Customer Transaction Assist (CTA) machine makes it easier for customers by cutting down the waiting time.



Consistent with the Bank's thrust of making the lives of the Filipinos more progressive, the Bank introduced the Easy Saver for the blue collar workers. Easy Saver is a savings account which does not have an average daily balance requirement, thereby enticing depositors to save and not worry about service charges. Only withdrawals from the account are charged a minimal fee to further encourage account holders to build-up their savings.

The bank also made available 351 Relationship Managers to render financial advice to a diverse and increasingly more sophisticated customer base. Moving a step further in making it easy for the customers, 70 field sales officers were deployed to visit workplaces, homes or other points of congregation of prospective bank customers to allow them to open a BPI deposit and/or an investment account, and/or avail of loan products without having to go to a branch.

Customer Transaction Assist Machine

BRANCH BANKING

Moreover, forums and sessions were organized in-branch via Branch Financial Wellness events, and in offices of the Bank's corporate clients via BPI On Call, to impart financial advice on budgeting, savings build-up, personal credit management, asset protection and investment. These forums are held to better equip the target market to set and attain their financial goals.

These initiatives, on top of the Bank's existing capabilities such as the Bank Anywhere, real-time check clearing for BPI checks and no-interbranch transaction fee policy, increased our customer base by 700,000 or 18%. Total deposits grew by 24% to P720 billion over the previous year's P579 billion bringing BPI's market share to 15%.

It's not just about giving your employees the right pay.



BPI

Let's make it easy.

It's about giving them reasons to stay.



BPI understands that employees are a company's best asset. Through BPI On Call, we'll assist your company in providing not just employee benefits but financial wellness that can help employees see a long and bright future with you.

Partner with us and let's make motivating your employees easy.



BPI OnCall

Email us at bpioncall@bpi.com.ph
for a free financial wellness seminar for your employees.

BUSINESS REVIEW

ELECTRONIC BANKING

To deliver superior banking experience marked by ease, convenience and availability, BPI pioneered e-commerce and maintained its market leadership as innovator in electronic banking. All customer touch points on top of the traditional branch - ATM, internet, phone and mobile banking - were enhanced to service the growing number of clients who manage their accounts in these secured and 24/7 alternative channels. Deposit transactions in these self-service channels now account for 64% of total transactions.

BPI continued to be the industry leader having the largest ATM network of more than 1,600 ATMs nationwide. In 2010, additional ATMs were installed in commercial and corporate sites, increasing presence in these areas by 14% and 28%, respectively. The deployment was done in schools, train stations, gas stations, and the like.

To further improve client access to BPI's electronic banking, the bank increased to 67 the number of branches with "BPI 24/7 Zones". These zones are self-service lobbies located at the outermost part of the branch and are equipped with ATMs and stand-alone online kiosks. As these zones remain open even as the branch is closed, clients can transact for free anytime, even during holidays, in the ATM and BPI Express Online (EOL), the Bank's internet banking platform.

The EOL channel continued to gain acceptance among depositors as enrolled clients increased



The BPI 24/7 Zones help improve the client's access to its electronic banking services.

by 36% from last year to 642,720. Financial transactions coursed thru this platform likewise grew by 41% to P133 billion from last year's P94 billion. Moreover, EOL reached an average of 4.8 million hits a month or a total of 57 million hits for the year. As such, it moved up in rank to No.18 based on the Alexa Ranking and remained to be the only financial website found in the top 20 list in the Philippines (<http://www.tophilippinewebsites.com/>).

BPI Express Mobile, the bank's mobile banking platform, continued to lead in the mobile banking industry by offering different mobile applications that are adaptable to the clients' varying levels of choice of technology. For 2010, three versions of the BPI Express Mobile facility were implemented:

- the SMS - Keyword version for starters.
- the SMS menu-based which allows non-financial and financial transactions;
- the Internet-based application, the most comprehensive variant for clients who have smart phones and are comfortable accessing the internet through their mobile phone.

The table below summarizes the functionalities and available transactions for each of the three versions.

	SMS-based		Internet-based Banking
	Keyword-based	Menu-based	
Type of phone	Any GSM phone	Any GSM phone	Any GPRS/MMS/Java enabled phone
Telcos supported	Globe/TM, Smart/Talk n Text	Globe and Smart	All
Requires GPRS / Wifi connectivity?	No	No	Yes
Available transactions			
Financial:			
Balance Inquiry/ Fund Transfer/ Bills Payment/ Express Cash reload/Prepaid Phone reload	✓	✓	✓
GCash reloading and unloading (for Globe numbers)/ Smart Money reloading (for Smart numbers)	✓	✓	-
Non-Financial:			
Change Password/MPIN	✓	✓	✓
Transaction history/ Checkbook reorder/Stop Payment Order/ Enroll 3rd party accounts/ Enroll additional account	-	-	✓

ELECTRONIC BANKING

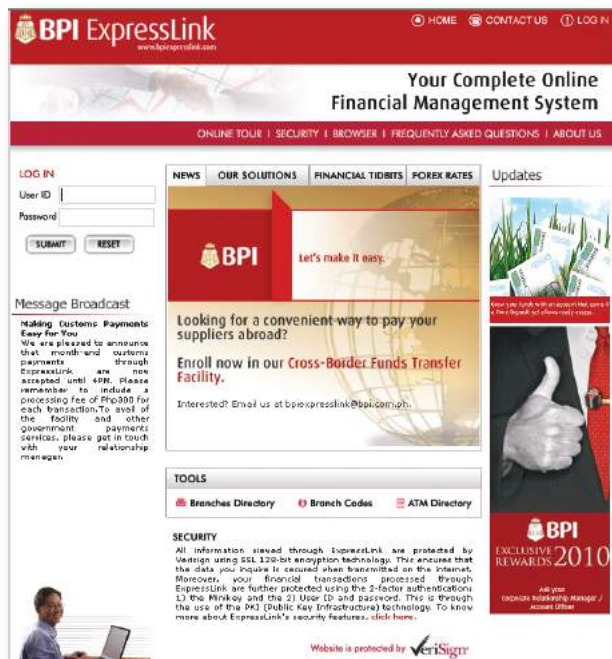
For the second consecutive year, enrollment in Express Mobile increased by 48%.

BPI Mobile Mall, the breakthrough virtual shopping facility, was expanded for everyday purchases of necessities and leisure. In addition to reservation of cinema tickets, reloading of prepaid phones and appliance shopping from supermarket and department store, clients can now avail of nationwide delivery from Mc Donald's.

BPI Express Phone, the bank's phone banking platform, continued to attend to all kinds of queries and concerns on clients' accounts as well as on the different bank products and services. In 2010, BPI Express Phone's self-service facility processed 10.2 million transactions and services while phone bankers entertained close to 3 million services. In addition, outbound sales calls made by phone bankers for various sales campaigns reached over 476 thousand or 24% higher than last year.

BPI continued to offer its customers unparalleled cash management service through ExpressLink. To liberalize financial access, average daily balance (ADB) deposit level required for ExpressLink enrollments was reduced to P100,000. Moreover, the expansion of host to host services assisted in the 18% growth in electronic transactions in 2010.

The Online Collections Facility (OCF) launched in 2009 became widely used in 2010 as various industries such as education, construction, and airlines realized the value of recognizing payments in near time. New innovations in cash management were introduced such as same-day payroll crediting during weekends and holidays and check releasing made directly to payees. In 2010, the fees from cash management increased by 35%.



Facilitating mobile phone payments

BPI launched the Cashierless Payment System Program (CPSP) in selected Globe Telecom Stores and Smart Wireless Centers. CPSP allows BPI Depositors who are Globe Telecom subscribers to pay their bills in any of the Bank's 24/7 channels. This program also services other Globe transactions such as reloading Globe, Globe Tattoo Broadband, and TM Prepaid accounts, and GCash loading.



Partnerships

BPI partnered with Globe Telecom to offer the limited edition BPI 24/7 Globe Tattoo Broadband stick. This prepaid broadband stick allows BPI clients to access the BPI Express Online website free of charge, even without any balance in their prepaid broadband account.



BUSINESS REVIEW

CARD BANKING

Despite a more intense competitive landscape in the spending and payments industry, constant innovation at BPI secured the Bank's position as one of the market leaders in the credit card industry. BPI remained the third largest in terms of cardholder base, expanding by 6% to more than 900 thousand. Receivables grew by 8%, while billings, at 16% market share, were up by 17%.

BPI continued to make inroads in previously untapped areas by providing a more accessible, more convenient, and more rewarding payment experience in 2010 for its cardholders.

The industry's first EMV chip co-brand airline card, the BPI WorldPerks MasterCard was reissued in 2010 as the BPI Delta SkyMiles MasterCard following the merger of Northwest Airlines with Delta Airlines. This further expanded the global coverage of the card in terms of destinations and redemption

options, owing to the even wider global network of member airlines after the merger.

BPI SkyMiles Platinum MasterCard, a platinum version of the SkyMiles card, was issued to offer a far superior package of benefits and rewards for the high-usage and premier customers. As with the WorldPerks brand, the miles earned do not expire and redemption of miles is the most hassle free among competing mileage cards. Furthermore, customers enjoy insurance coverage of up to P20 million when they charge their plane fare to their card.

To further entice our customers to go cashless, BPI enhanced its Real Thrills program, the revolutionary credit card offering of the Bank which rewards customers to avail of instant rewards at partner merchants by simply presenting charge slips. The Bank added new partners like Pizza Hut, UCC



In photo are, from left, MasterCard Vice President and Senior Country Manager Poch Villa-Real, BPI SVP and Cards Issuing Business Head Ginbee Go, Delta Airlines SkyMiles Director Mark Ferguson, BPI SVP for Card Banking and BDW Group Head Myra Sylanteng and MasterCard Vice President for Marketing and Member Relations Judith Marie Dayrit.

BUSINESS REVIEW

CARD

BANKING

Café, Congo Grille, Sentro 1771, Metro Cuisines, and Quattro Grill and Bar Restaurant. Other provincial establishments like Chika-an sa Cebu, PNOY Resto in Davao City expanded the reach of Real Thrills.

Moreover, the Real Thrills Shop Anywhere Instant gratification promotion was also made available to debit cardholders whenever they pay with their BPI Express Teller card through the Express Payment System (EPS).

BPI's Special Installment Plan (SIP) has been made even more attractive to customers who want to stretch or disperse their cash outflows for loan repayments through the Buy Now, Pay Later scheme. With this, the first installment payment can be made three or four months from purchase on top of the Real 0% interest of up to 24 months.

Likewise, BPI provided an alternative electronic gift certificate (eGC) using its prepaid platform to Crocs and the Bistro group - Italianni's, Fish & Co., Flapjacks and TGIFridays. The eGC can either serve as gift cards for the customers' family and friends of these establishments or as spend cards providing discounts commensurate to their customers' patronage points.



To ensure wider acceptance of BPI's credit cards and debit cards for the utmost convenience of its customers, the Bank increased its card-acceptance merchant base to almost 25,000 merchants nationwide. The bank also pursued a major debit card industry initiative by enabling all Expressnet, Bancnet, and Megalink cardholders to transact in all POS terminals nationwide.

Aside from the traditional POS merchant channel, BPI also intensified its affiliation of Internet-based merchants, increasing their count in 2010 by 17%. This move provided more convenience to cardholders who wish to transact in the comforts of their home desktop, and gave BPI an inroad into the growing Internet-payment market.

BUSINESS REVIEW

CONSUMER LENDING

BPI Family Savings Bank (BFSB), the Bank's consumer lending arm, remained a strong market leader in the consumer lending industry as it expanded its market reach and provided a diversified range of loan packages. Simplified processes and updated policies, enhanced products and services, and a flexible approach contributed to its 15% loan growth.

Auto Loans new releases for the year ended higher by 35% outperforming the industry growth rate of 27%. Outstanding portfolio grew by 23% capturing a market share of 20% by end 2010. This record growth was achieved through programs in line with the bank's commitment to provide financial access to its customers.

BFSB held its third Nationwide Auto Madness, which brought together the top car brands of dealer partners and members of the Chamber of Automotive Manufacturers of the Philippines (CAMPI) in one venue across eleven locations around the country. This auto financing event offered a Total Loans Solution where a customer's approval time was cut down to as fast as three to eight hours. Customers can also choose to pay via the Bank's wide range of banking options.

Several promotions and incentives also effectively contributed to the success of the Auto Madness. All participating dealers provided unique offers than their usual offerings for clients who are purchasing their models and getting financing from BFSB. Also, clients who availed of an auto loan from BFSB were given free insurance with the standard acts of nature coverage for the first year of the term of the loan and a pre-approved BPI Petron Credit Card, which comes with free fuel worth P200 and entitles the customer to rebates if the card is used for fuel purchases in selected fuel stations.

Retail Mortgage Loan consistently maintained its historical growth pace at 15% for loan releases and 12% for loan portfolio in 2010.

BFSB focused on providing its customers with convenient and efficient channels and services to serve their needs. Aside from the Bank's branches, BPI Express Online and BPI Loans internet platforms, the bank worked closely with its accredited brokers, conducting sales clinics and training programs, to make sure they deal effectively with the Bank's potential clients.

To further strengthen sales relationship with the brokers, BFSB formalized the brokers' incentive program, The Brokers' Circle. The program aims to recognize the critical role of valued broker partners and give rewards for their outstanding contribution to the bank. Incentives given to brokers are composed of cash incentives, instant prizes and quarterly and annual incentives such as raffle draws and awards.

BFSB also held a special sales event called Housing Madness wherein customers were presented with a wide choice of real estate developments. The Bank also held Preferred Nights, an event showcasing one developer at a time exclusively for the Bank's preferred clients.

BFSB launched its Ka-Negosyo Business Loans, a branded loan program that provides complete financial solutions for small and micro entrepreneurs or "negosyantes". Ka-Negosyo Business Loans are composed of product line-ups developed to aptly address the needs of small scale entrepreneurs at various stages of their business life cycle – from start-up to growth stage to expansion. It



CONSUMER LENDING

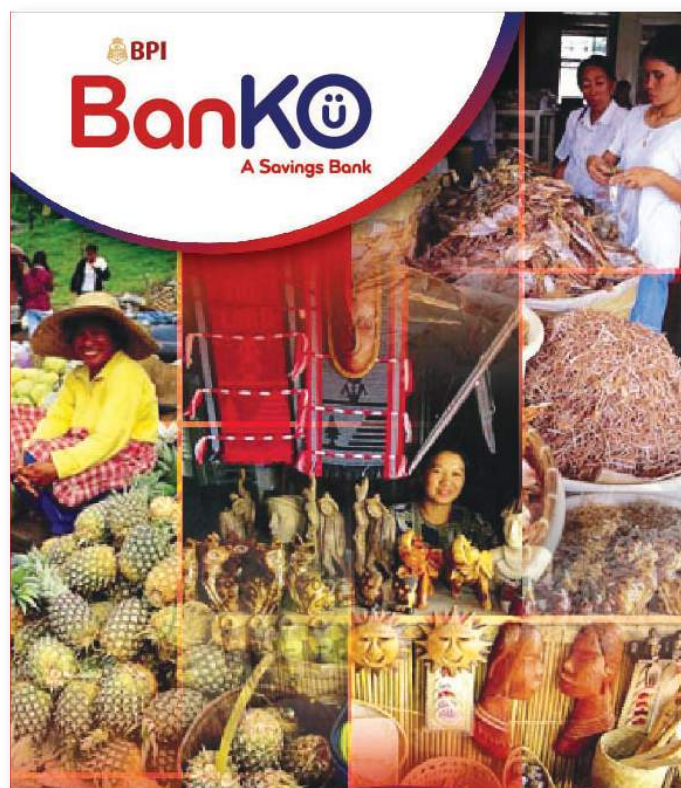
offers financing for as low as P500,000 and shorter than competition loan processing turn around time of only ten to fifteen days. Total SME loan releases inclusive of Ka-Negosyo loans improved by 27%.

For Ka-Negosyo clients to easily reach BFSB, the Bank set up a Ka-Negosyo website (www.kanegosyo.com), where prospective customers can apply online, an email hotline, text service and phone hotlines.

To assist clients in tapping business opportunities or in expanding their existing businesses, BFSB held the BPI Ka-Negosyo Expo together with Go Negosyo and the Association of Filipino Franchisers, Inc. (AFFI). This is an exclusive event for the Bank's preferred clients to explore franchising opportunities and Ka-Negosyo business loan packages under one roof. The Expo featured over 20 AFFI member companies with special franchising packages, lowered prices, discounts, and exclusive terms. Ka-Negosyo was likewise a silver sponsor of the Philippine Franchise Association's (PFA) Franchise 2010: Philippine International Franchise Conference & Expo.

Other promotional activities that were implemented to pump up interest on the Ka-Negosyo Business Loans are the following:

- Zero collateral loans for pre-qualified borrowers who would purchase franchises worth P1.5 million
- Free Business Insurance Bundle Promo wherein Ka-Negosyo Business Loans borrowers were given free fire insurance with Acts of God coverage, general liability insurance, and group personal accident insurance coverage
- Ka-Negosyo Real Thrills that provided borrowers with gift items such as refrigerators, netbooks and 32" LCD TV sets with DVD Player depending on the amount of loans availed



BPI Wholesale Microfinance/BPI Globe BankO

Total outstanding loans extended to microfinance institutions (MFIs) at the end of 2010 reached P2.0 billion, over 2.3x more than 2009. A total of P924 million was granted by BPI Parent and P1.1 billion was granted by BPI Globe BankO. Lending to MFIs benefited over 200,000 micro-entrepreneurs.

BPI Globe BankO

The year 2010 marked the public launch of BPI Globe BankO, an innovative partnership with Globe Telecom and Ayala Corporation. It is the first micro-finance focused bank in the Philippines that combines banking standards and delivery networks with mobile technology platforms. It offers alternative and innovative financial services, such as savings products, micro loans and micro insurance. It addresses the banking needs of the D1, D2 and E economic market segment—a potential customer base that has been left underserved for many years.

BPI Globe BankO has 34 wholesale clients, with over 200,000 indirect retail clients. For the initial pilot run of the direct retail lending, it acquired around 2,800 direct retail clients.

With BPI Globe BankO's business framework of social responsibility and sustainable development, it has received monetary support from the Bill Gates Foundation and Mercy Corps to help with its research and technology development for micro-finance.

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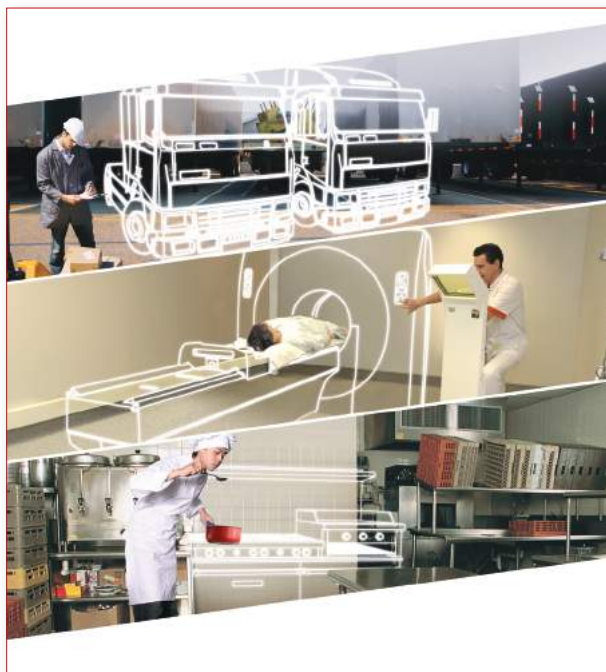
CORPORATE BANKING

Corporate loan portfolio ended 19% higher than last year with all market segments ending with double digit growth rates. Lending to top tier and multinational corporate clients grew by 18% on increased loan demand and financial solutions, composed of financing and depository and cash management services, provided to the trading communities of the Ayala Group of companies.

The middle market and the small and medium enterprises (SME) portfolio likewise increased by 23% and 16%, respectively. Corporate Banking strengthened its market position in emerging sectors such as schools, business process outsourcing (BPO) companies, tourism and health care. Furthermore, the Bank expanded its territorial coverage by adding new lending desks in Tuguegarao and Zamboanga following the heightened activity and trade in the provincial areas and to assist in countrywide development.

Moreover, for loans to SMEs in the areas of water supply and distribution, and to Local Government Units (LGUs) for various projects such as public markets and schools, BPI was able to obtain guarantees from the Local Government Unit Guarantee Corporation (LGUGC).

BPI Leasing Corporation (BLC) and BPI Rental Corporation (BRC) maintained their industry leadership amidst intense competition. The combined leases booked by these companies increased by 17% while the lease portfolio grew by 22% over the previous year. Transport equipment leases still accounted for a substantial 63% of outstanding portfolio while share of medical and construction equipment leases was 18%.



BPI's Sustainable Energy Finance (SEF) program effectively encouraged corporations to adopt a comprehensive new business model that takes into account the GRI triple bottom-line reporting to include people, planet, and profit. In partnership with the International Finance Corporation (IFC), BPI's green financing reached P2.0 billion, 52% up from the previous year's P1.3 billion. Some of the banner projects financed in 2010 under the program were:

- A Green Resort in Palawan, a 90-room first class hotel with an energy-efficient structure as its operations relies on green technology. This is the first environmentally friendly hotel in the area.



Sheridan Beach Resort & Spa in Puerto Prinsesa City, a green resort financed by BPI thru the Sustainable Energy Finance(SEF) Program



A Natural Water Filtration program is a system that reduces the hotel's carbon footprint by decreasing its usage of bottled water, thereby reducing energy and resources needed to transport, store and dispose of plastic bottles.

- Biomass energy system that uses non-fossilized, organic rice hulls to produce steam for the bottle washing operations, syrup cooking and sanitation of a softdrink company, and garment washing and finishing for a laundry firm.
- A biogas-fired power plant project for a piggery and poultry operations in Bulacan resulting in an estimated savings of at least 60% in power costs for the company.

CORPORATE BANKING

- Other SEF projects include leasing of solar absorption airconditioning system to a hospital in Makati, financing of energy efficient commercial building in Quezon City and financing of the change to the more energy efficient type of lighting for a school in Davao.

A total of 47 preliminary walk-through audit with a renewable energy consultant to assess energy efficiency opportunities were also conducted in 2010.

These financing projects and initiatives won for BPI the prestigious G-20 SME Finance Challenge, a global online competition for innovative solutions in financing green energy projects of SMEs. BPI remains committed to SEF as

there is a huge potential in the country for energy efficiency and renewable energy projects.

A multi-channel selling approach for foreclosed properties achieved sales of P4 billion in 2010. Aside from the real estate brokers' incentive program, the brokers were honored and rewarded for their contribution in a special event for them. As part of the Bank's cross-selling strategy, referral incentives were likewise given for successful referred sale transactions of Bank employees. This accounted for 28% of the total sales.

For efficiency and proper monitoring of bid offers of property buyers received in the head offices and all business centers nationwide, a Customer Care Desk was established where customers can obtain updates on their bids.



BPI was one of the recipients of the G-20 SME Finance Challenge for its Sustainable Energy Finance program (SEF) which has developed private sector investments in energy efficiency and renewable energy projects that reduce greenhouse gas emissions and help mitigate climate change.



Assistant Vice President Nanette Biason of Specialized Lending Unit and Sustainable Energy Finance represented BPI and received the G-20 SME Finance Challenge Award.

The year 2010 was a banner year for **BPI Capital**, the Bank's investment arm. Aside from continuing to be a leading player in the domestic capital market, the company initiated and participated in several major government and private fund-raising activities and financial advisory deals, including strategic initiatives of BPI.

BPI Stock Rights Offering

BPI Capital acted as the Sole Domestic Issue Manager and Lead Underwriter for the P10 Billion Stock Rights Offer of BPI. BPI was the first among Philippine banks and blue-chip companies to pursue a stock rights offering in 2010. The stock rights offer affirmed strong investor confidence in the bank with an almost 42% oversubscription.

Ayala Corporation Putable Bonds Issue

BPI Capital acted as the Sole Issue Manager for Ayala Corporation's issue of putable bonds for its working capital requirements and long-term strategic investments. The innovative, seven-year bond offering allows investors to redeem their principal before the maturity date and is the first such structure in the peso bond market in the country. The strong demand resulted in an oversubscription of the issue by about double the transaction size of P10 billion.



Bank of the Philippine Islands successfully completes P10Bn Rights Offering

INVESTMENT BANKING

Multicurrency Retail Treasury Bonds (MRTB)

BPI Capital acted as one of the Issue Managers for this landmark deal which raised USD500 million for the Bureau of Treasury. The MRTB was designed to enable Overseas Filipinos and their beneficiaries to invest in affordable foreign currency-denominated government securities, a high yielding investment alternative to savings and time deposits.

Domestic Bond Exchange

BPI Capital acted as one of the Joint Deal Managers for the highly successful and largest domestic bond exchange of the Republic of the Philippines. A total of around P200 billion of new 10- and 25-year benchmark bonds were issued, establishing a very liquid long-term benchmark for the domestic capital market.

BPI Capital was also instrumental in assisting top corporations in pursuing their respective fund raising exercises, with over P50 billion in private placements and loan syndications. In addition, BPI Capital was one of the arrangers in providing financing for various essential power projects such as GN Power, Panay Energy Development Corporation, and SEM Calaca Power Corporation. The financing for GN Power was intended for the Mariveles, Bataan plant, the first clean coal-fired plant under the Equator Principles.

BPI Securities Corporation

BPI Securities Corporation is the wholly owned securities brokerage subsidiary of BPI Capital which manages the Internet investment website, BPITrade. The implementation of the New Trade System (NTS) of the Philippine Stock Exchange (PSE) in 2010, facilitated an improvement in the order taking of both buy and sell transactions of online-based clients. Coupled with the country's strong economic growth in 2010, BPI Securities attained a higher transaction volume of 36% and an increased client base of 27%.



BUSINESS REVIEW

ASSET MANAGEMENT & TRUST

BPI Asset Management and Trust Group (AMTG), grew its assets under management by 10% to P480 billion. This translates to a 22% share of the trust industry. Trust fees likewise improved by 10%.

To target a wider base of potential investors and transform savers to investors, the minimum investment was reduced from P50,000 to P10,000 for peso investments and from US\$1,000 to US\$500 for dollar-denominated funds. Potential and existing clients are assisted in choosing a suitable investment fund at the branch. In addition to this, the "10k Test", an online tool in BPI Express Online (EOL), was launched in October 2010. This allows potential investors to choose from a variety of investment options - from conservative to moderate and even aggressive type of investments - and see the growth potential of the particular investment.



For the convenience of AMTG clients, Investment Online was launched in EOL. With this facility, investors can access their investment fund portfolio online instead of waiting for their quarterly financial statement. Investment Online provides investors the following:

- the market value of investment funds updated as of the latest available fund price
- the composition of investment portfolio and the details of each fund
- the details and status of transactions, contributions or withdrawals
- the transaction history as far back as 90 days

With the various fund and investment management solutions offerings of the Bank, the number of AMTG customers reached 70 thousand in 2010, a 9% growth over the previous year.

To ensure that AMTG provides professional and sound financial advice to trust clients, AMTG implements a Training Map, a blueprint for the required in-house and external trainings, and certifications tailor fit for the AMTG workforce. Investment counselors and account officers are required to take the Registered Financial Consultant (RFC) course and pass the requisite examination to become full-fledged RFCs.

For 2010, all Investment Counselors have successfully completed the course conducted by the International Association of Registered Financial Consultants (IARFC).

BPI highlighted the year with the signing of a Business Sale and Purchase Agreement with ING Bank, N.V. Manila. With this acquisition, BPI became the first bank in the Philippines to acquire a foreign bank trust portfolio, further solidifying its strength in the trust business while widening its portfolio. The completion of the acquisition in the first quarter of 2011 will make BPI AMTG one of the largest asset management companies in the Philippines, with about P550 billion in assets under management. The consolidated business will benefit from the combined synergies and enable BPI to offer a wide range of investment solutions to its clients through its extensive distribution network.

BPI Asset Management group garnered prestigious awards from different establishments:



- Best Wealth Management House in the Philippines in The Asset Triple A Investment Awards 2010



- Best Onshore Funds House in the Philippines in the Asian Investor's 2010 Investment Performance Awards
- Reader's Digest Asia's Trusted Brands award for the Investment Funds category for the fourth year

FINANCIAL MARKETS

The year 2010 turned out to be another good year for the Financial Markets Group (FMG). Amidst a volatile market, FMG increased business volume by 19%, while securities trading gains ended 130% better than the previous year. FMG leveraged on the strong economic indicators in the Emerging Markets, took advantage of opportunities for balanced diversification and spread arbitrage for high yield investments.

FMG proactively reallocated the bank's global investments to take advantage of improving economic fundamentals in Asia. The Group optimized the spreads amidst the historical low interest rate environment in the United States and European markets. FMG successfully coordinated the management of market volatilities in foreign exchange and credit markets by implementing effective strategies on portfolio duration, bonds and currency spread trades.

FMG introduced new and diversified products, and expanded coverage to meet the requirements of local and global customers. Under the guidance of FMG, the Chinese Yuan (CNY) savings and time deposit products were launched and CNY trading relationships with interbank counterparties were opened. With the positive outlook for the Chinese economy, the group supported the Bank in exploring and securing CNY opportunities.

BPI International Finance Ltd, the Bank's deposit taking company in Hong Kong, collaborated with FMG to address the expressed needs of its clients for fixed income securities product. BPI IFL was thus able to migrate investment management accounts to global securities accounts.

FMG expanded its counterparty coverage by establishing relationships with offshore accounts to take advantage of portfolio flows to and from the Philippines. This resulted in an initial booking of P45.7 billion worth of government securities deals.

Locally, FMG established a satellite office in Davao, to address the foreign exchange needs of its Mindanao customers. A new team dedicated to Fixed Income and Derivative Sales

was also established in 2010. This team assisted clients in enhancing their investment yield in a falling interest rate environment, and in hedging their foreign exchange exposures.

FMG gained headway in a competitive market by increasing their client calls from 1,800 last year to 2,400 this year. The calls helped FMG address customer needs better.

FMG's expertise and dominance in the industry was confirmed by the various awards it received for the year, namely:

- 1st Best Performing Government Securities Eligible Dealer in the Primary Market, given by the Bureau of Treasury
- Top Five Fixed Income Dealing Participant in the Philippine Dealing & Exchange Corp.
- Best in Government Bonds in The Asset's 10th Annual Asian Currency Bond Benchmark Survey

Moreover, one of FMG's dealers, Ms. Jennifer Gayle Singian, was recognized as the "Philippines' Number 1 Trader" and one of the "Philippines Most Astute Investors in Asian Currency Bonds" in The Asset Benchmark Research Survey.



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OVERSEAS BANKING

BPI's remittance business remained strong at USD4.8 billion, 6% higher than the previous year and captured 25% of the market. For the second consecutive year, BPI was awarded Best Commercial Bank Respondent on Overseas Filipino Remittances by the BSP. The bank also won the Best Remittance Provider in Southeast Asia for 2009 from the third Alpha Southeast Asia Annual Deal and Solutions Awards. To service more Filipinos overseas, two more remittance offices were opened, one in Madrid and another in California.

BPI further nurtured and deepened its relationship with the Overseas Filipinos (OF) by converting remitters to depositors. The Bank continued with its BPinoy Caravans better known as BPinoy Learning Series, a financial literacy program for OFs and their beneficiaries. Interactive modules were used to demonstrate how they can use available technology to

access banking transactions. The program also provided OFs the basics of saving and financial planning, how to manage their lives abroad and yet enable them to take care of their families like they never left home. In 2010, the Bank conducted more than 20 caravans in various areas such as Metro Manila, Naga, Dumaguete, Kalibo, Bohol, and Palawan. Through this program, OF depositors reached a one million mark.

The BPinoy Learning Program won the Silver Award in the Marketing Services – Special Events category during the 1st PANATA Awards by the Philippine Association for National Advertisers (PANA). PANATA is an annual recognition program for outstanding marketing communication materials or campaign that promote positive Filipino values.



Attendees of the BPinoy Learning Series get personal assistance from BPinoy staff on their banking inquiries.

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OVERSEAS

BANKING

To encourage and add value to OF remittances, other initiatives were launched by the bank in 2010:

- The Panalo sa Padala Promo, where remitters were given the chance to win exciting prizes everytime they send a remittances.
- BPI Inoy Jollibee Padala, a partnership with the country's biggest fast-food chain, where OFs can personally choose the Jollibee meal to send to their families to share or celebrate an occasion.

The bank continued to recognize the outstanding achievements of OFs, as well as their families. The 2010 BPI Inoy Awards were given to international young singer Charice Pempengco and brain surgeon Dr. Manuel Cacadac who is the head of Hydrocephalus Foundation of the Philippines.

The bank also honored children of OFs who excelled in both the academic and non-academic fields thru the "The Search for Ten Outstanding Expat Pinoy Children." The awards, classified

into four categories: Ibang Klaseng Talino (excellence in academics); Ibang Klaseng Community Leader (excellence in community leadership); Ibang Klaseng Entrepreneur (excellence in managing a business); and Ibang Klaseng Artist/Athlete (excellence in arts and sports), were given to ten outstanding students.

BPI Foreign Exchange Corporation

Amidst a strong healthy economic environment, BPI Foreign Exchange Corporation (BPI Forex) continued to be a dominant player in the market of foreign currency notes, serving a special niche of clientele for the purchase and sale of foreign currencies. Apart from the US Dollar, BPI Forex buys and sells the widest array of Asian, European, North American, and Middle Eastern currencies including the Japanese Yen, Thailand Baht, Malaysian Ringgit, Chinese Renmimbi, Hong Kong Dollar, Euro, Pound Sterling, Australian Dollar, Canadian Dollar, Swiss Franc, and Saudi Riyal.



The Bank honors OF children to encourage them to excel.

BUSINESS REVIEW

INSURANCE

The bank's insurance business sustained its solid performance as it contributed P800 million in pre-tax income in 2010.

BPI's strategic partnership in bancassurance through BPI-Philam produced the following products: Investment-linked products such as MaxYield 1 and Max Protect; traditional life insurance products such as Life Series and Prime Achiever for Individual Life, Accident Guard for Group Life, HealthAssist and HealthSave for Accident & Health; and Credit Assist for Telemarketing. All these products were offered to the bank's depositors except for Credit Assist which was offered to the bank's credit card holders. Total first year and single premium income amounted to P4.6 billion, 84% more than the Bank's previous experience in the life insurance business.

BPI/MS Insurance Corp. (BPI/MS), BPI's non-life insurance company, is a joint venture with Mitsui Sumitomo Insurance, now known as MS & AD Insurance Group, the largest insurance company in Japan and which ranks number seven in the world. BPI/MS remained to be number one in the industry in terms of profitability and number three in top line. For 2010, gross premium written ended at P3.5 billion, 32% better than the previous year.

Since the company's inception in February 2002, BPI/MS established ten branches nationwide, with the newest branch opened in 2010 in Tuguegarao.

To reach more clients, BPI/MS maintained five sales channels, servicing 80% of local business accounts and 20% Japanese accounts. Sales were generated through agents, brokers, branches, banks, and directly from Japanese accounts.

In line with the bank's sustainability efforts, BPI/MS began accepting risk coverage for alternative fuel projects in the Philippines.

Committed to excellent service, BPI/MS' Customer Care Unit focuses on the immediate and effective resolution of non-conformities and client concerns. The company has a program for continuing process improvement, especially on critical claim procedures. BPI/MS had one of the highest settlement rates for Typhoon Ondoy claims as of December 2010. Moreover, Mitsui Sumitomo Insurance imparted their assessment procedures/technology that facilitated evaluation of motorcar claims, total losses in particular.

INVESTMENT / PROTECTION

MAX PROTECT



To ensure that BPI/MS is manned by a team of professionals in the field, BPI/MS' people continuously underwent trainings in areas of technical expertise, customer service, and management development. For local technical training, the company enrolls employees in classes offered by the Insurance Institute for Asia & the Pacific. It also provides opportunities for overseas training and development. Six employees were sent to South East Asian countries for underwriting, claims, and other technical skill training during the year.



BPI/MS' branch network continues to expand nationwide.



BUSINESS REVIEW

HUMAN RESOURCES

The BPI Human Resources (HR) team is the enabler of the Bank's biggest asset—its people who execute the company's strategy and deliver the success of the organization. Through its different programs and service innovations, it helps to create a healthy work environment that produces high-performance leaders and sustainable growth for the Bank.

BPI Harvard LEAP: A best practice for building sustainable leadership



One such program that has helped build sustainable leadership and has supported the company's successor-generation strategies is the BPI Harvard Leadership Excellence Acceleration Program, or LEAP. On its third year in 2010, LEAP prepared more than 500 officers to be part of the Bank's planning and leadership pool.

The combination of the Harvard case method, the use of technological innovation, and dialogue and collaboration made LEAP to be a globally recognized best-practice program. In June 2010, BPI presented LEAP at the Harvard Business School Publishing's Partners Conference in Boston, to over 150 international Human Resource and business leaders from multinational companies and global organizations.

Engage 2010



In 2010, BPI HR embarked on an employee engagement survey to better understand the health of the organization and to strategize for better engagement in the future. In partnership with Watson Towers, a global consulting firm, the online survey received an above average 88% response rate from bank employees. The results of the survey will be available in 2011.

"Make it Easy" innovations

BPI HR also introduced service innovations to improve customer service to the Bank employees. MyBPionline continued to be the HR portal for the HR team and the employees to engage in information-sharing and data-gathering and assist the employees navigate through the different phases of their career with BPI.

MyeHR was further enhanced with the implementation of the new ePayroll and ePayslip systems, giving employees electronic access to their pay slips and benefits as well as to letter advice on salary adjustments. This freed up HR man-hours to be spent instead on strategic directions.

Opportunities for balanced growth

BPI HR believes in an organization where people can pursue their diverse interests outside of work, and therefore become more productive members of the organization and society. BPI supports this view through the establishment of organized interest clubs for BPI employees to choose from, such as the Bonsai Club, the Culinary Club, the Camera Club, the Writer's Club, and the newly formed Runners Club, among others.

Keep Fit, Feed a Child

BPI in 2010 launched "Keep Fit, Feed a Child," a unique corporate social responsibility program aimed at responding to a charitable cause while enabling BPI employees to reach their goals for personal wellness. Under the program, bank employees were incentivized to reach their desired Body Mass Index (BMI) and for every pound lost or gained, P50 would be turned over to a public school beneficiary. Over 400 employees enrolled in the program and about 40% of them met their target weight.

Working with Kabisig ng Kalahi Foundation, the funds raised from this program went to the supplemental feeding program of Gregorio del Pilar Elementary School in Manila and allowed undernourished children to be fed one hot meal every school day for six months.

