

PRESIDENT'S MESSAGE



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The year 2010 was one of unprecedented economic growth for the Philippines. After remaining relatively stable despite the global financial crisis in 2009, the Philippine economy posted record growth of 7.3%, the highest in over two decades. We attributed this to the overall recovery of the global economy, local election spending and a peaceful transition of power. 2010 was also touted by Bangko Sentral as a banner year for Philippine banking, with the financial sector sustaining healthy growth rates in lending, deposit, asset management, profitability, and capital levels.

At BPI, we sustained our Back to Basics Theme of deposit taking and lending, and supplemented it with a Redefining Opportunities additional thrust. The convergence of our innovations in internet, mobile, phone, and branch banking technology have strengthened our Bank Anywhere, Anytime and Anyhow proposition, while key partnerships have enabled us to further open up financial access to more Filipinos. All these have contributed to our second consecutive year of 33% net income growth and double-digit business volume growth. Lending increased 16% with double-digit growth rates registered across all market segments and well ahead of the industry growth of 8.9%. Deposits and trust assets increased by 24% and 11%, respectively, for a total intermediated funds growth of 18%.

In line with our commitment of making banking More Accessible, More Convenient and More Cost Effective for More Filipinos, we launched a unified campaign "Let's Make It Easy" in 2010 and implemented a number of products, and initiatives along this theme.

BPI Servicing More Filipinos

We increased our customer base by 700 thousand inclusive of the overseas Filipino segment. We achieved a milestone in cementing our relationship with our overseas Filipino customers, who reached the 1 million depositor mark. In February 2010, we publicly launched BPI Globe BankO, our mobile microfinance savings bank in partnership with Globe Telecom and Ayala Corporation. Aside from servicing microfinance institutions, we piloted retail micro lending to a community in Metro Manila.

A More Accessible BPI

Financial access and going down market has been at the forefront of many of BPI's activities.

To cater to the needs of emerging sectors in corporate banking, and boost our contribution to countrywide development, we opened new lending desks in underserved areas such as Tuguegarao and Zamboanga. These assisted in our overall provincial loan portfolio expansion of 26%.

To service the foreign exchange requirements of our corporate clients, our Financial Markets Group expanded its

geographic coverage with the creation of satellite offices. Specifically, an office in Davao was set up to service the Mindanao customers.

Our partnership with the International Finance Corporation (IFC) through our Sustainable Energy Financing (SEF) Program likewise enabled us to extend financial access to small and medium enterprises (SMEs) aiming to invest in sustainable energy. Our SEF Program won for us the prestigious G-20 SME Finance Challenge, a global competition for innovative solutions that help SMEs secure financing for their green energy projects.

At BPI Family Savings Bank (BFSB), the Ka-Negosyo Business Loans with minimum loan amount of P500,000 was introduced to small and micro entrepreneurs. This product increased SME loan releases by 27% and resulted in the doubling of accounts at BFSB.

Our Overseas Filipino customers were provided with additional access points for their remittance transactions with the opening of two new offices, one in Madrid and another one in California.

In the insurance business, our non-life insurance company, BPI/MS Insurance Corp., opened its services to Filipinos in northern Philippines in its newest location in Tuguegarao.

More Convenient Banking at BPI

Anticipating the financial needs of our varied clientele, we trained 842 Financial Advisors and 89 Lending Officers to properly offer the most suitable financial solution for each type of customers.

To make it easy for our customers to transact at our branches, we deployed Customer Transaction Assist (CTA) machines to 100 branches. These machines employ a user-friendly touch-screen technology for transactions, thereby cutting down queuing and teller transaction time by 30%.

We continued to pursue innovations in our 24/7 banking channels - BPI Express Online, BPI Express Mobile and BPI Express Phone. Investment Funds can now be viewed online through the My Portfolio page of BPI Express Online in addition to deposit, credit card and loan balances. This new facility provides investors with the latest market value of their investments, composition and details of their investment portfolio and details and status of their transactions as well as transaction history for the last 90 days. We also launched the Cashierless Payment System Program for BPI depositors who are Globe Telecom subscribers for them to pay their bills in any of our 24/7 channels. This

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program also services other Globe transactions such as reloading Globe, Globe Tattoo Broadband, and TM Prepaid accounts, and GCash loading.

Our BPI Mobile Mall provided virtual shopping for groceries, department store items, appliances, movie tickets, and even McDonald's deliveries as well as payment for these through the mobile phones. Moreover, our credit cards are now accepted in almost 25,000 merchants nationwide.

More Cost Effective Banking with BPI

We have continually worked on making banking with BPI more affordable for our customers. We introduced Easy Saver savings account for anyone who wishes to open an account without having to maintain a specified minimum balance.

Our Asset Management Trust Group (AMTG) lowered the minimum investment amount from P50,000 to P10,000 for investment products to encourage depositors and new clients to transition to first time investors. AMTG was recognized as the Best Wealth Management House in the Philippines in The Asset Triple A Investment Awards 2010 and the Best Onshore Funds House in the Philippines in Asian Investor's 2010 Investment Performance Awards.

We have likewise participated in the Philpass system to facilitate access to other banks and offer lower remittance fees to the overseas Filipinos.

Other Banking Milestones

BPI became the first-ever bank in the Philippines to acquire the trust and management business of a foreign institution with the signing of a Business Sale and Purchase Agreement with ING Bank, N.V. Manila.

Our strategic partnership in bancassurance through BPI-Philam offered two investment-linked products and six traditional life insurance products to our depositor base except for the Credit Assist product which is offered to our credit card holders. Total first year and single premium income amounted to P4.6 billion, 84% more than our previous experience.

Our investment banking arm, BPI Capital, was the Issue Manager of the Ayala Corporation Puttable Bond, a first in the Philippine capital market, given its unique feature of providing bondholders the flexibility to redeem their principal prior to maturity date.

MESSAGE FROM

THE PRESIDENT

The BPI Team

As our employees are key to achieving success, we continue to shape the BPI officers into capable leaders, dynamic innovators, and strategic business drivers through the BPI Harvard Leadership Acceleration Program (LEAP). On its third year, a total of over 500 officers participated in LEAP. Notwithstanding, we conducted an employee engagement survey in 2010 to measure the pulse of our employees and capture their own assessment of the bank. As articulated in our Sustainability framework, it is our constant goal to keep our employees engaged and productive, hence we ensure their growth and development in BPI.

As we move into 2011, we will continue to innovate to make financial services easier and more accessible for more Filipinos around the globe. While BPI's history of almost 160 years is etched with many milestones, we will not rest on our laurels and will proactively advance a better BPI for our customers. However, we will always move with prudence, for which BPI has been known, to safeguard the trust of millions of Filipinos. Aside from making banking with BPI secure, we are committed to a BPI that is ever-dynamic, ever-flexible, and ever-responsive to rapidly changing times.


AURELIO R. MONTINOLA III
PRESIDENT

2010 Performance Highlights

- Achieved 33% net income growth for the second consecutive year
- Posted double-digit growths in business volumes; outperformed industry growth for loans and deposits
- Released second Sustainability Report, the only bank to have done so
- Raised P10B worth of capital through a Stock Rights Offer
- Sustainable Energy Financing (SEF) Program won the prestigious G-20 SME Finance Challenge
- Acquired 700,000 net new customers
- Opened lending desks in Tuguegarao and Zamboanga
- Launched the Ka-Negosyo Business Loans for micro and small entrepreneurs
- Publicly launched BPI Globe BankO, the country's first mobile micro-focused savings bank
- Deployed Customer Transaction Assist (CTA) machines for paperless in-branch transactions
- Added Investment Account Inquiry for investment funds products in BPI Express Online
- Awarded the Best Mobile Phone Banking Award by The Asian Banker
- Lowered the minimum investment amount for investment funds from P50,000 to P10,000
- Recognized as the Best Wealth Management House in the Philippines in The Asset Triple A Investment Awards 2010 and the Best Onshore Funds House in the Philippines in Asian Investor's 2010 Investment Performance Awards
- Issue Manager for Ayala Corporation Puttable Bond, the first puttable bonds in the Philippine capital market
- Signed an agreement with ING Bank, N.V. Manila branch to acquire the latter's trust and investment management business and other related assets in the Philippines
- Conducted Engage 2010, the first employee engagement survey