

**STANDARD DOCUMENT COVER SHEET
FOR SEC FILINGS**

All documents should be submitted under a cover page which clearly identifies the company and the specific document form as follows:

**SEC Number * 121 (required)
File Number ****

**BANK OF THE PHILIPPINE ISLANDS
6768 BPI BUILDING, AYALA AVENUE, MAKATI CITY
818-5541 to 48
December 31, 2009
SEC FORM I7 -A (Form type)**

AMENDMENT DESIGNATION (if applicable)

FOR THE PERIOD ENDED DECEMBER 31, 2009
(if a report, financial statement, GIS, or related amendment or show-cause filing)

**NONE
EACH ACTIVE SECONDARY LICENSE TYPE AND FILE NUMBER**
(state "NONE" if that is the case)

-
- * SEC will assign SEC No. to new companies.
- ** SEC will assign File No. to new applications or registrations.
- *** Companies should display the File No. on any filing which is an amendment to an application or registration

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended : **DECEMBER 31, 2009**
2. SEC Identification Number : **121**
3. BIR Tax Identification No. : **TIN: 047-000-438-366**
4. **BANK OF THE PHILIPPINE ISLANDS**
Exact name of issuer as specified in its charter
5. **Ayala Avenue, Makati City, Metro Manila, Philippines**
Province, Country or other jurisdiction of incorporation or organization
6. Industry Classification Code : (SEC Use Only)
7. **BANK OF THE PHILIPPINE ISLANDS BUILDING**
Cor. Ayala Avenue & Paseo de Roxas
Makati City, Metro Manila **ZIP Code 1226**
Address of principal office Postal Code
8. **(02) 818-5541 to 48**
Issuer's telephone number, include area code
9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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Common	3,246,798,504
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11. Are any or all of these securities listed on a Stock Exchange?
Yes [**X**] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange

Common

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**X**]

No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [**X**]

No []

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Shares Held by Non-Affiliates	Market Value per share as of 04/12/10	Total Market Value
3,246,798,504	P46.0	P 149,352,731,184.00

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes []

No []

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

- X** (a) Any annual report to security holders;
- (b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);
- (c) Any prospectus filed pursuant to SRC Rule 8.1-1.

PART 1 - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(A) Description of business

(1) Business Development

BPI is the third largest commercial bank in the country in terms of total assets. It has a significant market share in deposits, lending, asset management and trust business and overseas Filipino (OF) remittances. It enjoys a significant presence in the finance and operating lease business, government securities dealership, securities distribution and foreign exchange business. BPI is a recognized leader in electronic banking, having introduced most of the firsts

in the industry, such as automated teller machines (ATMs), a point-of-sale debit system, kiosk banking, phone banking, internet banking and mobile banking.

Historical Background. Founded in 1851, BPI is the country's oldest bank and was the issuer of the country's first currency notes in 1855. It opened its first branch in Iloilo in 1897 and pioneered in sugar crop loans thus paving the way for Iloilo and Negros to emerge as prime sugar exporters. It also financed the first tram service, telephone system, and electric power utility in Manila and the first steamship in the country.

Business Evolution. In the post World War II era, BPI evolved from a purely commercial bank to a fully diversified universal bank with activities encompassing traditional commercial banking as well as investment and consumer banking. This transformation into a universal bank was accomplished mainly through mergers and acquisitions in the eighties when it absorbed an investment house, a stockbrokerage company, a leasing company, a savings bank, and a retail finance company.

BPI consummated three bank mergers since the late 1990s. In 1996, it merged with City Trust Banking Corporation, a medium sized bank, which further solidified its stronghold in consumer banking, and in 2000, it consummated the biggest merger then in the banking industry when it merged with the former Far East Bank & Trust Company (FEBTC). This merger established its dominance in the asset management & trust services and branch banking as well as enhanced its penetration of the middle market. In 2000, it also formalized its acquisition of three major insurance companies in the life, non-life and reinsurance fields, a move that further broadened its basket of financial products. In 2005, BPI acquired and merged with Prudential Bank, a medium sized bank with a clientele of middle market entrepreneurs.

BPI evolved to its present position of eminence via a continuing process of enhancing its array of products and services while attaining a balanced and diversified risk structure that guaranteed the stability of its earning streams.

Business Milestones (2007-2009).

In April 2007, BPI obtained a UK Banking licence from the Financial Services Authority to operate the Bank of the Philippine Islands (Europe) Plc, a wholly owned subsidiary. This was officially opened to the public in October 2007. This will serve as the bank's gateway to all countries in the European Union and the rest of Europe.

In October 2008, BPI, Ayala Corporation and Globe Telecom signed a Memorandum of Agreement to form the country's first mobile microfinance bank. In October 2009, the Bangko Sentral ng Pilipinas approved the sale/transfer of equity shares of BPI in Pilipinas Savings Bank, Inc. (PSBI) consistent with the agreed ownership structure at 40% each for BPI and Globe Telecom, Inc and 20% for Ayala Corporation. Pilipinas Savings was subsequently renamed BPI Globe BankKO, the first microfinance bank with mobile phone technology as the main platform for banking service delivery to reach the unbanked and the underbanked segment of the market. It will extend wholesale microfinance loans as well as provide other microfinance products such as micro loans, microsavings and microinsurance to microentrepreneurs thru partnership arrangement with microfinance institutions.

In 2009, BPI entered into a strategic bancassurance partnership with The Philippine American Life Insurance Company (Philamlife) to form BPI-Philam Life Assurance Corp. The joint venture aims to benefit from the combined synergies, first-class resources and strength of two of the leading financial companies in the Philippines. 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.

Principal Subsidiaries. The bank's principal subsidiaries are:

- (1) BPI Family Savings Bank, Inc. (BFSB) serves as BPI's primary vehicle for retail deposits, housing loans and auto finance. It has been in the business since 1985.
- (2) BPI Capital Corporation is an investment house focused on corporate finance and the securities distribution business. It began operations as an investment house in December 1994. It merged with FEB Investments Inc. on December 27, 2002. It wholly owns BPI Securities Corporation, a stock brokerage company.
- (3) BPI Leasing Corporation is a quasi-bank concentrating on lease finance. Its quasi-banking license was inherited from the merger with Citytrust Investment Phils. Inc. in May 1998. It was originally established as Makati Leasing and Finance Corporation in 1970. It merged with FEB Leasing & Finance Corporation on February 20, 2001. It wholly owns BPI Rental Corporation which offers operating leases.
- (4) BPI Direct Savings Bank is a savings bank that provides internet and mobile banking services to its customers. It started operating as such on February 17, 2000 upon approval by the Bangko Sentral ng Pilipinas.
- (5) BPI International Finance Limited, Hong Kong is a deposit taking company in Hong Kong. It was originally established in August 1974.
- (6) BPI Express Remittance Corp. (U.S.A) is a remittance center for overseas Filipino workers and was incorporated on September 24, 1990.
- (7) Bank of the Philippine Island (Europe) Plc was granted a UK banking license by the Financial Services Authority (FSA) on April 26, 2007. It was officially opened to the public on October 1, 2007. In July 2008, BPI Europe was permitted by the FSA to carry out cross-border services in other EEA Member States.
- (8) Ayala Plans, Inc. is a wholly owned pre-need insurance company acquired through the merger with Ayala Insurance Holdings Corp (AIHC) in April 2000.
- (9) BPI/MS Insurance Corporation is a non-life insurance company formed through a merger of FGU Insurance Corporation and FEB Mitsui Marine Insurance Company on January 7, 2002. FGU and FEB Mitsui were acquired by BPI through its merger with AIHC and FEBTC in April 2000.

(2) Business of Issuer

Principal Products & Services

The bank has two major categories for products & services. The first category covers its deposit taking and lending / investment activities. Revenue from this category is collectively termed as net interest income and accounts for about 62% of revenues. The second category covers services other than and auxiliary to the core deposit taking, lending, and investing business and from which is derived commissions, service charges & fees from turnover volume. These include investment banking & corporate finance fees, asset management & trust fees, foreign exchange, securities distribution fees, securities trading gains, credit card membership fees, rental of bank assets, income from insurance subsidiaries and service charges/ commissions earned on international trade transactions, drafts, fund transfers, various deposit related services, etc. Non-recurring gains are derived from the disposal of foreclosed/acquired properties.

Foreign Offices Contribution

	2007	2008	2009
Share in Total Revenue (%)	1.82	2.12	1.63
Hong Kong	0.72	0.39	0.28
USA	0.35	0.42	0.38
Europe	0.75	1.30	0.98
Share in Total Net Income (%)	1.78	0.98	-0.04
Hong Kong	1.51	0.42	0.14
USA	0.11	(0.25)	0.09
Europe	0.16	0.82	(0.26)

Distribution Network

BPI has 809 branches across the country, including 115 Express Banking Centers (EBCs) by the end of 2009. EBCs are kiosk branches much smaller than the traditional branch but fully equipped with terminals allowing direct electronic access to product information and customers' accounts as well as processing of self service transactions. They serve as sales outlets in high foot traffic areas such as supermarkets, shopping malls, transit stations, and large commercial establishments. Overseas, BPI has three (3) branches through BPI International Finance Limited in Hong Kong and Bank of the Philippine Islands (Europe) Plc's two (2) branches in London.

BPI's ATM network, known as the ExpressNet, complements the branch network by providing banking services to its customers at any place and time of the day. As of December 2009, the ExpressNet consortium had a total of 3,767 ATMs servicing its customers nationwide. The interconnection with Megalink and Bancnet in 1997 and 2006, respectively, gives BPI ATM cardholders access to almost 9,000 ATMs. BPI's ATM network is likewise interconnected with the Cirrus International ATM network and Visa International. In addition, BPI operates Express Payment System (point-of-sale/debit card system) terminals in major department stores, supermarkets, and merchant establishments. This facility, interconnected with the Maestro international POS network, allows customers to pay for purchases electronically through their ATM cards.

The BPI Express Phone Facility enables BPI depositors to inquire account balances and latest transactions, request for bank statements, transfer funds to other BPI accounts real time, pay for their various bills (e.g., PLDT, Meralco, club dues, insurance premiums) and reload prepaid cell phones electronically. To further enhance the Express Phone facility, a Call Center was established in 1998 to provide phone banker assisted services to its customers.

In 2000, BPI launched its B2C web-based platform, Express Online (EOL), which provides all the transactional services available through the Express Phone plus the real-time convenience of viewing transactional history and balances on screen. EOL now also allows investment transactions through its BPI Trade platform where customers can invest in equities without the need of any dealer or broker.

BPI Express Mobile, the bank's mobile banking platform upgraded with the telco-agnostic Mobile Banking Applet, an internet based application, provides customers with an Express Online-like platform in their mobile phones. BPI Express Mobile is also equipped with a Mobile Mall facility that enables clients to order and pay purchases at partner establishments. In addition, it also has Mobile Commerce application, which aims to assist entrepreneurs as it

functions as an inventory manager. With this facility, clients can order their goods, pay for them via debit from their deposit accounts, and have the goods delivered to their offices.

BPI also maintains a specialized network of remittance centers for servicing overseas remittances from Filipinos working abroad. To date, BPI has 21 Remittance Centers and Desks located in Hong Kong, USA and Europe. BPI also maintains tie-ups with various foreign entities in locations where this mode of operation is more effective and cost-efficient.

On the lending side, BPI maintains 13 Business Centers across the country to process loan applications, loan releases, and international trade transactions, and provide after-sales servicing to both corporate and retail loan accounts.

Competition

Mergers, acquisitions and closures trimmed down the number of players in the industry from a high of 50 upon the liberalization of rules on the entry of foreign banks to 38 universal and commercial banks in 2009.

In 2009, lending by universal and commercial banks, excluding thrift banks, posted a 10.0% growth. Industry lending was relatively strong in the past two (2) years due to power project and infrastructure financing. Demand in 2008 was stronger as companies ensured that they are fully funded and liquid in the face of the global financial crisis. Top tier companies also opted to access the capital market. Loans to the middle and SME markets were however healthy due to financing requirements of certain industries.

In the previous years, the anemic demand for corporate loans prodded banks to venture more extensively into consumer lending. BPI, being a well-entrenched, long-term player enjoys the advantage of having an undisputed depth of experience in this demanding business that spans origination/credit selection, collection, and asset recovery activities.

The overseas Filipinos (OFs) remained to be the focus market among banks as it continued to contribute significantly to the economy. In view of this, BPI continued to strengthen its stake in this segment by actively cross selling products other than the remittance service and exhibited growth in OF deposits and housing loans. Over the years, redeployment and migration is seen to be a preferred option for Filipino workers and professionals as long as the domestic economy can not provide meaningful employment.

Based on required published statements by the Bangko Sentral ng Pilipinas (BSP) as of December 2009, BPI is the third largest bank operating in the country in terms of assets, loans, deposits, and capital and second in terms of asset management and trust business. Total assets of BPI based on PFRS compliant audited financial statement are higher though than the published statements prepared along BSP standards.

Patents, Trademarks, Licenses, Franchises, etc.

BPI sells its products and services through the BPI trademark and/or trade name. All its major financial subsidiaries carry the BPI name e.g. BPI Family Savings Bank, BPI Capital, BPI Securities, BPI Leasing, BPI Direct Savings, and so do its major product & service lines.

In addition to the BPI trademark, it markets its products through the “Express” brand name e.g.,

- (1) BPI Express, for its mini branches
- (2) Express Banking Center, for its banking kiosks
- (3) Express Loan Center, for the banking kiosks of BPI Family Savings Bank
- (4) Express Teller, for its ATM
- (5) Express Deposit Service, for its cash acceptance machine

- (6) Express Payment System or EPS, for its debit card system
- (7) ExpressNet, for its shared ATM network
- (8) Express Credit, for its credit cards
- (9) Express Cash, for its electronic cash card
- (10) Express Phone, for its call center facility
- (11) Express Online, for its internet based transaction platform for retail customers
- (12) Express Mobile, for its mobile banking facility
- (13) ExpressLink, for its internet based transaction platform for corporate customers
- (14) Express Collect, for its corporate deposit related services

At BPI Family Savings Bank, the product trademarks include the Build your Dream Housing Loan, the Drive your Dream Auto Loan, the Grow your SME Business Solution, the Live your Dream Credit Line and Ride your Dream Motorcycle Loan . Other product brands of BPI and BFSB are Maxi-One, Jumpstart Savings, Save-up, Maxi-Saver, Get Started Savings Account and Plan Ahead Time Deposit. BPI Direct Savings bank products are BPIInoy Savings, BPIInoy Housing Loan, BPIInoy Auto Loan and BPI Direct Save-Up.

In terms of corporate business licenses, BPI has an expanded commercial banking license while BPI Family Savings Bank and BPI Direct Savings have savings bank licenses. Both BPI and BPI Direct Savings have e-banking licenses. BPI Capital Corporation has an investment house license. BPI Leasing has a finance company as well as quasi-banking license.

Related Parties

BPI extends loans to its Directors, Officers, Stockholders and their Related Interests or DOSRI in the normal course of business and on equal terms with those offered to unrelated third parties. The BSP imposes an aggregate ceiling of 15% of the bank's loan portfolio for these types of loans with the unsecured portion limited to thirty percent (30%) of the outstanding loans, other credit accommodations and guarantees. As of December 31, 2009, DOSRI loans amounted to 2.2% of loans and advances as per Note 32 of the 2009 Audited Financial Statements.

Government Regulations

Under the General Banking Act, the Monetary Board of the BSP is responsible for regulating and supervising financial intermediaries like BPI. The implementation and enforcement of the BSP regulations is primarily the responsibility of the supervision and examination sector of the BSP.

The General Banking Act was revised in 2000. The revisions allow (1) the issuance of tier 2 capital and its inclusion in the capital ratio computation, and (2) the 100% acquisition of a local bank by a foreign bank. The second item removes the advantage of a local bank over a foreign bank in the area of branching. In 2005, the BSP issued Circular no. 494 covering the guidelines in adopting the provision of Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS) effective the annual financial reporting period beginning 1 January 2005. These new accounting standards aim to promote fairness, transparency and accuracy in financial reporting.

In July 2007, the risk-based Capital Adequacy Ratio (CAR) under the Basel II accord, which assigns risk weights for credit, market and operational risks, was implemented by the BSP through BSP Circular 538. The circular, which covers all universal and commercial banks including their subsidiary banks and quasi-banks, also maintained the 10% minimum capital adequacy ratio for both solo and consolidated basis. Subsequently, the Internal Capital Adequacy Assessment Process (ICAAP) guidelines was issued in 2009 for adoption by January 2011.

Research and Development Activities

BPI spent the following for the last three years:

		<u>% of Revenues</u>
2007	209.3	0.6
2008	200.8	0.7
2009	215.5	0.6

Employees

Below is a breakdown of the manpower complement of BPI in 2009 as well as the approved headcount for 2010.

	December 31, 2009			2010
	Officers	Staff	Total	Plan
Unibank	3,417	8,132	11,549	11,861
Insurance Companies	118	488	606	339
TOTAL	3,535	8,620	12,155	12,200

Majority of the rank and file employees are members of various unions. New Collective Bargaining Agreements (CBAs) of the parent company with the employees union in different areas were concluded/signed from July 28, 2009 to September 18, 2009. The new CBA covers the period April 2009 – March 2011.

Risk Management

The bank employs a disciplined approach to managing all the risks pertaining to its business to protect and optimize shareholder value. The risk management infrastructure covers all identified risk areas. Risk management is an integral part of day-to-day business management and each operating unit measures, manages and controls the risks pertaining to its business. Functional support on policy making and compliance at the corporate level is likewise provided for the major risk categories: credit risks, market risks and operating risks. Finally, independent reviews are regularly conducted by the Internal Audit group, regulatory examiners and external auditors to ensure that risk controls are in place and functioning effectively.

Credit risk continues to be the largest single risk that the bank faces. Credit risk management involves the thorough evaluation, appropriate approval, management and continuous monitoring of counterparty risk, product risk, and industry risk relating to each loan account and/or portfolio. The credit risk management process of the Unibank is anchored on the strict implementation of credit risk management policies, practices and procedures, control of delegated credit approval authorities and limits, evaluation of portfolio risk profile and the approval of new loan products taking into consideration the potential risk. For consumer loans, credit risk management is additionally supported by established portfolio and credit scoring models.

Market risk management involves liquidity risk and price risk. Both risks are managed thru a common structure and process but use separate conceptual and measurement frameworks that are compatible with each other. Liquidity risk management involves the matching of asset and liability tenors to limit the bank's vulnerability to abnormal outflows of funds. Price risk management involves measuring the probable losses arising from changes in the values of financial instruments and major asset and liability components as a result of changes in market rates, prices and volatility.

Operational risk management involves creating and maintaining an operating environment that ensures and protects the integrity of the institution's assets, transactions, records and data, the enforceability of its claims, and compliance with all pertinent legal and regulatory parameters.

Item 2. Properties

BPI's Head Office is located at the BPI Building, Ayala Avenue corner Paseo de Roxas, Makati City. Of the 812 branches, 671 operate as BPI branches: 354 in Metro Manila/Greater Metro Manila Area and 317 in the provincial area. The parent bank owns 33% of these branches and leases the remaining 67%. Total annual lease amounted to Php 552 million. Expiration dates of the lease contracts vary from branch to branch.

BPI Family Savings Bank operates 138 branches of which 22% are bank owned while 78% are leased. Total annual lease amounted to Php 102 million.

The head offices of BPI and BPI Family Savings Bank as well as the 812 branches are maintained in good condition for the benefit of both the employees and the transacting public. The bank enforces standards for branch facade, layout, number and types of equipment and upkeep of the premises.

All of the bank-owned properties are free from any lien.

The bank will maintain its existing number of branches and will continue to reconfigure the mix of its traditional branches, and Express Banking Centers (kiosk branches) as it adjusts to the needs of its customers.

Total lease expense for 2009 for BPI and its subsidiaries amounted to P777 million as per Note 26 of Audited Financial Statement.

Item 3. Legal Proceedings

NONE

Item 4. Submission of Matters to a Vote of Security Holders

NONE

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholders Matters

Market Information

The common shares of BPI have been listed on the Philippine Stock Exchange since 1966.

The table below shows the high and low prices of BPI shares transacted at the Philippine Stock Exchange (PSE) for each quarter within the last two (2) fiscal years.

	High	Low
Year Ended December 31, 2008		
1st Quarter	P 52.92	39.58
2 nd Quarter	46.67	35.83
3 rd Quarter	48.50	33.33 *
4th Quarter	48.00	34.00
Year Ended December 31, 2009		
1st Quarter	P 41.00	31.00
2 nd Quarter	46.50	34.00
3 rd Quarter	46.00	41.50
4th Quarter	48.50	45.00

* A 20% stock dividend took effect on 30 July 2008.

The high and low sales prices of BPI at the Philippine Stock Exchange on April 12, 2010 were P46.50 and P45.50, respectively.

Holders of Common Equity

There were approximately 13,681 common share holders of BPI as of December 31, 2009. Please refer to Exhibit C for the top one hundred (100) shareholders and beneficial owners of PCD Nominee Corporation with their corresponding shares and percentage ownership of BPI.

Dividends

Cash dividends declared and paid during the years ending December 31, 2008 & 2009 are as follows:

<u>BPI</u>	<u>Amount Declared</u>	<u>Amount Paid</u>
Year Ending December 31, 2008	5,842 Million	8,060 Million
Year Ending December 31, 2009	5,844 Million	5,843 Million

The difference between the amount declared and paid per year is due to the time lag in obtaining BSP approval to pay out the dividends.

There are no known restrictions or impediments to the company's ability to pay dividends on common equity, whether current or future.

Recent Sales of Unregistered or Exempt Securities

There were no unregistered securities sold during the year.

Item 6. Management Discussion and Analysis of Financial Condition and Results of Operations (Last Three Years: 2007, 2008, and 2009)

Highlights of the balance sheet and income statement for each year together with the compounded growth rate over the three year period (2007 - 2009) are shown below:

In Million Pesos	2006	2007	2008	2009	CAGR
Assets	583,133	637,285	666,612	724,420	7.50%
Deposits	467,076	513,444	540,352	579,471	7.45%
Loans (Net)	243,191	273,756	320,216	327,474	10.43%
Capital	65,487	71,131	63,872	67,765	1.15%

The bank's asset level for the period 2007 to 2009 recorded a compounded annual growth rate (CAGR) of 7.5% mainly due to deposit level expansion by 7.4%. Loans grew at a faster rate of 10.4%. Capital on the other hand increased by only 1.2% derived from the yearly profits net of regular and special cash dividends paid.

2007

Resources reached P637.3 billion, P54.2 billion or 9.3% higher than the previous year largely due to **Total Liabilities** increase of P48.5 billion or 9.4%. The liabilities increase was mainly due to **Deposit Liabilities'** growth of P46.4 billion or 9.9%, resulting from a 17% expansion in peso deposits and reflected in all types of deposits. **Demand Deposits** exhibited the strongest growth of 20.0% or P14.5 billion while **Time Deposits** reflected the biggest gain in volume of P25.3 billion or 9.3%. **Savings Deposits** likewise showed a modest increase of P6.5 billion or 5.3%. Foreign currency deposits on the other hand contracted largely from the translation effect of the stronger peso.

Liabilities Attributable to Insurance Operations grew by P1.3 billion or 8.5% on higher reserves associated with new policies issued. The higher level of deposits consequently resulted in higher accrual of interest expense, which together with the higher accrued taxes and licenses as well as expenses caused **Accrued Taxes, Interest and Other Expenses** to rise by P707 million. **Derivative Financial Liabilities** grew by P2.2 billion or 1.9x due to the higher level of currency swaps transactions and the increased interest rate volatilities in U.S. Dollars and the Philippine Pesos. Increases were likewise registered in **Manager's Checks and Demand Draft Outstanding** by P464 million (20.6%) on increased issuance of manager's checks, and **Due to Bangko Sentral ng Pilipinas (BSP) and Other Banks** by P296 million (29.5%) on higher collection of taxes. All these increases were negated by decreases in other liability accounts. **Deferred Credits and Other Liabilities** dropped by P2.5 billion or 11.6% on lower miscellaneous liabilities. Last year's account included a cash dividend payable versus none this year pending receipt of the BSP approval. **Bills Payable** was also P341 million or 6.0% below last year on lower requirements for the year following a substantial increase in deposit funds.

Capital funds improved by P5.6 billion or 8.6% due to this year's accumulated earnings net of cash dividends paid. **Surplus** grew by P7.2 billion or 23.5% to P37.8 billion on this year's profits of P10.0 billion reduced by the P2.4 billion cash dividends payment in July 2007. **Reserves** on the other hand dropped by P1.1 billion or 20.6% on the recognition of gains on sale of available-for-sale securities. Downward **Translation Adjustments** on the balances of overseas subsidiaries was higher by P485 million or 5.1x due to the continued strengthening of the peso. **Minority Interest in Subsidiaries** was P72.0 million or 6.8% higher against last year due to better performance of the insurance subsidiaries.

On the asset side, **Net Loans and Advances** reflected a 12.6% growth of P30.6 billion from last year to P273.8 billion. Corporate loans recorded higher than its average growth rate over the past years, and consumer loans continued with its ever growing trend. **Due from BSP** increased by P18.3 billion or 33.5%, it being the preferred investment outlet for regulatory reserves in place of **Held-to-Maturity Securities**, which contracted by P16.3 billion or 23.7%. Excess funds were likewise invested in **Available-for-Sale Securities** (up P12.9 billion or 14.2%) and **Interbank Loans Receivable and Securities Purchased under Agreements to Resell** (up by P8.8 billion or 38.5%). **Derivative Financial Assets** grew by P2.0 billion or 1.9x on higher level of currency swap transactions and the increased interest rate volatilities in U.S. Dollars and the Philippine Pesos. **Trading Securities** on the other hand contracted by P5.0 billion on profit taking. **Due from Other Banks** was also down by P954 million or 12.0% on lower foreign currency placements.

Assets Attributable to Insurance Operations expanded by P2.2 billion or 11.2% on higher investment portfolio resulting from premiums received on new policies issued. **Other Resources** went up by P3.4 billion or 47.4% due to higher accounts receivable and miscellaneous assets. **Bank Premises, Furniture, Fixtures & Equipment** dropped by P829 million due to the reclassification of certain ex-Prudential assets to **Investment Property**, which in turn posted an increase of P451 million or 19.1%.

2008

Total resources at P666.6 billion ended higher by P29.3 billion or 4.6% driven by the P26.9 billion or 5.2% expansion in deposits to P540.4 billion. Deposit expansion came from increases in peso and foreign currency denominated **Savings Deposits** totaling P32.5 billion or 25.0% and **Demand Deposits** amounting to P5.6 billion or 6.4%. **Time Deposits** on the other hand contracted by P11.2 billion or 3.8% coming from peso time deposits in view of the bank's strategy of offering higher yielding trust products to its price sensitive depositors. The bank issued P5.0 billion in Tier 2 eligible capital in December 2008 as reflected in **Unsecured Subordinated Debt**. **Bills Payable** likewise grew by P4.6 billion or 84.8% for gapping purposes and to fund new leases of the bank's leasing subsidiaries. **Liabilities Attributable to Insurance Operations** went up by P2.3 billion or 14.1% on higher actuarial reserves set up for the year. **Due to Bangko Sentral ng Pilipinas and Other Banks** ended higher by P193 million due to higher deposits maintained by foreign banks. **Deferred Credits and Other Liabilities** declined by P1.1 billion or 5.7% due to drop in bills purchased – contra account. **Derivative Financial Liability** dropped by P813 million due to the decline in foreign exchange forward bought volume while **Accrued Taxes, Interest and Other Expenses** also went down by P520 million on lower accruals of expenses, taxes and interest on time deposits.

Capital Funds ended at P63.9 billion, P7.3 billion or 10.2% lower than last year. The decrease came from the P7.1 billion or 18.9% drop in **Surplus** brought about by the P5.4 billion stock dividend and the P8.1 billion cash dividends paid which totally wiped out this year's profits of P6.4 billion. Correspondingly, **Capital Stock** grew by P5.4 billion or 20.0%. **Reserves** also declined by P5.3 billion or 1.2x due to this year's unrealized losses on mark-to-market valuation of available-for-sale securities. This year's unrealized losses however included P1.6 billion related to available-for-sale securities transferred to held-to-maturity category based on a change in intention. This amount will be accreted over the life of these securities. The debit balance of **Translation Adjustment** pertaining to overseas subsidiaries further increased by P112 million or 19.3% due to the stronger peso against the dollar. **Minority Interest in Subsidiaries** dropped by P182 million or 16.3% with the declaration of cash dividends and downward valuation of investments of the insurance subsidiaries.

On the asset side, **Loans and Advances (Net)** grew by P46.5 billion or 17.0% on strong demand from the corporate and individual borrowers. **Trading Securities** increased by P25.2 billion or 2.7x as the bank opted to invest its foreign currency funds into U.S. Treasury. The reclassification of **Available-for-Sale Securities** to **Held-to-Maturity Securities** resulted in the latter's increase of P20.4 billion or 39.0%. **Cash and Other Cash Items** also went up by P9.1 billion or 68.9% on higher cash requirement especially towards the end of 2008. **Due from Other banks** ended higher by P7.3 billion largely from higher remittances. Above assets were funded not only by the increase in deposits but also by proceeds from the sale of **Available-for-Sale Securities**, lower account balances under **Due from Bangko Sentral ng Pilipinas** and maturities of **Interbank Loans Receivable and Securities Purchased under Agreements to Resell**, which declined by P39.8 billion, P24.5 billion and P9.2 billion, respectively.

Assets Held for Sale was down by P2.0 billion or 11.9% due to the sale of foreclosed properties. **Other Resources'** drop of P2.6 billion or 23.9% was due to the decline in miscellaneous assets and receivables. **Derivative Financial Asset** was lower by P941 million or 30.1% due to the drop in foreign exchange forward sold volume. **Deferred Tax Assets** fell by P475 million or 7.7% due to the utilization and partial write-off of expiring net operating loss carry over (NOLCO). **Equity Investment's** decrease of P167 million was due to the receipt of dividends from unconsolidated subsidiaries.

2009

Total resources grew to P724.4 billion, P57.8 billion or 8.7% higher than last year as **deposits** and **bills payable** expanded by P39.1 billion or 7.2% and P22.1 billion, respectively. Deposit growth was due to the P40.2 billion or 24.8% increase in **Savings Deposits** and the P15.5 billion or 16.8% rise in **Demand Deposits**. The bank focused on increasing these type of deposits by introducing new deposit products bundled with an insurance feature. **Time Deposits** however went down by a total of P16.7 billion or 5.8%. The bank also availed of the rediscounting facility with BSP thus increasing its **Bills Payable** level by P22.1 billion. **Deferred Credits and Other Liabilities** rose by P2.6 billion or 15.0% due to the increase in bills purchased – contra account. **Due to Bangko Sentral ng Pilipinas and Other Banks** went up by P437 million due to higher tax collections for the Bureau of Internal Revenue. **Manager's Checks and Demand Draft Outstanding** also increased by P336 million or 12.3% on higher unnegotiated manager's checks issued this year. **Accrued Taxes, Interest and Other Expenses** were also up by P298 million due to higher year-end accruals of expenses. **Liabilities Attributable to Insurance Operations** however dropped by P10.1 billion or 53.4% following the sale of the bank's 51% shareholdings in Ayala Life Assurance, Inc. to The Philam Life Assurance Corp. Said sale gave rise to BPI-Philam Life Assurance Corp., a joint venture that will serve as a platform for BPI and Philamlife's strategic bancassurance partnership. **Derivative Financial Liability** was lower by P955 million or 37.5% due to this year's mark-to-market gains on foreign exchange swaps and maturities of interest rate and cross-currency swaps.

Capital Funds at P67.8 billion was P3.9 billion or 6.1% up against previous year of P63.9 billion. The growth came from the improvement in **Surplus** by P2.5 billion or 8.2% due to this year's profits net of cash dividend paid. **Accumulated other comprehensive loss'** debit balance was lower by P1.2 billion or 42.6% due to this year's unrealized gains on mark-to-market valuation of available-for-sale securities and gains from the translation of the bank's overseas subsidiaries on the strength of third currencies, particularly the British Pounds. **Reserves** rose by P98 million due to the additional reserves set-up for trust business this year.

Additional funds generated from the growth in deposits and borrowed funds from BSP were placed in **Due from BSP**, which rose by P14.3 billion for the corresponding reserve requirement. Other investment outlets were **Interbank Loans Receivable and Securities Purchased under Agreements to Resell** and **Trading Securities**, which grew by P30.0 billion or 1.3x and P18.9 billion or 54.8%, respectively. **Available-for-Sale Securities** and net **Loans and Advances** likewise increased by P7.9 billion or 12.3% and P7.3 billion as funds in the bank's nostro accounts in **Due from Other Banks** (down by P7.1 billion) and **Cash and Other Cash Items** (down P3.6 billion or 16.0%) were shifted to these higher yielding assets.

Equity Investments went up by P909 million or 124% on the shift to equity accounting of the bank's minority stake in BPI-Philam Life Assurance Corp. and BPI Globe BankKO (formerly Pilipinas Savings Bank, Inc.). Correspondingly, **Assets Attributable to Insurance Operations** thus declined by P11.1 billion or 50.4%. **Deferred Income Tax Assets** also decrease by P804 million or 14.2% due to the write-off of taxes relative to unutilized expiring net operating loss carry over (NOLCO) this year. **Other resources** dropped by P421 million or 5.2% as miscellaneous assets decreased.

Asset Quality. The bank sustained its broad mix of loan portfolio broken down into corporate at 35%, middle market/SMEs at 40% and consumer at 25%. Gross 90 days non-performing loans (NPL) ratio was relatively stable at 3.8% this year vs. last year's 3.9%. The NPL ratios for the last two years showed significant improvement over the 4.8% registered in 2007.

Allowance for Impairment this year was up by P1.4 billion ending at P9.0 billion against last year's P7.5 billion. Level of reserves in 2007 was P6.6 billion.

This year's 30 day net NPL ratio (net of fully reserved accounts) per BSP definition continued to improved as it ended at 2.8% this year from 3.0% last year and 3.5% of 2007. The bank's NPL ratio was better than industry's average of 2.97%.

BPI shall continue to strive to further lower its NPLs through collection or restructuring, where appropriate.

Liquidity. BPI is one of the industry's most liquid banks deriving 94% of its funding from deposits. Loan to deposit ratios were 55% in 2007, 60% in 2008 and 58% in 2009. The bank is thus well positioned to finance any increase in loan demand. Excess funds are invested in cash and highly liquid assets as well as in non-risk government securities.

Results of Operations

In Million Pesos	2006	2007	2008	2009	CAGR
Net Interest Income	19,196	18,950	19,463	21,402	3.69%
Non-Interest Income	10,641	13,604	10,321	12,993	6.88%
Impairment Losses	1,524	1,250	1,930	2,535	18.49%
Operating Expenses	16,663	18,311	18,312	19,676	5.70%
Net Income	9,040	10,012	6,423	8,516	-1.97%

The bank's net profits from 2007 to 2009 decreased by 2.0% brought about by the rise in operating expenses and impairment losses by 5.7% and by 18.5%, respectively. Net interest income however grew at a slower pace of 3.7% while non-interest income did better at 6.9%.

2007 vs. 2006. Full year **Net Income** stood at P10.0 billion, P972 million or 10.7% higher than 2006's earnings of P9.0 billion. This was due to improvement in revenues by P2.7 billion or 9.1% and a slight drop in impairment losses by P274 million tempered by the increase in overhead by P1.6 billion and taxes by P311 million.

Net interest income at P19.0 billion was flat against 2006. Average asset base expanded by P44.8 billion, but was negated by a 33 basis points drop in net spreads.

- **Interest income** of P32.4 billion was P1.3 billion lower than last year. This resulted from a P1.4 billion drop in interest income on **Loans and Advances** due to lower interest yields. Interest income on **Held-to-Maturity and Trading Securities** also decreased by P1.4 billion on lower volume. On the other hand, interest income on **Deposits with Banks** and **Available-for-Sale Securities** improved by P986 million and P366 million on higher volume. Correspondingly, **GRT** contracted by P71 million or 5.4% as a result of the net decrease in interest income.
- **Interest expense** was down by P1.1 billion due to an almost equivalent amount of savings in interest expense on **Deposits**. Interest expense on **Bills Payable and Other Borrowings** also decreased by P37 million or 7.4%. These decreases were accounted for by the lower interest rates prevailing then.

Other income more than compensated for the flattish net interest income as it rose by P3.0 billion or 27.8% to P13.6 billion this year versus last year's P10.6 billion. **Income from Foreign Exchange and Securities Trading** was up by P555 million or 18.8% on opportunities provided by the strengthening of peso as well as the relatively low interest rate environment. **Service Charges and Commissions** were likewise up by P177 million or 6.9% on higher service charges collected on deposit related transactions. The larger contribution however came from **Income Attributable to Insurance Operations** and **Other Income**. The pre-tax income of the insurance companies grew by P893 million or almost double the previous year on unprecedented gains on investments. Moreover, **Other Income** grew by P1.6 billion or 33.0% boosted by higher income from the sale of bank and foreclosed assets, rental and operating lease income, credit card income and investment banking income.

Other Expenses rose by P1.6 billion or 9.9% to P 18.3 billion this year. **Compensation and Fringe Benefits** was up by P650 million or 8.6% due to the yearly salary increase and the full recognition of some merger-related manpower benefits. **Other Operating Costs** also grew by P780 million on higher marketing costs, regulatory costs and non-credit write-offs.

Impairment Losses at P1.2 billion was P274 lower than last year on lower specific requirements this year.

Provision for Income Tax for the year was P2.8 billion, P311 million or 12.7% ahead of 2006. **Current Income Tax** increased by P203 million on higher final taxes paid. **Deferred Income Tax** also rose by P108 million or 43.0% on higher tax write-off of unutilized tax credit on net operating loss carry over (NOLCO), following the deductibility of the reserves on the NPLs sold.

2008 vs. 2007. This year's **Net Income** was P6.4 billion, P3.6 billion or 35.8% lower than the previous year. Revenues were down by P2.8 billion and at the same time, impairment losses and income taxes increased by P680 million and P218 million, respectively. Operating expenses were flat against last year.

Net Interest Income at P19.5 billion was P513 million or 2.7% higher than last year despite the 7 basis points drop in spreads. This was primarily accounted for by the increased average asset base of P30.5 billion.

- **Interest Income** was higher by P882 million against previous year. This was brought about by the increase in interest income on **loans and advances** by P2.4 billion or 11.3% on higher volume. This increase in interest income was reduced by the P1.2 billion or 24.0% drop in interest on **available-for-sale securities** on lower portfolio and lower yields. Interest on **held-to-maturity** and interest on **trading securities** also went down by P286 million or 6.6% on lower volume and P143 million or 27.8% on lower yields, respectively. The improvement in interest income this year resulted to an increase in **GRT** by P76 million or 6.1%.
- **Interest Expense** rose by P369 million from last year as both interest expense on **Deposits** and interest expense on **Bills Payable and Other Borrowings** increased by P350 million and P19 million, respectively.

Other Operating Income at P10.3 billion was P3.3 billion or 24.1% lower than 2007's P13.6 billion. This came from the P2.3 billion or 65.8% drop in **Income from Foreign Exchange and Securities Trading** as the bank pursued a cut-loss strategy and sold down part of its available-for-sale securities due to rising interest rates. **Income Attributable to Insurance Operations** was also down by P1.3 billion or 68.3% on non-recurring investment income of the previous year. The impact of these drops was partly cushioned by the increase in **Fees and Commissions** of P309 million or 11.2% largely on higher volume of remittances and ATM transactions. As a consequence of the overall decline in other income, **GRT** dropped by P281 million or 31.3%.

Other Expenses was flat at P18.3 billion. **Occupancy and Equipment-Related Expenses** increased by P450 million or 9.3% on higher depreciation on bank owned and leased out equipments, rent, contractual and software expenses. This was however offset by the savings in **Other Operating Expenses** and **Compensation and Fringe Benefits** of P354 million and P95 million, respectively. Lower other operating expenses were due to non-recurring prior period tax settlements paid the previous year.

Provision for Income Tax ended higher by P218 million or 7.9% to P3.0 billion against 2007's P2.8 billion despite the lower pre-tax income of the bank. This was due to increase in **Deferred Taxes** by P503 million or 1.4x due to the utilization and partial write-off of net operating loss carry over (NOLCO). The bank reverted to a positive tax position but was not able to fully utilize its expiring NOLCO. **Current taxes** were down by P285 million or 11.8% as corporate income taxes of the subsidiaries and final taxes declined.

Income to Minority Interest declined by P80 million or 37.4% due to lower profits of the insurance subsidiaries.

2009 vs. 2008. **Net Income** for 2009 reached P8.5 billion, P2.1 billion or 32.6% higher than last year's P6.4 billion. Net income growth came from the P4.6 billion rise in revenues but tempered by increases in operating expenses, impairment losses and taxes of P1.4 billion, P605 million, and P534 million, respectively.

Net Interest Income improved to P21.4 billion, a P1.9 billion or 10.0% increase over last year's P19.5 billion. The increase in net interest income was brought about by the P52.4 billion average asset expansion.

- **Interest Income** ended higher than the previous year by P591 million reaching P33.9 billion. The increase was driven by improvements in interest income on **held-to-maturity** by P1.2 billion and on **deposits with banks** by P590 million due to higher volume. On the other hand, interest income on **available-for-sale securities** went down by P1.5 billion as yields dropped. Along with the increase in interest income, **GRT** also increased by P15 million.
- **Interest Expense** decreased significantly by P1.3 billion against last year on lower interest expense on **Deposits** of P2.1 billion largely caused by the drop in the level of time deposits. This was partly offset by the increase in interest expense on **Bills Payable and Other Borrowings** of P774 million.

Other Income of P13.0 billion was higher by P2.7 billion or 25.9% compared to 2008's P10.3 billion. **Trading gain (loss) on securities** posted a P2.0 billion or 4x increase on the back of the P1.5 billion securities trading gain this year against losses last year. **Service charges and commissions** rose by P374 million on higher transaction volume. **Other Operating Income** exhibited a P319 million or 5.2% growth fueled by higher income from asset sales, and rentals and credit card business. **Income Attributable to Insurance Operations** also contributed a P210 million or 35.6% increase due to higher profits of the insurance business driven by higher premiums and higher investment income. Consequently, **GRT** rose by P 255 million or 41.4%.

Other Expenses at P19.7 billion was P1.4 billion or 7.4% higher than previous year's P18.3 billion. **Compensation and Fringe Benefits** went up by P1.0 billion or 13.1% due to higher retirement fund contribution, early retirement program (ERP) expenses and annual salary increases. **Occupancy and Equipment-Related Expenses** rose by P341 million or 6.4% on higher depreciation of premises and equipment including leased out equipments and computer and software maintenance.

Impairment losses for the year amounted to P2.5 billion, P605 million or 31.4% higher than last year. Additional provisions were set-up for some corporate accounts and typhoon related credit losses.

Provision for Income Tax was up by P534 million or 17.9% to P3.5 billion against last year's P3.0 billion. **Current taxes** increased by P474 million or 22.3% due to higher income subject to final tax of the Parent bank and higher corporate taxable income of some certain bank subsidiaries. **Deferred Taxes** also rose by P60 million or 6.9% due to higher level of taxes on NOLCO written-off this year. **Income attributable to Non-Controlling Interest** improved by P15 million or 11.1% on the insurance subsidiaries' better performance.

Comprehensive Income

Total Comprehensive Income for the year 2009 reached P9.78 billion, P8.8 billion or over 9x better than last year's P943 million. **Other Comprehensive Income** improved by a hefty P7.0 billion from last year's loss of P5.6 billion to this year's income of P1.3 billion.

As to other comprehensive income, **Net change in available-for-sale securities** posted significant increase of P4.6 billion as it registered a P390 million mark-to-market gains this year as against the P4.2

billion losses in 2008. **Fair value reserve on investments of insurance subsidiaries** also improved by P2.1 billion as equities and other investments recovered from a valuation loss of P1.2 billion last year to a P929 million gain this year. Similarly, **Currency translation differences** grew by P190 million from losses of P112 million last year to gains of P79 million this year due to the appreciation of third currencies affecting the balances of the bank's overseas subsidiaries. The negative balance of **fair value reserve on investment of insurance associates** of P134 million represents mark-to-market valuation losses this year on equities and other investments of insurance associates.

Correspondingly, **Comprehensive Income of Non-Controlling Interest** rose by P161 million or over 4x due to higher profits and upward market valuation of investments of the insurance subsidiaries.

Key Performance Indicators

	2007	2008	2009
Return on Equity (%)	15.3	10.0	13.0
Return on Assets (%)	1.7	1.1	1.3
Net Interest Margin (%)	3.8	3.8	3.7
Operating Efficiency Ratio (%)	56.2	61.5	57.2
Capital Adequacy Ratio (%)	14.6	14.2	14.7

The bank's key financial performance ratios from 2007 to 2009 showed consistent profitability and adequate capitalization. The same ratios are also used to evaluate the performance of the bank's subsidiaries.

Return on equity (ROE), the ratio of net income to average equity, for the last three years showed the bank's efficient utilization of capital. ROE for 2009 improved to 13.0% coming from 10.0% last year on higher profits this year. ROE for 2007 was higher at 15.3% due to better earnings in the said year. The same movements are reflected in **Return on assets (ROA)**, the ratio of net income to average assets, which increased to 1.3% in 2009 from last year's 1.1% but 2007 was higher at 1.7%. This was indicative of the bank's effective use of its resources.

Net interest margin (NIM), the ratio of net interest income to interest bearing assets, remained high at 3.7% though slightly lower than 2008 and 2007's NIM of 3.8%. Notwithstanding the varying market conditions in the last three years, the bank aptly managed its balance sheet and maintained its net interest differential spread while consistently expanding its net interest income.

The **operating efficiency (cost to income) ratio**, the ratio of operating expenses to income, improved to 57.2% this year from last year's 61.5%. This showed the bank's effective use of its operating expense in optimizing revenue generation for this year. Operating efficiency ratio in 2007 was 56.2%.

Capital adequacy ratio (CAR), computed using the standards risk weights assigned to the bank's assets compared with its qualifying capital, measures the capability of bank's capital funds to cover its various business risks. The bank's CAR under the Basel II framework bounced back from 14.2% in 2008 to 14.7% in 2009. The improvement was due to the increase in qualifying capital from higher earnings which more than cover the growth in the risk assets. This year's CAR is also slightly better than 2007's 14.6% and still substantially higher than the BSP requirement of 10%. The bank's capital is composed largely of Tier 1 capital and includes a P5.0 billion eligible Tier 2 capital.

Material Event/s and Uncertainties:

Other than the disclosure enumerated above, the bank has nothing to report on the following:

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity.

- b) Events that will trigger direct or contingent financial obligation that is material to the bank, including any default or acceleration of an obligation.
- c) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the bank with unconsolidated entities or other persons created during the reporting period.
- d) Any material commitments for capital expenditures.
- e) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- f) Any significant elements of income or loss that did not arise from the bank's continuing operations.
- g) Any seasonal aspects that had a material effect on the financial condition or results of operations.

Future Prospects

Near Term Prospects. The Philippine economy is expected to accelerate in 2010 as the global economy recovers from its worst performance in decades, and domestic expenditures related to the upcoming Presidential election propel consumer spending. Both merchandise exports and imports are expected to return to growth in 2010 as major markets re-stock on inventory. Meanwhile, a sustained rise in remittances from overseas Filipinos is expected to bolster funding for faster private consumption growth.

Near term risks which could however foil growth prospects include election-related political uncertainties which could soften investment spending, while the threat of drier-than-usual weather caused by the El Niño phenomenon could dampen the agriculture sector's performance. Nevertheless, GDP is seen to be better at 3.5% to 4.5%, while the full-year inflation forecast is 4.6% to 5.2%.

BPI will continue with its 'Back to Basics' deposit taking and lending approach. In line with this, the bank aims to grow loans by 8 to 10% focusing on middle market, SME and consumer lending. It will service its clients in a proactive financial advisory manner and will constantly make banking more accessible and affordable to the great majority of Filipinos. Given the new preference of the large corporate clients, the bank will continue to participate in capital markets development.

Medium to Long Term Prospects. Liberalization of telecommunications, power-generation and other key industries have enhanced competition and opened up opportunities for both local and foreign investors and have kept domestic demand vibrant. Moreover, the compelling impact of the Asian Financial Crisis led to the development of a sound regulatory environment in the banking sector. The Philippines can sustain an average GDP growth of 4.0% in the next three years. Inflation is projected to average in the range of 5%.

Consistent with BPI's strategic framework for sustainability, the bank will be focused on enhancing customer experience, servicing a wider market, reduction of its environmental footprint, and engaging its employee in human resource and community development. It will thus expand its customer base by pursuing more clients in the middle and lower income group while maintaining service quality. Its lending activities will also include financing of projects in renewal energy as well as the needs of the base of the pyramid through BPI Globe BankO, the mobile microfinance joint venture with Globe Telecom and Ayala Corp. It will leverage on the BPI-Philam bancassurance joint venture for further cross selling opportunities.

Item 7. Financial Statements

Please refer to the attached Audited Financial Statements for 2009 audited by the principal accountant, Accounting Firm of Isla Lipana & Co. and signed by partner Ms. Judith V. Lopez.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

A-1. The Board of Directors and Executive Officers (as of December 31, 2009)

The Board of Directors and Nominees

Jaime Augusto Zobel de Ayala II

Directors' term of Office	-	March 31, 2009 to April 15, 2010
Period Served	-	March 31, 2009 to Present

1. **JAIME AUGUSTO ZOBEL DE AYALA II**, 50, Filipino, is the present Chairman of the Board of Directors of BPI. He was elected Chairman of BPI on March 25, 2004. He has served as a Member of the Board of BPI since 1994 and as Vice-Chairman from 1995 to March 2004. He is also currently the Chairman of the Executive Committee and Nomination Committee of BPI. He also holds the following positions: Chairman of the Board of Directors, Executive Committee, Nomination Committee and Personnel & Compensation Committee of BPI Family Savings Bank, Inc. and BPI Capital Corporation; Chairman of the Board of Directors and Executive Committee, Member of the Nomination Committee and Chief Executive Officer of Ayala Corporation; Chairman of the Board of Directors and Nomination Committee of Integrated Microelectronics, Inc.; Chairman of the Board of Directors of Globe Telecom, Inc., Al North America and Azalea Technology Investments, Inc.; Member of the Board of Directors and Alternate Member of the Executive Committee of Alabang Commercial Corporation and Member of the Board of Directors and Executive Committee of Ayala Hotels, Inc.; Chairman of the Board of Trustees of: Ramon Magsaysay Awards Foundation and World Wildlife Fund Philippines; Vice-Chairman of the Board of Directors and Executive Committee of BPI-Philam Life Assurance Corporation (formerly Ayala Life Assurance, Inc.); Co-Vice-Chairman of the Board of Directors and the Executive Committee of Mermac, Inc.; Vice-Chairman of the Board of Trustees of Asia Society Philippine Foundation, Inc.; Member of the Board of Trustees of Children's Hour Philippines, Inc., The Conference Board and Asian Institute of Management; Co-Vice-Chairman of the Board of Trustees of Ayala Foundation, Inc.; Vice-Chairman of the Board of Directors, Member of the Executive Committee, and Chairman of the Personnel and Compensation Committee of Ayala Land, Inc.; Vice-Chairman of the Board of Directors, Member of the Executive Committee and Member of the Nomination Committee of Manila Water Company, Inc.; Member of the Board of Directors of Ayala International Pte. Ltd.; Co-Vice-Chairman of the Board of Directors of Makati Business Club and Member of the National Council of World Wildlife Fund (U.S.). He is also a Member of the following: Asia Business Council, Harvard Business School Asia Advisory Committee, Harvard University Asia Center Advisory Committee, JP Morgan International Council, Mitsubishi Corporation International Advisory Committee, The Asia Society International Council, Toshiba International Advisory Group and Pacific Basin Economic Council. He graduated with B.A. in Economics (Cum Laude) at the Harvard University in 1981 and took up his MBA at the Harvard Graduate School of Business Administration in 1987.

Fernando Zobel de Ayala

Directors' term of Office	-	March 31, 2009 to April 15, 2010
Period Served	-	March 31, 2009 to Present

2. **FERNANDO ZOBEL DE AYALA**, 49, Filipino, has been a Member of the Board of Directors of BPI since 1994. He also holds the following positions: Chairman of the Personnel and Compensation Committee and Vice-Chairman of the Executive Committee and Trust Committee of BPI; Chairman of the Board of Trustees of BPI Foundation, Inc.; Vice-Chairman of the Board of Directors, President and Chief Operating Officer and Member of the Executive Committee and Nomination Committee of Ayala Corporation; Chairman of the Board,

Executive Committee, Nomination Committee and Personnel and Compensation Committee of Ayala Land, Inc.; Chairman of the Board and Executive Committee of Alabang Commercial Corporation, Ayala Hotels, Inc. and Manila Water Company, Inc.; Member of the Board of Directors and Chairman of the Personnel and Compensation Committee of Integrated Microelectronics, Inc.; Chairman of the Board of Directors of AC International Finance Ltd., Ayala Automotive Holdings, Inc., Ayala DBS Holdings, Inc. and Ayala International Pte. Ltd.; Vice-Chairman of the Board of Directors of Aurora Properties, Inc., Azalea Technology Investment, Inc., CECI Realty, Inc. and Vesta Property Holdings, Inc.; Co-Vice-Chairman of the Board of Trustees and Member of the Executive Committee of Ayala Foundation, Inc.; Co-Vice-Chairman of the Board of Directors and Executive Committee of Mermac, Inc.; and Member of the Board of Director of Asiacom Philippines, Inc., Globe Telecom, Inc. and Habitat for Humanity International. He graduated with B.A. Liberal Arts degree at the Harvard College in 1982.

Aurelio R. Montinola III

Directors' term of Office

- **March 31, 2009 to April 15, 2010**

Period Served

- **March 31, 2009 to Present**

3. **AURELIO R. MONTINOLA III**, 58, Filipino, assumed his post as President of BPI on January 01, 2005. He has been a Member of the Board of Directors of BPI since January 2004. He is the Chairman of Credit Committee and Member of the Executive Committee, Trust Committee, Risk Management Committee and Retirement/Pension Committee of BPI. Director and Member of the Executive Committee, Nomination Committee and Trust Committee of BPI Family Savings Bank, Inc.; Director and Member of the Executive Committee and Trust Committee of BPI Capital Corporation; Chairman of the Board of Directors, Executive Committee and Nomination Committee of BPI Direct Savings Bank, Inc.; Chairman of the Board of Directors, Executive Committee, Personnel and Compensation Committee and Nomination Committee of BPI/MS Insurance Corporation; Chairman and Executive Director of Bank of the Philippine Islands (Europe) Plc; Chairman of the Board of Directors of LGU uarantee Corporation, BPI Computer Systems Corporation, Derrc, Inc., Armon Realty, Seyrel Investment & Realty Corp., Desrey, Inc., Monti-rey, Inc., East Asia Computer Center, Inc. and Amon Trading Corp.; Chairman of the Board of Trustee of East Asia Educational Foundation; Vice-Chairman & President of BPI Foundation, Inc.; Vice-Chairman of BPI Globe BanKO, Inc. (formerly Pilipinas Savings Bank, Inc.), Republic Cement Corporation and Co-Chairman of Philippine-France Business Council; Vice-Chairman and Trustee of Far Eastern University and Philippine Business for Education, Inc.; Vice-Chairman of A/P Regional Advisory Board of Directors of Mastercard Incorporated; Director and Member of the Executive Committee, Nomination Committee and Compensation and Remuneration Committee of BPI-Philam Life Assurance Corporation (formerly Ayala Life Assurance, Inc.); Director of Ayala Land, Inc., BPI Bancassurance, Inc., Mere, Inc. and Western Resources Corporation. He is also a Member of the Board of Trustees of Ayala Foundation, Inc., International School Manila, and President Manuel A. Roxas Foundation; President of Bankers Association of the Philippines; Member of Management Association of the Philippines and Makati Business Club. He graduated with BS Management Engineering degree at the Ateneo de Manila University in 1973 and obtained his MBA at the Harvard Business School in 1977.

Gerardo C. Ablaza, Jr.

Directors' term of Office

- **March 31, 2009 to April 15, 2010**

Period Served

- **March 31, 2009 to Present**

4. **GERARDO C. ABLAZA, JR.**, 56, Filipino, is a Member of the Board of Directors of BPI since 2001. He is a Member of the Trust Committee and Risk Management Committee of BPI. He also holds the following positions: Director and Member of the Risk Management Committee of BPI Family Savings Bank, Inc., Chairman of the Board of Directors and Corporate Governance Committee and Vice-Chairman of the Executive Committee of BPI Globe BanKO, Inc. (formerly Pilipinas Savings Bank, Inc.), Director and Co-Vice-Chairman of

Globe Telecom, Inc., Director of BPI Card Finance Corporation, Asiacom Philippines, Inc., Azalea Technology Investment, Inc., Manila Water Company, Integrated Microelectronic, Inc., HRMall Holdings Limited, LiveIt Investments Limited, Integreon, Affinity Express Holdings, Limited, New Bridge International Investments, Ltd., Stream Global Services and RETC (Renewable Energy Test Center), Senior Managing Director of Ayala Corporation and CEO of AC Capital. He graduated with AB Mathematics (Honors Program) at the De La Salle University in 1974.

Emily A. Abrera

Directors' term of Office	-	March 31, 2009 to April 15, 2010
Period Served	-	March 31, 2009 to Present

5. **EMILY A. ABRERA**, 62, Filipino, was elected as Member of the Board of Directors of BPI on March 29, 2007 and was re-elected on April 3, 2008. She joined McCann-Erickson Philippines as Creative Group Head in 1978 and in 1992, she was named President/Chief Executive Officer of McCann-Erickson Philippines which is acknowledged as the leading advertising agency in the Philippines since 1987. In January 1999, she assumed the Chairmanship of McCann-Erickson Philippines. Currently, she also holds the following positions: Chairman Emeritus of McCann Worldgroup and Non-Executive Chairman of McCann Worldgroup Asia Pacific; Chairman of the Cultural Center of the Philippines and of CCI-Asia, the Content-production Company behind Living Asia Channel and Isla Advocacy Programs; President of Foundation for Communication Initiatives, Vice-Chairman of the Board of Trustees of Ramon Magsaysay Award Foundation, and is a Member of the Board of Trustees of: Museo Pambata (Children's Museum), Children's Hour Inc., Philippine Board on Books for Young People, Philippine Eagle Foundation, and ABS-CBN Foundation. She is a founding member of the Women's Business Council. She took up Mass Communications and Journalism at Maryknoll College and University of the Philippines, respectively.

Lilia R. Bautista

Directors' term of Office	-	March 31, 2009 to April 15, 2010
Period Served	-	March 31, 2009 to Present

6. **LILIA R. BAUTISTA** (Independent Director), 74, Filipino, was elected as Independent Director of BPI on September 21, 2005 and has been a director since then. She is also the Chairman of the Corporate Governance Committee and member of the Audit Committee of BPI. She also sits as Independent Director of BPI Capital Corporation and she is also a member of the Audit Committee and Corporate Governance Committee of the said corporation. She currently holds the following positions: Independent Member of the Board of Directors, Chairman of the Audit Committee and Member of the Investment Committee of RFM Corporation; Independent Member of the Board of Directors of Transnational Diversified Group; Member of the Board of Directors of Philja Development Center, Inc. She is a Professional Lecturer of Philippine Judicial Academy and other Institutions. She is also a Member of the World Trade Organization Appellate Body and CIBI Foundation. She has held various positions in government offices from 1958 to 2004, such as Legal Officer of the Office of the President (on detail from Agricultural Credit Administration), Hearing Officer of the Juvenile and Domestic Relations Court of Manila, Legal Officer, Chief Legal Officer and Assistant Director of the Board of Investments, Assistant Secretary/BOI Governor, Undersecretary/BOI Governor, Acting Secretary with ex-officio posts, e.g. Member of Monetary Board, BOI Chairperson, Senior Undersecretary and Special Trade Negotiator of the Department of Trade and Industry, Ambassador Extraordinary and Plenipotentiary, Chief of Mission Class I of the Department of Foreign Affairs, and Chairperson of the Securities and Exchange Commission, among others, as well as in other private institutions from 1964 to 1980s such as: Legal Editor of the Corporation Trust Co. (New York) and Prentice Hall (New Jersey), DBP nominee-director to two corporations, Director of Erectors, Eastern Bus Co. and Interbank. She finished Bachelor of Laws from the University of the Philippines in 1957, Master of Laws from the University of Michigan in 1963, MBA from the University of the Philippines in 1970, special courses in corporate finance and

reorganization from the New York University in 1966 and Investment Negotiation course from the Georgetown University in 1974.

Romeo L. Bernardo

Directors' term of Office	-	March 31, 2009 to April 15, 2010
Period Served	-	March 31, 2009 to Present

7. **ROMEO L. BERNARDO** (Independent Director), 55, Filipino, has served as a Member of the Board of Directors of BPI from February 1998 to April 2001. He was re-elected as an Independent Director in August 2002 and up to the present. He is a Member of the Corporate Governance, Nomination, Personnel & Compensation, Risk Management and Trust Committees of BPI. He also sits as Independent Director of BPI Family Savings Bank, Inc. where he is a Member of the following Committees: Audit, Personnel & Compensation and Corporate Governance; an Independent Director, Chairman of Audit & Risk Management Committees and Member of Nomination, Personnel & Compensation and Corporate Governance Committees of BPI Capital Corporation; Independent Director, Chairman of Risk Management Committee and Member of Audit and Nomination Committee of BPI Direct Savings Bank, Inc.; Independent Director, Member of Audit and Nomination Committee and Chairman of Risk Management Committee of BPI Leasing Corporation. He is also an Independent Director and Member of the Audit Committee of BPI Rental Corporation. He sits as Independent Director and Chairman of the Audit Committee of BPI-Philam Life Assurance Corporation (formerly known as Ayala Life Assurance, Inc.). He is also an Independent Director and Member of the Audit and Nomination Committees of Ayala Plans, Inc. He also sits as Independent Director and Member of Audit, Nomination, and Personnel and Compensation Committees of BPI/MS Insurance Corporation. He is also an Independent Director, Chairman of Nomination and Risk Management Committees and Member of Audit and Corporate Governance Committees of BPI Globe BankO, Inc. (formerly known as Pilipinas Savings Bank, Inc.). He also sits as Independent Director, Chairman of Risk Management Committee and Member of Audit Committee of National Reinsurance Investment Corporation of the Philippines. He is also an Independent Director and Member of Audit Committee of RFM Corporation. He also sits as Independent Director of BPI Forex Corporation, Philippine Investment Management, Inc., Aboitiz Power Corporation, BPI Bancassurance, Inc., PSi Technologies Holdings, Inc. (a NASDAQ Listed Company) and Globe Telecom, Inc.; Director of Philippine Institute for Development Studies and Institute for Development and Econometric Analysis, Inc.; Chairman of the Board and Independent Director of Ayala Life Fixed-Income Fund Peso, Dollar, Euro Bond Funds and Philippine Stock Index Fund, Inc.; President and Managing Director of Lazaro Bernardo Tiu & Associates, Inc.; Vice-Chairman and Founding Fellow of Foundation for Economic Freedom; Advisor of Global Source/Latin Source; Chairman of the Board of Trustees of UP School of Economics Alumni Association; Vice-President of Financial Executives Institute of the Philippines (FINEX). He graduated with B.S. Business Economics degree (Magna Cum Laude) from the University of the Philippines in 1974. He obtained his M.A. Development Economics (Top of the Class) at the Williams College, Williamstown, Massachusetts, USA in 1977.

Chng Sok Hui

Directors' term of Office	-	March 31, 2009 to April 15, 2010
Period Served	-	March 31, 2009 to Present

8. **CHNG SOK HUI**, 49, Singaporean, has been a Member of the Board of Directors of BPI since April 2003. She is an Alternate Member of the Executive Committee and Member of the Risk Management Committee, Corporate Governance Committee and Audit Committee of BPI and currently a Managing Director and Chief Financial Officer of DBS Bank Ltd. (Singapore). She is also a Supervisor of DBS China, Ltd. At present, she is a Director of Ayala DBS Holdings, Inc., ASEAN Finance Corporation Ltd., and Asfinco Singapore, Ltd. She is also an Alternate Council Member of Association of Banks in Singapore and Asia Pacific Bankers Council. She is also a Member of Housing and Development Board, Accounting Standards Council and Tax Advisory Committee of Singapore. She was awarded a DBS scholarship and joined DBS in

1983. She finished Accountancy at the National University of Singapore and was a recipient of several awards, including the Harvard Club of Singapore Prize, the Tan Siak Kew Gold Medal Award and the Singapore International Chamber of Commerce Prize. She is a CFA charterholder, as well as a Certified Financial Risk Manager.

Octavio V. Espiritu

Directors' term of Office - **March 31, 2009 to April 15, 2010**
Period Served - **March 31, 2009 to Present**

9. **OCTAVIO V. ESPIRITU** (Independent Director), 66, Filipino, has served as a Director of BPI since April 2000. He is an Independent Director of BPI since April 2002 and was last re-elected on March 31, 2009. He is the Chairman of the Audit Committee and Risk Management Committee and a Member of the Executive Committee of BPI. He also holds the following positions: Chairman of Delphi Group, Inc.; Chairman & President of MAROV Holding Company, Inc.; Director of International Container Terminal Services, Inc., Netvoice, Inc., Pueblo de Oro Golf and Country Club, SM Development Corporation and Digital Telecommunications Philippines, Inc. He graduated with AB Economics degree at the Ateneo de Manila University in 1963 and obtained his M.A. Economics degree from the Georgetown University, USA in 1966.

Rebecca G. Fernando

Directors' term of Office - **March 31, 2009 to April 15, 2010**
Period Served - **March 31, 2009 to Present**

10. **REBECCA G. FERNANDO**, 61, Filipino, was re-elected Director of BPI on March 31, 2009 and BPI Capital Corporation on April 15, 2009 and has served as Director of BPI and BPI Capital Corporation from 1995 up to December 2007. At present, she is a Member of the Executive Committee, Trust Committee and Retirement/Pension Committee of BPI and Member of the Audit Committee of BPI Capital Corporation. She is also Member of the Board of Directors and Member of the Audit Committee of BPI Family Savings Bank, Inc. She is also acting as Financial Consultant and Member of the Finance Board of The Roman Catholic Archbishop of Manila and the Finance Board of The Roman Catholic Archbishop of Antipolo. She is the President of LAIKA Intertrade Corporation. She graduated with BSBA degree major in Accounting from the University of the Philippines in 1970. She also took-up the Executive Program on Transnational Business at the University of Hawaii at Manoa Pacific Asian Management Institute in 1981. She is a Certified Public Accountant.

Xavier P. Loinaz

Directors' term of Office - **March 31, 2009 to April 15, 2010**
Period Served - **March 31, 2009 to Present**

11. **XAVIER P. LOINAZ** (Independent Director), 66, Filipino, has served as the President of BPI from 1982 to 2004. He has been a member of the Board of Directors of BPI since 1982 up to the present and on March 31, 2009 was elected as Independent Director of BPI. Concurrently, he holds the following corporate positions: Member of the Executive Committee, Nomination Committee and Trust Committee of BPI; Independent Director and Member of the Executive Committee, Nomination Committee, Personnel and Compensation, and Trust Committee of BPI Family Savings Bank, Inc. and BPI Capital Corporation; Independent Director and Member of the Executive Committee and Nomination Committee of BPI Direct Savings Bank, Inc.; Vice-Chairman (Independent Director) of FGU Insurance Corporation; Independent Director of BPI/MS Insurance Corporation, Ayala Corporation and Globe Telecom, Inc.; Chairman of the Board of Directors of Alay Kapwa Kilusan Pangkalusugan and Member of the Board of Trustees of BPI Foundation, Inc. and E. Zobel Foundation. He graduated with A.B. Economics degree from the Ateneo de Manila University in 1963 and obtained his MBA Finance at the Wharton School of Pennsylvania in 1965.

Ma Yuen Lin Annie

Directors' term of Office	-	March 31, 2009 to April 15, 2010
Period Served	-	March 31, 2009 to Present

12. **MA YUEN LIN ANNIE**, 43, British, was elected Member of the Board of Directors of BPI last March 29, 2007 and was also elected as Member of the BPI Trust Committee on April 3, 2008 and holds that position up to the present. She is currently the Managing Director, Marketing and Consumer Banking of DBS Bank (HK) Ltd. Her scope of responsibilities encompasses products, customer segmentation and marketing communications, a key position in shaping the customer strategy of Consumer Banking in Hong Kong. Ms. Ma manages the Deposits and Bancassurance business of DBS Bank (HK) Ltd. particularly the business strategies and delivery of business results. She also takes on a regional role in the Priority Banking segment. She was one of the key leaders in managing and supporting the merger of the 3 banks in Hong Kong to become DBS Bank in 2003. She holds a Bachelor Degree in Marketing, Business Administration and was recently awarded by the Hong Kong Institute of Bankers as a Certified Financial Management Planner.

Mercedita S. Nollado

Directors' term of Office	-	March 31, 2009 to April 15, 2010
Period Served	-	March 31, 2009 to Present

13. **MERCEDITA S. NOLLEDO**, 68, Filipino, has served as a Director of BPI since 1991 up to the present. She is the Chairman of the Trust Committee and Retirement/Pension Committee and Member of Corporate Governance Committee of BPI. She also holds the following positions: Director, Chairman of the Corporate Governance and Trust Committees and Member of the Executive Committee and Personnel and Compensation Committee of BPI Family Savings Bank, Inc.; Director, Chairman of the Corporate Governance Committee and Trust Committee, Member of the Risk Management Committee and General Alternate Member of the Executive Committee of BPI Capital Corporation; Chairman of the Board of Directors of BPI Investment Management, Inc., BPI Asset Management, Inc. and AG Counselors Corporation; Member of the Board of Directors, Senior Managing Director, Corporate Secretary and Senior Counsel of Ayala Corporation; Director and Corporate Secretary of Ayala Land, Inc.; Member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc.; Director of Anvaya Cove, Ayala Automotive Holdings, Inc., Ayalafil, Inc., Honda Cars Cebu, Inc., Honda Cars Makati, Inc., HCMI Insurance Agency, Inc., Isuzu Automotive Dealership, Inc., Isuzu Cebu, Inc. and Mandaue Primeland, Inc.; Treasurer of JMY Realty Development Corporation and Philippine Tuberculosis Society, Inc. She graduated with the degree of Bachelor of Science in Business Administration major in Accounting from the University of the Philippines in 1960 and topped second place in the CPA Board exams given in the same year. In 1965, she finished Bachelor of Laws also from the University of the Philippines where she also topped second place in the Bar exams given in the same year.

Oscar S. Reyes

Directors' term of Office	-	March 31, 2009 to April 15, 2010
Period Served	-	March 31, 2009 to Present

14. **OSCAR S. REYES**, 63, Filipino, was elected as Member of the Board of Directors of BPI in April 2003 and is a director up to the present. He is a Member of the Audit Committee, Corporate Governance Committee and Personnel and Compensation Committee of BPI. Among his other positions are: Chairman of the Board of Directors of Link Edge, Inc., MRL Gold Philippines, Inc. and Basic EcoMarket Farms. He is an Independent Director of the following Companies: Ayala Land, Inc., Alcorn Gold Resources Corporation, Manila Water Company, Pepsi Cola Products Phils., Inc., Basic Energy Corporation, Philippine Long Distance Telephone Co., Sun Life Financial Plans, Inc., SMART Communications, Inc., First Philippine Electric Corporation, Sunlife Prosperity Dollar Abundance Fund, Sunlife Prosperity Dollar Advantage Fund, Lnl Archipelago Minerals, Inc. and Petrolift Corporation. He is also a

Member of the Board of Directors of Tower Club, Inc., CEO's Inc., Global Resources for Outsourced Workers, Inc. (GROW) and Mindoro Resources Ltd.

He finished Bachelor of Arts, Major in Economics (Cum Laude) from the Ateneo de Manila University in 1965. He also took up the following courses: Business Management Consultants and Trainers Program from the Japan Productivity Center/Asian Productivity Organization, Tokyo, Japan and Hong Kong in 1968; International Management Development Program leading to (1) Diploma in Business Administration and (2) Certificate in Export Promotion from the Waterloo University, Ontario, Canada in 1969-1970; European Business Program from UK, Netherlands, France, Germany, and Switzerland in 1970; Master of Business Administration (Academic report completed) from the Ateneo Graduate School of Business Administration in 1971; Program for Management Development from the Harvard Business School, Boston, USA in 1976; and Commercial Management Study Program from the Lensbury Centre, Shell International Petroleum Co., United Kingdom.

Wong Ann Chai

Directors' term of Office	-	March 31, 2009 to April 15, 2010
Period Served	-	March 31, 2009 to Present

15. **WONG ANN CHAI**, 42, Singaporean, was elected as Member of the Board of Directors of BPI on April 16, 2008. He is a Member of the Executive Committee, Nomination Committee, and Personnel and Compensation Committee of BPI. Among his other positions are: Director and Member of the Executive Committee of BPI Capital Corporation; Managing Director of Equity Capital Markets and Global Financial Markets of DBS Bank, Ltd.; Director of SP Corporation and Cholamandalam-DBC Finance, Ltd.; and Member of Nanyang Business School Advisory Board for Curriculum. Mr. Wong was from Singapore Administrative Service, which is the elite of the Singapore Civil Service. A former Brigadier General, Mr. Wong was Chief of Armour and was Assistant Chief of General Staff before joining DBS Bank in 2007. Mr. Wong holds a Masters of Business Administration degree from Massachusetts Institute of Technology-Sloan School of Management, and graduated with Honours from University of Oxford in 1989.

The Executive Officers

1. **JAIME AUGUSTO ZOBEL DE AYALA II*** - **Chairman of the Board of Directors**
2. **AURELIO R. MONTINOLA III*** - **President & Chief Executive Officer**
3. **GIL A. BUENAVENTURA** - **Senior Executive Vice- President**
 57 years old, Filipino, has served as the Head of the Corporate Banking Group of BPI since 1996. He also holds the following positions: Chairman of the Board of Directors and Chairman of the Nomination Committee of BPI Leasing Corporation; Chairman of the Board of Directors of: BPI Bancassurance, Inc., Citytrust Realty Corporation, BPI Rental Corporation, BPI International Finance Ltd., and BPI Express Remittance Corporation, Member of the Board of Directors of: BPI Family Savings Bank, Inc., BPI Computer Systems Corporation, Citytrust Securities Corporation and FGU Insurance Corporation. He is also a member of the Board of Directors and Chairman of the Corporate Governance Committee, Member of the Executive Committee and Risk Management Committee of BPI Direct Savings Bank, Inc., Member of the Board of Directors and Chairman of the Personnel and Compensation Committee and Member of the Nomination Committee of Ayala Plans, Inc., and Member of the Board of Trustees of BPI Foundation, Inc. He graduated with a degree of BA in Economics from the University of San Francisco in 1973 and finished his MBA - Finance from the University of Wisconsin in 1975.
4. **ANTONIO V. PANER** - **Executive Vice-President & Treasurer**
 51 years old, Filipino, has served as the Treasurer and Head of Financial Markets Group of BPI since November 2002 up to present. Currently, he is a Member of the Board of Directors of the

following corporations: AF Money Brokers, Inc., Citytrust Securities Corporation and BPI International Finance, Ltd. He is also the Director and Treasurer of Santiago Land Development Corporation and Citytrust Realty Corporation and Treasurer of BPI Computer Systems Corporation, BPI Operations Management Corporation and BPI Foundation, Inc. He has also held various positions in BPI since 1989 such as but not limited to the following: Head of Risk Taking Business, Local Currency Portfolio Management Desk and Money Management Division. He finished AB Economics from the Ateneo de Manila University in 1979 and took up various courses in Business and Finance including Strategic Financial Management and Advanced Management Program from Harvard Business School in Boston, USA.

5. NATIVIDAD N. ALEJO

- Senior Vice-President

53 years old, Filipino, is the Head of Consumer Banking Group of BPI. She has also served as the President and Director of BPI Capital Corporation and BPI Securities Corporation from 2001 to 2006. She joined BPI in 1989 with the rank of Senior Manager. She is also a member of the Board of Directors of the following corporations: BPI Family Savings Bank, Inc., Beacon Property Ventures, Inc., BPI Bancassurance, Inc., Santiago Land Development Corporation, Cebu Holdings Inc., Cebu Property Ventures & Development Corporation, FEB Speed International, Inc., and Shemberg Biotech. At present, she is also a Director and Member of the Investment Committee of BPI-Philam Life Assurance Corporation (formerly Ayala Life Assurance, Inc.). She is also a Private Sector Representative of Leyte Normal University. She graduated with AB Economics degree (Summa Cum Laude) from the Divine Word University (Tacloban City) in 1976. She took up MA Economics at the University of the Philippines in 1977 and completed the Advanced Management Program at the Harvard Business School in Fall 2005.

6. GEORGINA O. ESPALDON

- Senior Vice-President

58 years old, Filipino, is the Division Head of Centralized Branch Operations (CBOS) since November 2006 up to the present and also the Head of Cash Management and Call Center of BPI since January 2004 up to December 2008. She joined BPI in 1979 assigned in the Information System and held various offices such as CBG, MIS, Special Projects and Total Quality Office from 1991 to 2004. She is also a Member of the Board of Directors and President of BPI Operations Management Corporation, a wholly owned subsidiary of BPI. She graduated with a degree of Bachelor of Science in Statistics at the University of the Philippines in 1971. She obtained her Masters of Science in Statistics and Masters in Business Administration both in the University of the Philippines in 1976.

7. CESAREO A. DE LEON III

- Senior Vice-President

58 years old, Filipino, is the Head of the Risk Management Office of BPI. He is also one of the directors of FEB Speed International, Inc. and First Far East Development Corporation. He graduated from De La Salle University in 1971 with a degree of Bachelor of Science in Commerce. He is a Certified Public Accountant.

8. ELVIRA V. MAYO

- Senior Vice-President

58 years old, Filipino, is a Division Head of Corporate Banking Division handling relationships with Top Tier Corporates and non-borrowing corporations. She joined Commercial Bank & Trust Co. (later on merged with BPI) in 1972 and held various positions in different units of the bank including Corporate & Security Analysis Division, Corporate Planning, Corporate Finance and Corporate Products Management (Electronic Banking). She has held/presently holds the following positions: Director of Santiago Land Development Corporation and First Far East Development Corporation. She is also a member of the Board of Directors and Member of the Audit Committee of BPI Direct Savings Bank, Inc. She graduated in 1972 with a degree in Bachelor of Science in Business Administration major in Economics from St. Theresa's College, Quezon City and obtained her Masters in Business Administration from the Ateneo Graduate School of Business.

9. **MA. CORAZON S. REMO** - **Senior Vice-President**
51 years old, Filipino, heads the Head Office & Subsidiaries Centralized Operations of BPI. At present, she is the Executive Director of BPI Foundation, Inc. and a Member of the Board of Directors of BPI Computer Systems Corporation, BPI Operations Management Corporation, Citytrust Realty Corporation, BPI Paseo de Roxas Condominium Corporation, Greentop Condominium Corporation, and FGU Insurance Corporation. She graduated with B.S. Business Economics from the University of the Philippines in 1978 and obtained her MBA from the Ateneo de Manila University in 1988.

10. **MA. YSABEL P. SYLIANTENG** - **Senior Vice-President**
58 years old, Filipino, is the Head of Card Banking Division and Customer Relationship Management Group of BPI. She has also served as the Head of Financial Control Group and Corporate Planning of BPI from 1987 to December 2004. She joined BPI in 1983 with the rank of Assistant Vice-President. At present, she holds the following positions: Chairman of the Board of Directors and Member of the Personnel and Compensation Committee of Ayala Plans, Inc.; Director and Member of the Audit Committee and Alternate Member of the Executive Committee of BPI Family Savings Bank, Inc.; Director and Member of the Audit, Risk Management and Executive Committees of BPI Direct Savings Bank, Inc. She is also the Chairman of the Board of Directors of Santiago Land Development Corporation, BPI Card Finance Corporation and First Far East Development Corporation. She sits as Member of the Board of Directors of BPI Computer Systems Corporation, BPI Operations Management Corporation, FGU Insurance Corporation, BPI Express Remittance Corporation (USA), BPI Remittance Center Hong Kong, Ltd., BPI International Finance Ltd. Hong Kong, BPI Remittance Center S.p.a., BPI Express Remittance Spain, S.A., FEB Speed International, Inc., FEB Stock Brokers, Inc., and Citytrust Realty Corporation. She graduated with AB-BSC major in Accounting from the Assumption College in 1973 and obtained her MBA from the Stanford University in 1977. She is a Certified Public Accountant.

11. **TERESITA B. TAN** - **Senior Vice-President**
58 years old, Filipino, is the Head of Overseas Banking and Channel Services Group since 2005. She joined BPI in 1987 as Assistant Vice-President assigned in the Information Systems and Systems Marketing. She handled BPI – Consumer Banking Group’s Card Banking Division from 1996 to 2005. She is the Chairman of the Board of Directors of the following corporations: BPI Forex Corporation, BPI Operations Management Corporation, BPI Remittance UK Plc-United Kingdom, BPI Express Remittance Spain, S.A., and BPI Express Remittance (Europe) – Italy. Concurrently, she is the President and Member of the Board of Directors of BPI Globe BankO, Inc. (formerly Pilipinas Savings Bank, Inc.) and Director of the following corporations: BPI Direct Savings Bank, Inc., where she is a member of the Corporate Governance Committee; Bank of the Philippine Islands (Europe), Plc.; BPI Card Finance Corporation; BPI Express Remittance Corporation-USA and BPI Remittance Center Hong Kong, Ltd. She is also the Corporate Secretary of Anta Construction Corporation and Treasurer of Anta Realty Corporation. She graduated with a degree of Bachelor of Arts in Mathematics at Maryknoll College (Magna Cum Laude) in 1973 and took-up her post graduate degree in M.S. Operations Research at the Stanford University in 1975.

* *Messrs. Jaime Augusto Zobel de Ayala II and Aurelio R. Montinola III are members of the Board of Directors of BPI*

List of Other Executive Officers as of December 31, 2009

NAME	AGE	POSITION	OFFICE
Calleja, Michael D.	49	Senior Vice President	Financial Markets Group
Dimayuga, Raul D.	47	Senior Vice President	Overseas Banking & Channel Services Group
Go, Ma. Cristina L.	40	Senior Vice President	Card Banking and CRM Group
Javier, Maria Theresa M.	39	Senior Vice President	Asset Management and Trust Group
Kimseng, Arturo L.	59	Senior Vice President	Office of the Chairman
Ocampo, Marie Josephine M.	47	Senior Vice President	Consumer Banking Group
Palou, Mario B.	56	Senior Vice President	Corporate Banking Group
Pascual, Albert E.	57	Senior Vice President	Corporate Banking Group
Santiano, Angela C.	53	Senior Vice President	Office of the President
Sinio, Gertie K.	57	Senior Vice President	Office of the President
Tagaza, Manuel C.	47	Senior Vice President	Information Systems Group
Tan, Cecilia L.	49	Senior Vice President	Consumer Banking Group
Trillo, Imelda C.	57	Senior Vice President	Consumer Banking Group

List of Resigned / Retired Executive Officers as of December 31, 2009

NAME	AGE	POSITION	OFFICE
Anonas, Gregorio III B.	60	Senior Vice President	Consumer Banking Group

A-2. Significant Employees

The Bank values its human resources and considers its entire workforce as significant employees. It expects each employee to do his share in achieving the company's set goals and objectives.

A-3. Family Relationships

The Chairman of the Board of Directors, Mr. Jaime Augusto Zobel de Ayala II and Mr. Fernando Zobel de Ayala, a member of the Board of Directors, are brothers.

A-4. Involvement in Certain Legal Proceedings

None

Item 10. Executive Compensation

Summary Compensation Table
Annual Compensation and Bonus

Name	Position	2008		
		Salary	Bonuses	Other Salary
Aurelio R. Montinola III	President & CEO			
Gil A. Buenaventura	Senior EVP			
Antonio V. Paner	EVP & Treasurer			
Natividad N. Alejo	SVP			
Gregorio B. Anonas III*	SVP			
Georgina O. Espaldon	SVP			
Cesareo A. de Leon III	SVP			
Elvira V. Mayo	SVP			
Ma. Corazon S. Remo	SVP			
Ma. Ysabel P. Sylanteng	SVP			
All above-named Officers as a group		133,697,826.17	50,076,870.00	
All other unnamed Officers as a group		2,421,265,530.12	300,508,030.00	N.A.
All Directors			22,500,000.00	

**Retired as of January 1, 2009*

	Position	2009		
		Salary	Bonuses	Other Salary
Aurelio R. Montinola III	President & CEO			
Gil A. Buenaventura	Senior EVP			
Antonio V. Paner	EVP & Treasurer			
Natividad N. Alejo	SVP			
Georgina O. Espaldon	SVP			
Cesareo A. de Leon III	SVP			
Elvira V. Mayo	SVP			
Ma. Corazon S. Remo	SVP			
Ma. Ysabel P. Sylanteng	SVP			
Teresita B. Tan	SVP			
All above-named Officers as a group		154,259,876.57	26,684,230.00	
All other unnamed Officers as a group		2,672,660,006.26	208,837,160.00	N.A.
All Directors			13,200,000.00	

	Position	2010 Estimate		
		Salary	Bonuses	Other Salary
Aurelio R. Montinola III	President & CEO			
Gil A. Buenaventura	Senior EVP & COO			
Antonio V. Paner	EVP & Treasurer			
Natividad N. Alejo	SVP			
Georgina O. Espaldon	SVP			
Cesareo A. de Leon III	SVP			
Elvira V. Mayo	SVP			
Ma. Corazon S. Remo	SVP			
Ma. Ysabel P. Sylianteng	SVP			
Teresita B. Tan	SVP			
All above-named Officers as a group		160,430,271.63	27,751,599.20	
All other unnamed Officers as a group		2,779,566,406.51	217,190,646.40	N.A.
All Directors			18,000,000.00	

Bonus or Profit Sharing

At the 2009 Annual Stockholders' Meeting of the Bank, the stockholders approved the grant of P880,000.00 bonus to each member of the Board of Directors for the services rendered by them to the Bank during the year 2008. Said bonus was pro-rated with respect to Directors who served for less than one (1) year. For this year's stockholders meeting, the Board of Directors will determine prior to the stockholders meeting its proposal for Directors Bonus for the year 2009 and to be submitted to the stockholders for approval.

The Directors' Bonus to be proposed to the stockholders during the annual meeting on April 15, 2010 is a different item from last year directors' bonus taken up and approved during the 2009 stockholders' meeting for services rendered by the directors in the year 2008.

Historically, the Bank has been paying Directors' Bonus equivalent to an average of 0.30% of the net income of the Bank for the past ten years. Said Bonus is always pro-rated with respect to directors who have served for less than one year.

Standard Arrangement

Other than the usual per diem arrangement for Board and Board Committee meetings and the abovementioned Directors' Bonus, there is no Standard Arrangement with regards to compensation of directors, directly or indirectly for any services provided as a director, including any additional amounts payable to committee participation or special assignments, for the last completed fiscal year and the ensuing year.

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners of more than 5% as of December 31, 2009

Title of Class	Name/Address of Record Owner & Relationship w/ Issuer	Name of Beneficial Owner & Relationship w/ Record Owner	Citizenship	No. of Shares	Percentage of Holdings
Common	PCD Nominee Corp. (Non-Filipino)	Various Stockholders Client	Various	1,045,290,666	32.19%
	- <i>Standard Chartered Bank Stockholder</i>	- <i>DBS Bank, Ltd. Custodian holds 8.7009% or 282,512,954 shares</i>	<i>Singaporean</i>		
	PCD Nominee Corp. (Filipino) G/F MKSE Building 6767 Ayala Ave., Makati City Stockholder	Various Stockholders Client	Filipino	236,547,966 1,281,838,632	<u>7.29%</u> 39.48%
Common	Ayala Corporation Tower I, Ayala Triangle Ayala Avenue, Makati City Stockholder	Ayala Corporation	Filipino	706,936,069	21.77%
Common	Ayala DBS Holdings, Inc. 33 rd Floor Ayala Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City Stockholder	Ayala DBS Holdings, Inc.	Filipino	692,246,658	21.32%
Common	Roman Catholic Archbishop of Manila 121 Arzobispo street Intramuros, Manila Stockholder	Roman Catholic Archbishop of Manila	Filipino	274,945,137	8.47%

PCD Nominee Corporation (PCD) now known as Philippine Depository and Trust Corporation (PDTC) - Non-Filipino & Filipino, holds 39.48% interest. PDTC is the registered owner of the shares beneficially owned by participants in the PDTC. The Board of Directors of each participant particularly DBS Bank Ltd. has the power to decide on how the shares are to be voted.

Ayala Corporation holds 21.77% interest. Mermac, Inc. and the Mitsubishi Group own 50.92% and 10.58%, respectively (or a total of 61.50%) of the outstanding shares of Ayala Corporation. The Board of Directors of Ayala Corporation has the power to decide on how Ayala Corporation shares in BPI are to be voted.

The Ayala DBS Holdings, Inc. (Ayala DBS) holds 21.32% interest. Ayala Corporation owns 60% of the outstanding shares of Ayala DBS. The Board of Directors of Ayala DBS has the power to decide on how Ayala DBS shares in BPI are to be voted.

The Roman Catholic Archbishop of Manila Group (RCAM) holds 8.47% interest. The Archbishop of Manila has the power to decide on how RCAM shares in BPI are to be voted.

There are no persons holding more than 5% of a class under a voting trust or similar arrangement.

2. Security Ownership of Directors and Management as of December 31, 2009

Title of Class	Name of Beneficial Owner	Position	No. of Shares	Nature of Ownership (R/B)	Citizenship	% of Holdings
Common	Jaime Augusto Zobel de Ayala II	Chairman	271	R/B	Filipino	0.0000%
Common	Aurelio R. Montinola III	Director & President	1,291,654	R/B	Filipino	0.0398%
Common	Gerardo C. Ablaza, Jr.	Director	193	R/B	Filipino	0.0000%
Common	Emily A. Abrera	Director	12	R/B	Filipino	0.0000%
Common	Lilia R. Bautista	Director	14	R/B	Filipino	0.0000%
Common	Romeo L. Bernardo	Director	12	R/B	Filipino	0.0000%
Common	Chng Sok Hui	Director	19	R/B	Singaporean	0.0000%
Common	Octavio V. Espiritu	Director	970,506	R/B	Filipino	0.0299%
Common	Rebecca G. Fernando	Director	17	R/B	Filipino	0.000%
Common	Xavier P. Loinaz	Director	2,853,153	R/B	Filipino	0.0879%
Common	Ma Yuen Lin Annie	Director	19	R/B	British	0.0000%
Common	Mercedita S. Nollado	Director	213,320	R/B	Filipino	0.0066%
Common	Oscar S. Reyes	Director	1,076	R/B	Filipino	0.0000%
Common	Fernando Zobel de Ayala	Director	120	R/B	Filipino	0.0000%
Common	Wong Ann Chai	Director	19	R/B	Singaporean	0.0000%
Common	Gil A. Buenaventura	SEVP	227,499	R/B	Filipino	0.0070%
Common	Antonio V. Paner	EVP & Treasurer	60,930	R/B	Filipino	0.0019%
Common	Natividad N. Alejo	Senior VP	90,034	R/B	Filipino	0.0028%
Common	Cesareo A. De Leon III	Senior VP	180,903	R/B	Filipino	0.0056%
Common	Georgina O. Espaldon	Senior VP	38,776	R/B	Filipino	0.0012%
Common	Elvira V. Mayo	Senior VP	360,586	R/B	Filipino	0.0111%
Common	Ma. Corazon S. Remo	Senior VP	159,778	R/B	Filipino	0.0049%
Common	Ma. Ysabel P. Sylanteng	Senior VP	1,191,419	R/B	Filipino	0.0367%
Common	Teresita B. Tan	Senior VP	259,461	R/B	Filipino	0.0079%
Aggregate Shareholdings of Directors & Officers as a Group			7,899,791			0.2433%

N.B. Above listed beneficial or record owners do not have the right to acquire additional shares arising from any arrangement within thirty (30) days.

Item 12. Certain Relationships and Related Transactions

In the regular course of the bank's business, Ayala Corporation was granted a loan amounting to P5.0 billion as of December 31, 2009.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Corporate Governance of the bank is a system of checks and balances among the Board of Directors, management, and stockholders that is intended to efficiently increase long-term stockholder value through ethical conduct, reportorial accuracy and transparency, and compliance to all laws and regulations. The governance policies and guidelines are specified in the bank's Corporate Governance Manual that supplements and complements the Articles of Incorporation and By-Laws.

The Bank considers the Bangko Sentral ng Pilipinas (BSP) Capital Adequacy, Asset Quality, Management Quality, Earnings, Liquidity, and Sensitivity to Market Risk (CAMELS, 0 to 5) rating as a measure of its governance quality. BPI had a CAMELS 4 rating for 2007 (latest BSP examination), the highest among local banks.

Board of Directors

The Board of Directors consists of fifteen members, including four independent directors. The directors hold office for one year and until their successors are elected and qualified in accordance with the By-Laws of the Bank. Independent directors hold no interests affiliated with BPI, management or controlling shareholder at the time of his election or appointment and/or re-election.

The Board bears the primary responsibility of creating and enhancing long-term shareholder value of BPI. Its mandate includes the setting of strategic business directions, appointment of senior executive officers, the setup of appropriate organizational structures, oversight of major risk-taking activities, and the monitoring of business and management performance

In 2009, the Board had thirteen meetings. The director's record of attendance on all board meetings held during the year met the requirement of the Securities and Exchange Commission's more than 50% attendance. Attendance profile of the members of the Board of Directors of BPI for the period January 1, 2009 to December 31, 2009 is as follows:

Name of Director	# of Meetings Attended	% Present
1. Jaime Augusto Zobel de Ayala II	11	85%
2. Fernando Zobel de Ayala	7	54%
3. Aurelio R. Montinola III	13	100%
4. Gerardo C. Ablaza, Jr.	10	77%
5. Emily A. Abrera	8	62%
6. Lilia R. Bautista	13	100%
7. Romeo L. Bernardo	12	92%
8. Chng Sok Hui	8	62%
9. Octavio V. Espiritu	13	100%
10. Rebecca G. Fernando	9	69%
11. Xavier P. Loinaz	12	92%
12. Ma Yuen Lin Annie	7	54%
13. Mercedita S. Nollado	11	85%
14. Oscar S. Reyes	12	92%
15. Wong Ann Chai	8	62%

An annual self-assessment of the Board of Directors is conducted to determine compliance not only with the bank's Manual of Corporate Governance but also with all other regulations and rules that prescribe good corporate governance.

Board Committees

The Board delegated specific responsibilities to its seven sub-committees.

1. The Executive Committee is composed of seven members of the Board, including two independent directors, with two alternate members. This committee takes on the primary responsibilities of the Board and serves as the Board's operating arm on all corporate governance matters and for approving all major credit risks. In 2009, the committee held 38 meetings.
2. The Nominations Committee is composed of four members of the Board including two independent directors. This committee ensures, among others, that all directors of the Board have

the qualifications and none of the disqualifications indicated in the Bank's Corporate Governance Manual, and vets on the qualifications of all Board appointees. In 2009, the committee held 1 meeting.

3. The Personnel and Compensation Committee is composed of four members of the Board including one independent director. This committee implements the Bank's human resources objectives, particularly those relating to talent development and hiring, promotions and succession planning, compensation and benefits, and performance evaluation.

In 2009, the committee had seven meetings. Some of the matters deliberated upon and endorsed to the board for approval relates to - (i) hiring, promotions and appointments of senior officers, (ii) Collective Bargaining Agreements (CBAs), and (iii) specific benefits.

4. The Audit Committee is composed of four members of the Board including two independent directors. This committee oversees the overall management of operating risks, financial reporting and control, internal auditors and external auditors, and compliance with the Corporate Governance Manual and the BSP audit recommendations. The committee is governed by the Audit Committee Charter.

In 2009, the committee held one special and twelve regular meetings where the following actions were taken-up:

- i. Discussion of approximately 603 reports from Internal Audit, Credit Policy Group, Office of Risk Management and Isla Lipana and Co.. The 2008 Audited Financial Statement, with unqualified opinion submitted by Isla Lipana and Co. and quarterly financial reports of Management were among those reports reviewed to ensure compliance with the applicable Philippine Financial Reporting Standards (PFRS).
- ii. Recommendation to the stockholders of the re-engagement of Isla Lipana and Company as the Bank's external auditor for 2009.
- iii. Review and approval of the 2010 Internal Audit Work Plan and the changes in the Internal Audit Risk Assessment Model as well as the Audit Committee Charter, Internal Audit Charter, and the Audit Rating Framework and Guidelines.
- iv. Review of the Minutes of Meetings conducted by the respective Audit Committees of various subsidiaries of the Bank.
- v. Review of the results of the credit reviews by Credit Policy Group, the quarterly report of compliance office, and the status of unresolved issues from the Operating Risk Management Unit.

Attendance profile of the members of the Audit Committee of BPI for the period January 1, 2009 to December 31, 2009 is as follows:

Name of Director	# of Meetings Attended	% Present
1. Octavio V. Espiritu	13	100%
2. Lilia R. Bautista	13	100%
3. Chng Sok Hui	6	46%
4. Oscar S. Reyes	13	100%

5. The Corporate Governance Committee is composed of five members of the Board including two independent directors. This committee assists the Board in ensuring observance of sound corporate governance principles and guidelines.

In 2009, the committee held one meeting where it deliberated and endorsed to the Board the following:

- i. Noted the responses of BPI to the 2008 Corporate Governance Scorecard Survey, pursuant to SEC Memorandum Circular No. 8, dated October 2008 and that BPI was recognized as a Gold Awardee in the 2008 ICD Corporate Governance Scorecard for Publicly Listed Companies.
 - ii. Noted the new SEC Memorandum Circular No. 6, Series of 2009 (Revised Code of Corporate Governance).
 - iii. Suggestion to revisit for updating the Self-Rating Form attached in SEC Memorandum Circular No. 5, Series of 2003.
 - iv. Approval and adaptation of a resolution in accordance with the provision of SRC (Securities Regulation Code) Rule 38 that covered companies shall amend its by-laws in accordance with the requirements on Nomination and Election of Independent Directors.
6. The Trust Committee is composed of nine members of the Board, including two independent directors, and one senior officer of the bank. This committee oversees the management of the trust and fiduciary functions of the Bank.

The committee had twelve meetings in 2009 where it discussed and endorsed to the Board various performance reports, and a number of credit and investment matters.

7. The Risk Management Committee is composed of five members of the Board including two independent directors. This committee sets risk management policies and procedures and manages -- identifies, measures, monitors and controls -- all risks that the Bank is and may be subjected to, and fosters risk awareness, control, and management throughout the Bank's organization.

The committee had twelve regular meetings in 2009 where various risk strategies, policies, compliance and reports were approved and/or noted.

Executive Officers of the Bank

The executive Officers of BPI are the Chairman, the Vice-Chairman, the President and Chief Executive Officer, the Treasurer, and the Corporate Secretary. The Executive Officers are appointed by the Board. In addition, the Board appoints occasionally some senior officers as provided for in the Bank's By-Laws.

Conflict of Interest Policy

The personal interest of directors and officers are subordinate to the interest of the Bank. Loyalty to the Bank must be such that directors and officers do not directly or indirectly derive personal profit or advantage by reason of their position in the Bank.

Operating Management / Risk Management

The responsibility of managing BPI and implementing all major business strategies rests on the President and Chief Executive Officer who is in turn supported by his Chief Operating Officer and the senior management team.

Operating management is supported by specific management committees namely, Credit Committee, Finance and Risk Management Committee (FRMC), Operating Risk Management Committee, Investment Committee and Asset and Liability Committee. These committees are formed to cover all major risks of the Bank.

In addition, the Personnel Committee of the Board approved the creation of a Chief Risk Officer position at the Operating Management Level in 2005. The Chief Risk Officer is responsible for establishing policies and controls all risk-taking activities of the bank.

At the management level, the Bank's risk exposure is managed by several units and committees.

Compliance System

The Compliance Office promotes compliance with the regulations of the BSP through active liaison and dialogue with regulators as well as the dissemination within the Bank of new regulations.

Enforcement of compliance to the Bank's Corporate Governance Manual, policies, and code of conduct happens in two parts. The first part is self-regulation within work units. The second part is the audit reviews of the Internal Audit Office, the Compliance Office, and the external auditors. The Audit Committee reviews the audit reports.

The Internal Audit Office regularly reviews and scores the extent and quality of adherence to all risk control policies and procedures by each Bank unit and sees to it that all hardware, software, and telecommunications systems are adequately secured and tightly controlled

The Anti-Money Laundering Office monitors customer / counterparty transactions in compliance with the Anti-Money Laundering Law and various government regulations.

As a listed company, the Bank's compliance with the Securities Act, the Securities Exchange Commission and the Philippine Stock Exchange are jointly reviewed by the Bank's Compliance Office, Corporate Planning and the Corporate Secretary.

The bank will constantly review its organization to keep pace with new developments in corporate governance practices and in the end adopt the best leading practices.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17 -C

a. Exhibits

Securities Regulation Code Forms

(1)	Publication of Notice re: Filing	NA
(2)	Underwriting Agreement	NA
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	NA
(4)	(A) Articles of Incorporation	NA
	(B) By-laws	NA
(5)	Instruments Defining the Rights of Security Holders, including indentures	NA
(6)	Opinion re: Legality	NA
(7)	Opinion re: Tax Matters	NA
(8)	Voting Trust Agreement	NA
(9)	Material Contracts	NA
(10)	Annual Report to Security Holders	Exhibit A
(11)	Material Foreign Patents	NA
(12)	Letter re: Unaudited Interim Financial Information	NA
(13)	Letter re: Change in Certifying Accountant	NA
(14)	Letter re: Director Resignation	NA
(15)	Letter re: Change in Accounting Principles	NA
(16)	Report Furnished to Security Holders	NA
(17)	Other Documents or Statements to Security Holders	NA
(18)	Subsidiaries of the Registrants	Exhibit B
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	NA
(20)	Consents of Experts and Independent Counsel	NA
(21)	(A) Power of Attorney	NA
	(B) Power of Attorney-Foreign Registrant	NA
(22)	Statement of Eligibility of Trustee	NA
(23)	Exhibits To Be Filed With Commercial Papers/Bonds Issues	NA

(24)	Exhibits To Be Filed with Stock Options Issues	NA
(25)	Exhibits To Be Filed By Investment Companies	NA
(26)	Notarized Curriculum Vitae and Photographs of Officers and Members of the Board of Directors	NA
(27)	Copy of the BOI Certificate for BOI Registered Companies	NA
(28)	Authorization re: Registrant's Bank Accounts	NA
(29)	Additional Exhibits	NA
	Top 100 Shareholders	Exhibit C
	Sch. B -Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders	Exhibit D
	Sch. E - Property, Plant and Equipment	NA
	Sch. F - Accumulated Depreciation	NA
	Sch.G - Intangible Assets and Other Assets	NA
	Sch. K -Capital Stock	Exhibit E

b. Reports on SEC Form 17-C

Items reported under SEC Form 17-C during the last six months:

- (1) Approval by the Board of Directors of the amendment of the bank's By-Laws to conform with the required number of independent directors as well as the procedures of their nomination and election as prescribed by law.
- (2) Approval of the regular cash dividend of ninety centavos (P0.90) per share for the first semester of the year 2009 by the Bangko Sentral ng Pilipinas.
- (3) Declaration of regular cash dividend of ninety centavos (P0.90) per share for the second semester of the year 2009 last December 16, 2009.
- (4) Approval of the holding of the 2010 Annual stockholders last December 16, 2009.


SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly notarized, in the City of Makati on APR 14 2010.

BANK OF THE PHILIPPINE ISLANDS Issuer

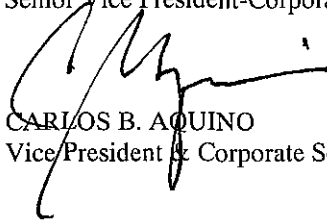
By:


AURELIO R. MONTINOLA III
President and Chief Executive Officer


ANTONIO V. PANER
Executive Vice President/Treasurer


GERTIE K. SINIO
Senior Vice President-Corporate Planning & Accounting


MELVIN M. MIRANDA
Vice President - Central Accounting


CARLOS B. AQUINO
Vice President & Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 14 2010 day of APR 14 2010, affiant(s) exhibiting to me his/her Residence Certificates, as follows:

NAME(S)	RES. CERT. NO.	DATE	PLACE OF ISSUE
Aurelio R. Montinola III	28594567	January 10, 2010	Makati City
Antonio V. Paner	14996999	January 19, 2010	Mandaluyong City
Gertie K. Sinio	15616940	January 16, 2010	Pasig City
Melvin M. Miranda	29871100	January 28, 2010	Parañaque City
Carlos B. Aquino	13599314	January 28, 2010	San Juan, Metro Manila

Doc. No. 35;
Page No. 8;
Book No. XVI;
Series 2010



DENCIO B. BARGAS
Notary Public for Makati City
Until December 31, 2010, Appointment No. 121
Unit 606, Madrigal Bldg., Ayala Ave., Makati City
PTR No. 1567852 - 1/5/09 Makati City
IBP No. 764294 - 12/6/08 Makati City
Attorney's Roll No. 26223

EXHIBIT A
(Annual Report to Security Holders)



BANK OF THE PHILIPPINE ISLANDS

Founded in 1851

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Bank of the Philippine Islands is responsible for all information and representations contained in the financial statements as of December 31, 2009 and 2008 and for each of the three years in the period ended December 31, 2009. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the bank's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the bank.

Isla Lipana & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the bank in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation in accordance with Philippine Financial Reporting Standards upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:

Jaime Augusto Zobel de Ayala II
Chairman of the Board

Aurelio R. Montinola III
President and Chief Executive Officer

Antonio V. Paner
Executive Vice Pres. & Treasurer

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this
MAR 02 2010, affiants exhibited to me their Community Tax Certificate Nos.:

Name	Com. Tax. Cert. No.	Date/Place of Issue
Jaime Augusto Zobel de Ayala II	00511460	Feb. 13, 2009/Makati City
Aurelio R. Montinola III	12351136	Jan. 14, 2009/Makati City
Antonio V. Paner	14996999	Jan. 19, 2010/Mandaluyong City

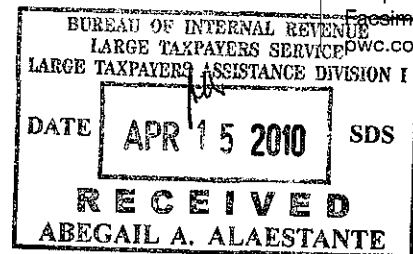
Doc. No. 36
Page No. 9
Book No. XV
Series of 2010.

DENCIO B. BARGAS
Notary Public for Makati City
Until December 31, 2010, Appointment No. 121
Unit 608, Madrigal Bldg., Ayala Ave., Makati City
PTR No. 1567852 - 1/5/09 Makati City
IBP No. 764298 - 12/18/08 Mandaluyong City
Attorney's Roll No. 26223

BPI Building, Ayala Avenue corner Paseo de Roxas, Makati City, Philippines

Independent Auditor's Report

To the Board of Directors and Stockholders of
Bank of the Philippine Islands
BPI Building, Ayala Avenue
Makati City



Isla Lipana & Co.
29th Floor, Philamlife Tower
8767 Paseo de Roxas
1226 Makati City, Philippines
Telephone +63 (2) 845 2728
Facsimile +63 (2) 845 2806
Email ilwc.com

We have audited the accompanying consolidated financial statements of Bank of the Philippine Islands and Subsidiaries (the BPI Group) and the parent financial statements of Bank of the Philippine Islands (the Parent Bank), which comprise the consolidated and parent statements of condition as of December 31, 2009 and 2008, and the consolidated and parent statements of income, total comprehensive income, changes in capital funds and cash flows for each of the three years in the period ended December 31, 2009, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Isla Lipana & Co.

Independent Auditor's Report
To the Board of Directors and Stockholders of
Bank of the Philippine Islands
Page 2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated and parent financial statements present fairly, in all material respects, the financial position of the BPI Group and of the Parent Bank as of December 31, 2009 and 2008, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2009 in accordance with Philippine Financial Reporting Standards.

Isla Lipana & Co.



Blesilda A. Pestaño
Partner
CPA Cert. No. 40446
P.T.R. No. 0007713, January 13, 2010, Makati City
SEC A.N. (Individual) as general auditors 0049-AR-2
SEC A.N. (Firm) as general auditors 0009-FR-2
TIN 112-071-927
BIR A.N. 08-000745-7-2007, issued on August 24, 2007; effective until August 24, 2010
BOA/PRC Reg. No. 0142, effective until December 31, 2010

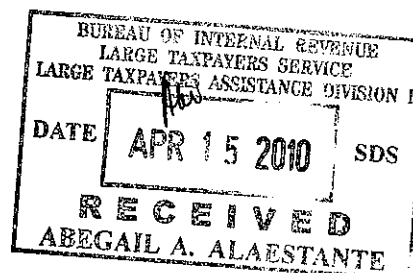
Makati City
February 22, 2010

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION DECEMBER 31, 2009 AND 2008 (In Millions of Pesos)

		Consolidated		Parent	
	Notes	2009	2008	2009	2008
<u>RESOURCES</u>					
CASH AND OTHER CASH ITEMS	7	18,780	22,366	17,987	21,781
DUE FROM BANGKO SENTRAL NG PILIPINAS	7	62,744	48,422	54,465	41,428
DUE FROM OTHER BANKS	7	7,147	14,278	3,363	8,114
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	7, 8	52,546	22,584	46,160	21,107
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS					
- DERIVATIVE FINANCIAL ASSETS	9	2,146	2,182	2,146	2,182
- TRADING SECURITIES	10	53,256	34,399	52,159	32,999
AVAILABLE-FOR-SALE SECURITIES, net	11	71,706	63,829	60,433	50,766
HELD-TO-MATURITY SECURITIES, net	12	75,031	72,884	64,787	63,196
LOANS AND ADVANCES, net	13	327,474	320,216	240,328	240,681
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	14	11,410	11,176	7,833	7,654
INVESTMENT PROPERTIES, net	15	2,762	2,828	2,751	2,817
ASSETS HELD FOR SALE, net	4	14,241	14,837	11,035	12,168
EQUITY INVESTMENTS, net	16	1,639	730	6,952	6,712
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS	5, 7	10,950	22,068	-	-
DEFERRED INCOME TAX ASSETS, net	17	4,872	5,676	4,138	4,981
OTHER RESOURCES, net	18	7,716	8,137	5,470	6,800
Total resources		724,420	666,612	580,007	523,386

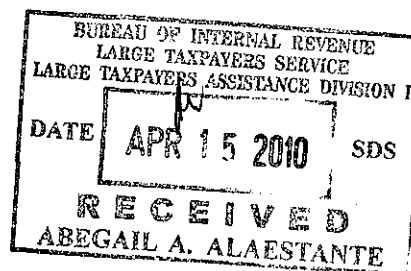
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BANK OF THE PHILIPPINE ISLANDS
STATEMENTS OF CONDITION
DECEMBER 31, 2009 AND 2008
(In Millions of Pesos)

	Notes	Consolidated		Parent	
		2009	2008	2009	2008
<u>LIABILITIES AND CAPITAL FUNDS</u>					
DEPOSIT LIABILITIES	19	579,471	540,352	472,031	440,889
DERIVATIVE FINANCIAL LIABILITIES	9	1,593	2,547	1,593	2,547
BILLS PAYABLE	20	32,009	9,934	24,616	5,373
DUE TO BANGKO SENTRAL NG PILIPINAS AND OTHER BANKS		1,933	1,496	1,935	1,462
MANAGER'S CHECKS AND DEMAND DRAFTS OUTSTANDING		3,059	2,723	2,506	2,164
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		4,448	4,150	3,299	3,020
UNSECURED SUBORDINATED DEBT	21	5,000	5,000	5,000	5,000
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS	5	8,762	18,813	-	-
DEFERRED CREDITS AND OTHER LIABILITIES	22	20,380	17,725	17,731	14,927
Total liabilities		656,655	602,740	528,711	475,382
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI					
	23				
Capital stock		32,467	32,456	32,467	32,456
Paid-in surplus		1,412	1,374	1,412	1,374
Reserves		1,394	1,296	1,351	1,241
Surplus		33,160	30,659	17,390	14,652
Accumulated other comprehensive loss		(1,635)	(2,851)	(1,324)	(1,719)
		66,798	62,934	51,296	48,004
NON-CONTROLLING INTEREST		967	938	-	-
Total capital funds		67,765	63,872	51,296	48,004
Total liabilities and capital funds		724,420	666,612	580,007	523,386

(The notes on pages 1 to 94 are an integral part of these financial statements.)

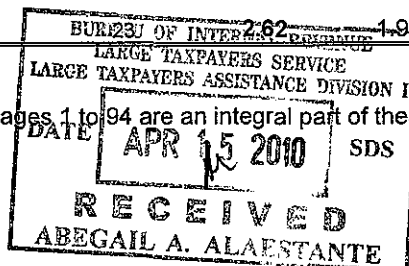


BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF INCOME
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2009
(In Millions of Pesos, Except Per Share Amounts)

	Notes	Consolidated			Parent		
		2009	2008	2007	2009	2008	2007
INTEREST INCOME							
On loans and advances		24,440	24,100	21,658	16,059	16,565	15,159
On held-to-maturity securities		5,285	4,058	4,344	4,542	3,339	3,691
On available-for-sale securities		2,127	3,668	4,826	2,006	3,145	3,781
On deposits with BSP and other banks		3,018	2,428	2,325	2,602	1,919	1,655
On trading securities		361	372	515	330	325	466
Gross receipts tax		(1,344)	(1,329)	(1,253)	(1,040)	(1,027)	(938)
		33,887	33,297	32,415	24,499	24,266	23,814
INTEREST EXPENSE							
On deposits	19	11,229	13,352	13,002	7,299	8,958	9,339
On bills payable and other borrowings		1,256	482	463	983	282	296
		12,485	13,834	13,465	8,282	9,240	9,635
NET INTEREST INCOME		21,402	19,463	18,950	16,217	15,026	14,179
IMPAIRMENT LOSSES	4, 11, 13, 18	2,535	1,930	1,250	1,983	1,484	846
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		18,867	17,533	17,700	14,234	13,542	13,333
OTHER INCOME							
Fees and commissions		3,430	3,056	2,747	2,254	2,137	2,038
Income from foreign exchange trading		1,693	1,712	1,000	1,564	1,450	807
Trading gain (loss) on securities		1,527	(516)	2,502	1,354	(547)	2,086
Income attributable to insurance operations	5	798	588	1,855	-	-	-
Other operating income	25	6,417	6,098	6,398	7,905	8,301	6,599
Gross receipts tax		(872)	(617)	(898)	(740)	(497)	(704)
		12,993	10,321	13,604	12,337	10,844	10,826
OTHER EXPENSES							
Compensation and fringe benefits	30	9,155	8,098	8,193	6,631	5,823	5,894
Occupancy and equipment-related expenses	14, 15, 26	5,645	5,303	4,853	4,370	4,066	3,829
Other operating expenses	27	4,876	4,911	5,265	3,882	3,958	4,579
		19,676	18,312	18,311	14,883	13,847	14,302
INCOME BEFORE INCOME TAX		12,184	9,542	12,993	11,688	10,539	9,857
PROVISION FOR INCOME TAX	28						
Current		2,597	2,123	2,408	1,880	1,370	1,424
Deferred	17	922	862	359	1,055	864	449
		3,519	2,985	2,767	2,935	2,234	1,873
NET INCOME FOR THE YEAR		8,665	6,557	10,226	8,753	8,305	7,984
Attributable to:							
Equity holders of BPI		8,516	6,423	10,012	8,753	8,305	7,984
Non-controlling interest		149	134	214	-	-	-
		8,665	6,557	10,226	8,753	8,305	7,984
Earnings per share for net income attributable to the equity holders of BPI during the year:							
Basic and diluted		2.62	1.98	3.09	2.69	2.56	2.46

(The notes on pages 1 to 94 are an integral part of these financial statements.)



BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF TOTAL COMPREHENSIVE INCOME
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2009
(In Millions of Pesos)

	Notes	Consolidated			Parent		
		2009	2008	2007	2009	2008	2007
NET INCOME FOR THE YEAR		8,665	6,557	10,226	8,753	8,305	7,984
OTHER COMPREHENSIVE INCOME	23						
Net change in fair value reserve on available-for-sale securities, net of tax effect		390	(4,255)	(1,164)	395	(2,696)	(995)
Fair value reserve on investments of insurance subsidiaries, net of tax effect		929	(1,211)	(286)	-	-	-
Share in other comprehensive income of associates		(134)	-	-	-	-	-
Currency translation differences		79	(112)	(485)	-	-	-
Total other comprehensive income (loss), net of tax effect		1,264	(5,578)	(1,935)	395	(2,696)	(995)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		9,929	979	8,291	9,148	5,609	6,989
Attributable to:							
Equity holders of BPI		9,732	943	8,114	9,148	5,609	6,989
Non-controlling interest		197	36	177	-	-	-
		9,929	979	8,291	9,148	5,609	6,989

(The notes on pages 1 to 94 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CHANGES IN CAPITAL FUNDS FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2009 (In Millions of Pesos)

	Consolidated						
	Attributable to equity holders of BPI (Note 23)						
	Capital stock	Paid-in surplus	Reserves	Surplus	Accumulated other comprehensive income (loss)	Non-controlling interest	Total
Balance, January 1, 2007	27,043	1,356	922	30,337	4,527	1,048	65,233
Total comprehensive income (loss) for the year	-	-	-	10,012	(1,898)	177	8,291
Employee stock option plan:							
Value of employee services	-	-	146	-	-	-	146
Exercise of options	1	4	(5)	-	-	-	-
Cash dividends	-	-	-	(2,434)	-	-	(2,434)
Transfer from surplus to reserves	-	-	130	(130)	-	-	-
Other changes in non-controlling interest	-	-	-	-	-	(105)	(105)
Balance, December 31, 2007	27,044	1,360	1,193	37,785	2,629	1,120	71,131
Total comprehensive income (loss) for the year	-	-	-	6,423	(5,480)	36	979
Employee stock option plan:							
Value of employee services	-	-	44	-	-	-	44
Exercise of options	3	14	(21)	-	-	-	(4)
Cash dividends	-	-	-	(8,060)	-	-	(8,060)
Stock dividends	5,409	-	-	(5,409)	-	-	-
Transfer from surplus to reserves	-	-	80	(80)	-	-	-
Other changes in non-controlling interest	-	-	-	-	-	(218)	(218)
Balance, December 31, 2008	32,456	1,374	1,296	30,659	(2,851)	938	63,872
Total comprehensive income for the year	-	-	-	8,516	1,216	197	9,929
Employee stock option plan:							
Exercise of options	11	38	(74)	-	-	-	(25)
Cash dividends	-	-	-	(5,843)	-	-	(5,843)
Transfer from surplus to reserves	-	-	172	(172)	-	-	-
Other changes in non-controlling interest	-	-	-	-	-	(168)	(168)
Balance, December 31, 2009	32,467	1,412	1,394	33,160	(1,635)	967	67,765

(The notes on pages 1 to 94 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CHANGES IN CAPITAL FUNDS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2009
(In Millions of Pesos)

	Parent (Note 23)					
	Capital stock	Paid-in surplus	Reserves	Surplus	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2007	27,043	1,356	903	14,476	1,972	45,750
Total comprehensive income (loss) for the year	-	-	-	7,984	(995)	6,989
Employee stock option plan:						
Value of employee services	-	-	117	-	-	117
Exercise of options	1	4	(5)	-	-	-
Cash dividends	-	-	-	(2,434)	-	(2,434)
Transfer from surplus to reserves	-	-	130	(130)	-	-
Balance, December 31, 2007	27,044	1,360	1,145	19,896	977	50,422
Total comprehensive income (loss) for the year	-	-	-	8,305	(2,696)	5,609
Employee stock option plan:						
Value of employee services	-	-	37	-	-	37
Exercise of options	3	14	(21)	-	-	(4)
Cash dividends	-	-	-	(8,060)	-	(8,060)
Stock dividends	5,409	-	-	(5,409)	-	-
Transfer from surplus to reserves	-	-	80	(80)	-	-
Balance, December 31, 2008	32,456	1,374	1,241	14,652	(1,719)	48,004
Total comprehensive income for the year	-	-	-	8,753	395	9,148
Employee stock option plan:						
Exercise of options	11	38	(62)	-	-	(13)
Cash dividends	-	-	-	(5,843)	-	(5,843)
Transfer from surplus to reserves	-	-	172	(172)	-	-
Balance, December 31, 2009	32,467	1,412	1,351	17,390	(1,324)	51,296

(The notes on pages 1 to 94 are an integral part of these financial statements.)

STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2009
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	2009	2008	2007	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES							
Income before income tax		12,184	9,542	12,993	11,688	10,539	9,857
Adjustments for:							
Impairment losses	4, 11, 13, 18	2,535	1,930	1,250	1,983	1,484	846
Depreciation and amortization	14, 15	2,421	2,188	1,836	1,416	1,358	1,192
Share in net loss of associates		21	28	9	-	-	-
Share-based compensation	24	-	44	146	-	37	117
Dividend income	25	(124)	(67)	(53)	(2,906)	(4,061)	(2,631)
Interest income		(35,231)	(34,626)	(33,668)	(25,539)	(25,293)	(24,752)
Interest received		35,808	34,535	33,626	24,678	24,873	25,499
Interest expense		12,485	13,834	13,465	8,282	9,240	9,635
Interest paid		(12,574)	(14,086)	(13,114)	(8,386)	(9,519)	(9,372)
Operating income before changes in operating assets and liabilities		17,525	13,322	16,490	11,216	8,658	10,391
Changes in operating assets and liabilities							
(Increase) decrease in:							
Due from Bangko Sentral ng Pilipinas		(5,074)	(772)	(16,296)	(4,895)	(965)	(13,640)
Interbank loans receivable and securities purchased under agreements to resell		(15,839)	(1,509)	5,737	(16,393)	(1,509)	5,737
Trading securities, net	10	(18,776)	(25,206)	4,815	(19,071)	(25,423)	4,899
Loans and advances, net		(10,064)	(47,280)	(31,851)	(1,907)	(33,565)	(21,506)
Assets held for sale		466	1,338	706	1,043	1,252	541
Assets attributable to insurance operations		15,154	887	(846)	-	-	-
Other resources		171	2,157	(3,615)	1,862	2,239	(4,063)
Increase (decrease) in:							
Deposit liabilities		39,119	26,908	46,368	31,143	22,246	33,842
Due to Bangko Sentral ng Pilipinas and other banks		438	193	297	473	191	290
Manager's checks and demand drafts outstanding		336	10	464	342	83	183
Accrued taxes, interest and other expenses		388	(268)	356	382	(157)	463
Liabilities attributable to insurance operations		(10,051)	2,329	1,287	-	-	-
Derivative financial instruments		(918)	128	148	(918)	128	148
Deferred credits and other liabilities		2,632	(1,088)	2,667	2,791	(1,847)	3,226
Net cash generated from (used in) operating activities before income tax		15,507	(28,851)	26,727	6,068	(28,669)	20,511
Income taxes paid		(2,735)	(2,510)	(2,560)	(2,036)	(1,671)	(1,734)
Net cash (used in) generated from operating activities		12,772	(31,361)	24,167	4,032	(30,340)	18,777
CASH FLOWS FROM INVESTING ACTIVITIES							
(Increase) decrease in:							
Available-for-sale securities, net	11	(7,743)	34,979	(13,888)	(9,550)	28,232	(10,735)
Held-to-maturity securities, net	12	(2,056)	(19,948)	16,340	(1,556)	(17,164)	15,815
Bank premises, furniture, fixtures and equipment, net	14	(2,476)	(2,406)	(721)	(1,478)	(32)	212
Investment properties, net		66	(12)	(451)	66	(1,171)	(431)
Equity investments		(247)	(1,364)	(886)	(240)	1,052	(1,900)
Assets attributable to insurance operations		(4,032)	(963)	(1,574)	-	-	-
Dividends received		124	67	53	3,584	3,283	2,580
Net cash generated from (used in) investing activities		(16,364)	10,353	(1,127)	(9,174)	14,200	5,541
<i>(forward)</i>							

BANK OF THE PHILIPPINE ISLANDS**STATEMENTS OF CASH FLOWS**

FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2009

(In Millions of Pesos)

		Consolidated			Parent		
	Notes	2009	2008	2007	2009	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES							
Cash dividends paid		(5,843)	(8,060)	(7,572)	(5,843)	(8,060)	(7,572)
Proceeds from (repayments of) bills payable, net		22,074	4,559	(341)	19,242	3,283	(1,167)
Proceeds from issuance of unsecured subordinated debt	21	-	5,000	-	-	5,000	-
Net cash generated from (used in) financing activities		16,231	1,499	(7,913)	13,399	223	(8,739)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS							
		12,639	(19,509)	15,127	8,257	(15,917)	15,579
CASH AND CASH EQUIVALENTS							
January 1	7	62,790	82,299	67,172	49,190	65,107	49,528
December 31		75,429	62,790	82,299	57,447	49,190	65,107

(The notes on pages 1 to 94 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2009 AND 2008 AND FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2009

Note 1 - General Information

Bank of the Philippine Islands (BPI or the "Parent Bank") is a domestic commercial bank with an expanded banking license and with principal office at BPI Building, Ayala Avenue corner Paseo de Roxas, Makati City. BPI and its subsidiaries (collectively referred to as the "BPI Group") offer a whole breadth of financial services that include corporate banking, consumer banking, investment banking, asset management, corporate finance, securities distribution, and insurance services. At December 31, 2009, the BPI Group has 12,155 employees (2008 - 12,089 employees) and operated 812 branches, 1,556 ATMs and 24,790 point-of-sale terminals to support its delivery of services. The BPI Group also serves its customers through alternative electronic banking channels such as telephone, mobile phone and the internet. The BPI shares have been traded in the Philippine Stock Exchange since October 12, 1971. The Parent Bank was registered with the Securities and Exchange Commission (SEC) on January 4, 1943. This license was extended for another 50 years on January 4, 1993.

These financial statements have been approved and authorized for issuance by the Board of Directors of the Parent Bank on February 17, 2010. There are no material events that occurred subsequent to February 17, 2010 until February 22, 2010.

Note 2 - Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the BPI Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC), and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

As allowed by the SEC, the pre-need subsidiary of the Parent Bank continues to follow the provisions of the Pre-Need Uniform Chart of Accounts (PNUCA) prescribed by the SEC.

The financial statements comprise the statement of condition, statement of income and statement of total comprehensive income shown as two statements, statement of changes in capital funds, the statement of cash flows and the notes.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of trading securities, available-for-sale financial assets, and all derivative contracts.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the BPI Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the BPI Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

New standards, interpretations and amendments to published standards

The BPI Group adopted the following accounting standards and interpretations approved by the FRSC which are effective for the BPI Group beginning January 1, 2009:

- *Philippine Interpretation IFRIC 13, Customer Loyalty Program*, (effective for annual periods beginning on or after July 1, 2008). This clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. This interpretation did not have a significant impact on the BPI Group's financial statements.
- *Philippine Interpretation IFRIC 16, Hedges of a Net Investment in a Foreign Operation* (effective for annual periods beginning on or after October 1, 2008). This interpretation provides guidance on the following: (a) identifying the foreign currency risks that can qualify as a "hedged risk" in the hedge of a net investment in a foreign operation; (b) identifying situations where hedging instruments that are hedges of a net investment in a foreign operation can qualify for hedge accounting under PAS39; and (c) determining the amounts to be reclassified from equity to profit and loss for both the hedging instrument and the hedged item when using hedge accounting under PAS 39. This interpretation has no impact to the BPI Group's operations as there are currently no hedges on net investment in foreign operations.
- *PAS 1 (Revised), Presentation of Financial Statements* (effective from January 1, 2009). The revised standard requires the presentation of all non-owner changes in equity (i.e., comprehensive income) in a statement of comprehensive income or in a statement of profit or loss together with a statement of comprehensive income, separately from owner changes in equity. PAS 1 (Revised) also requires, as a minimum, the presentation of three statements of financial position (balance sheet) in a complete set of financial statements whenever there is a prior period adjustment or a reclassification of items in the financial statements - as at the end of the current period, the end of the comparative period and the beginning of the comparative period. In other cases, only two statements of financial position are required. Dividends recognized as distributions to owners and related per-share amounts should be presented on the face of the statement of changes in equity or in the notes and not on the face of the statement of comprehensive income or the face of the income statement. As a result, the BPI Group presents in the statement of changes in capital funds all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Further, the adoption of revised PAS 1 did not have an impact on surplus.
- *PAS 23 (Amended), Borrowing Costs* (effective from January 1, 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The adoption of amended PAS 23 did not have an impact on the financial statements of the BPI Group as there are no qualifying assets.
- *PAS 32 (Amendment), Financial Instruments: Presentation, and PAS 1 (Amendment), Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation* (effective from January 1, 2009). The amended standards require entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The adoption of the amended standards did not have a significant impact on the financial statements of the BPI Group.

- *PFRS 2 (Amendment), Share-based Payment* (effective from January 1, 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The adoption of the amended standard did not have a significant impact on the financial statements of the BPI Group.
- *PFRS 7 (Amendment), Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* (effective from January 1, 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurement by level of fair value measurement hierarchy. The adoption of the amendment resulted in additional disclosures (see Note 3.5) but did not have an impact on the financial position or the comprehensive income of the BPI Group.
- *PFRS 8, Operating Segments* (effective from January 1, 2009). PFRS 8 replaces PAS 14 and requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. Under the requirements of PFRS 8, the BPI Group’s external segment reporting will be based on the internal reporting to the management provided to the chief executive officer, who makes decisions on the allocation of resources and assesses the performance of the reportable segments. The adoption of PFRS 8 however, did not have a significant impact on the financial position of the BPI Group but has an effect on segment disclosures as shown in Note 6.

Likewise, the following standards, amendments and interpretations to existing standards have been published and are applicable for the BPI Group beginning on or after January 1, 2010 but the BPI Group has not early adopted.

- *Amendment to IFRIC 9 and IAS 39, Embedded Derivatives* (effective for annual periods beginning on or after June 30, 2009). The amendment clarifies that subsequent reassessment of embedded derivatives is prohibited unless there is either (a) a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract or (b) a reclassification of a financial asset out of the fair value through profit or loss category, in which cases an reassessment is required. An entity determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flows on the contract. The amendment is not expected to have a significant impact on the financial statements of the BPI Group.
- *Amendment to PAS 39, Eligible Hedged Items* (effective for annual periods beginning on or after July 1, 2009). The amendment provides that an entity can designate all changes in the cash flows or fair value of a hedged item in a hedging relationship. An entity can also designate only changes in the cash flows or fair value of a hedged item above or below a specified price or other variable (a one-sided risk). The intrinsic value of a purchased option hedging instrument (assuming that it has the same principal terms as the designated risk), but not its time value, reflects a one-sided risk in a hedged item. For example, an entity can designate the variability of future cash flow outcomes resulting from a price increase of a forecast commodity purchase. In such a situation, only cash flow losses that result from an increase in the price above the specified level are designated. The hedged risk does not include the time value of a purchased option because the time value is not a component of the forecast transaction that affects profit or loss. The amendment is not expected to have a significant impact on the financial statements of the BPI Group as there are currently no accounting hedges.

- *PAS 27 (Revised), Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The BPI Group will apply this revised standard prospectively to transactions with non-controlling interests from January 1, 2010. The potential impact of this revised standard is not yet reasonably estimable.
- *PFRS 3 (Revised), Business Combinations* (effective for annual periods beginning on or after July 1, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The BPI Group will apply this revised standard prospectively to all business combinations from January 1, 2010.
- *Philippine Interpretation IFRIC 17, Distribution of Non-Cash Assets to Owners* (effective for annual periods beginning on or after July 1, 2009). This interpretation addresses accounting by an entity that makes a non-cash asset distribution to owners. An entity shall measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. If an entity gives its owners a choice of receiving either a non-cash asset or a cash alternative, the entity shall estimate the dividend payable by considering both the fair value of each alternative and the associated probability of owners selecting each alternative. At the end of each reporting period and at the date of settlement, the entity shall review and adjust the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognized in equity as adjustments to the amount of the distribution. This interpretation will be adopted by the BPI Group on its financial statements beginning January 1, 2010.
- *Amendment to PFRS 2, Group Cash-settled Share-based Payment Transactions* (effective on January 1, 2010). The amendment clarifies that in particular, if the identifiable consideration received (if any) by the entity appears to be less than the fair value of the equity instruments granted or liability incurred, typically this situation indicates that other consideration (ie unidentifiable goods or services) has been (or will be) received by the entity. The entity shall measure the identifiable goods or services received in accordance with PFRS 2. The entity shall measure the unidentifiable goods or services received (or to be received) as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received). The entity shall measure the unidentifiable goods or services received at the grant date. However, for cash-settled transactions, the liability shall be remeasured at the end of each reporting period until it is settled. The BPI Group does not expect any significant impact on its financial statements upon adoption of this amendment on January 1, 2010.
- *Improvements to PFRS*. Improvements to PFRS comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual PFRS standards. Most of the amendments are effective for annual periods beginning on or after January 1, 2009 and January 1, 2010, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

- *IFRS 9, Financial Instruments Part 1: Classification and Measurement.* IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:
 - (i) Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
 - (ii) An instrument is subsequently measured at amortized cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest. All other debt instruments are to be measured at fair value through profit or loss.
 - (iii) All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There shall be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

While adoption of IFRS 9 is mandatory from January 1, 2013, earlier adoption is permitted. The BPI Group is currently assessing the implications and impact of IFRS 9.

2.2 Consolidation

The consolidated financial statements comprise the financial statements of the Parent Bank and all its consolidated subsidiaries. The subsidiaries' financial statements are prepared for the same reporting periods as the Parent Bank. The percentages of effective ownership of BPI in consolidated subsidiaries at December 31, 2009 and 2008 are as follows:

Name	Country of incorporation	Principal activities	% of ownership	
			2009	2008
BPI Family Savings Bank, Inc.	Philippines	Banking	100	100
BPI Capital Corporation	Philippines	Investment house	100	100
BPI Leasing Corporation	Philippines	Leasing	100	100
BPI Direct Savings Bank, Inc.	Philippines	Banking	100	100
BPI International Finance Limited	Hong Kong	Financing	100	100
BPI Europe Plc.	England and Wales	Banking (deposit)	100	100
BPI Securities Corp.	Philippines	Securities dealer	100	100
BPI Card Finance Corp.	Philippines	Financing	100	100
Filinvest Algo Financial Corp.	Philippines	Financing	100	100
BPI Rental Corporation.	Philippines	Rental	100	100
BPI Investment Management Inc.	Philippines	Investment management	100	100
Santiago Land Dev. Corp.	Philippines	Land holding	100	100
BPI Operations Management Corp.	Philippines	Operations management	100	100
BPI Computer Systems Corp.	Philippines	Business systems service	100	100
BPI Foreign Exchange Corp.	Philippines	Foreign exchange	100	100
BPI Express Remittance Corp.	Philippines	Remittance	100	100
BPI Express Remittance Center HK (Ltd.)	Hong Kong	Remittance	100	100
BPI-Rome Remittance Ctr.	Italy	Remittance	100	100
FEB Insurance Brokers, Inc	Philippines	Insurance brokers	100	100
Prudential Investments, Inc.	Philippines	Investment house	100	100
First Far - East Development Corporation	Philippines	Real estate	100	100
Prudential Venture Capital Corporation	Philippines	Venture capital	100	100
FEB Stock Brokers	Philippines	Securities dealer	100	100
Citysec Securities Corporation	Philippines	Securities dealer	100	100
BPI Asset Management, Inc.	Philippines	Investment management	100	100
BPI Express Remittance Spain S.A	Spain	Remittance	100	100
Speed International	Philippines	Remittance	100	100
BPI Bancassurance	Philippines	Bancassurance	100	100
Ayala Plans, Inc.	Philippines	Pre-need	100	98.67
FGU Insurance Corporation	Philippines	Non-life insurance	94.62	94.62
BPI/MS Insurance Corporation	Philippines	Non-life insurance	50.85	50.85
Ayala Life Assurance, Inc.*	Philippines	Life insurance	47.67	98.67
Pilipinas Savings Bank**	Philippines	Banking	40	100

*De-consolidated effective November 2009 due to loss of control (see Note 16)

**De-consolidated effective July 2009 due to loss of control (see Note 16)

(a) Subsidiaries

Subsidiaries are all entities over which the BPI Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the BPI Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the BPI Group. They are de-consolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the BPI Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the BPI Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the BPI Group's share in the net assets acquired, the difference is recognized directly in the statement of income.

Intercompany transactions, balances and intragroup gains on transactions between the BPI Group of companies are eliminated. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the BPI Group.

The results of the subsidiaries acquired or disposed of during the year are included in the statement of income from the effective acquisition date or up to the effective date on which control ceases, as appropriate.

(b) Transactions with non-controlling interests

Interests in the equity of subsidiaries not attributable to the Parent Bank are reported in the statement of condition as non-controlling interests. Profits or losses attributable to non-controlling interests are reported in the statement of comprehensive income.

The BPI Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the BPI Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in capital funds. Gains or losses on disposals to non-controlling interests are also recorded in capital funds.

(c) Associates

Associates are all entities over which the BPI Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates in the consolidated financial statements are accounted for by the equity method of accounting and are initially recognized at cost. The BPI Group's investment in associates includes goodwill identified on acquisition (net of any accumulated impairment loss).

The BPI Group's share of its associates' post-acquisition profits or losses is recognized in the statement of income, and its share of post-acquisition movements in reserves is recognized in the statement of capital funds. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the BPI Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, it does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Intragroup gains on transactions between the BPI Group and its associates are eliminated to the extent of its interest in the associates. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the BPI Group.

2.3 Equity investments

The financial statements include the consolidated financial statements of the BPI Group and the separate financial statements of the Parent Bank.

Equity investments in the Parent Bank's separate financial statements which represent investments in subsidiaries and associates are accounted for at cost method in accordance with PAS 27. Under the cost method, income from investment is recognized in the statement of income only to the extent that the investor receives distributions from accumulated net income of the investee arising subsequent to the date of acquisition.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer who allocates resources to and assesses the performance of the operating segments of the BPI Group.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated upon consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with PFRS 8, the BPI Group has the following main business segments: consumer banking, corporate banking and investment banking.

2.5 Cash and cash equivalents

Cash and cash equivalents consist of Cash and other cash items, Due from Bangko Sentral ng Pilipinas (BSP) - clearing account, Due from other banks, and Interbank loans receivable and securities purchased under agreements to resell with maturities of less than three months from the date of acquisition and that are subject to insignificant risk of changes in value.

2.6 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are treated as loans and advances and included in the statement condition under "Interbank loans receivable and securities purchased under agreements to resell" account. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2.7 Financial assets

2.7.1 Classification

The BPI Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity securities, and available-for-sale securities. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Financial assets held for trading (other than derivatives) are shown as "Trading securities" in the statement of condition.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with a documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the BPI Group entity's key management personnel. The BPI Group has no financial assets that are specifically designated at fair value through profit or loss.

Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments (i) that are not quoted in an active market, (ii) with no intention of trading, and (iii) that are not designated as available-for-sale. Significant accounts falling under this category are Loans and advances, Due from BSP (liquidity and statutory reserve account) and other banks, Interbank loans receivable and securities purchased under agreements to resell and other receivables.

(c) Held-to-maturity securities

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities that the BPI Group's management has the positive intention and ability to hold to maturity. If the BPI Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

(d) Available-for-sale securities

Available-for-sale securities are non-derivatives that are either designated in this category or not classified in any of the other categories.

2.7.2 Recognition and measurement

Regular-way purchases and sales of financial assets at fair value through profit or loss, held-to-maturity securities and available-for-sale securities are recognized on trade-date, the date on which the BPI Group commits to purchase or sell the asset. Loans and receivables recognized upon origination when cash is advanced to the borrowers. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale securities and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity securities are subsequently carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the statement of income (as "Trading gain/loss on securities") in the year in which they arise. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized directly in the statement of comprehensive income, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in the statement of comprehensive income should be recognized in the statement of income. However, interest calculated on these securities using the effective interest method and foreign currency gains and losses on monetary assets classified as available-for-sale are recognized in the statement of income. Dividends on equity instruments are recognized in the statement of income when the BPI Group's right to receive payment is established.

2.7.3 Financial asset reclassification

The BPI Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the BPI Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the BPI Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

2.7.4 Derecognition of financial assets

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the BPI Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent de-recognition).

2.8 Impairment of financial assets

(a) Assets carried at amortized cost

The BPI Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the BPI Group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral

The BPI Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the BPI Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate (recoverable amount). The calculation of recoverable amount of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. Impairment loss is recognized in the statement of income and the carrying amount of the asset is reduced through the use of an allowance account.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the BPI Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the BPI Group and historical loss experience for assets with credit risk characteristics similar to those in the BPI Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of income as a reduction of impairment losses for the year.

(b) Assets classified as available-for-sale

The BPI Group assesses at each balance sheet date whether there is evidence that a debt security classified as available-for-sale is impaired. For an equity security classified as available-for-sale, a significant or prolonged decline in the fair value below cost is considered in determining whether the securities are impaired. The cumulative loss (difference between the acquisition cost and the current fair value) is removed from capital funds and recognized in the statement of income when the asset is determined to be impaired. If in a subsequent period, the fair value of a debt instrument previously impaired increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of income. Reversal of impairment losses recognized previously on equity instruments is made directly to capital funds.

(c) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans.

2.9 Financial liabilities

The BPI Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss, and financial liabilities at amortized cost.

2.9.1 Classification and measurement of financial liabilities

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the BPI Group as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included in the statement of income. The BPI Group has no financial liabilities that are designated at fair value through profit loss.

(b) Other liabilities measured at amortized cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost. Financial liabilities measured at amortized cost include deposits from customers and banks, amounts due to BSP, subordinated notes and other debt securities in issue.

2.9.2 Derecognition of financial liabilities

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished. Collateral (shares and bonds) furnished by the BPI Group under standard repurchase agreements and securities lending and borrowing transactions is not de-recognized because the BPI Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for de-recognition are therefore not met.

2.10 Determination of fair value of financial instruments

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes mainly from Bloomberg.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at reporting dates. The BPI Group uses widely recognized valuation models for determining fair values of non-standardized financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable.

For more complex instruments, the BPI Group uses internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The BPI Group uses its own credit risk spreads in determining the current value for its derivative liabilities. When the BPI Group's credit spreads widen, the BPI Group recognizes a gain on these liabilities because the value of the liabilities has decreased. When the BPI Group's credit spreads narrow, the BPI Group recognizes a loss on these liabilities because the value of the liabilities has increased.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the BPI Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of condition. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary - particularly in view of the current market developments.

The fair value of over-the-counter (OTC) derivatives is determined using valuation methods that are commonly accepted in the financial markets, such as present value techniques and option pricing models. The fair value of foreign exchange forwards is generally based on current forward exchange rates. Structured interest rate derivatives are measured using appropriate option pricing models (for example, the Black-Scholes model) or other procedures such as Monte Carlo simulation.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

2.11 Classes of financial instruments

The BPI Group classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table below:

		Classes (as determined by the BPI Group)	
	Categories (as defined by PAS 39)	Main classes	Sub-classes
Financial assets	Financial assets at fair value through profit or loss	- Trading securities	- Debt securities - Equity securities
		- Derivative financial assets	
		- Loans and advances to banks	
			- Loans to individuals (retail) - Real estate mortgages - Auto loans - Credit cards - Others
	Loans and receivables	- Loans and advances to customers	- Large corporate customers - Small and medium enterprises
	Held-to-maturity investments	- Investment securities (debt securities)	- Government - Others
	Available-for-sale financial assets	- Investment securities (debt securities)	- Government - Others
		- Investment securities (equity securities)	- Listed - Unlisted
Financial Liabilities	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	
	Financial liabilities at amortized cost	- Deposits from customers	- Demand - Savings - Time
		- Deposits from banks	
		- Unsecured subordinated debts	
		- Bills payable	
		- Other liabilities	
Off-balance sheet financial instruments	Loan commitments		
	Guarantees, acceptances and other financial facilities		

2.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of condition when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.13 Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. The assessment of whether an embedded derivative is required to be separated from the host contract is done when the BPI Group first becomes a party to the contract. Reassessment of embedded derivative is only done when there are changes in the contract that significantly modify the contractual cash flows. The embedded derivatives are measured at fair value with changes in fair value recognized in the statement of income.

The BPI Group's derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the statement of income under "Trading gain/loss on securities".

2.14 Bank premises, furniture, fixtures and equipment

Land and buildings comprise mainly of branches and offices. All bank premises, furniture, fixtures and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the BPI Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the year in which they are incurred.

Depreciation for buildings and furniture and equipment is calculated using the straight-line method to allocate cost or residual values over the estimated useful lives of the assets, as follows:

Building	25-50 years
Furniture and equipment	3-5 years
Equipment for lease	2-8 years

Leasehold improvements are depreciated over the shorter of the lease term (normally ranging from 5 - 10 years) and the useful life of the related improvement. Major renovations are depreciated over the remaining useful life of the related asset.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in the statement of income.

2.15 Investment properties

Properties that are held either to earn rental income or for capital appreciation or for both and that are not significantly occupied by the BPI Group are classified as investment properties.

Investment properties comprise land and building. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation. Depreciation on investment property is determined using the same policy as applied to Bank premises, furniture, fixtures, and equipment. Impairment test is conducted when there is an indication that the carrying amount of the asset may not be recovered. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the higher of the property's fair value less costs to sell and value in use.

2.16 Foreclosed assets

Assets foreclosed shown as Assets held for sale in the statement of condition are accounted for at the lower of cost and fair value less cost to sell similar to the principles of PFRS 5. The cost of assets foreclosed includes the carrying amount of the related loan less allowance for impairment at the time of foreclosure. Impairment loss is recognized for any subsequent write-down of the asset to fair value less cost to sell.

Foreclosed assets not classified as Assets held for sale are accounted for in any of the following classification using the measurement basis appropriate to the asset as follows:

- (a) Investment property is accounted for using the cost model under PAS 40;
- (b) Bank-occupied property is accounted for using the cost model under PAS 16; and
- (c) Financial assets are classified as available-for-sale

2.17 Intangible assets

- (a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the BPI Group's share in the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "Miscellaneous assets" under Other resources. Goodwill on acquisitions of associates is included in Equity investments. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of a subsidiary/associate include carrying amount of goodwill relating to the subsidiary/associate sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit is represented by each primary reporting segment.

- (b) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives (three to five years). Computer software is included in "Miscellaneous assets" under Other resources.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

2.18 Borrowings

The BPI Group's borrowings consist mainly of bills payable and unsecured subordinated debt. Borrowings are recognized initially at fair value, being their issue proceeds, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds, net of transaction costs and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Effective January 1, 2009, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. All other borrowing costs are expensed as incurred.

2.19 Interest income and expense

Interest income and expense are recognized in the statement of income for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the BPI Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

2.20 Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party (i.e. the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses) are recognized on completion of underlying transactions. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Asset management fees related to investment funds are recognized ratably over the period in which the service is provided.

2.21 Dividend income

Dividend income is recognized in the statement of income when the BPI Group's right to receive payment is established.

2.22 Foreign currency translation

(a) Functional and presentation currency

Items in the financial statements of each entity in the BPI Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Philippine Peso, which is the Parent Bank's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income. Non-monetary items measured at historical cost denominated in a foreign currency are translated at exchange rate as at the date of initial recognition. Non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rate at the date when the fair value is determined.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security. Translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in capital funds.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale, are included in Accumulated other comprehensive income (loss) in the capital funds.

(c) Foreign subsidiaries

The results and financial position of BPI's foreign subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing rate at reporting date;
- (ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognized as a separate component (Translation adjustments) of Accumulated other comprehensive income (loss) in the capital funds. When a foreign operation is sold, such exchange differences are recognized in the statement of income as part of the gain or loss on sale.

2.23 Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the BPI Group is established.

2.24 Provisions

Provisions are recognized when the BPI Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

2.25 Income taxes

(a) Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognized as an expense for the year except to the extent that current tax related to items (for example, current tax on available-for-sale investments) that are charged or credited in other comprehensive income or directly to capital funds.

The BPI Group has substantial income from its investment in government securities subject to final withholding tax. Such income is presented at its gross amount and the tax paid or withheld is included in Current provision for income tax.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The BPI Group reassesses at each balance sheet date the need to recognize a previously unrecognized deferred income tax asset.

(c) Recent tax laws

Republic Act 9337 (the Act), which was passed into law in May 2005, amended certain provisions of the National Internal Revenue Code of 1997. The more salient provisions of the Act included: 1) change in normal corporate income tax from 32% to 35% effective November 1, 2005 and 30% effective January 1, 2009; 2) change in allowable deduction for interest expense from 38% to 42% effective November 1, 2005 and 33% beginning January 1, 2009; and 3) revised rates for gross receipts tax (GRT).

On December 20, 2008, Revenue Regulations No. 16-2008 on the Optional Standard Deduction (OSD) was published. The regulation prescribed the rules for the OSD application by corporations in the computation of their final taxable income. The BPI Group did not avail of the OSD for purposes of income tax calculation in 2009 and 2008.

2.26 Employee benefits

(a) Pension obligations

The BPI Group operates various pension schemes. The schemes are funded through payments to trustee-administered funds, determined by periodic actuarial calculations. The BPI Group has a defined benefit plan that shares risks among entities within the group. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of condition in respect of defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are spread to income over the employees' expected average remaining working lives.

Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

Where the calculation results in a benefit to the BPI Group, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs, and the present value of any reductions in future contributions to the plan.

For individual financial reporting purposes, the unified plan assets are allocated among the BPI Group entities based on the level of the defined benefit obligation attributable to each entity to arrive at the net liability or asset that should be recognized in the individual financial statements.

(b) Share-based compensation

The BPI Group engages in equity settled share-based payment transaction in respect of services received from certain of its employees.

The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost employee services received in respect of the shares or share options granted is recognized in the statement of income (with a corresponding increase in reserve in capital funds) over the period that the services are received, which is the vesting period.

The fair value of the options granted is determined using option pricing models which take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors.

When the stock options are exercised, the proceeds received, net of any directly attributable transaction costs, are credited to capital stock (par value) and paid-in surplus for the excess of exercise price over par value.

2.27 Capital stock

Common shares are classified as capital stock.

Incremental costs directly attributable to the issue of new shares or options are shown in capital funds as a deduction from the proceeds, net of tax.

2.28 Earnings per share (EPS)

Basic EPS is calculated by dividing income applicable to common shares by the weighted average number of common shares outstanding during the year with retroactive adjustments for stock dividends. Diluted EPS is computed in the same manner as basic EPS, however, net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

2.29 Dividends on common shares

Dividends on common shares are recognized as a liability in the BPI Group's financial statements in the year in which they are approved by the Board of Directors and the BSP.

2.30 Fiduciary activities

The BPI Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the BPI Group (Note 31).

2.31 Leases

(a) BPI Group is the lessee

- (i) Operating lease - leases in which substantially all risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.
- (ii) Finance lease - leases of assets where the BPI Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(b) BPI Group is the lessor

- (i) Operating lease - properties (land and building) leased out under operating leases are included in "Investment properties" in the statement of condition. Rental income under operating leases is recognized in the statement of income on a straight-line basis over the period of the lease.
- (ii) Finance lease - when assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

Lease income under finance lease is recognized over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return.

2.32 Insurance operations

(a) Life insurance

The BPI's life insurance subsidiary issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such risks include the possibility of having to pay benefits on the occurrence of an insured event such as death, accident, or disability. The subsidiary may also transfer insurance risk in insurance contracts through its reinsurance arrangements; to hedge against a greater possibility of claims occurring than expected. As a general guideline, the subsidiary defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

The more significant of the accounting principles of the life insurance subsidiary follow: (a) premiums arising from insurance contracts are recognized as revenue when received and on the issue date of the insurance policies for the first year premiums; (b) commissions and other acquisition costs are expensed as incurred; (c) financial assets and liabilities are measured following the classification and valuation provisions of PAS 39; and (d) a liability adequacy test is performed at each balance sheet date which compares the subsidiary's reported insurance contract liabilities against current best estimates of future cash flows and claims handling, and policy administration expenses as well as investment income from assets backing such liabilities, with any deficiency immediately charged to income by establishing a provision for losses arising from liability adequacy tests.

(b) Non-life insurance

The more significant accounting policies observed by the non-life insurance subsidiary follow: (a) gross premiums written from short term insurance contracts are recognized at the inception date of the risks underwritten and are earned over the period of cover in accordance with the incidence of risk using the 24th method; (b) acquisition costs are deferred and charged to expense in proportion to the premium revenue recognized; reinsurance commissions are deferred and deducted from the applicable deferred acquisition costs, subject to the same amortization method as the related acquisition costs; (c) a liability adequacy test is performed which compares the subsidiary's reported insurance contract liabilities against current best estimates of all contractual future cash flows and claims handling, and policy administration expenses as well as investment income backing up such liabilities, with any deficiency immediately charged to income; (d) amounts recoverable from reinsurers and loss adjustment expenses are classified as assets, with an allowance for estimated uncollectible amounts; and (e) financial assets and liabilities are measured following the classification and valuation provisions of PAS 39.

(c) Pre-need

The more significant provisions of the PNUCA as applied by the pre-need subsidiary follow: (a) premium income from sale of pre-need plans is recognized as earned when collected; (b) costs of contracts issued and other direct costs and expenses are recognized as expense when incurred; (c) pre-need reserves which represent the accrued net liabilities of the subsidiary to its planholders are actuarially computed based on standards and guidelines set forth by the SEC; the increase or decrease in the account is charged or credited to other costs of contracts issued in the statement of income; and (d) insurance premium reserves which represent the amount that must be set aside by the subsidiary to pay for premiums for insurance coverage of fully paid planholders, are actuarially computed based on standards and guidelines set forth by the SEC.

2.33 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where PAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year.

2.34 Subsequent events (or Events after balance sheet date)

Post year-end events that provide additional information about the BPI Group's financial position at balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Note 3 - Financial Risk and Capital Management

Risk management in the BPI Group covers all perceived areas of risk exposure, even as it continuously endeavors to uncover hidden risks. Capital management is understood to be a facet of risk management. The Board of Directors is the BPI Group's principal risk and capital manager, and the BPI Group's only strategic risk taker. The Board of Directors provides written policies for overall risk management, as well as written procedures for the management of foreign exchange risk, interest rate risk, credit risk, equity risk, and contingency risk, among others.

The primary objective of the BPI Group is the generation of recurring acceptable returns to shareholders' capital. To this end, the BPI Group's policies, business strategies, and business activities are directed towards the generation of cash flows that are in excess of its fiduciary and contractual obligations to its depositors, and to its various other funders and stakeholders.

To generate acceptable returns to its shareholders' capital, the BPI Group understands that it has to bear risk, that risk-taking is inherent in its business. Risk is understood by the BPI Group as the uncertainty in its future incomes - an uncertainty that emanates from the possibility of incurring losses that are due to unplanned and unexpected drops in revenues, increases in expenses, impairment of asset values, or increases in liabilities.

The possibility of incurring losses is, however, compensated by the possibility of earning more than expected incomes. Risk-taking is, therefore, not entirely bad to be avoided. Risk-taking presents opportunities if risks are accounted, deliberately taken, and are kept within rationalized limits.

The Risk Management Office (RMO) and the Finance and Risk Management Committee (FRMC) are responsible for the management of market and liquidity risks. Their objective is to minimize adverse impacts on the BPI Group's financial performance due to the unpredictability of financial markets. Market and credit risks management is carried out through policies approved by the Risk Management Committee (RMC)/Executive Committee/Board of Directors. In addition, Internal Audit is responsible for the independent review of risk assessment measures and procedures and the control environment. For risk management purposes, risks emanating from Treasury activities are managed independently.

The most important risks that the BPI Group manages are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency exchange risk, interest rate and other price risks.

3.1 Credit risk

The BPI Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the BPI Group by failing to discharge an obligation. Significant changes in the economy, or in the prospects of a particular industry segment that may represent a concentration in the BPI Group's portfolio, could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in loans and advances, debt securities and other bills. There is also credit risk in off-balance sheet financial arrangements. The Credit Policy Group works with the Credit Committee in managing credit risk, and reports are regularly provided to the Board of Directors.

3.1.1 Credit risk management

(a) Loans and advances

In measuring credit risk of loans and advances at a counterparty level, the BPI Group considers three components: (i) the probability of default by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development; and (iii) the likely recovery ratio on the defaulted obligations. In the evaluation process, the BPI Group also considers the conditions of the industry/sector to which the counterparty is exposed, other existing exposures to the group where the counterparty may be related, as well as the client and the BPI Group's fallback position assuming the worst-case scenario. Outstanding and potential credit exposures are reviewed to likewise ensure that they conform to existing internal credit policies.

The BPI Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. The BPI Group has internal credit risk rating systems designed for corporate, small and medium-sized enterprises (SMEs), and retail accounts. For corporate and SMEs, the rating system is a 10-point scale that measures the borrower's credit risk based on quantitative and qualitative factors. The ratings of individual exposures may subsequently migrate between classes as the assessment of their probabilities of default changes. For retail, the consumer credit scoring system is a formula-based model for evaluating each credit application against a set of characteristics that experience has shown to be relevant in predicting repayment. The BPI Group regularly validates the performance of the rating systems and their predictive power with regard to default events, and enhances them if necessary. The BPI Group's internal ratings are mapped to the following standard BSP classifications:

- *Unclassified* - these are loans that do not have a greater-than-normal risk and do not possess the characteristics of loans classified below. The counterparty has the ability to satisfy the obligation in full and therefore minimal loss, if any, is anticipated.
- *Loans especially mentioned* - these are loans that have potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase the credit risk of the BPI Group.
- *Substandard* - these are loans which appear to involve a substantial degree of risk to the BPI Group because of unfavorable record or unsatisfactory characteristics. Further, these are loans with well-defined weaknesses which may include adverse trends or development of a financial, managerial, economic or political nature, or a significant deterioration in collateral.
- *Doubtful* - these are loans which have the weaknesses similar to those of the substandard classification with added characteristics that existing facts, conditions, and values make collection or liquidation in full highly improbable and substantial loss is probable.
- *Loss* - these are loans which are considered uncollectible and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value.

(b) Debt securities and other bills

For debt securities and other bills, external ratings such as Standard & Poor's, Moody's and Fitch's ratings or their equivalents are used by the BPI Group for managing credit risk exposures. Investments in these securities and bills are viewed as a way to gain better credit quality mix and at the same time, maintain a readily available source to meet funding requirements.

3.1.2 Risk limit control and mitigation policies

The BPI Group manages, limits and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties and groups, to industries and sovereigns.

The BPI Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary. Limits on large exposures and credit concentration are approved by the Board of Directors.

The exposure to any one borrower is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored regularly.

Exposure to credit risk is also managed through regular analysis of the ability of existing and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

The BPI Group employs a range of policies and practices to mitigate credit risk. Some of these specific control and mitigation measures are outlined below.

(a) Collateral

One of the most traditional and common practice in mitigating credit risk is requiring security particularly for loans and advances. The BPI Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over real estate properties and chattels; and
- Hold-out on financial instruments such as debt securities deposits, and equities

In order to minimize credit loss, the BPI Group seeks additional collateral from the counterparty when impairment indicators are observed for the relevant individual loans and advances.

(b) Derivatives

The BPI Group maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the net current fair value of instruments resulting in a net receivable amount for the BPI Group, which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments (except where the BPI Group requires margin deposits from counterparties).

Settlement risk arises in any situation where a payment in cash, securities, foreign exchange currencies, or equities is made in the expectation of a corresponding receipt in cash, securities, foreign exchange currencies, or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the BPI Group's market transactions on any single day. The introduction of the delivery versus payment facility in the local market has brought down settlement risk significantly.

(c) Master netting arrangements

The BPI Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts (asset position) is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The BPI Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

(d) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the BPI Group on behalf of a customer authorizing a third party to draw drafts on the BPI Group up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, or letters of credit. With respect to credit risk on commitments to extend credit, the BPI Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The BPI Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.1.3 Impairment and provisioning policies

As described in Note 3.1.1, the BPI Group's credit-quality mapping on loans and advances is based on the standard BSP loan classifications. Impairment provisions, however, are recognized for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment (Note 2.8).

The table below shows the percentage of the BPI Group's loans and advances and the related allowance for impairment.

	Consolidated			
	2009		2008	
	Loans and advances (%)	Allowance for impairment (%)	Loans and advances (%)	Allowance for impairment (%)
Unclassified	95.46	0.42	95.35	0.09
Loans especially mentioned	0.70	5.57	0.59	5.41
Substandard	1.45	17.34	1.80	15.27
Doubtful	1.07	61.42	0.93	61.20
Loss	1.32	100.00	1.33	100.00
	100.00		100.00	

	Parent			
	2009		2008	
	Loans and advances (%)	Allowance for impairment (%)	Loans and advances (%)	Allowance for impairment (%)
Unclassified	95.41	0.41	94.99	0.09
Loans especially mentioned	0.64	5.02	0.62	4.97
Substandard	1.52	16.54	2.13	13.25
Doubtful	0.95	62.56	0.76	62.83
Loss	1.48	100.00	1.50	100.00
	100.00		100.00	

3.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to significant on-balance sheet financial assets are as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Due from BSP	62,744	48,422	54,465	41,428
Due from other banks	7,147	14,278	3,363	8,114
Interbank loans receivable and securities purchased under agreements to resell (SPAR)	52,546	22,584	46,160	21,107
Financial assets at fair value through profit or loss				
Derivative financial assets	2,146	2,182	2,146	2,182
Trading securities - debt securities	53,018	34,318	52,159	32,999
Available-for-sale - debt securities	70,429	62,194	60,290	50,532
Held-to-maturity securities, net	75,031	72,884	64,787	63,196
Loans and advances, net	327,474	320,216	240,328	240,681
Other financial assets				
Sales contracts receivable, net	299	288	271	254
Accounts receivable, net	2,212	1,956	2,062	2,607
Other accrued interest and fees receivable	416	486	366	426
Others, net	1,316	1,651	54	144

Credit risk exposures relating to off-balance sheet items are as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Undrawn loan commitments	185,065	230,622	181,777	223,091
Bills for collection	15,582	12,143	15,556	12,121
Unused letters of credit	9,759	7,737	9,607	7,694
Others	1,915	1,077	1,807	979

The preceding table represents the maximum credit risk exposure at December 31, 2009 and 2008, without taking into account any collateral held or other credit enhancements. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statements of condition.

Management is confident in its ability to continue to control and sustain minimal exposure to credit risk of the BPI Group resulting from its loan and advances portfolio based on the following:

- 96% of the loans and advances portfolio is categorized in the top two classifications of the internal rating system in 2009 (2008 - 96%);
- Mortgage loans are backed by collateral;
- 94% of the loans and advances portfolio is considered to be neither past due nor impaired (2008 - 95%); and
- The BPI Group continued its stringent selection process of granting loans and advances.

3.1.5 Credit quality of loans and advances

Loans and advances are summarized as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Neither past due nor impaired	316,725	310,101	234,177	233,352
Past due but not impaired	4,519	2,388	1,663	841
Impaired	15,186	15,244	11,282	12,354
	336,430	327,733	247,122	246,547
Allowance for impairment	(8,956)	(7,517)	(6,794)	(5,866)
	327,474	320,216	240,328	240,681

Impaired category as shown in the table above includes loan accounts which are individually (Note 3.1.5c) and collectively assessed for impairment.

The total consolidated impairment provision for loans and advances is P2,400 million (2008 - P1,245 million), of which P450 million (2008 - P582 million) represents provision for individually impaired loans and the remaining amount of P1,950 million (2008 - P663 million) represents the portfolio provision. Further information of the impairment allowance for loans and advances is provided in Note 13.

When entering into new markets or new industries, the BPI Group focuses on corporate accounts and retail customers with good credit rating and customers providing sufficient collateral, where appropriate or necessary.

(a) Loans and advances neither past due nor impaired

Loans and advances that were neither past due nor impaired consist mainly of accounts with Unclassified rating and those loans accounts in a portfolio to which an impairment has been allocated on a collective basis. Details of these accounts follow:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Corporate entities:				
Large corporate customers	184,209	200,670	176,497	193,898
Small and medium enterprises	56,374	43,826	41,812	25,148
Retail customers:				
Mortgages	56,661	48,746	429	751
Credit cards	14,066	12,580	14,066	12,580
Others	5,415	4,279	1,373	975
	316,725	310,101	234,177	233,352

(b) Loans and advances past due but not impaired

The table below presents the gross amount of loans and advances that were past due but not impaired and classified by type of borrowers. Collateralized past due loans are not considered impaired when the cash flows that may result from foreclosure of the related collateral are higher than the carrying amount of the loans.

Consolidated

	2009				2008			
	Large corporate customers	Small and medium enterprises	Retail customers	Total	Large corporate customers	Small and medium enterprises	Retail customers	Total
	(In Millions of Pesos)							
Past due up to 30 days	247	136	597	980	56	410	617	1,083
Past due 31 - 90 days	12	147	607	766	96	299	296	691
Past due 91 - 180 days	13	114	1,410	1,537	15	70	30	115
Over 180 days	51	75	1,110	1,236	127	228	144	499
	323	472	3,724	4,519	294	1,007	1,087	2,388
Fair value of collateral				3,809				3,084

Parent

	2009				2008			
	Large corporate customers	Small and medium enterprises	Retail customers	Total	Large corporate customers	Small and medium enterprises	Retail customers	Total
(In Millions of Pesos)								
Past due up to 30 days	239	22	504	765	55	6	338	399
Past due 31 - 90 days	-	50	455	505	96	-	189	285
Past due 91 - 180 days	-	24	293	317	15	-	3	18
Over 180 days	31	26	19	76	103	24	12	139
	270	122	1,271	1,663	269	30	542	841
Fair value of collateral				200				1,026

(c) Loans and advances individually impaired

The breakdown of the gross amount of individually impaired loans and advances (included in Impaired category) by class, along with the fair value of related collateral held by the BPI Group as security, are as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
(In Millions of Pesos)				
Corporate entities:				
Large corporate customers	4,726	7,044	4,554	7,043
Small and medium enterprises	6,343	4,624	5,202	3,710
Retail customers:				
Mortgages	551	460	23	14
Credit cards	1,098	1,030	1,098	1,030
	12,718	13,158	10,877	11,797
Fair value of collateral	11,998	11,221	10,512	10,422

(d) Loans and advances renegotiated/restructured

There were no renegotiated loans in 2009 (2008 - P69 million).

3.1.6 Credit quality of other financial assets

a. Due from Bangko Sentral ng Pilipinas

Due from BSP amounting to P62,744 million and P48,422 million as of December 31, 2009 and 2008, respectively are made with a sovereign counterparty and are considered fully performing.

b. Due from other banks and interbank loans receivable

Due from other banks and interbank loans receivable are considered fully performing at December 31, 2009 and 2008. The table below presents the credit ratings of counterparty banks based on Standard and Poor's.

	Consolidated		Parent	
	2009	2008	2009	2008
(In Millions of Pesos)				
AAA	31	241	31	241
AA- to AA+	23,521	17,212	22,201	12,073
A- to A+	11,331	8,795	11,150	8,464
Lower than A-	21,743	9,457	14,804	7,800
Unrated	3,067	1,157	1,337	643
	59,693	36,862	49,523	29,221

c. Derivative financial assets

The table below presents the Standard and Poor's credit ratings of counterparties for derivative financial assets presented in the consolidated and parent financial statements.

	2009	2008
(In Millions of Pesos)		
AAA	-	546
AA- to AA+	361	1,415
A- to A+	789	-
Lower than A-	782	67
Unrated	214	154
	2,146	2,182

d. Debt securities, treasury bills and other government securities

The table below presents the ratings of debt securities, treasury bills and other government securities at December 31, 2009 and 2008 based on Standard & Poor's:

At December 31, 2009

	Consolidated				Parent			
	Trading securities	Held-to-maturity	Available-for-sale	Total	Trading securities	Held-to-maturity	Available-for-sale	Total
(In Millions of Pesos)								
AAA	27,637	466	15,415	43,518	27,637	466	8,755	36,858
AA- to AA+	49	1,028	2,286	3,363	49	467	2,286	2,802
A- to A+	1,566	180	4,100	5,846	1,443	-	3,831	5,274
Lower than A-	23,110	73,288	44,437	140,835	22,503	63,830	41,625	127,958
Unrated	656	69	4,191	4,916	527	24	3,793	4,344
	53,018	75,031	70,429	198,478	52,159	64,787	60,290	177,236

At December 31, 2008

	Consolidated				Parent			
	Trading securities	Held-to-maturity	Available-for-sale	Total	Trading securities	Held-to-maturity	Available-for-sale	Total
(In Millions of Pesos)								
AAA	21,118	1,712	18,308	41,138	21,118	1,712	11,026	33,856
AA- to AA+	475	478	4,030	4,983	475	478	4,030	4,983
A- to A+	85	-	476	561	-	-	476	476
Lower than A-	12,571	70,673	37,245	120,489	11,262	60,985	32,868	105,115
Unrated	69	21	2,135	2,225	144	21	2,132	2,297
	34,318	72,884	62,194	169,396	32,999	63,196	50,532	146,727

e. Other financial assets

The BPI Group's other financial assets (shown under Other resources) as of December 31, 2009 and 2008 consist mainly of sales contracts receivable, accounts receivable, accrued interest and fees receivable from various unrated counterparties.

3.1.7 Repossessed or foreclosed collaterals

In 2009, the BPI Group acquired assets by taking possession of collaterals held as security for loans and advances with carrying amount of P1,912 million (2008 - P1,311 million). The related foreclosed collaterals have aggregate fair value of P2,615 million (2008 - P1,771 million). Foreclosed collaterals include real estate (land, building, and improvements), auto or chattel, bond and stocks.

Reposessed properties are sold as soon as practicable and are classified as "Assets held for sale" in the statement of condition.

3.1.8 Concentrations of risks of financial assets with credit risk exposure

The BPI Group's main credit exposure at their carrying amounts, as categorized by industry sectors follow:

Consolidated

	Financial institutions	Consumer	Manufacturing	Real estate	Others	Less – allowance	Total
(In Millions of Pesos)							
Due from BSP	62,744	-	-	-	-	-	62,744
Due from other banks	7,147	-	-	-	-	-	7,147
Interbank loans receivable and SPAR	52,546	-	-	-	-	-	52,546
Financial assets at fair value through profit or loss							
Derivative financial assets	2,127	-	6	-	13	-	2,146
Trading securities - debt securities	1,060	-	638	54	51,266	-	53,018
Available-for-sale - debt securities	12,431	-	665	466	56,867	-	70,429
Held-to-maturity securities	1,461	-	-	-	73,570	-	75,031
Loans and advances, net	15,827	37,155	70,289	83,385	129,774	(8,956)	327,474
Other financial assets							
Sales contracts receivable, net	-	-	-	-	301	(2)	299
Accounts receivable, net	-	-	-	-	2,825	(613)	2,212
Other accrued interest and fees receivable	-	-	-	-	416	-	416
Others, net	-	-	-	-	1,721	(405)	1,316
At December 31, 2009	155,343	37,155	71,598	83,905	316,753	(9,976)	654,778

	Financial institutions	Consumer	Manufacturing	Real estate	Others	Less – allowance	Total
(In Millions of Pesos)							
Due from BSP	48,422	-	-	-	-	-	48,422
Due from other banks	14,278	-	-	-	-	-	14,278
Interbank loans receivable and SPAR	22,584	-	-	-	-	-	22,584
Financial assets at fair value through profit or loss							
Derivative financial assets	2,106	-	31	-	45	-	2,182
Trading securities - debt securities	1,335	-	-	1	32,982	-	34,318
Available-for-sale - debt securities	6,769	-	697	-	54,728	-	62,194
Held-to-maturity securities	498	-	-	-	72,386	-	72,884
Loans and advances, net	21,037	29,592	80,418	72,893	123,793	(7,517)	320,216
Other financial assets							
Sales contracts receivable, net	-	-	-	-	290	(2)	288
Accounts receivable, net	-	-	-	-	2,572	(616)	1,956
Other accrued interest and fees receivable	-	-	-	-	486	-	486
Others, net	-	-	-	-	2,059	(408)	1,651
At December 31, 2008	117,029	29,592	81,146	72,894	289,341	(8,543)	581,459

Parent

	Financial institutions	Consumer	Manufacturing	Real estate	Others	Less - allowance	Total
(In Millions of Pesos)							
Due from BSP	54,465	-	-	-	-	-	54,465
Due from other banks	3,363	-	-	-	-	-	3,363
Interbank loans receivable and SPAR	46,160	-	-	-	-	-	46,160
Financial assets at fair value through profit or loss							
Derivative financial assets	2,127	-	6	-	13	-	2,146
Trading securities - debt securities	1,060	-	514	49	50,536	-	52,159
Available-for-sale - debt securities	11,707	-	665	466	47,452	-	60,290
Held-to-maturity securities	491	-	-	-	64,296	-	64,787
Loans and advances, net	14,743	30,549	64,627	30,782	106,421	(6,794)	240,328
Other financial assets							
Sales contracts receivable, net	-	-	-	-	273	(2)	271
Accounts receivable, net	-	-	-	-	2,648	(586)	2,062
Other accrued interest and fees receivable	-	-	-	-	366	-	366
Others, net	-	-	-	-	442	(388)	54
At December 31, 2009	134,116	30,549	65,812	31,297	272,447	(7,770)	526,451

	Financial institutions	Consumer	Manufacturing	Real estate	Others	Less - allowance	Total
(In Millions of Pesos)							
Due from BSP	41,428	-	-	-	-	-	41,428
Due from other banks	8,114	-	-	-	-	-	8,114
Interbank loans receivable and SPAR	21,107	-	-	-	-	-	21,107
Financial assets at fair value through profit or loss							
Derivative financial assets	2,106	-	31	-	45	-	2,182
Trading securities - debt securities	1,335	-	-	-	31,664	-	32,999
Available-for-sale - debt securities	6,769	-	697	-	43,066	-	50,532
Held-to-maturity securities	498	-	-	-	62,698	-	63,196
Loans and advances, net	20,216	15,049	78,391	27,504	105,387	(5,866)	240,681
Other financial assets							
Sales contracts receivable, net	-	-	-	-	256	(2)	254
Accounts receivable, net	-	-	-	-	3,201	(594)	2,607
Other accrued interest and fees receivable	-	-	-	-	426	-	426
Others, net	-	-	-	-	537	(393)	144
At December 31, 2008	101,573	15,049	79,119	27,504	247,280	(6,855)	463,670

Trading, available-for-sale and held-to-maturity securities under "Others" category include local and US treasury bills. Likewise, Loans and advances under the same category pertain to loans granted to individual and retail borrowers belonging to various industry sectors.

3.2 Market risk management

The BPI Group is exposed to market risk - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is managed by the FRMC guided by policies and procedures approved by the RMC and confirmed by the Executive Committee/Board of Directors.

The BPI Group reviews and controls market risk exposures of both its trading and non-trading portfolios. Trading portfolios include those positions arising from the BPI Group's market-making transactions. Non-trading portfolios primarily arise from the interest rate management of the BPI Group's retail and commercial banking assets and liabilities.

As part of the management of market risk, the BPI Group undertakes various hedging strategies. The BPI Group also enters into interest rate swaps to match the interest rate risk associated with fixed-rate long-term debt securities.

The BPI Group uses the 1-day, 99% confidence, Value-at-Risk (VaR) as metric of its exposure to market risk. This metric estimates, at 99% confidence level, the maximum loss that a trading portfolio may incur over a trading day. This metric indicates as well that there is 1% statistical probability that the trading portfolios' actual loss would be greater than the computed VaR.

VaR measurement is an integral part of the BPI Group's market risk control system. Actual market risk exposures vis-à-vis market risk limits are reported daily to the FRMC. VaR limits for all trading portfolios are set by the RMC. The RMC has set a 1-day VaR limit for the BPI Group aggregate trading portfolio. The BPI Group also has a year-to-date mark-to-market plus trading loss limit at which management action would be triggered.

Stress tests indicate the potential losses that could arise in extreme conditions. Price risk and liquidity risk stress tests are conducted quarterly aside from the historical tests of the VaR models. Concluded tests indicate that BPI will be able to hurdle both stress scenarios. Results of stress tests are reviewed by senior management and by the RMC.

The average daily VaR for the trading portfolios follows:

	Consolidated		Parent	
	2009	2008	2009	2008
		(In Millions of Pesos)		
Local fixed-income	152	969	146	830
Foreign fixed-income	84	210	79	196
Equity securities	13	124	-	-
Derivatives	13	29	13	29
Foreign exchange	52	14	11	12
Mutual fund	8	-	-	-
	322	1,346	249	1,067

The BPI Group uses a simple version of the Balance Sheet VaR (BSVaR) whereby only the principal and interest payments due and relating to the banking book as at particular valuation dates are considered. The BSVaR assumes a static balance sheet, i.e., it is assumed that there will be no new transactions moving forward, and no portfolio rebalancing will be undertaken in response to future changes in market rates.

The BSVaR is founded on re-pricing gaps, or the difference between the amounts of rate sensitive assets and the amounts of rate sensitive liabilities. An asset or liability is considered to be rate-sensitive if the interest rate applied to the outstanding principal balance changes (either contractually or because of a change in a reference rate) during the interval.

The BSVaR estimates the "riskiness of the balance sheet" and compares the degree of risk taking activity in the banking books from one period to the next. In consideration of the static framework, and the fact that income from the positions is accrued rather than generated from marking-to-market, the probable loss (that may be exceeded 1% of the time) that is indicated by the BSVaR is not realized in accounting income.

The cumulative BSVaR for the banking or non-trading book, follows:

	Consolidated		Parent	
	2009	2008	2009	2008
		(In Millions of Pesos)		
BSVaR	467	907	409	722

3.2.1 Foreign exchange risk

The BPI Group takes on exposure to the effects of fluctuations in the prevailing exchange rates on its foreign currency financial position and cash flows. The Board of Director sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarizes the BPI Group's exposure to foreign currency exchange rate risk at December 31, 2009 and 2008. Included in the table are the BPI Group's financial instruments at carrying amounts, categorized by currency.

Consolidated

	USD	JPY	EUR	GBP	Less - allowance	Total
(In Millions of Pesos)						
As at December 31, 2009						
Financial Assets						
Cash and other cash items	2,079	52	67	9	-	2,207
Due from other banks	2,449	142	463	1,557	-	4,611
Interbank loans receivable and SPAR	30,609	-	-	37	-	30,646
Financial assets at fair value through profit or loss						
Derivative financial assets	399	-	-	-	-	399
Trading securities - debt securities	30,480	-	14	-	-	30,494
Available-for-sale - debt securities	28,628	-	1,514	232	-	30,374
Held-to-maturity securities	17,710	-	825	-	-	18,535
Loans and advances, net	23,048	1,681	70	18	(355)	24,462
Others financial assets, net	405	1	177	27	(1)	609
Total financial assets	135,807	1,876	3,130	1,880	(356)	142,337
Financial Liabilities						
Deposit liabilities	104,969	1,259	2,535	435	-	109,198
Derivative financial liabilities	305	-	-	-	-	305
Due to BSP and other banks	189	-	-	-	-	189
Manager's checks and demand drafts outstanding	52	-	10	-	-	62
Other financial liabilities	1,240	26	145	6	-	1,417
Total financial liabilities	106,755	1,285	2,690	441	-	111,171
Net on-balance sheet financial position (in Philippine Peso)	29,052	591	440	1,439	(356)	31,166

	USD	JPY	EUR	GBP	Less - allowance	Total
(In Millions of Pesos)						
As at December 31, 2008						
Financial Assets						
Cash and other cash items	1,606	75	60	9	-	1,750
Due from other banks	7,603	211	906	1,488	-	10,208
Interbank loans receivable and SPAR	11,470	1,057	409	-	-	12,936
Financial assets at fair value through profit or loss						
Derivative financial assets	1,796	10	4	3	-	1,813
Trading securities - debt securities	21,748	-	-	-	-	21,748
Available-for-sale - debt securities	28,421	-	1,393	376	-	30,190
Held-to-maturity securities	13,069	-	399	-	-	13,468
Loans and advances, net	25,777	1,735	63	29	(275)	27,329
Other financial assets, net	193	1	11	28	(1)	232
Total financial assets	111,683	3,089	3,245	1,933	(276)	119,674
Financial Liabilities						
Deposit liabilities	102,657	2,647	2,117	271	-	107,692
Derivative financial liabilities	1,657	2	51	-	-	1,710
Bills payable	3,097	-	-	-	-	3,097
Due to BSP and other banks	265	-	-	-	-	265
Manager's checks and demand drafts outstanding	277	1	38	12	-	328
Other financial liabilities	781	189	145	18	-	1,133
Total financial liabilities	108,734	2,839	2,351	301	-	114,225
Net on-balance sheet financial position (in Philippine Peso)	2,949	250	894	1,632	(276)	5,449

Parent

	USD	JPY	EUR	GBP	Less - allowance	Total
(In Millions of Pesos)						
As at December 31, 2009						
Financial Assets						
Cash and other cash items	1,715	52	63	9	-	1,839
Due from other banks	2,015	140	264	59	-	2,478
Interbank loans receivable and SPAR	30,609	-	-	37	-	30,646
Financial assets at fair value through profit or loss						
Derivative financial assets	393	-	-	-	-	393
Trading securities - debt securities	30,480	-	14	-	-	30,494
Available-for-sale - debt securities	20,841	-	1,514	232	-	22,587
Held-to-maturity securities	16,126	-	792	-	-	16,918
Loans and advances, net	23,048	1,681	69	-	(355)	24,443
Other financial assets, net	738	156	459	18	(1)	1,370
Total financial assets	125,965	2,029	3,175	355	(356)	131,168
Financial Liabilities						
Deposit liabilities	95,549	1,259	2,530	339	-	99,677
Derivative financial liabilities	305	-	-	-	-	305
Due to BSP and other banks	189	-	-	-	-	189
Manager's checks and demand drafts outstanding	41	-	-	-	-	41
Other financial liabilities	1,217	26	41	-	-	1,284
Total financial liabilities	97,301	1,285	2,571	339	-	101,496
Net on-balance sheet financial position (in Philippine Peso)	28,664	744	604	16	(356)	29,672

	USD	JPY	EUR	GBP	Less - allowance	Total
(In Millions of Pesos)						
As at December 31, 2008						
Financial Assets						
Cash and other cash items	1,443	75	51	8	-	1,577
Due from other banks	6,762	210	690	45	-	7,707
Interbank loans receivable and SPAR	11,470	1,057	409	-	-	12,936
Financial assets at fair value through profit or loss						
Derivative financial assets	1,789	10	4	3	-	1,806
Trading securities - debt securities	21,748	-	-	-	-	21,748
Available-for-sale - debt securities	20,774	-	1,393	376	-	22,543
Held-to-maturity securities	11,708	-	399	-	-	12,107
Loans and advances, net	25,777	1,735	63	-	(275)	27,300
Other financial assets, net	193	1	16	-	(1)	209
Total financial assets	101,664	3,088	3,025	432	(276)	107,933
Financial Liabilities						
Deposit liabilities	93,534	2,647	2,101	205	-	98,487
Derivative financial liabilities	1,657	2	51	-	-	1,710
Bills payable	3,097	-	-	-	-	3,097
Due to BSP and other banks	265	-	-	-	-	265
Manager's checks and demand drafts outstanding	257	1	38	12	-	308
Other financial liabilities	765	189	40	-	-	994
Total financial liabilities	99,575	2,839	2,230	217	-	104,861
Net on-balance sheet financial position (in Philippine Peso)	2,089	249	795	215	(276)	3,072

3.2.2 Interest rate risk

There are two types of interest rate risk - (i) fair value interest risk and (ii) cash flow interest risk. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The BPI Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value which affects mainly the BPI Group's trading securities portfolio and cash flow risks on available for sale securities portfolio which is carried at market. Interest margins may increase as a result of such changes but may also result in losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the FRMC.

Interest rate risk in the banking book arises from the BPI Group's core banking activities. The main source of this type of interest rate risk is repricing risk, which reflects the fact that the BPI Group's assets and liabilities are of different maturities and are priced at different interest rates.

The table below summarizes the BPI Group's exposure to interest rate risk, categorized by the earlier of contractual repricing or maturity dates.

Consolidated

	Repricing			Non-repricing	Total
	Up to 1 year	Over 1 up to 3 years	Over 3 years		
(In Millions of Pesos)					
As at December 31, 2009					
Financial Assets					
Due from BSP	-	-	-	62,744	62,744
Due from other banks	-	-	-	7,147	7,147
Interbank loans receivable and SPAR	-	-	-	52,546	52,546
Financial assets at fair value through profit or loss					
Derivative financial assets	2,146	-	-	-	2,146
Trading securities - debt securities	-	-	-	53,018	53,018
Available-for-sale - debt securities	-	-	-	70,429	70,429
Held-to-maturity securities	-	-	-	75,031	75,031
Loans and advances, net	224,509	20,608	43,990	38,367	327,474
Other financial assets					
Sales contracts receivable, net	-	-	-	299	299
Accounts receivable, net	-	-	-	2,212	2,212
Other accrued interest and fees receivable	-	-	-	416	416
Others, net	-	-	-	1,316	1,316
Total financial assets	226,655	20,608	43,990	363,525	654,778
Financial Liabilities					
Deposit liabilities	245,189	15,033	209,943	109,306	579,471
Derivative financial liabilities	1,593	-	-	-	1,593
Bills payable	74	-	-	31,935	32,009
Due to BSP and other banks	-	-	-	1,933	1,933
Manager's checks and demand drafts outstanding	-	-	-	3,059	3,059
Unsecured subordinated debt	-	-	-	5,000	5,000
Other financial liabilities					
Accounts payable	-	-	-	2,486	2,486
Others	-	-	-	4,055	4,055
Total financial liabilities	246,856	15,033	209,943	157,774	629,606
Total interest gap	(20,201)	5,575	(165,953)	205,751	25,172

	Repricing			Non-repricing	Total
	Up to 1 year	Over 1 up to 3 years	Over 3 years		
(In Millions of Pesos)					
As at December 31, 2008					
Financial Assets					
Due from BSP	-	-	-	48,422	48,422
Due from other banks	-	-	-	14,278	14,278
Interbank loans receivable and SPAR	-	-	-	22,584	22,584
Financial assets at fair value through profit or loss					
Derivative financial assets	2,182	-	-	-	2,182
Trading securities - debt securities	-	-	-	34,318	34,318
Available-for-sale - debt securities	2,964	-	-	59,230	62,194
Held-to-maturity securities	-	-	-	72,884	72,884
Loans and advances, net	196,707	21,727	30,531	71,251	320,216
Other financial assets					
Sales contracts receivable, net	-	-	-	288	288
Accounts receivable, net	-	-	-	1,956	1,956
Other accrued interest and fees receivable	-	-	-	486	486
Others, net	-	-	-	1,651	1,651
Total financial assets	201,853	21,727	30,531	327,348	581,459
Financial Liabilities					
Deposit liabilities	261,067	176,191	10,598	92,496	540,352
Derivative financial liabilities	2,547	-	-	-	2,547
Bills payable	988	-	-	8,946	9,934
Due to BSP and other banks	-	-	-	1,496	1,496
Manager's checks and demand drafts outstanding	-	-	-	2,723	2,723
Unsecured subordinated debt	-	-	-	5,000	5,000
Other financial liabilities					
Accounts payable	-	-	-	2,444	2,444
Others	-	-	-	5,042	5,042
Total financial liabilities	264,602	176,191	10,598	118,147	569,538
Total interest gap	(62,749)	(154,464)	19,933	209,201	11,921

Parent

	Repricing			Non-repricing	Total
	Up to 1 year	Over 1 up to 3 years	Over 3 years		
(In Millions of Pesos)					
As at December 31, 2009					
Financial Assets					
Due from BSP	-	-	-	54,465	54,465
Due from other banks	-	-	-	3,363	3,363
Interbank loans receivable and SPAR	-	-	-	46,160	46,160
Financial assets at fair value through profit or loss					
Derivative financial assets	2,146	-	-	-	2,146
Trading securities - debt securities	-	-	-	52,159	52,159
Available-for-sale - debt securities	-	-	-	60,290	60,290
Held-to-maturity securities	-	-	-	64,787	64,787
Loans and advances, net	193,691	3,632	13,377	29,628	240,328
Other financial assets					
Sales contracts receivable, net	-	-	-	271	271
Accounts receivable, net	-	-	-	2,062	2,062
Other accrued interest and fees receivable	-	-	-	366	366
Others, net	-	-	-	54	54
Total financial assets	195,837	3,632	13,377	313,605	526,451
Financial Liabilities					
Deposit liabilities	190,536	5,298	174,849	101,348	472,031
Derivative financial liabilities	1,593	-	-	-	1,593
Bills payable	74	-	-	24,542	24,616
Due to BSP and other banks	-	-	-	1,935	1,935
Manager's checks and demand drafts outstanding	-	-	-	2,506	2,506
Unsecured subordinated debt	-	-	-	5,000	5,000
Other financial liabilities					
Accounts payable	-	-	-	1,803	1,803
Others	-	-	-	3,714	3,714
Total financial liabilities	192,203	5,298	174,849	140,848	513,198
Total interest gap	3,634	(1,666)	(161,472)	172,757	13,253

	Repricing			Non-repricing	Total
	Up to 1 year	Over 1 up to 3 years	Over 3 years		
(In Millions of Pesos)					
As at December 31, 2008					
Financial Assets					
Due from BSP	-	-	-	41,428	41,428
Due from other banks	-	-	-	8,114	8,114
Interbank loans receivable and SPAR	-	-	-	21,107	21,107
Financial assets at fair value through profit or loss					
Derivative financial assets	2,182	-	-	-	2,182
Trading securities - debt securities	-	-	-	32,999	32,999
Available-for-sale - debt securities	2,964	-	-	47,568	50,532
Held-to-maturity securities	-	-	-	63,196	63,196
Loans and advances, net	186,132	6,574	10,651	37,324	240,681
Other financial assets					
Sales contracts receivable, net	-	-	-	254	254
Accounts receivable, net	-	-	-	2,607	2,607
Other accrued interest and fees receivable	-	-	-	426	426
Others, net	-	-	-	144	144
Total financial assets	191,278	6,574	10,651	255,167	463,670
Financial Liabilities					
Deposit liabilities	207,151	142,619	5,003	86,116	440,889
Derivative financial liabilities	2,547	-	-	-	2,547
Bills payable	988	-	-	4,385	5,373
Due to BSP and other banks	-	-	-	1,462	1,462
Manager's checks and demand drafts outstanding	-	-	-	2,164	2,164
Unsecured subordinated debt	-	-	-	5,000	5,000
Other financial liabilities					
Accounts payable	-	-	-	1,762	1,762
Others	-	-	-	3,465	3,465
Total financial liabilities	210,686	142,619	5,003	104,354	462,662
Total interest gap	(19,408)	(136,045)	5,648	150,813	1,008

3.3 Liquidity risk

Liquidity risk is the risk that the BPI Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

3.3.1 Liquidity risk management process

The BPI Group's liquidity management process, as carried out within the BPI Group and monitored by the RMC and the FRMC includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities; and
- Performing periodic liquidity stress testing on the BPI Group's liquidity position by assuming a faster rate of withdrawals in its deposit base.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month as these are key periods for liquidity management. The starting point for these projections is an analysis of the contractual maturity of the financial liabilities (Notes 3.3.3 and 3.3.4) and the expected collection date of the financial assets.

The BPI Group also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit.

3.3.2 Funding approach

Sources of liquidity are regularly reviewed by the BPI Group to maintain a wide diversification by currency, geography, counterparty, product and term.

3.3.3 Non-derivative cash flows

The table below presents the significant cash flows payable by the BPI Group under non-derivative financial liabilities by contractual maturities at the reporting date. The amounts disclosed in the table are the expected undiscounted cash flows, which the BPI Group uses to manage the inherent liquidity risk.

Consolidated

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
(In Millions of Pesos)				
As at December 31, 2009				
Financial Liabilities				
Deposit liabilities	266,495	219,803	121,310	607,608
Bills payable	20,296	8,298	5,037	33,631
Due to BSP and other banks	1,933	-	-	1,933
Manager's checks and demand drafts outstanding	3,059	-	-	3,059
Unsecured subordinated debt	423	845	7,535	8,803
Other financial liabilities				
Accounts payable	2,486	-	-	2,486
Others	4,055	-	-	4,055
	298,747	228,946	133,882	661,575
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
(In Millions of Pesos)				
As at December 31, 2008				
Financial Liabilities				
Deposit liabilities	259,770	180,733	106,571	547,074
Bills payable	8,674	877	570	10,121
Due to BSP and other banks	1,496	-	-	1,496
Manager's checks and demand drafts outstanding	2,723	-	-	2,723
Unsecured subordinated debt	423	845	7,996	9,264
Other financial liabilities				
Accounts payable	2,444	-	-	2,444
Others	5,042	-	-	5,042
	280,572	182,455	115,137	578,164

Parent

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
	(In Millions of Pesos)			
As at December 31, 2009				
Financial Liabilities				
Deposit liabilities	191,029	181,948	101,345	474,322
Bills payable	14,083	7,902	3,955	25,940
Due to BSP and other banks	1,935	-	-	1,935
Manager's checks and demand drafts outstanding	2,506	-	-	2,506
Unsecured subordinated debt	423	845	7,535	8,803
Other financial liabilities				
Accounts payable	1,803	-	-	1,803
Others	3,714	-	-	3,714
	215,493	190,695	112,835	519,023

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
	(In Millions of Pesos)			
As at December 31, 2008				
Financial Liabilities				
Deposit liabilities	208,369	144,381	92,273	445,023
Bills payable	4,237	863	550	5,650
Due to BSP and other banks	1,462	-	-	1,462
Manager's checks and demand drafts outstanding	2,164	-	-	2,164
Unsecured subordinated debt	423	845	7,996	9,264
Other financial liabilities				
Accounts payable	1,762	-	-	1,762
Others	3,465	-	-	3,465
	221,882	146,089	100,819	468,790

Assets available to meet all of the liabilities include cash and other cash items, due from BSP and other banks, trading securities, available-for-sale securities and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The BPI Group would also be able to meet unexpected net cash outflows by accessing additional funding sources.

3.3.4 Derivative cash flows

(a) Derivatives settled on a net basis

The BPI Group's derivatives that are settled on a net basis consist only of interest rate swaps. The table below presents the contractual undiscounted cash outflows of interest rate swaps based on the remaining period from December 31 to the contractual maturity dates.

Consolidated and Parent

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
(In Millions of Pesos)				
Interest rate swap contracts - held for trading				
2009	-	(39)	(210)	(249)
2008	(25)	(158)	(93)	(276)

(b) Derivatives settled on a gross basis

The BPI Group's derivatives that are settled on a gross basis include foreign exchange derivatives mainly, currency forwards, currency swaps and spot contracts. The table below presents the contractual undiscounted cash flows of foreign exchange derivatives based on the remaining period from reporting date to the contractual maturity dates.

Consolidated and Parent

	Up to 1 year	Over 1 up to 3 years	Total
(In Millions of Pesos)			
Foreign exchange derivatives - held for trading			
2009			
- Outflow	(133,261)	-	(133,261)
- Inflow	132,052	-	132,052
2008			
- Outflow	(84,865)	-	(84,865)
- Inflow	84,992	-	84,992

3.4 Fair value of financial assets and liabilities

The table below summarizes the carrying amount and fair value of those significant financial assets and liabilities not presented on the statement of condition at fair value at December 31.

Consolidated

	Carrying amount		Fair value	
	2009	2008	2009	2008
(In Millions of Pesos)				
Financial assets				
Due from BSP	62,744	48,422	62,744	48,422
Due from other banks	7,147	14,278	7,147	14,278
Interbank loans receivable and SPAR	52,546	22,584	52,546	22,584
Held-to-maturity, net	75,031	72,884	78,044	74,299
Loans and advances, net	327,474	320,216	335,189	323,830
Other financial assets				
Sales contracts receivable, net	299	288	299	288
Accounts receivable, net	2,212	1,956	2,212	1,956
Other accrued interest and fees receivable	416	486	416	486
Others, net	1,316	1,651	1,316	1,651
Financial liabilities				
Deposit liabilities	579,471	540,352	579,471	540,352
Bills payable	32,009	9,934	32,009	9,934
Due to BSP and other banks	1,933	1,496	1,933	1,496
Manager's checks and demand drafts outstanding	3,059	2,723	3,059	2,723
Unsecured subordinated debt	5,000	5,000	5,166	5,000
Other financial liabilities				
Accounts payable	2,486	2,444	2,486	2,444
Others	4,055	5,042	4,055	5,042

Parent

	Carrying amount		Fair value	
	2009	2008	2009	2008
(In Millions of Pesos)				
Financial assets				
Due from BSP	54,465	41,428	54,465	41,428
Due from other banks	3,363	8,114	3,363	8,114
Interbank loans receivable and SPAR	46,160	21,107	46,160	21,107
Held-to-maturity, net	64,787	63,196	67,606	64,364
Loans and advances, net	240,328	240,681	244,484	241,637
Other financial assets				
Sales contracts receivable, net	271	254	271	254
Accounts receivable, net	2,062	2,607	2,062	2,607
Other accrued interest and fees receivable	366	426	366	426
Others, net	54	144	54	144
Financial liabilities				
Deposit liabilities	472,031	440,889	472,031	440,889
Bills payable	24,616	5,373	24,616	5,373
Due to BSP and other banks	1,935	1,462	1,935	1,462
Manager's checks and demand drafts outstanding	2,506	2,164	2,506	2,164
Unsecured subordinated debt	5,000	5,000	5,166	5,000
Other financial liabilities				
Accounts payable	1,803	1,762	1,803	1,762
Others	3,714	3,465	3,714	3,465

(i) Due from BSP and other banks and Interbank loans receivable and SPAR

The fair value of floating rate placements and overnight deposits approximates their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) Investment securities

Fair value of held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(iii) Loans and advances

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iv) Financial liabilities

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(v) Other financial assets / liabilities

Carrying amounts of other financial assets / liabilities which have no definite repayment dates are assumed to be their fair values.

3.5 Fair value hierarchy

PFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the BPI Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Philippine Stock Exchange, Inc., Philippine Dealing and Exchange Corp., etc.).
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts. The primary source of input parameters like LIBOR yield curve or counterparty credit risk is Bloomberg.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The BPI Group considers relevant and observable market prices in its valuations where possible.

The following table presents the BPI Group's assets and liabilities that are measured at fair value at December 31, 2009.

Consolidated

	Level 1	Level 2	Total
	(In Millions of Pesos)		
Financial assets			
Financial assets at fair value through profit or loss	-	-	-
Derivative financial assets	-	2,146	2,146
Trading securities			
- Debt securities	52,766	252	53,018
- Equity securities	238	-	238
Available-for-sale financial assets			
- Debt securities	60,918	9,511	70,429
- Equity securities	1,051	-	1,051
	114,973	11,909	126,882
Financial liabilities			
Derivative financial liabilities	-	1,593	1,593

Parent

	Level 1	Level 2	Total
	(In Millions of Pesos)		
Financial assets			
Financial assets at fair value through profit or loss			
- Derivative financial assets	-	2,146	2,146
- Trading securities - debt securities	52,159	-	52,159
Available-for-sale financial assets			
- Debt securities	51,472	8,818	60,290
- Equity securities	15	-	15
	103,646	10,964	114,610
Financial liabilities			
Derivative financial liabilities	-	1,593	1,593

The BPI Group has no financial instruments that fall under the Level 3 category as of December 31, 2009.

3.6 Insurance risk management

The life and non-life insurance entities decide on the retention, or the absolute amount that they are ready to assume insurance risk from one event. The retention amount is a function of capital, experience, actuarial study and risk appetite or aversion.

In excess of the retention, these entities arrange reinsurances either thru treaties or facultative placements. They also accredit reinsurers based on certain criteria and set limits as to what can be reinsured. The reinsurance treaties and the accreditation of reinsurers require Board of Directors' approval.

3.7 Capital management

Cognizant of its exposure to risks, the BPI Group understands that it must maintain sufficient capital to absorb unexpected losses, to stay in business for the long haul, and to satisfy regulatory requirements. The BPI Group further understands that its performance, as well as the performance of its various units, should be measured in terms of returns generated vis-à-vis allocated capital and the amount of risk borne in the conduct of business.

The BPI Group manages its capital following the framework of Basel Committee on Banking Supervision Accord II (Basel II) and its implementation in the Philippines by the BSP. The BSP through its Circular 538 requires each bank and its financial affiliated subsidiaries to keep its Capital Adequacy Ratio (CAR) - the ratio of qualified capital to risk-weighted exposures - to be no less than 10%. In quantifying its CAR, BPI currently uses the Standardized Approach (for credit risk and market risk) and the Basic Indicator Approach (for operational risk). Capital adequacy reports are filed with the BSP every quarter.

Qualifying capital and risk-weighted assets are computed based on BSP regulations. The qualifying capital of the Parent Bank consists of core tier 1 capital and tier 2 capital. Tier 1 capital comprises paid-up capital stock, paid-in surplus, surplus including net income for the year, surplus reserves and minority interest less deductions such as deferred income tax, unsecured credit accommodations to DOSRI, goodwill and unrealized fair value losses on available-for-sale securities. Tier 2 capital includes unsecured subordinated debt (see Note 21), net unrealized fair value gains on available-for-sale investments, and general loan loss provisions for BSP reporting purposes.

The Basel II framework following BSP Circular 538 took into effect on July 1, 2007. The table below summarizes the CAR under the Basel II framework for the years ended December 31, 2009 and 2008.

	Consolidated		Parent	
	2009	2008	2009	2008
		(In Millions of Pesos)		
Tier 1 capital	56,352	53,800	57,433	54,820
Tier 2 capital	8,426	8,258	7,679	7,561
Gross qualifying capital	64,778	62,058	65,112	62,381
Less: Required deductions	2,826	4,693	20,582	21,499
Total qualifying capital	61,952	57,365	44,530	40,882
Risk weighted assets	422,646	405,016	333,099	326,593
CAR (%)	14.66	14.16	13.37	12.52

The BPI Group has fully complied with the CAR requirement of the BSP.

Note 4 - Critical Accounting Estimates and Judgments

The BPI Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. It is reasonably possible that the outcomes within the next financial year could differ from assumptions made at reporting date and could result in the adjustment to the carrying amount of affected assets or liabilities.

A. Critical accounting estimates

(i) Impairment losses on loans and advances (Note 13)

The BPI Group reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the statement of income, the BPI Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for loans with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows differs by +/-5%, the provision for the year ended December 31, 2009 would be estimated P166 million higher or lower.

(ii) Fair value of derivatives and other financial instruments (Notes 3.4 and 9)

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are approved by the Board of Directors before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, the models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(iii) Pension liability on defined benefit plan (Note 30)

The BPI Group estimates its pension benefit obligation and expense for defined benefit pension plans based on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 30 and include, among others, the discount rate, expected return on plan assets and future salary increases. The present value of the defined benefit obligations of the BPI Group at December 31, 2009 and 2008 are determined using the market yields on Philippine government bonds with terms consistent with the expected payments of employee benefits. Plan assets are invested in either equity securities, debt securities or other forms of investments. Equity markets may experience volatility, which could affect the value of pension plan assets. This volatility may make it difficult to estimate the long-term rate of return on plan assets. Actual results that differ from the BPI Group's assumptions are accumulated and amortized over future periods and therefore generally affect the BPI Group's recognized expense and recorded obligation in such future periods. The BPI Group's assumptions are based on actual historical experience and external data regarding compensation and discount rate trends.

B. Critical accounting judgments

(i) Impairment of available-for-sale securities (Note 11)

The BPI Group follows the guidance of PAS 39 to determine when an available-for-sale security is impaired. This determination requires significant judgment. In making this judgment, the BPI Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health and near-term business outlook of the issuer, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(ii) Held-to-maturity securities (Note 12)

The BPI Group follows the guidance of PAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the BPI Group evaluates its intention and ability to hold such investments to maturity. If the BPI Group fails to keep these investments to maturity other than for the specific circumstances - for example selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value and not at amortized cost.

(iii) Valuation and classification of assets held for sale

Management follows the principles in PFRS 5 in classifying certain foreclosed assets (consisting of real estate and auto or chattel), as assets held for sale when the carrying amount of the assets will be recovered principally through sale. Management is committed to a plan to sell these foreclosed assets and the assets are actively marketed for sale at a price that is reasonable in relation to their current fair value. In determining the fair value of assets held for sale, sales prices are analyzed by applying appropriate units of comparison, adjusted by differences between the subject asset or property and related market data. Should there be a subsequent write-down of the asset to fair value less cost to sell, such write-down is recognized as impairment loss in the statement of income.

In 2009, the BPI Group has recognized an impairment loss on its foreclosed assets amounting to P199 million (2008 - P699 million).

(iv) Realization of deferred income tax assets (Note 17)

Management reviews at each reporting date the carrying amounts of deferred tax assets. The carrying amount of deferred tax assets is reduced to the extent that the related tax assets can not be utilized due to insufficient taxable profit against which the deferred tax losses will be applied. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized.

Note 5 - Assets and Liabilities Attributable to Insurance Operations

Details of the assets and liabilities attributable to insurance operations as of December 31 are as follows:

	2009	2008
	(In Millions of Pesos)	
Assets		
Cash and cash equivalents (Note 7)	48	63
Insurance balances receivable, net	1,760	2,476
Investment securities		
Available-for-sale	2,609	2,601
Held-to-maturity	5,405	15,134
Land, building and equipment	201	701
Accounts receivable and other assets, net	927	1,093
	10,950	22,068
Liabilities		
Reserves and other balances	8,311	17,562
Accounts payable, accrued expenses and other payables	451	1,251
	8,762	18,813

Details of income attributable to insurance operations, before income tax and minority interest for the years ended December are as follows:

	2009	2008	2007
	(In Millions of Pesos)		
Premiums earned and related income	5,817	4,534	3,822
Investment and other income	910	333	1,333
	6,727	4,867	5,155
Benefits, claims and maturities	1,886	1,669	1,280
Increase in actuarial reserve liabilities	2,574	1,068	969
Management and general expenses	698	755	755
Commissions	515	581	248
Other expenses	256	206	48
	5,929	4,279	3,300
Income before income tax and minority interest	798	588	1,855

In 2009, the BPI Group lost control over a life insurance subsidiary following the sale of its majority stake in the said subsidiary (see Note 16).

Note 6 - Business Segments

In 2009, segment reporting by the BPI Group was prepared for the first time in accordance with PFRS 8. Following the management approach of PFRS 8, operating segments are reported in accordance with the internal reporting provided to the chief executive officer, who is responsible for allocating resources to the reportable segments and assesses their performance. All operating segments used by the BPI Group meet the definition of a reportable segment under PFRS 8.

The BPI Group has determined the operating segments based on the nature of the services provided and the different markets served representing a strategic business unit.

The BPI Group's main operating business segments follow:

- Consumer Banking - this segment addresses the individual and retail markets. It covers deposit taking and servicing, consumer lending such as home mortgages, auto loans and credit card finance as well as the remittance business. It includes the entire transaction processing and service delivery infrastructure consisting of the BPI and BPI Family Bank network of branches, ATMs and point-of-sale terminals as well as phone and Internet-based banking platforms.
- Corporate Banking - this segment consists of the entire lending, leasing, trade and cash management services provided by the BPI Group to corporate and institutional customers. These customers include both high-end corporations as well as various middle market clients.
- Investment Banking - this segment includes the various business groups operating in the investment markets, and dealing in activities other than lending and deposit taking. These services cover corporate finance, securities distribution, asset management, trust and fiduciary services as well as proprietary trading and investment activities.

The performance of the Parent Bank is assessed as a single unit using financial information presented in the separate or Parent only financial statements. Likewise, the chief executive officer assesses the performance of its insurance business separately from the banking and allied financial undertakings. Information on the assets, liabilities and results of operations of the insurance business is fully disclosed in Note 5.

The BPI Group and the Parent Bank mainly derive revenue (more than 90%) within the Philippines, accordingly, no geographical segment is presented.

Revenues of the BPI Group's segment operations are derived from interest (net interest income). The segment report forms part of management's assessment of the performance of the segment, among other performance indicators.

There were no changes in the reportable segments during the year. Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the management is measured in a manner consistent with that in the statement of income.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the BPI Group's cost of capital.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue-sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis. Inter-segment revenues however, are deemed insignificant for financial reporting purposes, thus, not reported in segment analysis below.

The BPI Group's management reporting is based on a measure of operating profit comprising net income, loan impairment charges, fee and commission income, other income and non-interest income.

Segment assets and liabilities comprise majority of operating assets and liabilities as shown in the statement of condition, but exclude items such as taxation.

The segment assets, liabilities and results of operations of the reportable segments of the BPI Group as of and for the years ended December 31, 2009, 2008 and 2007 are as follows:

	2009			Total per management reporting
	Consumer banking	Corporate banking	Investment banking	
	(In Millions of Pesos)			
Interest income	23,712	7,107	3,113	33,932
Interest expense	11,282	804	57	12,143
Net interest income	12,430	6,303	3,056	21,789
Impairment charge	1,476	1,059	-	2,535
Net interest income after impairment charge	10,954	5,244	3,056	19,254
Fees and commission income	2,875	399	292	3,566
Other income	3,362	856	4,742	8,960
Gross receipts tax	(361)	(28)	(412)	(801)
Other income, net	5,876	1,227	4,622	11,725
Compensation and fringe benefits	6,456	548	382	7,386
Occupancy and equipment - related expenses	3,407	1,143	92	4,642
Other operating expenses	5,450	864	423	6,737
Total operating expenses	15,313	2,555	897	18,765
Operating profit	1,517	3,916	6,781	12,214
Share in net loss of associates				(21)
Provision for income tax				3,510
Total assets	239,711	221,206	249,471	749,752
Total liabilities	606,170	33,786	2,820	660,259

	2008			Total per management reporting
	Consumer banking	Corporate banking	Investment banking	
	(In Millions of Pesos)			
Interest income	26,278	6,089	2,443	34,810
Interest expense	13,368	368	171	13,907
Net interest income	12,910	5,721	2,272	20,903
Impairment charge	800	1,129	1	1,930
Net interest income after impairment charge	12,110	4,592	2,271	18,973
Fees and commission income	1,035	322	1,835	3,192
Other income	5,778	1,003	448	7,229
Gross receipts tax	(392)	(45)	(167)	(604)
Other income, net	6,421	1,280	2,116	9,817
Compensation and fringe benefits	5,901	521	348	6,770
Occupancy and equipment - related expenses	3,303	1,028	96	4,427
Other operating expenses	4,909	1,145	430	6,484
Total operating expenses	14,113	2,694	874	17,681
Operating profit	4,418	3,178	3,513	11,109
Share in net loss of associates				(28)
Provision for income tax				2,980
Total assets	218,480	224,565	202,127	688,038
Total liabilities	561,584	9,716	8,370	602,275

	2007			Total per management reporting
	Consumer banking	Corporate banking	Investment banking	
	(In Millions of Pesos)			
Interest income	24,555	4,127	4,016	32,698
Interest expense	13,030	359	186	13,575
Net interest income	11,525	3,768	3,830	19,123
Impairment charge	880	972	-	1,852
Net interest income after impairment charge	10,645	2,796	3,830	17,271
Fees and commission income	763	322	1,876	2,961
Other income	4,360	1,416	3,801	9,577
Gross receipts tax	(335)	(74)	(430)	(839)
Other income, net	4,788	1,664	5,247	11,699
Compensation and fringe benefits	5,842	526	353	6,721
Occupancy and equipment - related expenses	3,082	817	91	3,990
Other operating expenses	5,456	533	363	6,352
Total operating expenses	14,380	1,876	807	17,063
Operating profit	1,053	2,584	8,270	11,907
Share in net loss of associates				(9)
Provision for income tax				2,767
Total assets	204,420	187,387	223,065	667,086
Total liabilities	535,887	8,124	5,612	568,724

Reconciliation of segment results to consolidated results of operations:

	2009		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Interest income	33,932	(45)	33,887
Interest expense	12,143	342	12,485
Net interest income	21,789	(387)	21,402
Impairment charge	2,535	-	2,535
Net interest income after impairment charge	19,254	(387)	18,867
Fees and commission income	3,566	(136)	3,430
Other income	8,960	1,475	10,435
Gross receipts tax	(801)	(71)	(872)
Other income, net	11,725	1,268	12,993
Compensation and fringe benefits	7,386	1,769	9,155
Occupancy and equipment - related expenses	4,642	1,003	5,645
Other operating expenses	6,737	(1,861)	4,876
Total operating expenses	18,765	911	19,676
Operating profit	12,214	(30)	12,184
Share in net loss of associates	(21)	-	(21)
Provision for income tax	3,510	9	3,519
Total assets	749,752	(25,332)	724,420
Total liabilities	660,259	(3,604)	656,655

	2008		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Interest income	34,810	(1,513)	33,297
Interest expense	13,907	(73)	13,834
Net interest income	20,903	(1,440)	19,463
Impairment charge	1,930	-	1,930
Net interest income after impairment charge	18,973	(1,440)	17,533
Fees and commission income	3,192	(136)	3,056
Other income	7,229	653	7,882
Gross receipts tax	(604)	(13)	(617)
Other income, net	9,817	504	10,321
Compensation and fringe benefits	6,770	1,328	8,098
Occupancy and equipment - related expenses	4,427	876	5,303
Other operating expenses	6,484	(1,573)	4,911
Total operating expenses	17,681	631	18,312
Operating profit	11,109	(1,567)	9,542
Share in net loss of associates	(28)	-	(28)
Provision for income tax	2,980	5	2,985
Total assets	688,038	(21,426)	666,612
Total liabilities	602,275	465	602,740

	2007		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Interest income	32,698	(283)	32,415
Interest expense	13,575	(110)	13,465
Net interest income	19,123	(173)	18,950
Impairment charge	1,852	(602)	1,250
Net interest income after impairment charge	17,271	429	17,700
Fees and commission income	2,961	(214)	2,747
Other income	9,577	2,178	11,755
Gross receipts tax	(839)	(59)	(898)
Other income, net	11,699	1,905	13,604
Compensation and fringe benefits	6,721	1,472	8,193
Occupancy and equipment - related expenses	3,990	863	4,853
Other operating expenses	6,352	(1,087)	5,265
Total operating expenses	17,063	1,248	18,311
Operating profit	11,907	1,086	12,993
Share in net loss of associates	(9)	-	(9)
Provision for income tax	2,767	-	2,767
Total assets	667,086	(29,801)	637,285
Total liabilities	568,724	(2,570)	566,154

“Consolidation adjustments/Others” pertains to balances of support units and inter-segment elimination in accordance with the BPI Group's internal reporting.

Note 7 - Cash and Cash Equivalents

This account at December 31 consists of:

	Consolidated			Parent		
	2009	2008	2007	2009	2008	2007
	(In Millions of Pesos)					
Cash and other cash items	18,780	22,366	13,243	17,987	21,781	12,760
Due from Bangko Sentral ng Pilipinas	21,172	11,924	37,152	14,755	6,613	28,257
Due from other banks	7,147	14,278	6,969	3,363	8,114	1,845
Interbank loans receivable and securities purchased under agreements to resell	28,282	14,159	24,856	21,342	12,682	22,245
Cash and cash equivalents attributable to insurance operations	48	63	79	-	-	-
	75,429	62,790	82,299	57,447	49,190	65,107

Note 8 - Interbank Loans Receivable and Securities Purchased under Agreements to Resell (SPAR)

The account at December 31 consists of transactions with:

	Consolidated		Parent	
	2009	2008	2009	2008
		(In Millions of Pesos)		
BSP	21,737	9,445	14,800	7,790
BPI Leasing Corporation	-	-	553	180
Other banks	30,787	13,034	30,787	13,034
	52,524	22,479	46,140	21,004
Accrued interest receivable	22	105	20	103
	52,546	22,584	46,160	21,107

Interbank loans receivable and SPAR maturing within 90 days from the date of acquisition are classified as cash equivalents in the statement of cash flows (Note 7).

Average effective interest rate (%) of interbank loans receivable of the BPI Group at December 31 follow:

	2009	2008
Peso-denominated	4.32	5.53
US dollar-denominated	0.65	2.68

Note 9 - Derivative Financial Instruments

Derivatives held by the BPI Group for non-hedging purposes are as follows:

- Foreign exchange forwards represent commitments to purchase or sell one currency against another at an agreed forward rate on a specified date in the future. Settlement can be made via full delivery of forward proceeds or via payment of the difference between the contracted forward rate and the prevailing market rate on maturity.
- Foreign exchange swaps refer to spot purchase or sale of one currency against another with an agreement to sell or purchase the same currency at an agreed forward rate in the future.
- Interest rate swaps refer to agreement to exchange fixed rate versus floating interest payments (or vice versa) on a reference notional amount over an agreed period of time.
- Cross currency swaps refer to spot exchange of notional amounts on two currencies at a given exchange rate and with an agreement to re-exchange the same notional amounts at a specified maturity date based on the original exchange rate. Parties on the transaction agree to pay a stated interest rate on the borrowed notional amount and receive a stated interest rate on the lent notional amount, payable or receivable periodically over the term of the transaction.

The BPI Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the BPI Group assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the statement of condition. They do not necessarily represent the amounts of future cash flows involved or the current fair values of the instruments and therefore are not indicative of the BPI Group's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand and the extent at which the instruments can become favorable or unfavorable in fair values can fluctuate significantly from time to time. The fair values of derivative instruments held are set out below.

Consolidated and Parent

	Contract/ Notional Amount		Fair Values			
	2009	2008	Assets		Liabilities	
			2009	2008	2009	2008
	(In Millions of Pesos)					
Freestanding derivatives						
Foreign exchange derivatives						
Currency swaps	129,714	79,802	1,491	1,171	(851)	(1,348)
Currency forwards	21,754	5,063	78	88	(130)	(12)
Interest rate swaps	26,637	32,497	569	914	(610)	(1,152)
Embedded credit derivatives	-	-	8	9	(2)	(35)
Total derivatives assets (liabilities) held for trading			2,146	2,182	(1,593)	(2,547)

Note 10 - Trading Securities

The account at December 31 consists of:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Debt securities				
Government securities	52,600	32,882	51,997	31,587
Commercial papers of private companies	249	1,349	-	1,339
	52,849	34,231	51,997	32,926
Accrued interest receivable	169	87	162	73
	53,018	34,318	52,159	32,999
Equity securities - listed	238	81	-	-
	53,256	34,399	52,159	32,999

Note 11 - Available-for-Sale Securities

This account at December 31 consists of:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Debt securities				
Government securities	54,630	53,091	45,374	41,656
Others	15,046	8,134	14,209	7,980
	69,676	61,225	59,583	49,636
Accrued interest receivable	753	969	707	896
	70,429	62,194	60,290	50,532
Equity securities				
Listed	1,051	1,268	15	11
Unlisted	480	569	346	423
	1,531	1,837	361	434
	71,960	64,031	60,651	50,966
Allowance for impairment	(254)	(202)	(218)	(200)
	71,706	63,829	60,433	50,766

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Current	22,207	12,435	14,027	4,315
Non-current	49,753	51,596	46,624	46,651
	71,960	64,031	60,651	50,966

Average effective interest rates (%) of available-for-sale debt securities of the BPI Group at December 31 follow:

	2009	2008
Peso-denominated	5.74	6.07
Foreign currency-denominated	2.56	4.23

The movement in available-for-sale securities is summarized as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
At January 1	63,829	103,568	50,766	81,971
Additions	241,648	248,245	214,053	204,470
Disposals	(233,584)	(257,866)	(204,317)	(207,759)
Reclassification to Held-to-maturity (Note 12)	-	(28,276)	-	(26,914)
Amortization of discount	206	930	148	632
Fair value adjustments (Note 23)	487	(4,329)	414	(2,768)
Exchange differences	(612)	1,972	(424)	1,439
Net change in allowance for impairment	(52)	78	(18)	7
Net change in accrued interest receivable	(216)	(493)	(189)	(312)
At December 31	71,706	63,829	60,433	50,766

On October 22, 2008, the BPI Group reclassified certain available-for-sale securities aggregating P19.1 billion to held-to-maturity category. Likewise, on November 12, 2008, an additional portfolio of US dollar-denominated available-for-sale securities totaling US\$171.6 million (or peso equivalent of P9.2 billion) was further reclassified from available-for-sale to held-to-maturity (Note 12).

The reclassification was triggered by management's change in intention over the securities in the light of volatile market prices due to global economic downturn. Management believes that despite the market uncertainties, the BPI Group has the capability to hold those reclassified securities until maturity dates.

The aggregate fair value loss of those securities at reclassification dates still recognized in Accumulated other comprehensive income (under Capital funds), and which will be amortized over the remaining lives of the instruments using the effective interest rate method amounts to P1,757 million. Unamortized fair value loss as of December 31, 2009 and 2008, amounts to P1,273 million and P1,711 million, respectively.

The reconciliation of the allowance for impairment at December 31 is summarized as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
At January 1	202	280	200	207
Provision for (reversal of) impairment losses	52	(78)	18	(7)
At December 31	254	202	218	200

Note 12 - Held-to-Maturity Securities

This account at December 31 consists of:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Government securities	72,348	67,581	60,930	58,204
Commercial papers of private companies	783	3,445	2,164	3,348
	73,131	71,026	63,094	61,552
Accrued interest receivable	1,900	1,858	1,693	1,644
	75,031	72,884	64,787	63,196

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Current	7,945	6,284	4,894	5,462
Non-current	67,086	66,600	59,893	57,734
	75,031	72,884	64,787	63,196

Average effective interest rates (%) of held-to-maturity securities of the BPI Group at December 31 follow:

	2009	2008
Peso-denominated	7.92	8.73
Foreign currency-denominated	5.49	4.42

The movement in held-to-maturity securities is summarized as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
		(In Millions of Pesos)		
At January 1	72,884	52,432	63,196	45,555
Additions	55,656	63,853	53,336	60,133
Maturities	(52,008)	(72,334)	(50,365)	(70,024)
Reclassification from Available-for-sale (Note 11)	-	28,276	-	26,914
Amortization of premium	(1,076)	(613)	(1,000)	(584)
Exchange differences	(467)	729	(429)	725
Net change in accrued interest receivable	42	541	49	477
At December 31	75,031	72,884	64,787	63,196

Note 13 - Loans and Advances

Major classifications of this account at December 31 are as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
		(In Millions of Pesos)		
Corporate entities				
Large corporate customers	189,445	198,864	180,488	191,449
Small and medium enterprise	63,422	58,150	46,543	36,923
Retail customers				
Credit cards	17,003	14,713	17,003	14,713
Mortgages	63,282	52,703	759	1,193
Others	5,964	5,170	1,402	919
	339,116	329,600	246,195	245,197
Accrued interest receivable	1,613	2,019	1,255	1,627
Unearned discount/income	(4,299)	(3,886)	(328)	(277)
	336,430	327,733	247,122	246,547
Allowance for impairment	(8,956)	(7,517)	(6,794)	(5,866)
	327,474	320,216	240,328	240,681

	Consolidated		Parent	
	2009	2008	2009	2008
		(In Millions of Pesos)		
Current	80,898	160,196	63,636	145,150
Non-current	255,532	167,537	183,486	101,397
	336,430	327,733	247,122	246,547

The amount of loans and advances above include finance lease receivables as follows:

	Consolidated	
	2009	2008
	(In Millions of Pesos)	
Total future minimum lease payments	4,472	3,878
Unearned finance income	(707)	(626)
Present value of future minimum lease payments	3,765	3,252
Allowance for impairment	(50)	(63)
	3,715	3,189

Details of future minimum lease payments follow:

	Consolidated	
	2009	2008
	(In Millions of Pesos)	
Not later than one year	1,884	1,714
Later than one year but not later than five years	2,588	2,164
	4,472	3,878
Unearned finance income	(707)	(626)
	3,765	3,252

The Parent Bank has no finance lease receivables as of December 31, 2009 and 2008.

Details of the loans and advances portfolio of the BPI Group at December 31 are as follows:

1) As to industry/economic sector (in %)

	Consolidated		Parent	
	2009	2008	2009	2008
Consumer	30.72	28.18	7.53	6.10
Manufacturing	20.47	24.09	27.68	31.80
Real estate, renting and other related activities	9.49	8.53	12.66	11.16
Agriculture and forestry	9.31	10.87	12.64	14.34
Wholesale and retail trade	11.82	9.65	15.80	12.53
Financial institutions	4.62	6.21	6.28	8.20
Others	13.57	12.47	17.41	15.87
	100.00	100.00	100.00	100.00

2) As to collateral

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Secured loans				
Real estate mortgage	122,411	111,615	61,406	58,163
Chattel mortgage	20,602	16,148	2,090	2,144
Others	69,848	68,991	67,845	63,892
	212,861	196,754	131,341	124,199
Unsecured loans	121,956	128,960	114,526	120,721
	334,817	325,714	245,867	244,920

Other collaterals include hold-out deposits, mortgage trust indentures, government securities and bonds, quedan/warehouse receipts, standby letters of credit, trust receipts, and deposit substitutes.

Loans and advances aggregating P32,009 million (2008 - P6,837 million) and P24,616 million (2008 - P2,276 million) are used as security for bills payable (Note 20) of the BPI Group and Parent Bank, respectively.

Average effective interest rates (%) of loans and advances of the BPI Group at December 31 follow:

	2009	2008
Commercial loans		
Peso-denominated loans	6.66	6.77
Foreign currency-denominated loans	3.12	4.37
Real estate mortgages	9.84	9.71
Auto loans	10.71	11.06

Non-performing accounts (over 30 days past due) of the BPI Group and the Parent Bank, net of accounts in the "loss" category and covered with 100% reserves (excluded under BSP Circular 351), are as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
		(In Millions of Pesos)		
Non-performing accounts (NPL 30)	13,059	12,984	9,370	10,213
"Loss" category loans with 100% reserves	2,006	2,451	1,964	2,408
Net NPL 30	11,053	10,533	7,406	7,805

Reconciliation of allowance for impairment by class at December 31 follows:

Consolidated

	2009					
	Corporate entities		Retail customers			
	Large corporate customers	Small and medium enterprises	Mortgages	Credit cards	Others	Total
			(In Millions of Pesos)			
At January 1	2,490	2,205	766	1,381	675	7,517
Provision for (reversal of) impairment losses	(41)	1,206	53	928	254	2,400
Write-off/disposal	(296)	(50)	-	(614)	-	(960)
Unwind of discount	(11)	(18)	-	-	-	(29)
Others	12	(20)	36	(1)	1	28
At December 31	2,154	3,323	855	1,694	930	8,956

	2008					
	Corporate entities		Retail customers			Total
	Large corporate customers	Small and medium enterprises	Mortgages	Credit cards	Others	
	(In Millions of Pesos)					
At January 1	4,041	193	636	1,088	660	6,618
Provision for impairment losses	113	469	129	515	19	1,245
Write-off/disposal	(75)	(23)	-	(222)	(21)	(341)
Unwind of discount	(16)	(20)	-	-	-	(36)
Others	(1,573)	1,586	1	-	17	31
At December 31	2,490	2,205	766	1,381	675	7,517

Parent

	2009					Total
	Corporate entities		Retail customers			
	Large corporate customers	Small and medium enterprises	Mortgages	Credit cards	Others	
	(In Millions of Pesos)					
At January 1	2,608	1,660	202	1,381	15	5,866
Provision for (reversal of) impairment losses	(41)	1,137	(135)	928	(1)	1,888
Write-off/disposal	(296)	(50)	-	(614)	-	(960)
Unwind of discount	(11)	(17)	-	-	-	(28)
Others	12	17	-	(1)	-	28
At December 31	2,272	2,747	67	1,694	14	6,794

	2008					
	Corporate entities		Retail customers			Total
	Large corporate customers	Small and medium enterprises	Mortgages	Credit cards	Others	
	(In Millions of Pesos)					
At January 1	720	3,273	221	1,088	3	
Provision for (reversal of) impairment losses	112	249	(19)	515	33	890
Write-off/disposal	(74)	(7)	-	(222)	(21)	(324)
Unwind of discount	(16)	(19)	-	-	-	(35)
Others	1,866	(1,836)	-	-	-	30
At December 31	2,608	1,660	202	1,381	15	5,866

Note 14 - Bank Premises, Furniture, Fixtures and Equipment

This account at December 31 consists of:

Consolidated

	2009				
	Land	Buildings and leasehold improvements	Furniture and equipment	Equipment for lease	Total
	(In Millions of Pesos)				
Cost					
January 1, 2009	3,527	4,597	11,101	3,573	22,798
Additions	38	782	1,199	1,303	3,322
Disposals	(194)	(69)	(711)	(980)	(1,954)
Amortization	-	(159)	-	-	(159)
Transfers	1	(33)	(3)	-	(35)
December 31, 2009	3,372	5,118	11,586	3,896	23,972
Accumulated depreciation					
January 1, 2009	-	1,732	8,769	1,121	11,622
Depreciation	-	170	1,093	756	2,019
Disposals/transfers	-	(37)	(584)	(458)	(1,079)
December 31, 2009	-	1,865	9,278	1,419	12,562
Net book value, December 31, 2009	3,372	3,253	2,308	2,477	11,410

	2008				
	Land	Buildings and leasehold improvements	Furniture and equipment	Equipment for lease	Total
	(In Millions of Pesos)				
Cost					
January 1, 2008	3,763	4,385	10,784	2,786	21,718
Additions	5	388	1,178	1,327	2,898
Disposals	(209)	(134)	(860)	(540)	(1,743)
Amortization	-	(74)	-	-	(74)
Transfers	(32)	32	(1)	-	(1)
December 31, 2008	3,527	4,597	11,101	3,573	22,798
Accumulated depreciation					
January 1, 2008	-	1,634	8,506	680	10,820
Depreciation	-	150	1,039	652	1,841
Disposals/transfers	-	(52)	(776)	(211)	(1,039)
December 31, 2008	-	1,732	8,769	1,121	11,622
Net book value, December 31, 2008	3,527	2,865	2,332	2,452	11,176

Parent

2009				
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
(In Millions of Pesos)				
Cost				
January 1, 2009	3,079	3,959	10,337	17,375
Additions	38	680	1,058	1,776
Disposals	(187)	(67)	(678)	(932)
Amortization	-	(128)	-	(128)
Transfers	3	-	-	3
December 31, 2009	2,933	4,444	10,717	18,094
Accumulated depreciation				
January 1, 2009	-	1,525	8,196	9,721
Depreciation	-	146	960	1,106
Disposals/transfers	-	(28)	(538)	(566)
December 31, 2009	-	1,643	8,618	10,261
Net book value, December 31, 2009	2,933	2,801	2,099	7,833

2008				
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
(In Millions of Pesos)				
Cost				
January 1, 2008	3,307	3,826	10,037	17,170
Additions	4	286	1,024	1,314
Disposals	(192)	(131)	(724)	(1,047)
Amortization	-	(56)	-	(56)
Transfers	(40)	34	-	(6)
December 31, 2008	3,079	3,959	10,337	17,375
Accumulated depreciation				
January 1, 2008	-	1,449	7,880	9,329
Depreciation	-	124	925	1,049
Disposals/transfers	-	(48)	(609)	(657)
December 31, 2008	-	1,525	8,196	9,721
Net book value, December 31, 2008	3,079	2,434	2,141	7,654

Depreciation is included in Occupancy and equipment-related expenses in the statement of income.

Note 15 - Investment Properties

This account at December 31 consists of:

	Consolidated		Parent	
	2009	2008	2009	2008
		(In Millions of Pesos)		
Land	3,208	3,208	3,202	3,202
Buildings	1,754	1,754	1,747	1,747
	4,962	4,962	4,949	4,949
Accumulated depreciation	(947)	(881)	(945)	(879)
Allowance for impairment	(1,253)	(1,253)	(1,253)	(1,253)
	2,762	2,828	2,751	2,817

The movement in investment properties is summarized as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
		(In Millions of Pesos)		
At January 1	2,828	2,816	2,817	2,785
Transfers	(2)	94	(2)	94
Disposals	-	(20)	-	-
Depreciation	(64)	(62)	(64)	(62)
At December 31	2,762	2,828	2,751	2,817

Investment properties have aggregate fair value of P4,228 million as of December 2009 and 2008.

Depreciation is included in Occupancy and equipment-related expenses in the statement of income.

Note 16 - Equity Investments

This account at December 31 consists of investments in shares of stock:

	Consolidated		Parent	
	2009	2008	2009	2008
		(In Millions of Pesos)		
Carrying value (net of impairment)				
Investments at equity method	1,639	730	-	-
Investments at cost method	-	-	6,952	6,712
	1,639	730	6,952	6,712

Investments in associates carried at equity method in the consolidated statement of condition follow:

Name of entity	Percentage of ownership interest (%)		Acquisition cost	
	2009	2008	2009	2008
			(In Millions of Pesos)	
BPI - Philamlife Assurance Corporation*	47.67	-	371	-
National Reinsurance Corporation**	15.74	16.41	204	204
Beacon Properties	20.00	20.00	100	100
BPI Globe BanKo*	40.00	-	200	-
Victoria 1552 Investments, LP	35.00	35.00	7	7
Citytrust Realty Corporation	40.00	40.00	2	2
			884	313

*Became an associate due to loss of control in 2009

**BPI Group has significant influence

Details and movements of investments in associates carried at equity method in the consolidated financial statements follow:

	2009	2008
	(In Millions of Pesos)	
Acquisition cost		
At January 1	313	368
Additions	571	-
Disposals	-	(55)
At December 31	884	313
Accumulated equity in net income		
At January 1	348	447
Share in net loss for the year	(21)	(28)
Share in accumulated net income of former subsidiaries	507	-
Dividends received	(14)	(71)
At December 31	820	348
Accumulated share in other comprehensive income (loss)		
At January 1	69	69
Share in accumulated other comprehensive loss of former subsidiaries	(69)	-
Share in other comprehensive loss for the year	(65)	-
At December 31	(65)	69
	1,639	730

"Additions" in acquisition cost represents costs of remaining investments in former subsidiaries which became associates in 2009 due to loss of control. Similarly, the BPI Group's accumulated share in net income and other comprehensive income based on the remaining equity interest in the associates are also reclassified following the loss of control (Note 23).

Summarized unaudited financial information of associates follows:

	2009	2008
	(In Millions of Pesos)	
Total assets	33,862	18,734
Total liabilities	19,681	6,327
Total revenues	2,205	139

The details of equity investments at cost method in the separate financial statements of the Parent Bank follow:

	Acquisition cost		Allowance for impairment		Carrying value	
	2009	2008	2009	2008	2009	2008
	(In Millions of Pesos)					
Subsidiaries						
BPI Europe Plc.	1,910	1,910	-	-	1,910	1,910
Ayala Plans, Inc. (API)	863	-	-	-	863	-
BPI Leasing Corporation	644	644	-	-	644	644
BPI Capital Corporation	573	573	-	-	573	573
BPI Direct Savings Bank	392	392	-	-	392	392
FGU Insurance Corporation	303	303	-	-	303	303
Prudential Investments	300	300	-	-	300	300
BPI Foreign Exchange Corporation	195	195	-	-	195	195
BPI Express Remittance Corporation	191	191	-	-	191	191
BPI Family Savings Bank, Inc.	150	150	-	-	150	150
Ayala Life Assurance Inc. (ALAI)**	-	768	-	-	-	768
Pilipinas Savings Bank (PSB)***	-	429	-	-	-	429
Others	651	648	(104)	(104)	547	544
Associates (see above)	884	313	-	-	884	313
	7,056	6,816	(104)	(104)	6,952	6,712

**Renamed as BPI Philamlife Assurance Corporation in 2009

***Renamed as BPI Globe BanKo in 2009

In November 2009, ALAI declared its entire equity holdings in API as property dividend to its shareholders, which include the Parent Bank. Consequently, the Parent Bank recognized dividend income of P863 million on its separate financial statements (see Note 25) and API became a direct subsidiary of the Parent Bank with 100% equity interest.

In September 2009, BPI and the Philippine American Life and General Insurance Company (Philamlife) signed a strategic bancassurance joint venture, wherein Philamlife agreed to acquire a 51% stake in ALAI. Proceeds from the sale calculated based on the initial net worth valuation amounted to P1,696 million which allowed BPI to generate a gain of P680 million. The joint venture is expected to benefit from the combined synergies, first-class resources and strength of the two leading companies in the Philippines' financial industry. Following the sale, BPI's ownership in ALAI was reduced to 47.67% and the latter ceased to be a subsidiary of BPI due to loss of control. As a result, ALAI became an associate and is accounted for at equity method in the BPI Group's consolidated financial statements. Further, ALAI, as joint venture between Philamlife and BPI was renamed as BPI-Philamlife Assurance Corporation.

Also, in relation to the joint venture, BPI and Philamlife entered into a Distribution Agreement (the "Agreement") whereby Philamlife will have access to BPI's customer base for life insurance products and BPI will have reciprocal access to Philamlife's customers for banking products. The Agreement shall take effect for a period of 10 years starting in November 2009 and may be extended for another 5 years upon mutual agreement by the parties. Subject to performance of its obligations and meeting certain conditions, BPI will receive a total fee of P465 million under the said Agreement.

As approved by the BSP in October 2009, BPI sold 60% of its equity interest in PSB to Globe Telecom, Inc. (40%) and Ayala Corporation (20%). Total proceeds from the sale amounted to P212 million resulting in a gain of P13.6 million. Subsequently, PSB which was renamed as BPI-Globe BanKo Savings Bank, ceased to be a subsidiary and the remaining 40% equity interest of BPI in the said company is accounted for at equity method in the consolidated financial statements.

In 2008, BPI Capital, at its option, redeemed its previously issued preferred shares held by the Parent Bank. The preferred shares were redeemed at par value totaling P1,000 million.

Note 17 - Deferred Income Taxes

The significant components of deferred income tax assets and liabilities at December 31 are as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Deferred income tax assets				
Allowance for impairment	4,530	4,092	3,704	3,413
Net operating loss carry over (NOLCO)	475	1,429	466	1,412
Fair value loss on available-for-sale securities	201	298	271	290
Minimum corporate income tax (MCIT)	467	529	461	457
Others	556	480	506	513
Total deferred income tax assets	6,229	6,828	5,408	6,085
Deferred income tax liabilities				
Revaluation gain on properties	(1,068)	(1,104)	(1,068)	(1,104)
Leasing income differential between finance and operating leases	(6)	(11)	-	-
Excess pension asset contribution	(10)	-	-	-
Others	(273)	(37)	(202)	-
Total deferred income tax liabilities	(1,357)	(1,152)	(1,270)	(1,104)
	4,872	5,676	4,138	4,981
	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Deferred income tax assets				
Amount to be recovered within 12 months	1,132	1,239	1,082	1,239
Amount to be recovered after 12 months	5,097	5,589	4,326	4,846
	6,229	6,828	5,408	6,085
Deferred income tax liabilities				
Amount to be settled within 12 months	126	22	121	11
Amount to be settled after 12 months	1,231	1,130	1,149	1,093
	1,357	1,152	1,270	1,104

The movement in the deferred income tax account is summarized as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
At January 1	5,676	6,151	4,981	5,544
Income statement charge	(922)	(862)	(1,055)	(864)
Fair value adjustment on available-for-sale securities	(97)	74	(19)	72
MCIT	215	313	231	229
At December 31	4,872	5,676	4,138	4,981

The deferred tax charge in the statement of income comprises the following temporary differences:

	Consolidated			Parent		
	2009	2008	2007	2009	2008	2007
	(In Millions of Pesos)					
Allowance for impairment	(438)	(214)	754	(291)	(188)	712
NOLCO	954	708	(187)	946	722	(185)
Pension	(229)	(34)	10	(176)	(12)	7
Leasing income differential	(5)	57	(94)	-	-	-
Others	640	345	(124)	576	342	(85)
	922	862	359	1,055	864	449

The outstanding NOLCO at December 31 consists of:

Year of Incurrence	Year of Expiration	Consolidated		Parent	
		2009	2008	2009	2008
		(In Millions of Pesos)			
2009	2012	110	-	92	-
2008	2011	47	48	-	-
2007	2010	1,469	1,469	1,462	1,462
2004/2006	2009	3,245	3,245	3,245	3,245
2005	2008	-	1,389	-	1,389
		4,871	6,151	4,799	6,096
Used portion during the year		(44)	(1,116)	-	(1,116)
Expired portion during the year		(3,245)	(273)	(3,245)	(273)
		1,582	4,762	1,554	4,707
Tax rate		30%	30%	30%	30%
Deferred income tax asset on NOLCO		475	1,429	466	1,412

NOLCO which expired in 2009 includes losses sustained from sale of non-performing assets to special purpose vehicle (SPV) entities in 2004 which are carried forward for a period of five years in accordance with the Philippine SPV law.

The details of MCIT at December 31 are as follows:

Year of Incurrence	Year of Expiration	Consolidated		Parent	
		2009	2008	2009	2008
(In Millions of Pesos)					
2009	2012	234	-	232	-
2008	2011	268	268	229	229
2007	2010	258	258	228	228
2006	2009	3	208	-	205
		763	734	689	662
Used portion during the year		(68)	-	-	-
Derecognized MCIT		(228)	(205)	(228)	(205)
		467	529	461	457

Note 18 - Other Resources

The account at December 31 consists of the following:

	Consolidated		Parent	
	2009	2008	2009	2008
(In Millions of Pesos)				
Accounts receivable	2,828	2,572	2,649	3,202
Residual value of equipment for lease	1,160	1,051	-	-
Creditable withholding tax	677	480	483	323
Prepaid expenses	459	690	381	623
Other accrued interest and fees receivable	416	486	366	426
Deferred charges	344	434	291	361
Sales contracts receivable	301	290	273	254
Inter-office float items	340	201	306	332
Accrued trust income	213	198	206	190
Returned checks and other cash items	134	92	122	86
Documentary stamp tax	115	325	82	269
Miscellaneous assets	1,749	2,344	1,287	1,724
	8,736	9,163	6,446	7,790
Allowance for impairment	(1,020)	(1,026)	(976)	(990)
	7,716	8,137	5,470	6,800

	Consolidated		Parent	
	2009	2008	2009	2008
(In Millions of Pesos)				
Current	4,770	4,564	4,112	5,128
Non-current	3,966	4,599	2,334	2,662
	8,736	9,163	6,446	7,790

Miscellaneous assets include deposits on leased properties, goodwill and miscellaneous checks.

The reconciliation of the allowance for impairment at December 31 is summarized as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
		(In Millions of Pesos)		
At January 1	1,026	1,029	990	995
Provision for impairment losses	10	6	2	4
Write-off	(16)	(9)	(16)	(9)
At December 31	1,020	1,026	976	990

Note 19 - Deposit Liabilities

This account at December 31 consists of:

	Consolidated		Parent	
	2009	2008	2009	2008
		(In Millions of Pesos)		
Demand	108,040	92,496	101,348	86,116
Savings	202,708	162,465	174,849	140,543
Time	268,723	285,391	195,834	214,230
	579,471	540,352	472,031	440,889

	Consolidated		Parent	
	2009	2008	2009	2008
		(In Millions of Pesos)		
Current	563,655	486,329	466,298	429,528
Non-current	15,816	54,023	5,733	11,361
	579,471	540,352	472,031	440,889

Related interest expense on deposit liabilities is broken down as follows:

	Consolidated			Parent		
	2009	2008	2007	2009	2008	2007
		(In Millions of Pesos)				
Demand	607	603	529	563	559	488
Savings	1,136	1,049	985	938	875	818
Time	9,486	11,700	11,488	5,798	7,524	8,033
	11,229	13,352	13,002	7,299	8,958	9,339

Under existing BSP regulations, the BPI Group is subject to liquidity and statutory reserve requirements with respect to certain of its deposit liabilities. The BPI Group is in full compliance with all applicable liquidity reserve requirements.

The required liquidity and statutory reserves as reported to BSP as of December 31 comprise as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
Due from BSP		(In Millions of Pesos)		
Reserve deposit account	40,810	36,491	38,953	34,815
Special deposit account	17,773	9,642	14,386	6,267
Cash in vault	15,696	20,609	15,151	20,183
Available for sale securities	2,084	1,958	1,544	1,418
Due from local banks	3	3	-	-
	76,366	68,703	70,034	62,683

Note 20 - Bills Payable

This account at December 31 consists of:

	Consolidated		Parent	
	2009	2008	2009	2008
		(In Millions of Pesos)		
Bangko Sentral ng Pilipinas	26,334	870	23,782	870
Private firms	4,174	4,533	-	-
Local banks	1,501	1,434	834	1,406
Foreign banks	-	3,097	-	3,097
	32,009	9,934	24,616	5,373

Average interest rates (%) of bills payable of the BPI Group follow:

	2009	2008
Bangko Sentral ng Pilipinas	3.56	5.96
Private firms	8.97	10.00
Local banks - peso-denominated	6.34	7.27
Foreign banks	-	2.30

Bills payable include funds borrowed from Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP) and Social Security System (SSS) which were relented to customers of the BPI Group in accordance with the financing programs of LBP, DBP and SSS. The average payment terms of these bills payable is 1.23 years. Loans and advances of the BPI Group arising from these financing programs serve as security for the related bills payable (Note 13).

Note 21 - Unsecured Subordinated Debt

On December 12, 2008 (issue date), the Parent Bank issued P5,000 million worth of unsecured subordinated notes (the "Notes") eligible as Lower Tier 2 capital pursuant to BSP Circular No. 280, series of 2001, as amended. The Notes will at all times, rank *pari passu* and without any preference among themselves and at least equally with all other present and future unsecured and subordinated obligations of the Parent Bank, except obligations mandatorily preferred by law. The Notes bear interest at the rate of 8.45% per annum and will mature on December 12, 2018 (maturity date). The interest is payable quarterly in arrears from December 12, 2008 until December 11, 2018. The Notes are redeemable in whole and not only in part at the exclusive option of the Parent Bank on December 13, 2013 (redemption date) subject to the satisfaction of certain regulatory approval requirements. Unless the Notes are earlier redeemed on December 13, 2013, the applicable interest rate will be increased to the rate equal to 80% multiplied by the 5-year on-the-run Philippine Treasury benchmark bid yield (benchmark rate) on the first day of the 21st interest period plus the step-up spread. The step-up spread is equal to 150% of 8.45% less 80% multiplied by the benchmark rate.

Note 22 - Deferred Credits and Other Liabilities

The account at December 31 consists of the following:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Bills purchased - contra	11,388	8,673	11,376	8,667
Accounts payable	2,486	2,444	1,803	1,762
Deposit on lease contract	1,378	1,187	-	-
Acceptances outstanding	1,064	750	1,064	750
Pension liability (see Note 30)	817	54	838	251
Vouchers payable	583	774	583	774
Withholding tax payable	433	392	356	311
Other credits - dormant	413	396	367	335
Due to the Treasurer of the Philippines	220	178	200	164
Cash overages	98	128	98	128
Cash letters of credit	83	87	83	87
Sundry credits	76	1,082	-	607
Miscellaneous liabilities	1,341	1,580	963	1,091
	20,380	17,725	17,731	14,927

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Current	16,123	14,235	15,007	12,775
Non-current	4,257	3,490	2,724	2,152
	20,380	17,725	17,731	14,927

Note 23 - Capital Funds

Details of authorized capital stock of the Parent Bank follow:

	2009	2008	2007
	(In Millions of Pesos Except Par Value Per Share)		
Authorized capital (at P10 par value per share)			
Common shares	49,000	49,000	29,000
Preferred A shares	600	600	600
	49,600	49,600	29,600

On March 18, 2008, the Parent Bank declared 20% stock dividends on total issued and outstanding common shares, distributed to all common shareholders of record 15 working days after the approval by the SEC of the increase in authorized capital stock of the Parent Bank as discussed below.

On June 24, 2008, the SEC approved the Parent Bank's application for increase in its authorized capital stock from P29.6 billion to P49.6 billion as follows:

	From		To	
	Number of shares	Amount (In Millions of Pesos)	Number of shares	Amount (In Millions of Pesos)
Authorized shares (at P10 par value per share)				
Common shares	2,900,000,000	29,000	4,900,000,000	49,000
Preferred A shares	60,000,000	600	60,000,000	600
		29,600		49,600

Details of outstanding common shares follow:

	2009	2008	2007
	(In Number of Shares)		
Issued common shares			
At January 1	3,245,711,238	2,704,452,240	2,704,370,414
Transfer from subscribed shares	-	-	1,450
Stock dividends	-	540,940,769	-
Issuance of shares during the year	1,059,096	318,229	80,376
At December 31	3,246,770,334	3,245,711,238	2,704,452,240
Subscribed common shares			
At January 1	28,170	28,170	29,620
Full payment of common shares subscribed	-	-	(1,450)
At December 31	28,170	28,170	28,170

As of December 31, 2009 and 2008, the Parent Bank has 13,681 and 13,792 common stockholders, respectively. There are no preferred shares issued and outstanding at December 31, 2009 and 2008.

Details of and movements in Accumulated other comprehensive income (loss) for the years ended December 31 follow:

	Consolidated			Parent		
	2009	2008	2007	2009	2008	2007
	(In Millions of Pesos)					
Fair value reserve on available-for-sale securities						
At January 1	(1,269)	2,986	4,150	(1,719)	977	1,972
Unrealized fair value gain (loss), before tax (Note 11)	487	(4,329)	(1,089)	414	(2,768)	(922)
Deferred income tax effect	(97)	74	(75)	(19)	72	(73)
At December 31	(879)	(1,269)	2,986	(1,324)	(1,719)	977
Share in other comprehensive income (loss) of insurance subsidiaries						
At January 1	(959)	154	403	-	-	-
Share in other comprehensive income (loss) for the year, before tax	676	(1,113)	(249)	-	-	-
Impact of sale of investment in a subsidiary	185	-	-	-	-	-
Deferred income tax effect	20	-	-	-	-	-
At December 31	(78)	(959)	154	-	-	-
Share in other comprehensive income (loss) of associates						
At January 1	69	69	69	-	-	-
Share in other comprehensive loss for the year	(65)	-	-	-	-	-
Transfer	(69)	-	-	-	-	-
At December 31	(65)	69	69	-	-	-
Translation adjustment on foreign operations						
At January 1	(692)	(580)	(95)	-	-	-
Translation differences	79	(112)	(485)	-	-	-
At December 31	(613)	(692)	(580)	-	-	-
	(1,635)	(2,851)	2,629	(1,324)	(1,719)	977

“Transfer” pertains to the BPI Group’s share in the fair value reserve on investments of former subsidiaries following the loss of control (Note 16).

Details of and movements in Reserves for the years ended December 31 follow:

	Consolidated			Parent		
	2009	2008	2007	2009	2008	2007
	(In Millions of Pesos)					
Stock option scheme (Note 24)						
At January 1	253	230	89	198	182	70
Exercise of options	(74)	(21)	(5)	(62)	(21)	(5)
Value of employee services	-	44	146	-	37	117
At December 31	179	253	230	136	198	182
Surplus reserves						
At January 1	1,043	963	833	1,043	963	833
Transfer from surplus	172	80	130	172	80	130
At December 31	1,215	1,043	963	1,215	1,043	963
	1,394	1,296	1,193	1,351	1,241	1,145

Surplus reserves consist of:

	2009	2008	2007
	(In Millions of Pesos)		
Reserve for trust business	1,181	1,009	929
Reserve for self-insurance	34	34	34
	1,215	1,043	963

In compliance with existing BSP regulations, 10% of the Parent Bank's income from trust business is appropriated to surplus reserve. This yearly appropriation is required until the surplus reserve for trust business reaches 20% of the Parent Bank's regulatory net worth.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of personnel and third parties.

Cash dividends declared by the Board of Directors of the Parent Bank during the years 2007 to 2009 follow:

Date declared	Date approved by the BSP	Amount of dividends	
		Per share	Total (In Millions of Pesos)
April 18, 2007	June 7, 2007	0.90	2,434
November 21, 2007	January 18, 2008	0.90	2,434
November 21, 2007	January 18, 2008	1.00	2,705
June 18, 2008	August 3, 2008	0.90	2,921
December 17, 2008	February 18, 2009	0.90	2,921
June 17, 2009	August 3, 2009	0.90	2,922
December 16, 2009	January 25, 2010	0.90	2,922

Cash dividends declared are payable to common shareholders of record as of 15th day from receipt by the Parent Bank of the approval by the Bangko Sentral and distributable on the 15th day from the said record date.

The calculation of earnings per share (EPS) is shown below:

	Consolidated			Parent		
	2009	2008	2007	2009	2008	2007
(In Millions, Except Earnings Per Share Amounts)						
a) Net income attributable to equity holders of the Parent Bank	8,516	6,423	10,012	8,753	8,305	7,984
b) Weighted average number of common shares outstanding during the year after retroactive effect of stock dividends	3,246	3,246	3,245	3,246	3,246	3,245
c) Basic EPS (a/b)	2.62	1.98	3.09	2.69	2.56	2.46

The equivalent common shares arising from potential exercise of stock options (Note 24) have insignificant effect on the calculation of diluted EPS thus, basic and diluted EPS are the same for the years presented.

Note 24 - Stock Option Plan

The BPI Group grants options to qualified officers under its Executive Stock Option Plan (ESOP). The options vest over a period of three years as follows: (a) 40% after the second anniversary of the option grant date; and (b) 60% after the third anniversary of the option grant date. The option to purchase shares under this plan shall expire five years from grant date.

Movements in the number of share options are as follows:

	2009	2008
At January 1	12,728,067	11,926,290
Granted	-	2,201,663
Exercised	(5,110,680)	(1,345,182)
Cancelled	-	(54,704)
At December 31	7,617,387	12,728,067
Exercisable	7,617,387	12,728,067

Options granted in 2008 represent additional entitlement as a result of the declaration of stock dividends by the Parent Bank (Note 23). The significant inputs into the model were share prices of P61.50 at the grant date, exercise price of P37.78, standard deviation of expected share price returns of 30%, option life of 3 years, and annual risk free interest rate of 5.25%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last three years.

The weighted average share price for share options exercised in 2009 and 2008 is P31.48. Options outstanding at December 31, 2009 have remaining contractual life of 1 year (2008 - 2 years) and weighted exercise price of P31.48. All outstanding options are fully exercisable as at December 31, 2009.

Note 25 - Other Operating Income

Details of other operating income follow:

	Consolidated			Parent		
	2009	2008	2007	2009	2008	2007
	(In Millions of Pesos)					
Gain on sale of assets	1,759	1,437	1,478	1,800	986	615
Trust and asset management fees	1,685	1,604	1,512	1,556	1,488	1,418
Rental income	1,411	1,259	1,041	356	309	301
Credit card income	1,063	785	703	1,063	785	703
Dividend income	124	67	53	2,906	4,061	2,631
Others	375	946	1,611	224	672	931
	6,417	6,098	6,398	7,905	8,301	6,599

Gain on sale of assets arises mainly from disposals of properties (including equity investments), foreclosed collaterals and non-performing assets.

Dividend income recognized by the Parent Bank substantially pertains to dividend distribution of subsidiaries.

Note 26 - Leases

The BPI Group and the Parent Bank have various lease agreements which are renewable under certain terms and conditions. The rentals (included in Occupancy and equipment-related expenses) under these lease contracts are as follows:

	Consolidated	Parent
	(In Millions of Pesos)	
2009	777	607
2008	813	562
2007	763	524

The future minimum lease payments under non-cancellable operating leases of the BPI Group are as follows:

	2009	2008
	(In Millions of Pesos)	
No later than 1 year	49	30
Later than 1 year but no later than 5 years	73	54
	122	84

Note 27 - Other Operating Expenses

Details of other operating expenses follow:

	Consolidated			Parent		
	2009	2008	2007	2009	2008	2007
	(In Millions of Pesos)					
Supervision and examination fees	1,347	1,219	1,170	1,100	997	960
Advertising	833	802	765	708	628	609
Travel and communication	503	511	517	392	388	404
Litigation expenses	492	586	680	343	467	538
Management and other professional fees	261	252	178	194	198	110
Office supplies	223	226	256	184	183	199
Insurance	206	148	125	36	53	37
Documentary stamps	48	118	348	21	58	344
Representation and entertainment	38	38	31	32	30	24
Others	925	1,011	1,195	872	956	1,354
	4,876	4,911	5,265	3,882	3,958	4,579

Note 28 - Income Taxes

A reconciliation between the provision for income tax at the statutory tax rate and the actual provision for income tax for the years ended December 31 follows:

	Consolidated					
	2009		2008		2007	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
	(In Millions of Pesos)					
Statutory income tax	3,655	30.00	3,340	35.00	4,548	35.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	(368)	(2.82)	(285)	(2.98)	(428)	(3.29)
Tax-exempt income	(2,115)	(17.42)	(1,768)	(18.53)	(2,463)	(18.96)
Others, net	2,347	18.76	1,698	17.80	1,110	8.54
Actual income tax	3,519	28.52	2,985	31.29	2,767	21.29

	Parent					
	2009		2008		2007	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
	(In Millions of Pesos)					
Statutory income tax	3,506	30.00	3,688	35.00	3,450	35.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	(400)	(3.42)	(105)	(1.00)	(336)	(3.41)
Tax-exempt income	(1,479)	(12.66)	(1,900)	(18.03)	(1,868)	(18.95)
Others, net	1,308	11.20	551	5.23	627	6.36
Actual income tax	2,935	25.12	2,234	21.20	1,873	19.00

"Others, net" in 2008 includes impact of change in corporate income tax rates from 35% to 30% on future deductible and taxable differences.

Note 29 - Basic Quantitative Indicators of Financial Performance

The key financial performance indicators follow (in %):

	Consolidated		Parent	
	2009	2008	2009	2008
Return on average equity	12.96	10.01	17.42	16.46
Return on average assets	1.29	1.06	1.69	1.76
Net interest margin	3.72	3.76	3.54	3.72

Note 30 - Retirement Plans

BPI and its subsidiaries, and the insurance company subsidiaries have separate trustee, noncontributory retirement benefit plans covering all qualified officers and employees. The description of the plans follows:

BPI

BPI has a unified plan which includes its subsidiaries other than insurance companies. Under this plan, the normal retirement age is 60 years. Normal retirement benefit consists of a lump sum benefit equivalent to 200% of the basic monthly salary of the employee at the time of his retirement for each year of service, if he has rendered at least 10 years of service, or to 150% of his basic monthly salary, if he has rendered less than 10 years of service. For voluntary retirement, the benefit is equivalent to 112.50% of the employee's basic monthly salary for a minimum of 10 years of service with the rate factor progressing to a maximum of 200% of basic monthly salary for service years of 25 or more. Death or disability benefit, on the other hand, shall be determined on the same basis as in voluntary retirement.

Insurance company subsidiaries

The insurance company subsidiaries have separate retirement benefit plans which are either funded or unfunded and non-contributory. The normal retirement age under these plans is 60 years.

Normal retirement benefits for ALAI employees consist of a lump sum benefit equivalent to 175% of the monthly salary of the employee at the time of his retirement for each year of service or the sum of all contributions made by the respective companies on his behalf including related investment earnings, whichever is larger. Voluntary retirement is allowed for ALAI employees who have attained at least age 50 years and have completed at least 20 years of continuous service and the benefit is determined on the same basis as normal retirement.

BPI/MS has a separate trustee defined benefit plan. Under the plan, the normal retirement age is 60 years or the employee should have completed at least 10 years of service, whichever is earlier. The normal retirement benefit is equal to 150% of the final basic monthly salary for each year of service for below 10 years and 175% of the final basic monthly salary for each year of service for 10 years and above.

Death or disability benefit for all employees of the insurance company subsidiaries shall be determined on the same basis as in normal or voluntary retirement as the case may be.

Following are the amounts recognized based on recent actuarial valuations:

(a) Pension liability (asset) recognized in the statement of condition

	Consolidated				
	2009	2008	2007	2006	2005
	(In Millions of Pesos)				
Present value of defined benefit obligations	10,260	9,607	9,262	8,645	5,846
Fair value of plan assets	6,576	(5,615)	(6,664)	(6,831)	(5,272)
Deficit in the plan	3,684	3,992	2,598	1,814	574
Unrecognized actuarial losses	(2,867)	(3,938)	(2,919)	(2,138)	(745)
Pension liability (asset) recognized in the statement of condition	817	54	(321)	(324)	(171)

	Parent				
	2009	2008	2007	2006	2005
	(In Millions of Pesos)				
Present value of defined benefit obligations	7,985	7,475	7,199	6,487	4,500
Fair value of plan assets	(5,097)	(4,373)	(5,180)	(4,968)	(3,883)
Deficit in the plan	2,888	3,102	2,019	1,519	617
Unrecognized actuarial losses	(2,050)	(2,851)	(2,053)	(1,566)	(523)
Pension liability (asset) recognized in the statement of condition	838	251	(34)	(47)	94

Pension liability is included in "Deferred credits and other liabilities" (Note 22). Pension asset is shown as part of "Miscellaneous assets" within Other resources (Note 18).

Experience adjustments at December 31 follow:

	Consolidated			
	2009	2008	2007	2006
	(In Millions of Pesos)			
Experience gain (loss) on plan liabilities	(151)	34	1,386	2,456
Experience gain (loss) on plan assets	755	(1,223)	(493)	1,033

	Parent			
	2009	2008	2007	2006
	(In Millions of Pesos)			
Experience gain (loss) on plan liabilities	(99)	16	1,349	1,898
Experience gain (loss) on plan assets	583	(952)	5	707

The movement in plan assets is summarized as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
At January 1	5,615	6,664	4,373	5,180
Expected return on plan assets	344	553	268	430
Contributions	496	471	383	363
Benefit payments	(634)	(850)	(510)	(648)
Actuarial gains (losses)	755	(1,223)	583	(952)
At December 31	6,576	5,615	5,097	4,373

The plan assets are comprised of the following:

	Consolidated				Parent			
	2009		2008		2009		2008	
	Amount	%	Amount	%	Amount	%	Amount	%
	(In Millions of Pesos Except for Rates)							
Debt securities	3,258	50	2,636	47	2,548	50	2,041	47
Equity securities	3,255	49	2,920	52	2,498	49	2,274	52
Others	63	1	59	1	51	1	58	1
	6,576	100	5,615	100	5,097	100	4,373	100

Pension plan assets of the unified retirement plan include investment in BPI's common shares with fair value of P2,597 million and P2,370 million at December 31, 2009 and 2008, respectively. The actual return on plan assets was P1,099 million gain and P670 million loss in 2009 and 2008, respectively.

The movement in the present value of defined benefit obligation is summarized as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
At January 1	9,607	9,262	7,475	7,199
Current service cost	407	536	316	417
Interest cost	1,056	769	821	598
Benefit payments	(634)	(850)	(510)	(648)
Actuarial gains	(176)	(110)	(117)	(91)
At December 31	10,260	9,607	7,985	7,475

(b) Expense recognized in the statement of income

	Consolidated			Parent		
	2009	2008	2007	2009	2008	2007
	(In Millions of Pesos)					
Current service cost	407	536	530	316	417	396
Interest cost	1,056	769	692	821	598	519
Expected return on plan assets	(344)	(553)	(820)	(268)	(430)	(596)
Net actuarial loss recognized during the year	141	95	61	100	64	44
Total expense included in Compensation and fringe benefits	1,260	847	463	969	649	363

The principal assumptions used for the actuarial valuations of the unified plan of the BPI Group were as follows:

	2009	2008	2007
Discount rate	10.69%	10.98%	8.31%
Expected return on plan assets	10.52%	6.13%	12.00%
Future salary increases	6.00%	6.00%	6.00%

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date. Expected returns on equity securities and property investments reflect long-term real rates of return experienced in the respective markets.

Assumptions regarding future mortality and disability experience are based on published statistics generally used for local actuarial valuation purposes.

The average remaining service life of employees under the BPI unified retirement plan as at December 31, 2009 and 2008 is 21 years. The BPI Group's expected retirement contribution for the year ending December 31, 2010 amounts to P967 million.

Note 31 - Trust Assets

At December 31, 2009 and 2008, the net asset value of trust assets administered by the BPI Group amounts to P435 billion and P290 billion, respectively.

Government securities deposited by the BPI Group and the Parent Bank with the Bangko Sentral in compliance with the requirements of the General Banking Act relative to the trust functions follow:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Government securities	4,105	2,714	3,941	2,546

Note 32 - Related Party Transactions

Included in the financial statements are various transactions of the Parent Bank with its domestic and foreign subsidiaries and affiliates, and with its directors, officers, stockholders and related interest (DOSRI). These transactions usually arise from normal banking activities such as deposit arrangements, trading of government securities and commercial papers, sale of assets, lending/borrowing of funds, lease of bank premises, investment advisory/management, service arrangements and advances for operating expenses.

Significant related party transactions are summarized below:

a) Loans and advances and deposits from related parties

Details of DOSRI loans are as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Outstanding DOSRI loans	7,184	7,339	7,123	7,269
% to total outstanding loans and advances	2.15	2.26	2.90	2.97
% to total outstanding DOSRI loans				
Unsecured DOSRI loans	25.31	14.69	25.53	14.83
Past due DOSRI loans	Nil	Nil	Nil	Nil
Non-performing DOSRI loans	Nil	Nil	Nil	Nil

At December 31, 2009 and 2008, the BPI Group is in full compliance with the General Banking Act and the BSP regulations on DOSRI loans.

Deposits from related parties at December 31, 2008 follow:

	Consolidated		Parent	
	2009	2008	2009	2008
	(In Millions of Pesos)			
Subsidiaries	1,897	1,781	1,811	1,685
Associates and entities under common control	12,714	32,696	12,714	32,696
	14,611	34,477	14,525	34,381

b) Details of income earned by and expenses charged to the Parent Bank are as follows:

	2009	2008	2007
	(In Millions of Pesos)		
Interest income	393	263	70
Other income	9	8	8

	2009	2008	2007
	(In Millions of Pesos)		
Interest expense			
Subsidiaries	8	20	22
Associates and entities under common control	91	221	140
Other expenses			
Subsidiaries	212	220	297

c) Key management compensation

Details of key management compensation and directors' remuneration follow:

	Consolidated			Parent		
	2009	2008	2007	2009	2008	2007
	(In Millions of Pesos)					
Key management compensation						
Salaries and other short-term benefits	417	404	316	276	240	175
Post-employment benefits	32	99	89	19	70	61
Share-based compensation	-	8	28	-	4	15
Directors' remuneration	34	40	36	27	34	31

Note 33 - Commitments and Contingencies

At present, there are lawsuits, claims and tax assessments pending against the BPI Group. In the opinion of management, after reviewing all actions and proceedings and court decisions with legal counsels, the aggregate liability or loss, if any, arising therefrom will not have a material effect on the BPI Group's financial position or financial performance.

BPI and some of its subsidiaries are defendants in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the financial statements.

In the normal course of business, the BPI Group makes various commitments (Note 3.1.4) that are not presented in the financial statements. The BPI Group does not anticipate any material losses from these commitments.

BANK OF THE PHILIPPINE ISLANDS

List of Subsidiaries
As of December 31, 2009

1. BPI FAMILY SAVINGS BANK, INC.
2. BPI CAPITAL CORPORATION
3. PRUDENTIAL INVESTMENTS, INC.
4. BPI LEASING CORPORATION
5. BPI INVESTMENT MANAGEMENT, INC.
6. BPI FOREIGN EXCHANGE CORP.
7. BPI DIRECT SAVINGS BANK, INC.
8. BPI OPERATIONS MANAGEMENT CORP.
9. BPI COMPUTER SYSTEMS CORP.
10. BPI INTERNATIONAL FINANCE LTD.
11. BPI EXPRESS REMITTANCE CORP. U.S.A.
12. BANK OF THE PHILIPPINE ISLANDS (EUROPE) PLC.
13. AYALA PLANS, INC.
14. BPI/MS INSURANCE CORP.
15. FGU INSURANCE CORPORATION
16. BPI BANCASSURANCE, INC.
17. SANTIAGO LAND DEVELOPMENT CORP.
18. FIRST FAR-EAST DEVELOPMENT CORP.
19. BPI SECURITIES CORP.
20. BPI CARD FINANCE CORP.
21. FILINVEST ALGO FINANCIAL CORP.
22. BPI RENTAL CORPORATION
23. BPI EXPRESS REMITTANCE CENTER HK (LTD.)
24. BPI ROME REMITTANCE CTR.
25. FEB INSURANCE BROKERS, INC.
26. PRUDENTIAL VENTURE CAPITAL CORPORATION
27. FEB STOCK BROKERS
28. CITYSEC SECURITIES CORPORATION
29. BPI ASSET MANAGEMENT, INC.
30. BPI EXPRESS REMITTANCE SPAIN S.A.
31. SPEED INTERNATIONAL

EXHIBIT C
(Top 100 Stockholders)

USER ID : SK169711
 RUN DATE : 1/21/2010
 RUN TIME : 20:01:50

Top 100 Stockholders
BANK OF THE PHILIPPINE ISLANDS
 As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
1	16000970	PCD NOMINEE CORPORATION (NON-FILIPINO) G/F MSE BLDG 6767 AYALA AVE., MAKATI CITY	NOF	A	1,045,290,666	32.1945%	1,045,290,666
2	01030308	AYALA DBS HOLDINGS, INC. ATTN: MANAGING DIRECTOR AND TREASURY 33RD FLR. AYALA TOWER ONE AND EXCHANGE PLAZA AYALA TRIANGLE, AYALA AVE., MAKATI	FIL	A	692,246,658	21.3208%	692,246,658
3	01002970	AYALA CORPORATION 33RD FLR. AYALA TOWER ONE & EXCHANGE PLAZA, AYALA TRIANGLE AYALA AVE., MAKATI CITY ATTENTION: MANAGING DIRECTOR AND TREASURY	FIL	A	459,846,273	14.1630%	459,846,273
4	16000969	PCD NOMINEE CORPORATION (FILIPINO) G/F MSE BLDG. 6767 AYALA AVE. MAKATI CITY	FIL	A	236,547,966	7.2855%	236,547,966
5	18001784	ROMAN CATHOLIC ARCHBISHOP OF MANILA C/O VP CARLOS B. AQUINO , BPI CORSEC OFFICE 19/F BPI BLDG., AYALA AVE., MAKATI CITY	FIL	A	203,524,564	6.2684%	203,524,564

Top 100 Stockholders
BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
6	01030117	AYALA CORPORATION 33RD FLR. AYALA TOWER ONE & EXCHANGE PLAZA, AYALA TRIANGLE AYALA AVE., MAKATI CITY ATTENTION: MANAGING DIRECTOR AND TREASURY	FIL	A	166,760,874		
						5.1361%	166,760,874
7	13003196	MICHIGAN HOLDINGS, INC. 33RD FLR. TOWER ONE AYALA TRIANGLE, AYALA AVE. MAKATI CITY ATTN: MANAGING DIRECTOR AND TRESURY	FIL	A	67,093,848		
						2.0664%	67,093,848
8	20000001	TA# 10319838 - BPI GROUP OF COS. C/O AMTG-SAU 18/F BPI MAIN OFFICE AYALA AVENUE COR. PASEO DE ROXAS MAKATI CITY	FIL	A	44,412,009		
						1.3678%	44,412,009
9	18001787	ROMAN CATHOLIC ARCHBISHOP OF MLA (REAL CASA DE MISERICORDIA) C/O VP CARLOS B. AQUINO , BPI CORSEC OFFICE 19/F BPI BLDG., AYALA AVE. MAKATI CITY	FIL	A	37,825,212		
						1.1650%	37,825,212
10	01002972	AYALA CORPORATION 33RD FLR., AYALA TOWER ONE & EXCHANGE PLAZA, AYALA TRIANGLE AYALA AVE., MAKATI CITY ATTENTION: MANAGING DIRECTOR AND TREASURY	FIL	A	28,812,295		
						0.8874%	28,812,295

Top 100 Stockholders
BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
11	01030961	AYALA CORPORATION 33/F AYALA TOWER ONE & EXCHANGE PLAZA, AYALA TRIANGLE AYALA AVE., MAKATI CITY ATTENTION: MANAGING DIRECTOR AND TREASURY	FIL	A	26,400,000		
						0.8131%	26,400,000
12	01030275	AYALA CORPORATION 33/F TOWER ONE & EXCHANGE PLAZA, AYALA TRIANGLE, AYALA AVE., MAKATI CITY ATTN: MANAGING DIRECTOR AND TREASURY	FIL	A	25,116,627		
						0.7735%	25,116,627
13	23000146	VICENTE M. WARNS 18 PILI, SOUTH FORBES MAKATI CITY	FIL	A	20,171,283		
						0.6212%	20,171,283
14	18002539	ROMAN CATHOLIC ARCHBISHOP OF MANILA (HOSPITAL DE SAN JUAN DE DIOS) C/O VP CARLOS AQUINO, BPI CORSEC OFFICE 19/F BPI BLDG., AYALA AVE., MAKATI CITY	FIL	A	20,161,998		
						0.6209%	20,161,998
15	16002186	PCD NOMINEE CORPORATION (NON- FILIPINO) G/F MKSE BUILDING 6767 AYALA AVENUE MAKATI CITY	NOF	A	9,822,066		
						0.3025%	9,822,066
16	18001786	ROMAN CATHOLIC ARCHBISHOP OF MLA (HOSPICIO DE SAN JOSE) C/O VP CARLOS B. AQUINO , BPI CORSEC OFFICE 19/F BPI BLDG., AYALA AVE. , MAKATI CITY	FIL	A	5,495,930		

Top 100 Stockholders
BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
						0.1692%	5,495,930
17	0200000002	BPI GROUP OF COMPANIES RETIREMENT FUND 18F BPI HEAD OFFICE AYALA AVENUE COR. PASEO MAKATI CITY	FIL	A	5,009,091		
						0.1542%	5,009,091
18	18001788	ROMAN CATHOLIC ARCHBISHOP OF MLA (HOSP DE SA JUAN DE DIOS) C/O VP CARLOS B. AQUINO , BPI CORSEC OFFICE 19/F BPI BLDG., AYALA AVE., MAKATI CITY	FIL	A	3,914,688		
						0.1205%	3,914,688
19	13002789	MERCURY GRP. OF COMPANIES, INC NO. 7 MERCURY AVENUE LIBIS, QUEZON CITY 1110	FIL	A	2,962,130		
						0.0912%	2,962,130
20	18001789	ROMAN CATHOLIC ARCHBISHOP OF MLA (MAYORDOMIA DELA CATEDRAL) C/O VP CARLOS B. AQUINO , BPI CORSEC OFFICE 19/F BPI BLDG., AYALA AVE., MAKATI CITY	FIL	A	2,433,694		
						0.0749%	2,433,694
21	19000127	SAHARA MGT. & DEV. CORP. 27 MERCURY ST., BEL-AIR 1 VILLAGE MAKATI CITY (UNDER PLEDGE - DELIVER ALL DIVIDENDS TO PLEDGEE BANK)	FIL	A	2,264,587		
						0.0697%	2,264,587
22	12001567	XAVIER P. LOINAZ C/O BPI, 19/F BPI HO BUILDING AYALA AVE., CORNER PASEO DE ROXAS, MAKATI CITY	FIL	A	1,919,155		
						0.0591%	1,919,155

Top 100 Stockholders
BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
23	20002598	TTC DEVELOPMENT CORPORATION C/O BICUTAN CONTAINER CORP. UNIT 807 TAIPAN PLACE EMERALD AVE., ORTIGAS CENTER PASIG CITY	FIL	A	1,827,866		
						0.0562%	1,827,866
24	06000781	FORESIGHT REALTY & DEVELOPMENT CORPORATION C/O RAUL CONCEPCION 308 SEN GIL PUYAT AVE MAKATI CITY	FIL	A	1,769,070		
						0.0544%	1,769,070
25	08001264	HYLAND REALTY & DEV'T. CORP. 4/F ECH BUILDING 100 JUPITER ST. CORNER MAKATI AVE. MAKATI CITY	FIL	A	1,767,918		
						0.0544%	1,767,918
26	18001790	ROMAN CATHOLIC ARCHBISHOP OF MLA (ST. PAUL'S HOSPITAL) C/O VP CARLOS B. AQUINO , BPI CORSEC OFFICE 19/F BPI BLDG., AYALA AVE., MAKATI CITY	FIL	A	1,619,029		
						0.0498%	1,619,029
27	15000902	MA. INMACULADA Z. ORTOLL 1818 M.H. DEL PILAR ST., MALATE, MANILA	FIL	A	1,431,043		
						0.0440%	1,431,043
28	26000189	MA. ROSARIO ORTOLL ZARAGOZA 1818 M. H. DEL PILAR STREET MALATE, MANILA	FIL	A	1,430,310		
						0.0440%	1,430,310

Top 100 Stockholders
BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
29	20000965	TELENTAN BROTHERS & SONS, INC. KM. 14 SOUTH SUPERHIGHWAY, PARANAQUE CITY	FIL	A	1,208,701	0.0372%	1,208,701
30	0700000015	JAMES L. GO 43/F ROBINSONS EQUITABLE TOWER, ADB AVE. COR. POVEDA ROAD, PASIG CITY	FIL	A	1,200,000	0.0369%	1,200,000
31	01002956	CRAIG AWAD 2135 PASONG TAMO ST., MAKATI CITY	FIL	A	1,187,586	0.0365%	1,187,586
32	13002455	AURELIO R. MONTINOLA III 19/F BPI BLDG., AYALA AVE., MAKATI, MM	FIL	A	1,135,219	0.0349%	1,135,219
33	15000906	JORGE Z. ORTOLL 1818 M.H. DEL PILAR ST., MALATE, MANILA	FIL	A	1,130,048	0.0348%	1,130,048
34	19003703	SOUTHWOOD MINDANAO CORP. 461 Z.P. DE GUZMAN ST. QUIAPO, MANILA	FIL	A	1,104,720	0.0340%	1,104,720
35	13002588	MORGAN GUARANTY INTERNATIONAL FINANCE CORPORATION C/O CARLOS AQUINO-19/F BPI BLDG., AYALA AVENUE MAKATI CITY	AMN	A	1,070,496	0.0329%	1,070,496

Top 100 Stockholders

BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
36	20001754	TRUSTEESHIP, INC. 3169 V. MAPA ST., STA. MESA, MANILA	FIL	A	1,051,387		
						0.0323%	1,051,387
37	05001190	EMPIRE INSURANCE COMPANY INC. PRUDENTIAL LIFE BLDG., PASAY RD., LEGASPI VILL., MAKATI CITY	FIL	A	1,043,560		
						0.0321%	1,043,560
38	0600000003	FRANCISCO ORTIGAS SECURITIES, INC. ACCOUNT#10313 10F ORTIGAS BUILDING ORTIGAS AVENUE PASIG CITY	FIL	A	1,008,000		
						0.0310%	1,008,000
39	01002958	KEITH AWAD 2135 PASONG TAMO ST., MAKATI CITY	AMN	A	1,005,648		
						0.0309%	1,005,648
40	05000954	OCTAVIO V. ESPIRITU DELPHI GROUP, INC. 139 CORPORATE CENTER ROOM 1404, VALERO STREET SALCEDO VILLAGE, MAKATI CITY	FIL	A	970,506		
						0.0298%	970,506
41	01030286	KENNETH AWAD 2135 PASONG TAMO ST., MAKATI CITY	FIL	A	966,301		
						0.0297%	966,301
42	23000021	VICENTE M. WARNS 18 PILI, SOUTH FORBES MAKATI CITY	FIL	A	953,337		
						0.0293%	953,337

Top 100 Stockholders
BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
43	20002031	THE INSULAR LIFE ASSURANCE CO., LTD. C/O RONNIE B. ALCANTARA 6781 AYALA AVE., MAKATI CITY	FIL	A	901,622	0.0277%	901,622
44	12000798	SALVADOR A. DE LEON ROOM 310 NATIONAL LIFE BLDG., AYALA AVE., MAKATI	FIL	A	886,075	0.0272%	886,075
45	18001108	REPUBLIC COMMODITIES CORP 308 SEN GIL J PUYAT AVE MAKATI CITY	FIL	A	837,730	0.0258%	837,730
46	0800000006	HORIZONS REALTY INC. RFM CORP. CENTER PIONEER CORNER SHERIDAN STREETS MANDALUYONG CITY	FIL	A	804,241	0.0247%	804,241
47	13003657	METROPOLITAN BANK & TRUST CO. METROBANK PLAZA SEN.GIL PUYAT AVENUE MAKATI CITY	FIL	A	770,400	0.0237%	770,400
48	19002804	MA. YSABEL P. SYLIANTENG 161 BALAGTA ST., MALATE, MANILA 1004	FIL	A	755,936	0.0232%	755,936
49	03000947	CARMEL OF THE DIVINE INFANT JESUS OF PRAGUE, INC. ANGELES CITY, PAMPANGA 2009	FIL	A	726,819	0.0223%	726,819

Top 100 Stockholders
BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
50	13001456	MASONIC HOSPITAL FOR CRIPPLED CHILDREN PLARIDEL MASONIC TEMPLE, 1440 SAN MARCELINO ST., PACO MANILA	FIL	A	704,402	0.0216%	704,402
51	16000187	SABINO B. IV PADILLA AND/OR LOUISE E.B. PADILLA 23-A TAMARIND ROAD, FORBES PARK, MAKATI CITY	FIL	A	667,563	0.0205%	667,563
52	1500000006	EDUARDO OLBES C/O ANTONIO O. OLBES UNIT 1903-B PHIL. STOCK EXCHANGE CENTRE-WEST TOWER ORTIGAS CENTER, PASIG CITY 1600	MEX	A	652,800	0.0201%	652,800
53	18002300	RELIANCE COMMERCIAL ENTERPRISES, INC. COMFOODS BUILDING PASONG TAMO COR. BUENDIA STS. MAKATI, METRO MANILA	FIL	A	648,000	0.0199%	648,000
54	10000474	ALBERTO L. JUGO 6 BALTAZAR ST., AYALA HEIGHTS, OLD BALARA, Q.C.	FIL	A	634,582	0.0195%	634,582
55	19000099	SAGITRO, INC. 10TH FLR. ORTIGAS BLDG. ORTIGAS AVE., PASIG, MM	FIL	A	631,560	0.0194%	631,560

Top 100 Stockholders
BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
56	05000109	EDAN CORPORATION 562 HOLY CROSS ST. GREENHILLS, MANDAUYONG CITY	FIL	A	631,029	0.0194%	631,029
57	13002310	MONDRAGON SECURITIES CORP. MONDRAGON HOUSE, 324 GIL PUYAT AVE. MAKATI, MM	FIL	A	612,852	0.0188%	612,852
58	12002831	XAVIER P. LOINAZ 1635 CYPRESS STREET DASMARIÑAS VILLAGE MAKATI CITY	FIL	A	600,000	0.0184%	600,000
58	20002148	AGATON L. TIU AND/OR REMINGTON TIU 215 LORING ST., PASAY CITY	FIL	A	600,000	0.0184%	600,000
59	19000664	DANIELLE MARIE SANTIAGO 30 MERCURY ST., BEL-AIR VILLAGE MAKATI CITY	FIL	A	580,320	0.0178%	580,320
60	07001534	LOURDES A. GUANZON C/O GUANZON LIME DEV. CO., INC. 478 RIZAL AVE., EXTENSION GRACE PARK, CALOOCAN CITY	FIL	A	575,952	0.0177%	575,952
61	12002198	PACITA N. LEE C/O CEBU LIBERTY LUMBER COMPANY, INC. 173 M. J. CUENCO STREET CEBU CITY 6000	FIL	A	572,875	0.0176%	572,875

Top 100 Stockholders

BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
62	01002355	ARCHICOFRADIA DE NUESTRO PADRE JESUS NAZARENO DE RECOLETOS 22-24 NEPTUNE ST., CONGRESSIONAL SUBDIVISION CONGRESSIONAL AVE., PROJECT 6, QUEZON CITY 1106	FIL	A	531,382		
						0.0163%	531,382
63	13001019	PETER MAR AND/OR ANNABELLE C. MAR UNIT 27 LUXURY PLAZA TOWNHOUSE CELERY DRIVE, VALLE VERDE 5 PASIG CITY	FIL	A	523,848		
						0.0161%	523,848
64	03004312	CHARLOTTE CUA CHENG 1760 DRA. PAZ GUAZON ST. PACO, MANILA	FIL	A	518,400		
						0.0159%	518,400
65	18001783	ROMAN CATHOLIC ARCHBISHOP OF JARO JARO ILOILO CITY	FIL	A	491,385		
						0.0151%	491,385
66	19000257	RAMON P. SALES 19/F BPI HO BUILDING AYALA AVE., CORNER PASEO DE ROXAS, MAKATI CITY	FIL	A	482,730		
						0.0148%	482,730
67	16000192	TEODORO B. PADILLA AND/OR LOUISE E.B. PADILLA 23 TAMARIND ROAD, FORBES PARK, MAKATI CITY	FIL	A	463,584		
						0.0142%	463,584

Top 100 Stockholders
BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
67	16000151	MA. DOMINGA B. PADILLA AND/OR LOUISE E.B. PADILLA C/O BPI-OFFICE OF THE CORSEC 19/F BPI BLDG., AYALA AVE., MAKATI CITY	FIL	A	463,584	0.0142%	463,584
68	16000149	MA. BARBARA B. PADILLA AND/OR PADILLA, LOUISE E.B. C/O BPI-OFFICE OF THE CORSEC 19/F BPI BLDG., AYALA AVENUE MAKATI CITY	FIL	A	463,582	0.0142%	463,582
69	19003658	ANA MARIA G. SANTOS 106 D. TUAZON, Q. C.	FIL	A	459,187	0.0141%	459,187
69	19003659	CARLOS EDUARDO G. SANTOS 106 D. TUAZON, Q. C.	FIL	A	459,187	0.0141%	459,187
70	19003656	KATRINA G. SANTOS 106 D. TUAZON, Q. C.	FIL	A	459,165	0.0141%	459,165
70	19003657	MA. PATRICIA G. SANTOS 106 D. TUAZON, Q. C.	FIL	A	459,165	0.0141%	459,165
71	19003654	JOSE AUGUSTO G. SANTOS 106 D. TUAZON, Q.C.	FIL	A	459,145	0.0141%	459,145

Top 100 Stockholders
BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
71	19003655	MA. MAGDALENA G. SANTOS 106 D. TUAZON, Q. C.	FIL	A	459,145	0.0141%	459,145
72	16001530	PHILIPPINE REMNANTS CO., INC. 2135-A PASONG TAMO, MAKATI, MM	AMN	A	458,293	0.0141%	458,293
73	04000740	GABRIEL GEMPERLE DE LEON RM. 310 NATIONAL LIFE BLDG., AYALA AVE., MAKATI, M	FIL	A	457,514	0.0140%	457,514
74	20000887	OSCAR TE SE UAN 34 CHICA ST., PHASE I, VALLE VERDE SUBD. PASIG, MM	FIL	A	450,914	0.0138%	450,914
75	0300000069	JOSE MA. J. CORTES 30 13TH STREET, NEW MANILA, QUEZON CITY	FIL	A	422,547	0.0130%	422,547
76	01000849	ZOILO M. ALBERTO AND/OR ANNA PILAR ALBERTO 212 ACACIA AVENUE, AYALA ALABANG VILLAGE, MUNTINLUPA CITY 1780 METRO MANILA	FIL	A	405,018	0.0124%	405,018
77	22000373	LOURDES C. VELEZ 12/F UNIT 1204A SKYLAND PLAZA CONDOMINIUM SEN. GIL PUYAT AVENUE MAKATI CITY	FIL	A	394,107	0.0121%	394,107

Top 100 Stockholders
BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
77	22000377	TERESITA C. VELEZ 12TH FLR. UNIT 1204A SKYLAND PLAZA CONDOMINIUM SEN. GIL PUYAT AVENUE MAKATI CITY	FIL	A	394,107	0.0121%	394,107
78	02000332	ROSANA R. BALONKITA 44 MAYON STREET, QUEZON CITY-HOLD ALL DIVIDENDS	FIL	A	390,063	0.0120%	390,063
79	07002551	BLANQUITA S. GONZALEZ 43 CAMBRIDGE CIRCLE NORTH FORBES PARK, MAKATI CITY	FIL	A	389,160	0.0119%	389,160
80	09000382	INTER ISLANDS INVESTMENTS, INC. C/O VP CARLOS B. AQUINO BPI CORP. SEC. OFFICE, 19/F BPI BLDG., AYALA AVENUE MAKATI CITY	FIL	A	388,699	0.0119%	388,699
81	08000955	HORIZON REALTY, INC. C/O MA VICTORIA CONCEPCION ADMIRAL HOTEL	FIL	A	370,080	0.0113%	370,080
82	03003816	WILLIAM T. CHUA NO. 9 IPIL PLACE COR. TAMARIND ROAD SOUTH FORBES PARK MAKATI CITY	FIL	A	364,021	0.0112%	364,021

Top 100 Stockholders
BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
83	02001493	CESAR F. BOCALING AND/OR BOCALING, VICTOR H. 30 HERCULES ST., BEL-AIR II MAKATI, METRO MANILA 1209	FIL	A	363,916	0.0112%	363,916
84	13001372	CARMEN R. MARTINEZ 28 V. RANUDO ST., CEBU CITY 6000	FIL	A	360,226	0.0110%	360,226
85	11000078	KENG SUN MAR AND/OR EDITH UY MAR 74-A VALENZUELA ST., SAN JUAN, MM	FIL	A	357,580	0.0110%	357,580
86	03001843	CHENG HAN SUI AND/OR BERCK Y. CHENG 10/F HANSTON BUILDING EMERALD AVENUE, ORTIGAS CENTER PASIG CITY	FIL	A	354,181	0.0109%	354,181
87	03002886	CORPORACION DE PADRES DOMINICOS 183 BLUMENTRITT, SAN JUAN, M.M.	FIL	A	346,874	0.0106%	346,874
88	1400000014	VIRGINIA MARIA L. NICOLAS 172 APITONG STREET AYALA ALABANG VILLAGE MUNTINLUPA CITY	FIL	A	345,700	0.0106%	345,700
89	20000896	FELIMON CHAN TE 34 CHICO ST. VALLE VERDE PASIG CITY	FIL	A	344,433	0.0106%	344,433

Top 100 Stockholders
BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
90	20000897	FREDERICK C. TE 34 CHICO ST., VALLE VERDE I PASIG CITY	FIL	A	342,115	0.0105%	342,115
91	19000002	S & A INDUSTRIAL CORPORATION C/O FRITZ INT'L. PHILS., INC. U506 5F METROSTAR BLDG. 1007 METROPOLITAN AVE. MAKATI CITY	FIL	A	340,056	0.0104%	340,056
92	02000329	ELENA R. BALONKITA 44 MAYON STREET, QUEZON CITY HOLD ALL DIVIDENDS	FIL	A	336,567	0.0103%	336,567
93	12001565	XAVIER LOINAZ AND/OR MA. TERESA J. LOINAZ C/O BPI, 19/F BPI HO BUILDING AYALA AVE., CORNER PASEO DE ROXAS, MAKATI CITY	FIL	A	333,998	0.0102%	333,998
94	08000061	EDDIE L. HAO RM. 804 FEDERAL TOWER BLDG., DASMARINAS ST., BINONDO, MANILA	FIL	A	323,412	0.0099%	323,412
95	15000897	CARLOS Z. ORTOLL 1818 M.H. DEL PILAR ST., MALATE, MANILA	FIL	A	317,086	0.0097%	317,086
96	04002334	BENIGNO DELA VEGA AND/OR KATRINA DELA VEGA 56 TINIO ST., MANDALUYONG CITY	FIL	A	316,224		

Top 100 Stockholders
BANK OF THE PHILIPPINE ISLANDS

As of December 31, 2009

RANK	STOCKHOLDER NUMBER	STOCKHOLDER NAME	NATIONALITY	CERTIFICATE CLASS	OUTSTANDING SHARES	PERCENTAGE	TOTAL
						0.0097%	316,224
97	0100000002	ROGER C. ANG 401 DUKE STREET GREENHILLS EAST, MANDALUYONG CITY	FIL	A	314,960		
						0.0097%	314,960
98	19000258	RAMON P. SALES 58 NATHAN ST., WHITE PLAINS, QC	FIL	A	302,575		
						0.0093%	302,575
99	03003787	KONG CHIP A. CHIA RM. 1501 TYTANA PLAZA BUILDING BINONDO, MANILA	FIL	A	297,141		
						0.0091%	297,141
100	19002805	MA. YSABEL P. SYLIANTENG AND/OR BENEDICT P. SYLIANTENG 161 BALAGTAS ST., MALATE, MANILA	FIL	A	296,467		
						0.0091%	296,467
GRAND TOTAL				A	3,164,278,640		3,164,278,640

SCHEDULE B
AMOUNTS RECEIVABLE FROM DIRECTORS,
OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
(OTHER THAN AFFILIATES)

Name and Designation of Debtor	Balance at Beg. of Period	Additions	Amounts Collected	Amount Written Off	Current	Not Current	Balance at end of Period
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Please refer to the attached printout reports (Annex A) for the details.

**SCHEDULE K
CAPITAL STOCK**

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common Shares	4,900,000,00	3,246,798,504	- 0 -	- 0 -	7,899,791	3,238,898,713
Preferred A Shares	60,000,000	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -

SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS AS OF DECEMBER 31, 2009

NAME AND DESIGNATION OF DEBTOR (1)	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	AMOUNTS COLLECTED (2)	AMOUNTS WRITTEN OFF (3)	CURRENT	NOT CURRENT	BALANCE AT END OF PERIOD	DUE DATE	INTEREST RATE	TERMS OF REPAY- MENT	COLLATERAL
ALABANG COMMERCIAL CORP	50,000,000.00		-				50,000,000.00	01/11/2010	4.2500	LUMPSUM	CLEAN
	50,000,000.00		-				50,000,000.00	01/11/2010	4.2500	LUMPSUM	CLEAN
AURORA PROPERTIES	-		-				-	07/22/2008	5.8750	LUM P SUM	CLEAN
AYALA CORP	-		-				-	10/24/2008	5.0000	LUMPSUM	SH OF STOCKS
	-		-				-	10/24/2008	4.5000	LUMPSUM	HOLD OUT
	1,500,000,000.00		-				1,500,000,000.00	12/27/2013	4.7500	LUMPSUM	SH OF STOCKS
	2,000,000,000.00		-				2,000,000,000.00	12/27/2013	4.7500	LUMPSUM	SH OF STOCKS
	1,500,000,000.00		-				1,500,000,000.00	12/27/2013	4.7500	LUMPSUM	SH OF STOCKS
AYALA GREENFIELD	-		-				-	01/28/2008	5.8750	LUMPSUM	LOA
	-		-				-	01/25/2008	5.8750	LUMPSUM	LOA
	-		-				-	04/10/2008	5.8750	LUMPSUM	
CEBU HOLDINGS INC	180,000,000.00		15,000,000.00				150,000,000.00	06/06/2012	7.6208	LUMP SUM	REM
			15,000,000.00								
CEBU INSULAR HOTEL INC	50,000,000.00						50,000,000.00	12/10/2014	8.0088	LUMPSUM	MTI
	100,000,000.00						100,000,000.00	12/10/2014	8.0088	LUMPSUM	MTI
	100,000,000.00						100,000,000.00	12/10/2014	8.0350	LUMP SUM	MTI
	100,000,000.00						100,000,000.00	12/10/2014	5.2500	LUMP SUM	MPC
IMA LANDHOLDINGS	207,000,000.00						207,000,000.00	06/17/2010	5.0000	LUMP SUM	REM-COMM
PIUS XII CATHOLIC CENTER	11,625,000.00		3,875,000.00								
			3,875,000.00								
			3,875,000.00					09/06/2009	7.4727	LUMP SUM	HOLD-OUT
VALMAYOR HERMANOS											
								08/31/2008	9.0000	LUMP SUM	REM-COMM
								08/31/2008	8.2500	LUMP SUM	REM-COMM
								08/31/2008	9.2500	LUMP SUM	REM-COMM
INPOLCHEM TRADINGS		€ 20,979.60	€ 20,979.60							LUMP SUM	TR
		€ 9,579.00	€ 9,579.00							LUMP SUM	TR
		\$71,769.60	\$71,769.60							LUMP SUM	TR
		\$16,800.00	\$16,800.00							LUMP SUM	TR
AYALA LAND		Php 2,695,212.71	Php 2,695,212.71							LUMP SUM	TR
		\$ 816,000.00	\$ 816,000.00							LUMP SUM	TR
HONDA CARS		\$ 30,800.00	\$ 30,800.00							LUMP SUM	TR

prepared by:


 BETTINA

Noted by:


 MGR EMELYN A. DE LEON