GOVERNANCE

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We are committed to be the leading and most trusted provider of financial services to our clients, colleagues, business partners, and other stakeholders. To deliver on this commitment, we will build our business on values of high integrity, fair-dealing, and ethical conduct. We look to apply these principles consistently to the smallest of our constituents.

We execute our principles by memorializing them in various charters and manuals, promoting good role models in our leadership who espouse our values, operationalizing them in day-to-day affairs through effective oversight, checks and balances, and processes. We believe this transmission mechanism protects the interests of all the bank's key stakeholders—shareholders, customers, employees, business partners, regulators, and communities—as well as reinforces BPI's relationship among them.

VALUES

Our corporate governance framework is defined at the highest levels in our articles of incorporation, by-laws, and manual of corporate governance. The framework sets forth sizes and mandates for governing bodies that reflect the nature, size, complexity, and other requirements specific to relevant business activity or operational unit of the bank.

Our specific banking practices are institutionalized in the charters of our board of directors, the charters of various sub-committees of the board, and in our various internal operating manuals. Our charters and manuals are at the minimum in conformity with statutory rules set forth by our regulators—such as the

Bangko Sentral ng Pilipinas, Securities and Exchange Commission, Philippine Stock Exchange, Anti-Money Laundering Council, and Philippine Deposit Insurance Corp.—and reflect a strong bias toward integrity and ethics that differentiates the bank from many of its peers.

We work closely with all our regulators, both in the Philippines and offshore, to ensure that our frameworks not only reflect status quo compliance, but also look forward so as to anticipate future changes in the regulatory landscape. As a publicly listed company, we further recognize that robust corporate governance policies and practices build trust and confidence among our constituents, therefore underpinning a strong market valuation of our stock.

In an environment of globalization and increased interconnectedness in ASEAN, BPI is actively benchmarking its governance practices to be consistent with that of its counterparts in the region. We are strongly supportive of initiatives that strengthen regional capital market development, as well as regional economic integration. We have adopted a rigorous benchmarking methodology based on the ASEAN Corporate Governance Scorecard. Ultimately, an important result of successful corporate governance is a strong balance among responsible direction-setting, performance-driven culture, and discipline in risk-taking.

A description of our corporate governance practices can be found in our manual of corporate governance, which can be read online in our website, https://www.bpiexpressonline.com under Governance.

BOARD OF DIRECTORS

Leadership. As the highest governance body of the bank, the board carries the mandate to provide challenge, oversight, and advice to ensure that we are doing the right things the right way, assuring long-term sustainable success. Under the leadership of the chairman, the board creates the framework within which the bank's executive team, headed by our president and chief executive officer, steers the business. The board sets the bank's strategy and risk appetite, and approves capital and operating plans presented by management for sustainable achievement of strategic objectives.

Considering the bank's role in the BPI group as parent and publicly listed company, our board of directors also ensures that BPI management maintains an effective, enterprise risk management and oversight process across other companies in the group, with due consideration for the group's business and reputation, the materiality of financial and other risks inherent in the business, and the relative costs and benefits of implementing specific controls.

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

Board charter. The charter of the board of directors articulates with specificity the governance and oversight responsibilities exercised by the directors and their roles and functions in the company. It includes provisions on board composition, board committees, and board governance, subject to provisions of the corporation's articles of incorporation, by-laws, and applicable laws. The charter is not intended to limit, enlarge, or change in any way the responsibilities of the board as determined by such articles, by-laws, and applicable laws.

The board charter of the bank is incorporated in our manual of corporate governance, which, in turn, is reviewed annually. The bank's updated and revised manual of corporate governance was approved and adopted by our board of directors in its entirety on November 11, 2015.

Composition and qualification. Our 2015 board consists of 15 directors, 14 of whom are non-executive officers of the bank; the only executive director is the bank's president and CEO. The size of our board is deemed appropriate given the complexity of operations of the bank and the entire BPI group, the geographical spread of our business, and the significant time demands placed on the directors.

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

As we are a financial institution infused with public interest, qualifications for membership in our board of directors are dictated by our by-laws and manual of corporate governance, the Corporation Code, and relevant regulations issued by the Bangko Sentral and the SEC. As a publicly listed company, we also take special care to ensure that the board's composition and the qualifications of our directors meet the pertinent governance regulations, requirements, and standards of the PSE.

Profiles of our board of directors may be read on pages 234 to 240.

Diversity. We strive to maintain a strong and effective board that would create and maintain an atmosphere of constructive challenge and debate, requiring the right balance, skills, experience, and perspectives among our directors. Our board, therefore, recognizes and embraces the benefits of diversity. The board diversity policy, adopted in 2015, views diversity at the board level as an essential element of sound corporate governance, sustainable and balanced development, and effective business strategy.

Diversity—in terms of gender, age, cultural background, education, professional experience, skills, knowledge, length of service, and other regulatory requirements—is duly considered in the design and selection of the board's composition.

A third of our 2015 board are women, including one who is also an independent director.

Our full board diversity policy may be read online in our website www.bpiexpressonline.com under About Us/ Board Matters.

Independence. BPI's board of directors operates with significant independence from its management. In our 2015 board, seven out of 15 directors are classified independent, or having no interest or relationship with BPI at time of election, appointment, or re-election. Fourteen of these directors are non-executive directors, that is, they are not part of the day-to-day management of banking operations. Our chairman is also a non-executive director, and is separately appointed from our president and CEO.

BPI exceeds the minimum regulatory requirement for publicly listed companies to have at least 20% but not less than two independent directors in its board. With seven independent directors in our 15-member board, we are able to maintain fairness, integrity, and balance among public, corporate, and stakeholder interests.

Powers of the board of directors. The corporate powers of the bank shall be exercised, its business conducted and all its property controlled and held by its board of directors. The powers of the board of directors as conferred by law are original and cannot be revoked by the stockholders. The directors hold their office, charged with the duty of exercising sound and objective judgment for the best interest of the bank.

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

Selection. Our shareholders may recommend candidates for board membership for consideration by the nominations committee. Such recommendations are sent to the committee through the office of the corporate secretary. Candidates recommended by shareholders are evaluated in the same manner as director candidates identified by any other means. The committee itself may identify and recommend qualified individuals for nomination and election to the board. For this purpose, the committee may make use of professional search firms and other external sources to search for qualified candidates.

The nominations committee pre-screens the candidates and prepares a final list of candidates prior to the annual stockholders meeting. Only nominees whose names appear on the final list of candidates are eligible for election to the board. No other nomination shall be entertained after the final list of candidates are prepared. No nomination shall be entertained or allowed on the floor during the actual annual stockholders meeting.

Board members are elected by BPI stockholders who are entitled to one vote per share at the bank's annual stockholders meeting. The nominees receiving the highest number of votes are declared elected and hold office for one year until their successors, qualified in accordance with the by-laws, are elected at the next annual stockholders meeting.

Induction and director education. Today's rapidly changing banking environment requires that our directors be more engaged and skilled to cope with competitive pressure from both traditional financial intermediaries and disruptors, the growing complexity of products, services, and transactions, and heightened foreign, local, and regional regulatory demands. The bank has created numerous opportunities for its directors to update and refresh their knowledge, enabling them to fulfill their roles as members of the board and its committees. These opportunities include internal meetings with senior executives and operational or functional heads, dedicated briefings on specific areas of responsibility within the business, and internal as well as external training programs provided by accredited or duly recognized institutions.

Our new directors are briefed on BPI's background, organizational structure, and, in compliance with Bangko Sentral Circular No. 758, the general and specific duties and responsibilities of the board. They also receive briefings on relevant policies and rules governing their roles as directors. They are given an overview of the industry, regulatory environment, business of banking, and annual and medium-term strategic plans of the bank. Briefings on current issues are also given, includingregulatory initiatives like the Anti-Money Laundering and Terrorist Financing Prevention Program, Foreign Account Tax Compliance Act, Securities Regulations Code, and BIR and SEC memorandum circulars, and Bangko Sentral regulations, among others.

New directors are also informed of the bank's governance framework and code of conduct, board operations (schedules, procedures, and processes), and the availability of information and support from the corporate secretary and senior management. The bank's philosophy and vision, as well as the board's culture and operating style, are also part of the new directors' induction.

The bank, through its various units, provides continuing director education in relation to current developments, such as FATCA, Basel III, and new Bangko Sentral, SEC, and BIR regulations. Other in-bank courses, also available to senior management, include seminars and online courses on anti-money laundering, business continuity management, conflict of interest, risk management overview, and information security awareness.

The bank also conducts two courses in partnership with Harvard Business School and the Advanced Management Program. Board members also regularly attend governance fora, conferences, and summits organized by the Institute of Corporate Directors. All of our directors undergo the requisite corporate governance seminar provided by an SEC- or Bangko Sentral-accredited institution.

On February 18, 2015, all the members of our board, including our corporate secretary and senior officers, attended the Orientation Course for Corporate Governance organized by the Institute of Corporate Directors.

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

Our personnel and compensation committee recommends to the board the fees and other compensation for directors, ensuring that compensation fairly remunerates directors for work required in a company of BPI's size and scope. As provided by our by-laws and pursuant to a board resolution, each director is entitled to receive from the bank fees and other compensation for services as director. The board has the sole authority to determine the amount, form, and structure of the fees and other compensation of the directors. In no case shall the total yearly compensation of directors exceed 1% of the net income before income tax of the bank during the preceding year.

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

Board members with executive responsibilities within the BPI group are compensated as full-time officers of the company, not as non-executive directors. This is consistent with our human resource policy on offering a competitive compensation package, one that's aligned with bank-wide performance standards. Historically, total compensation paid to all board members have been significantly less than the cap of 1% of the total net income stipulated by the bank's by-laws.

In 2015, total compensation for all directors amounted P67.44 million, which was less than one-third of 1% of the net income of the bank after tax.

Meetings and attendance. The BPI board meets regularly for the effective discharge of its obligations. Regular board meetings are convened monthly, held every third Wednesday of the month. Board of directors meetings are set immediately after the annual stockholders meeting to cover the full term of the newly elected or re-elected members of the board, reckoned from the date of the current year's annual stockholders meeting to that of the following year. Special meetings may be called for as needed. Discussions during the board meetings are open and independent views are given due consideration. Board reference materials are made available to the directors at least five days in advance of

ATTENDANCE IN BOARD MEETINGS IN 2015

Director	Meetings attended*	%
Jaime Augusto Zobel de Ayala	11	85
Fernando Zobel de Ayala	12	92
Cezar P. Consing	12	92
Vivian Que Azcona	11	85
Rebecca G. Fernando	13	100
Aurelio R. Montinola III	11	85
Mercedita S. Nolledo	13	100
Oscar S. Reyes**	13	100
Dolores B. Yuvienco	13	100
Artemio V. Panganiban**	13	100
Romeo L. Bernardo**	13	100
Octavio V. Espiritu**	13	100
Xavier P. Loinaz**	13	100
Antonio Jose U. Periquet**	13	100
Astrid S. Tuminez**	13	100

* A total of 13 meetings were held between January 1, 2015 and December 31, 2015
** Independent Director

the scheduled meeting.

Independent and non-executive directors of the bank also meet at least once a year without the presence of any executive director or management.

Because the role of a bank director is a demanding one, our directors make significant time commitments, not only preparing for and attending board and board committee meetings; they also commit time for initial induction, continuing education and training, and engagement with both the executive team and stakeholders as needed.

In 2015, our directors attended meetings noted in the table (left). When a director was unable to attend meetings due to prior commitments or unavoidable events, said director provided input to the chairman so that his views were known and considered. Average attendance at the board's 13 meetings in 2015 was 96%.

Performance evaluation and self-assessment. The bank measures the performance of the board on the basis of what it delivers and how it delivers, how it meets its responsibilities to all BPI stakeholders, and how it addresses issues that impact the board's ability to effectively fulfill its fiduciary duties. The essential pre-conditions for a successful board include an agreed perspective on what the bank is trying to achieve, a culture of mutual trust and respect, shared values, transparency, accountability, honesty, and teamwork.

The self-assessments, conducted under the guidance of the corporate governance committee, ascertain the alignment of leadership fundamentals and issues, and validate the board's appreciation of its roles and responsibilities in the context of the operations of BPI and its subsidiaries and affiliates. These also help to gain a broad-based understanding of the board's most critical governance success factors.

We use a 360-degree feedback report, a widely advocated, standard evaluation method of self-assessment and feedback review, on board performance at four levels: the board as a body, board committees, individual directors, and president and CEO. Key evaluation criteria are built on the board's terms of reference and committee charters, and framed around broad leadership fundamentals and best practices.

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

Succession planning and talent management. Financial services today are in a state of dynamic change, with many transformative factors—regulation, market disruption, new technologies and business models, competition—affecting the business in major and long-term ways. Our board understands that the bank must continually evolve, adapt, and even restructure the business to remain ahead of strategic, market, technology and regulatory shifts. The bank, through its personnel and compensation committee, manages the talent pipeline and assembles the required personnel capable of navigating such changes.

In consultation with the president and CEO, the personnel and compensation committee reviews the bank's talent development process for proper management. Senior management provides a report to this committee on the results of its talent and performance review process for key management positions and other high-potential individuals. Aside from ensuring that there is a sufficient pool of qualified internal candidates to fill senior leadership positions, this review process identifies opportunities, performance gaps, and proactive measures in the bank's executive succession planning. And as part of the same executive planning process, the committee as a whole or a part thereof, in consultation with the board and the president and CEO, evaluates and nominates potential successors to the president and the CEO.

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

Board committees. To heighten the efficiency of board operations, the board established committees that assist in exercising its authority for oversight of internal control, risk management, and performance monitoring of the bank. The committees afford the board organized and focused means for the directors to achieve specific goals and address issues, including those related to governance. In particular, the committees enhance the objectivity and independence of the board's judgment, insulating it from undue influence of management and major shareholders.

Currently, the bank has nine board-level committees. As part of the annual board effectiveness review, a separate exercise was conducted to assess the 2015 performance of each of the nine committees. The assessment found that all the committees performed effectively.

Attendance of the members of our board to the various committee meetings in 2015 are shown on page 80 to 82. The charters of all board-level committees are found in our website www.bpiexpressonline.com under About Us/Governance/Board Matters.

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

Chairman	Jaime Augusto Zobel de Ayala
Vice chairman	Fernando Zobel de Ayala
Members	Cezar P. Consing, President and CEO
	Rebecca G. Fernando
	Aurelio R. Montinola III
	Antonio Jose U. Periquet*
	Mercedita S. Nolledo

Corporate governance committee. The corporate governance committee assists the board in fulfilling its corporate governance responsibilities, and ensures the board's effectiveness and due observance of sound corporate governance principles and guidelines, as embodied in the manual of corporate governance.

Chairman	Artemio V. Panganiban*
Members	Romeo L. Bernardo*
	Mercedita S. Nolledo

*Independent Director

	Oscar S. Reyes*
	Astrid S. Tuminez*
	Dolores B. Yuvienco

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

Chairman	Romeo L. Bernardo*
Members	Jaime Augusto Zobel de Ayala
	Fernando Zobel de Ayala
	Xavier P. Loinaz*
	Vivian Que Azcona

Audit committee. The audit committee monitors and evaluates the adequacy and effectiveness of the bank's internal control systems, risk management, and governance practices. It exercises oversight of the integrity of the bank's financial statements and financial reporting process, performance of the internal and external audit functions, and compliance with bank policies, applicable laws, and regulatory requirements. This committee also reviews the external auditor's annual audit plan and scope of work, and assesses its overall performance and effectiveness. In consultation with management, this committee approves the external auditor's terms of engagement and audit fees.

Chairman	Xavier P. Loinaz*
Members	Octavio V. Espiritu*
	Aurelio R. Montinola III
	Oscar S. Reyes*
	Dolores B. Yuvienco

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

Chairman	Octavio V. Espiritu*
Members	Cezar P. Consing
	Romeo L. Bernardo*
	Aurelio R. Montinola III
	Antonio Jose U. Periquet* Resigned from committee effective August 1, 2015
	Astrid S. Tuminez*

Trust committee. The trust committee oversees the proper administration and management of the bank's trust and other fiduciary business, and its investment activities to ensure effective management of all risks inherent in the business.

Chairman	Mercedita S. Nolledo
Vice chairman	Antonio Jose U. Periquet*
Members	Fernando Zobel de Ayala
	Cezar P. Consing
	Romeo L. Bernardo*
	Rebecca G. Fernando
	Mario T. Miranda, Trust Officer

Personnel and compensation committee. The personnel and compensation committee directs and ensures the development and implementation of long-term strategies and plans for the bank's human resources, in alignment with the board's vision for the organization.

Chairman	Fernando Zobel de Ayala
Members	Romeo L. Bernardo*
	Aurelio R. Montinola III
	Oscar S. Reyes*
	Vivian Que Azcona

*Independent Director

Retirement and pension committee. The retirement and pension committee oversees the fiduciary, administrative, investment portfolio, and other non-investment aspects of the bank's retirement plan.

Chairman	Mercedita S. Nolledo
Members	Cezar P. Consing
	Rebecca G. Fernando
	Florendo G. Maranan, head of human resources

Related party transaction committee. The related party transaction committee is charged with ensuring that the bank's dealings with the public and various stakeholders are imbued with the highest standards of integrity. In conjunction with the executive, audit and corporate governance committees, this committee endeavors to ensure compliance with Bangko Sentral's Circular 749 (on strengthening corporate governance) and Circular 895 (guidelines on related party transactions). It independently reviews, vets, and endorses significant and material related party transactions—above and beyond transactions qualifying under directors, officers, shareholders, and related interests restrictions—such that these transactions are dealt on terms no less favorable to the bank than those generally available to an unaffiliated third party under the same or similar circumstances.

Chairman	Octavio V. Espiritu*
Members	Rebecca G. Fernando
	Oscar S. Reyes*
	Romeo L. Bernardo*
	Rosemarie B. Cruz, chief audit executive
	Marita Socorro D. Gayares, chief compliance officer

Attendance at board meetings. The following tables show the attendance of our directors in the board committee meetings.

EXECUTIVE COMMITTEE
NO. OF MEETINGS IN 2015: 36

Director	No. of meetings attended	%
Jaime Augusto Zobel de Ayala	27	75.00
Fernando Zobel de Ayala	21	58.33
Cezar P. Consing	32	88.89
Rebecca G. Fernando	34	94.44
Aurelio R. Montinola III	29	80.56
Mercedita S. Nolledo	30	83.33
Antonio Jose U. Periquet *	32	88.89

CORPORATE GOVERNANCE COMMITTEE
NO. OF MEETINGS IN 2015: 2

Director	No. of meetings attended	%
Artemio V. Panganiban*	2	100
Romeo L. Bernardo*	2	100
Mercedita S. Nolledo	2	100
Oscar S. Reyes*	2	100
Astrid S. Tuminez*	2	100
Dolores B. Yuvienco	2	100

*Independent Director

NOMINATIONS COMMITTEE
NO. OF MEETINGS IN 2015: 1

Director	No. of meetings attended	%
Romeo L. Bernardo*	1	100
Jaime Augusto Zobel de Ayala	1	100
Fernando Zobel de Ayala	1	100
Xavier P. Loinaz*	1	100

AUDIT COMMITTEE
NO. OF MEETINGS IN 2015: 13

Director	No. of meetings attended	%
Xavier P. Loinaz*	13	100
Octavio V. Espiritu*	13	100
Aurelio R. Montinola III	9	69.23
Oscar S. Reyes*	13	100
Dolores B. Yuvienco	13	100

RISK MANAGEMENT COMMITTEE
NO. OF MEETINGS IN 2015: 12

Director	No. of meetings attended	%
Octavio V. Espiritu*	12	100
Cezar P. Consing	11	91.67
Romeo L. Bernardo*	11	91.67
Aurelio R. Montinola III	8	66.67
Antonio Jose U. Periquet*	5	41.67
Astrid S. Tuminez*	12	100

TRUST COMMITTEE
NO. OF MEETINGS IN 2015: 12

Director	No. of meetings attended	%
Mercedita S. Nolledo	12	100
Antonio Jose U. Periquet*	9	75.00
Fernando Zobel de Ayala	9	75.00
Cezar P. Consing	11	91.67
Romeo L. Bernardo*	12	100
Rebecca G. Fernando	12	100

*Independent Director

PERSONNEL AND COMPENSATION COMMITTEE
NO. OF MEETINGS IN 2015: 9

Director	No. of meetings attended	%
Fernando Zobel de Ayala	9	100
Romeo L. Bernardo*	7	77.78
Aurelio R. Montinola III	6	66.67
Oscar S. Reyes*	9	100
Vivian Que Azcona	9	100

RETIREMENT AND PENSION COMMITTEE
NO. OF MEETINGS IN 2015: 4

Director	No. of meetings attended	%
Mercedita S. Nolledo	4	100
Cezar P. Consing	4	100
Rebecca G. Fernando	4	100

RELATED PARTY TRANSACTION COMMITTEE
NO. OF MEETINGS IN 2015: 12

Director	No. of meetings attended	%
Octavio V. Espiritu*	11	91.67
Rebecca G. Fernando	12	100
Oscar S. Reyes*	11	91.67
Romeo L. Bernardo*	9	75

OPERATING MANAGEMENT

Organization. BPI's president and CEO is responsible for formulating the business strategy and the overall management of the bank in order to achieve desired business outcomes. Effective January 2015, the bank has senior executive officers responsible for an area of the bank's business. They directly report to the president and CEO.

These senior executive officers are Natividad N. Alejo, president, BPI Family Savings Bank; Daniel Gabriel M. Montecillo, executive vice president and head, corporate clients; Simon R. Paterno, executive vice president and head, financial products and services; Antonio V. Paner, treasurer, executive vice president and head, global markets; Joseph A. Gotuaco, chief financial officer, executive vice president and head, strategy and development; and Ramon L. Jocson, executive vice president and head, enterprise services.

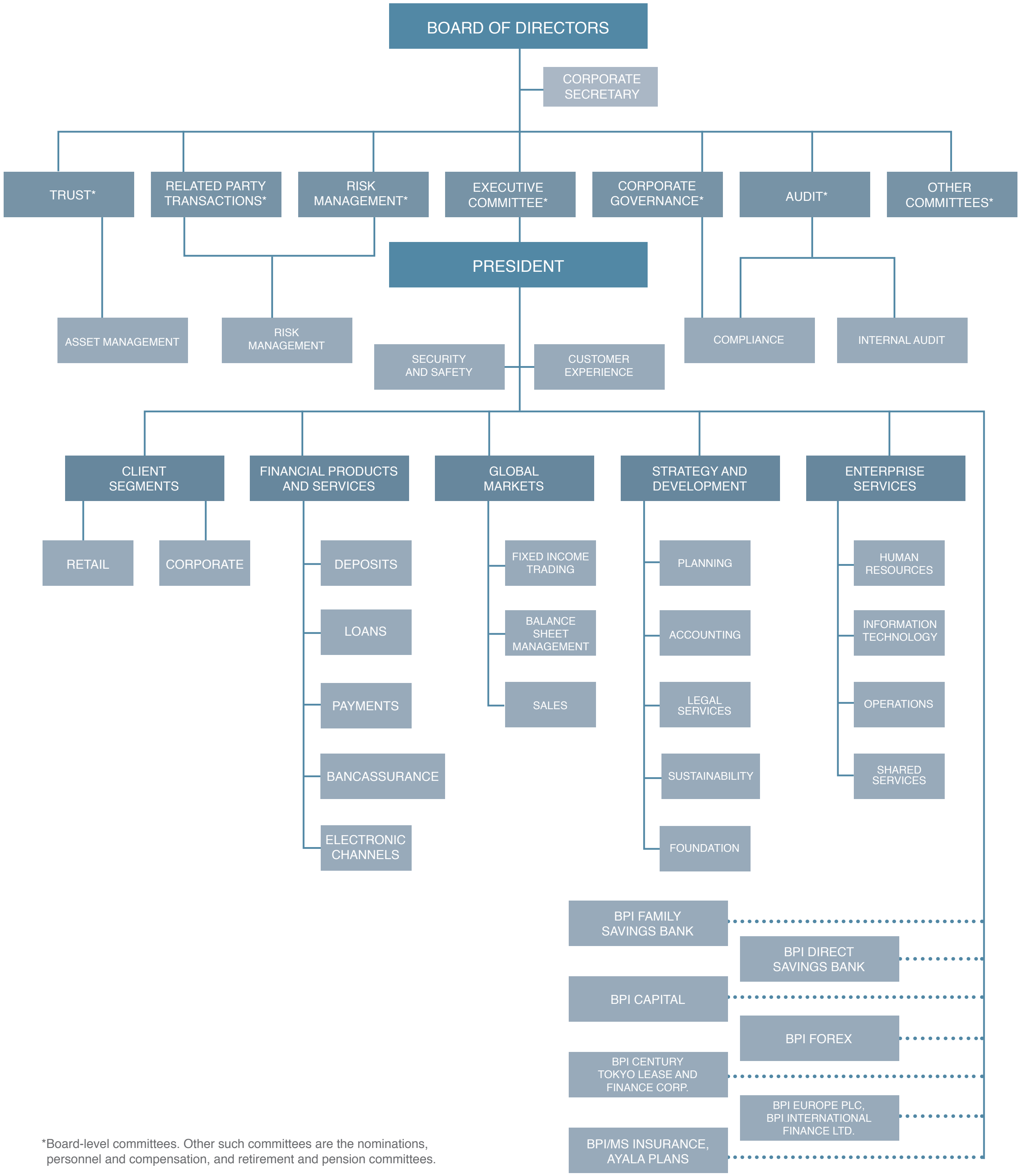
The senior executive officers are responsible for ensuring development and expansion of BPI's client relationships; service quality and innovation in its products and services; management of the bank's trading business including enterprise asset-liability management; reliability, productivity, and efficiency of our operating infrastructure; financial strategy formulation and execution; and sustainable investor and stakeholder relations.

In addition, the bank has a management committee, convened as necessary to discuss matters of company-wide relevance. The management committee is appointed by the president and CEO, and its membership is periodically rotated to reflect current initiatives of the bank and to grant senior decision-making exposure to executives below the rank of EVP.

The table on the next page is an overview of the bank's principal activities and its functional organization.

*Independent Director

BPI TABLE OF ORGANIZATION



*Board-level committees. Other such committees are the nominations, personnel and compensation, and retirement and pension committees.

Planning and performance management. The bank articulates its strategy in periodic planning exercises, distils plans in formal budgets, and conducts periodic performance reviews against both our budgets and our past performance. We act in accordance with well-defined operating policies and procedures, and ensure the accuracy and transparency of our operational and financial reporting to protect our reputation for integrity and fair dealing. We also strive to achieve accountability in our revenue performance, efficiency in our expenditure of resources, and high quality in the delivery of services and achievement of customer satisfaction. Our management is periodically reviewed and rewarded according to their performance relative to assigned targets, initiatives, innovation, and feedback from customers, peers, and the board.

We place strong emphasis on prudent risk taking and risk management. Specific management committees ensure that major risks are identified, measured, and controlled against established limits. These key management committees are the credit committee, assets and liabilities committee, operational and IT risk management committee, information technology steering committee, anti-money laundering evaluation committee, and management vetting committee.

Members of these committees are senior officers (in the case of the information technology steering committee, a non-executive board member) who are subject matter experts in areas of knowledge relevant to the respective committees. They include client specialists, product specialists, senior officers of the risk management office, and other senior executives.

RISK MANAGEMENT

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

Risk management in BPI follows a top-down approach, with risk-appetite setting and overall risk strategy emanating from the board of directors. Our board fulfills its risk management function through the risk management committee. More junior committees and units within our organization manage more granular financial and non-financial exposures. We manage risk through clearly delineated functions using the "three lines of defense" model to ensure effective risk management governance and control processes across the bank.

Our risk culture is strongly anchored in our vision of transparency and integrity in the workplace, creation of sustainable value, and one that delivers maximum returns to shareholders. And in order to succeed in our mission of satisfying our responsibilities to our clients, people, shareholders, and country, we exercise prudent risk management. Our risk management office is headed by our chief risk officer. The CRO is ultimately responsible for leading the formulation of risk management policies and methodologies in alignment with the strategy of the bank, ensuring that risks are rationally undertaken, within the bank's risk appetite, and commensurate to returns on capital. Our risk appetite is a careful measure of the amount of risk the bank is prepared to take, considering the financial objectives we want to attain. This is regularly reported to the board through its risk management committee.

We track risks according to three major classifications—credit, market, and operational. Credit risk arises from the bank's core lending and investing business; market and liquidity risk arises from the bank's business in managing interest rate and liquidity gaps, as well as in the trading and distribution of fixed income, foreign exchange, and derivative instruments, as allowed by regulation; and operational risk arises from the bank's people and processes, information technology, threats to the security of its facilities, personnel, or data, models, business interruption risk, reputational risk, and compliance obligations to regulatory or tax authorities, among others.

We have established robust and effective risk management processes and controls that allow us to manage risks closer to their source, either preventing them from happening or mitigating their impact. The bank uses various methodologies, tools, and systems to measure its risk exposure. We invest in risk technology and business-enabling systems to ensure data quality and timely reporting.

Financial risk management is carried out by a dedicated team of skilled risk managers and senior officers who have extensive operational experience working within our firm. Our risk managers regularly monitor key risk indicators, and report exposures against carefully established credit, market, and operational and IT risk metrics and limits approved by our risk management committee.

We continuously promote a culture of proactive risk management and client-centricity with the CRO and the risk management office continuously engaging the risk management committee, management, and business units, communicating the culture to the rest of the bank through various internal channels, facilitating learning programs on risk management, and promoting best practices enterprise-wide.

Credit risk. We have a credit policy and risk management unit responsible for the overall management of the bank's credit risk. This unit is accountable to the risk management committee in assisting to establish the bank's risk appetite and in the latter's oversight function on credit risk. In addition, the credit policy and risk management unit supports senior management in ensuring the quality of the bank's loan portfolio by identifying, measuring, monitoring, reporting, and controlling credit risks.

This unit also ensures that the bank's *stringent underwriting standards and rating parameters* are met by the various lending units. In 2015, the bank experienced significant growth in loan volumes but ably managed overall low credit risk and maintained asset quality, in general compliance with regulatory and prudential requirements relating to credit risk management (for example, DOSRI restrictions, single borrower's limits, and credit concentration, among others).

We continue to maintain a diversified loan portfolio with no significant concentrations. Our top 20 group exposures generally remain within the internal single borrower's limit and operate in diversified industries. Our commercial loans account for about 78% of the total portfolio, while consumer loans account for the balance of 22%. Large corporate borrowers comprised approximately 86% of commercial loans, while SMEs account for the remaining 14%.

Our corporate credit risk exposures are assessed individually using internal credit risk rating models that generate a probability of default per rating grade and take into account credit risk mitigants. Credit risk rating models are developed internally by the credit policy and risk management unit using statistical methods on quantitative and qualitative risk factors, including credit judgment overlays to account for borrower-specific and other factors that cannot be modeled statistically. The credit risk rating of corporate accounts are updated annually. In 2015, we implemented an internal credit risk rating model for corporate SMEs, incorporating probability of default estimates into our model. A loss-given-default model for auto loans was also estimated based on historical data. Our models are independently validated, and their predictive power and performance are regularly monitored to ensure they are qualitatively and statistically acceptable.

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

Credit reviews are regularly conducted to assess that the credit process—from loan origination, credit analysis, approval, implementation, and administration—conforms to the standards set in our internal policies and complies with regulatory requirements. In 2015, we reviewed 24 key lending units and portfolios nationwide, and these reviews revealed generally acceptable credit performance and portfolio qualities. As our loan portfolio grew, asset quality was generally maintained with the bank's reserve-to-90-day NPL ratio at 1.64% and net 30-day NPL ratio at 0.61% measured in accordance with PFRS reporting standards. NPL reserves cover improved in 2015 to 110.2% from 108.9% in 2014.

In compliance with Basel and Bangko Sentral standards on minimum capital requirements, we measure the bank's credit risk exposures in terms of regulatory capital requirement using the standardized approach. Using this method, our credit exposures to sovereigns, corporates and banks are risk-weighted to reflect credit assessment from eligible ratings agencies (Fitch, Moody's, Standard & Poors, and PhilRatings, where applicable). This method also allows for the use of eligible collaterals (cash, financial instruments, and guarantees) to mitigate credit risk. We ensure all documentation used in collateralized or guaranteed transactions are binding on all parties and legally enforceable in the relevant jurisdiction.

Stress tests are regularly conducted on the bank's loan portfolio to determine the impact of various economic scenarios, to surface any undue credit concentration risk and to comply with regulatory reporting. Results showed that our CAR and CET1 ratios will generally remain above or at about the regulatory capital requirements even with stringent write-down scenarios on our large exposures, exposures by industry (including real estate), and consumer portfolios.

We undergo continuous cycles of improvement, in our quest to enhance BPI's credit policies and guidelines, as well as review lending programs to ensure that credit parameters meet the bank's standards, regulatory compliance and best practices, while supporting our firm's growth strategies. Our credit risk information system is currently being upgraded to a more robust system that will enable more granular analysis of the loan portfolio while delivering timely and accurate reporting of the bank's loan structures, credit concentrations, and other risk data analytics. These efforts are undertaken in recognition of the Bangko Sentral's *Guidelines on Sound Credit Risk Management Practices*.

Market and liquidity risk. As global and local financial markets experience continued volatility, our market risk management unit employs risk metrics that guide our treasury to effectively manage the risks arising from position-taking strategies balanced by the board's overall risk appetite. In 2015, our determination to engage our risk mangement committee and dealers led to the execution of risk-off strategies that helped preserved the bank's comprehensive income. We provided forward-looking risk scenarios and simulations on our liquidity and re-pricing gap risks to nurture a proactive risk management culture in the risk management and assets and liabilities committee meetings.

As a result, BPI's market risk exposures were well within the risk mangement committee-approved limits, at the same time preserving trading income. With improved liquidity and re-pricing gap models, our price and liquidity stress tests became more extensive and robust. Under assumed severe market stress scenarios, the bank's CAR would still be generally above the minimum regulatory requirement; in addition, the bank's liquidity profile could withstand an assumed prolonged crisis period.

We are continuously improving our risk models and systems, including our advancement of our asset and liability management capabilities with the rollout of our fully automated assets and liabilities management system. This robust risk engine runs countless scenario analyses under both static and dynamic balance sheet conditions for assets and liabilities committee reporting and strategies. This system is managed and run by a team of highly talented and dedicated risk officers with diverse experiences in market risk, dealing room risk, trading and treasury operations.

We closely monitor the market risk exposures of both trading and non-trading portfolios. Our assets in both on- and off-balance sheet trading portfolios are marked-to-market and the resulting gains and losses are recognized through profit or loss. Market risk exposure from these portfolios is measured by value-at-risk models. As part of market risk management, the bank undertakes various hedging strategies. The bank also enters into interest rate swaps to match the interest rate risk associated with fixed-rate long-term debt securities. We ended the year 2015 with outstanding exposures in structured products of $95 million, composed of investments in credit-linked notes (68%) and range accrual notes (32%). The bank's exposure on selling credit protection is limited to investments in CLNs.

We ensure adequate liquidity levels at all times and contingency plans are in place in the event of real stress. Our liquidity profile is observed and monitored through its metric, the minimum cumulative liquidity gap, computed monthly. The MCLG, the smallest net cumulative cash inflow (if positive) or the largest net cumulative cash outflow (if negative) over the next three months, indicates the biggest funding requirement in the short term and the degree of liquidity risk present in the current cash flow profile of the bank. BPI, on a consolidated basis, should be liquid enough to provide sufficient buffer for critical liquidity situations. A red flag is immediately raised and reported to management and the risk mangement committee when the MCLG level projected over the next three months breaches the limit.

Interest rate risk is inherent to the bank's business operations, as movements in interest rates expose the bank to adverse shifts in the level of net interest income and could impair the underlying values of its assets and liabilities. BPI is exposed to interest rate risk on unfavorable changes in the rate curves, which would have adverse effects on the BPI group's earnings and its economic value of equity. Interest rate risk exposure arising from the core banking activities is measured by earnings-at-risk, or the potential deterioration in net interest income over the next 12 months due to adverse movements in interest rates; and balance sheet value-at-risk, or the impact on the economic value of the future cash flows in the banking book due to changes in interest rates.

Our interest rate gap model is measured based on the re-pricing schedule of the balance sheet accounts. For instance, loan accounts paying fixed interest rate are mapped according to maturity date, while loan accounts paying floating interest rate are mapped according to interest rate review dates. Likewise, deposit accounts that do not have defined maturity dates (for example, savings and current accounts), re-pricing schedules are derived from the bank's historical review of deposit rates and depositors' behavior.

As of end December 2015, BPI's BSVaR level of P2.9 billion and EaR level of P473 million were well within the bank's established risk appetite.

Operational and information technology risk. Our operational and information technology risk management unit monitors risks arising from inadequate or failed internal processes, people, and systems (for example, fraud, product flaws, breakdowns in informational or physical safeguards) or from external events (natural disasters, electrical or telecommunication failures). Operational risks are embedded in all banking products and services, and may include risks that give rise to adverse legal, tax, regulatory, or reputational consequences. Information technology is a significant risk factor assumed in conjunction with operational risk, given the highly automated nature of the bank's processes and services. We define IT risk as the risk of any adverse outcome arising from the use of or reliance on information systems; as such, IT risk includes, but is not limited to, information security, service availability, reliability and availability of IT operations, completion-on-specification of IT development projects, and regulatory compliance pursuant to the Bangko Sentral's policy guidelines on Information Technology Risk Management.

The OTRM unit formulates policies, develops, and monitors key risk indicators, and oversees thoroughness of bank-wide risk and control self-assessments, loss event management processes, and operational risk management awareness and appreciation programs. A significant resource and governance tool employed by the OTRM unit are the bank's business risk officers. BPI has several BROs embedded across the organization in key functional units, such as information systems, retail and corporate clients, financial products and services, asset management, global markets and centralized operations. The BROs are responsible to the OTRM for promoting a sound risk management culture, implementing operational and IT risk management best practices as determined by the OTRM unit, and ensuring timely submission of operational and IT risk reports. In addition to employing BROs, in 2015, the bank reinstituted the operational and IT risk management committee to provide oversight over its OTRM unit, in accordance with regulatory requirements.

We manage our operational and IT risks by ensuring such risks are thoroughly identified, monitored, reported, and mitigated. We have defined clear responsibilities related to the performance of the risk management function, as well as the accountabilities, methods, and tools employed to identify and mitigate operational and IT risks in our operating units. We require operating units to undertake regular self-assessments to identify risks, assess the design and the performance effectiveness of the controls. Key risk indicators are used to monitor risk profiles, trigger early warning alerts, and instigate mitigating action. We measure loss events diligently, with specific guidelines and processes to ensure timely reporting, analysis of root cause and business impact, and speedy problem resolution.

Our risk management processes are ingrained in our new product development efforts. From inception to launch, new products, as well as its related processes and systems, are subject to design and testing activities aimed at safeguarding both the bank and our clients from the risk of economic loss, operational disruption, or compromise of personal or financial data. We are particularly diligent in this respect with our online products and services.

We are disciplined about disaster preparedness. To mitigate the impact of adverse events, we have business continuity and disaster recovery plans in place to ensure the recovery and availability of all critical customer-servicing infrastructure. To meet the increasing demand on business continuity preparedness of the bank's operations, we have also installed bigger and more robust BCP sites for critical head office services.

For information systems, the bank operates a secondary data center, which houses backup facilities that provide processing, memory, network, and storage infrastructure that allows the bank to operate its critical application systems. The secondary data center is located at a site significantly distant from the bank's primary data center. Furthermore, business units performing critical functions in the delivery of the bank's products, services, and channels have completed an annual testing of their respective BCPs. Our employees undergo continuous BCP training to promote awareness.

We are vigilant about physical and information security. Our enterprise information security management team is re-validating and building an inventory of our information assets to enhance monitoring and reporting of information security risks. In addition, it had implemented enhanced information security risk assessment methodology and processes, the results of which will be used to develop and validate strategies to mitigate risks to the confidentiality, integrity, and availability of information and information systems.

Our central security and safety office is responsible for the security of the bank's facilities and the overall safety of our clients and employees. Its main objectives are the protection of personnel and property, close monitoring and resolution of incidents, rescue of personnel in distress, and the prevention of crime. The CSSO's mission is performed using a three-tiered defense system, comprising of intelligence, target hardening, and incident response management. Cooperation with law enforcement agencies is encouraged whenever appropriate. In addition, a safety officer has been designated to be primarily responsible for implementing the safety initiatives and requirements of the bank, including monitoring and mitigating the physical risks that might impact adversely on the general well-being of bank operations.

We have adopted technologies that integrate the bank's alarms, access controls, and centralized closed circuit TV systems. To date, all regular branches are equipped with CCTVs and selected branches are connected to our central video and alarm monitoring system. Branches and ATM sites are connected to this system, and monitored 24/7 at our centralized security operations center. Moreover, a safety program is in place that aims to institutionalize initiatives that lead to effective policy making. Moving forward, the safety office will roll out a bank wide disaster risk reduction and management program through education and training as part of the strategic communications plan.

We prepare extensively against risk of litigation or *regulatory penalty.* Our legal affairs and dispute resolution unit serves as our main legal resource. It plays a critical preventive role by pro-actively providing legal and tax guidance and advice to all units of the bank, drafting or reviewing all bank contracts, conducting legal risk assessments of potential claims against the bank and recommending legal risk mitigation measures. It further empowers the bank units by issuing legal advisory bulletins that highlight legal issues, new laws, and regulatory fiats that impact our products and services, and tax advisory bulletins that promote tax compliance and awareness of initiatives of the BIR. This unit also provides training and seminars in support of its bulletins.

Our legal affairs unit plays a significant role in protecting the rights and interests of the bank and in avoiding losses when the bank is involved in litigation. It handles criminal, civil and administrative cases, that is, defensive cases filed by any party against the bank for any reason; as well as offensive cases filed on behalf of the bank to assert its rights and interests, claim for damages, prosecute errant employees and other parties; and recover or collect from delinquent borrowers. To expedite resolution of cases, the unit deploys innovative litigation techniques and encourages alternative modes of dispute resolution.

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

In view of increasing IT-related losses (mostly from industry-wide credit card fraud and card skimming incidents), the OTRM unit continues to closely monitor established measurements and limits on risk indicators, and implements mitigating measures. We have employed a real-time card fraud detection system that helps the bank significantly improve fraud detection, false positive rates, and fraud case-handling efficiencies. E-mail and SMS notifications for ATM withdrawals exceeding set threshold amounts were also implemented.

To further strengthen information security awareness, *we continually implement programs to make clients and employees aware of current cybercrime landscapes, emerging risks and trends and mitigating measures.*

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

Model risk. We continuously test the quality of our risk models. Our risk models validation unit is responsible for conducting independent model validation activities of the bank's risk and financial models. The independent validation of risk models is governed by the bank's model risk management policy and governance framework, aimed at ensuring an active and effective model risk management across the enterprise.

Asset management and trust risk. With the alignment of the AMT risk management unit's policies and methodologies, key risk indicators, and reports to the risk management office, the unit monitors and reports to the risk management committee on a regular basis the investment management risk metrics and KRIs involving the bank's unit investment trust funds, risk-adjusted performance measures, as well as trending and comparative analysis versus peers. Credit, liquidity, strategic and operational risk management issues affecting the bank's asset management and trust business are also regularly tracked and reported.

CAPITAL ADEQUACY

Our corporate planning division oversees the management of the bank's capital adequacy. Capital adequacy ratio is the ratio of the bank's total qualifying capital to the standardized risk weights assigned to the bank's assets, and it measures the capability of its capital funds to cover its various business risks.

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

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

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

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

As of December 31, 2015, BPI's solo (parent) and consolidated CAR stood at 12.02% and 13.59% respectively, well above the minimum regulatory requirement of 10% and the bank's internally set IMCAR and CARMAT. The bank's solo and consolidated CET1 capital ratio at 11.13% and 12.71%, respectively, likewise compare favorably with regulatory and internal limits,

Risk	Regulatory Capital (P Mn)	
	2015	2014
Credit Risk	86,466	75,702
Market Risk	2,365	2,557
Operational Risk	9,321	8,312
TOTAL	98,152	86,571

Capital Adequacy	Amount (P Mn)	
	2015	2014
CET1/Net Tier1 1/	124,744	120,940
Tier2/Net Tier2 2/	8,659	7,579
Total QC 3/	133,403	128,519
Total CRWA 4/	864,657	757,024
Total MRWA 5/	23,653	25,567
Total ORWA 6/	93,208	83,117

Capital Adequacy	Amount (P Mn)	
	2015	2014
TRWA 7/	981,517	865,708
Consolidated Ratios (%)		
CAR	13.59	14.85
CET1	12.71	13.97
Solo (Parent) Ratios (%)		
CAR	12.02	13.58
CET1	11.13	12.69

1/ Common Equity Tier 1 Capital/Net Tier 1
2/ Tier 2 Capital/Net Tier 2
3/ Qualifying Capital
4/ Credit risk-weighted assets
5/ Market risk-weighted assets
6/ Operational risk-weighted assets
7/ Total risk-weighted assets

including capital conservation buffer.

The tables above show the bank's CAR components for 2015 and December 2014:

The bank's total qualifying capital for the years ended 2015 and 2014 were at P133.4 billion and P128.5 billion, respectively. The bank's total qualifying capital for 2015 and 2014 were largely composed of CET1/Tier 1 capital at 93.5% and 93.7%, respectively.

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

Circular No. 781 and other relevant updates.

To fully comply with the phased-in implementation of the Basel III capital and liquidity reforms by the Bangko Sentral effective January 2014, BPI has adopted the Basel III CAR reporting template as well as the implementation of the leverage ratio and domestic systemically important banks reporting during the year. BPI has also performed quantitative impact studies on the revised standardized approach for credit risk, as well as the liquidity coverage ratio. Discussions both at the bank management and board levels also covered the subsequent phases of the transition and implementation plans in order to meet the revised minimum capital and liquidity requirements prescribed by Basel III, including interdependencies with the impending PFRS 9 implementation in January 2018. Key officers of the bank have also had in-depth and relevant training on Basel-related topics and risk management best practices.

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

RELATED PARTY TRANSACTIONS

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

These transactions involve credit and non-credit exposures such as borrowings, guarantees, agreements for the periodic provision of leases or other services, asset purchases and sales, derivative transactions, trust transactions, and investments for which related parties are perceived to have significant influence. As part of the bank's effort to ensure that transactions with related parties are done at arm's length, (particularly, on terms and conditions comparable to those offered to non-related parties or to similar transactions in the market) vetting is done either by the board-level related party transaction committee or management vetting committee, depending on materiality, prior to implementation.

The RPTC is composed of four directors, three of whom are independent including the chairman, and two non-voting members from management, the chief audit executive and the chief compliance officer, both of whom perform post-reviews to ensure proper implementation of related party transactions. On the other hand, the management vetting committee is composed of the executive vice presidents of the bank.

The bank is committed to ensure strict compliance with laws, regulations and reporting requirements relating to DOSRI and related party transactions.

COMPLIANCE

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

Oversight of the management of the bank's business risk and implementation of its compliance function is the responsibility of our board of directors, through the audit committee. At the management level, the compliance function is carried out by the compliance office, led by our chief compliance officer.

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

The compliance office routinely provides advice to individual business units on applicable laws, directives, standards, and regulations and provides compliance support to the group compliance coordinating officer; jointly develops guidance on operations and business processes in order to guard against potential compliance risk; and reviews and assists in interpretations of laws, implementing rules and regulations, standards and guidelines of the Bangko Sentral, SEC, AMLC, PSE, PDIC, Insurance Commission and other regulatory bodies for compliance, communicating them and verifying adherence.

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

The compliance office is currently organized to cover regulatory compliance, corporate governance, anti-money laundering compliance and FATCA compliance. Considering the rapid developments in the regulatory sphere as well as the growing complexity of bank products, services and transactions, the compliance office evolves in its coverage of compliance practice areas to anticipate and meet forward challenges. Enhancement of our compliance function's scope and domain is redefined for new and emerging sources of compliance risk.

The compliance office applies a three-layered compliance testing and monitoring process, which includes unit self-assessment testing, conducted by group compliance coordinating officers; independent random testing, performed by the compliance office; and independent periodic review by the bank's internal audit unit, whose results are reported regularly to the audit committee.

The compliance office is also empowered by the accountability to it of 14 GCCOs who are embedded in operational units throughout the bank. They are charged with enforcing compliance office initiatives, as well as providing timely reports to the compliance office.

Overall enforcement is through self-regulation within the business units, and independent testing and reviews conducted by the compliance office and internal audit. Results of these reviews are elevated to the board's audit and corporate governance committees, with respect to governance issues.

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

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

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

Corporate governance. The corporate governance unit covers the compliance aspect of the bank's corporate governance framework and governance requirements externally, with respect to the laws relevant and applicable to BPI as a bank and as a publicly listed company such as the Corporation Code, and the rules and regulations of the Bangko Sentral, SEC, PDIC and the PSE, and internally, with respect to the BPI's by-laws, manual of corporate governance, code of business conduct and ethics, and corporate governance-related policies such as insider trading, whistleblower and related party transactions policies.

The corporate governance unit also monitors compliance with respect to the bank's participation in regional corporate governance initiatives jointly sponsored by the SEC and ICD such as the ASEAN Corporate Governance Scorecard. Working closely with the board-level audit and corporate governance committees, this unit ensures that the bank's corporate governance foundations can withstand rigorous tests and demands of more stringent supervision, regulation, disclosure, and bank governance best practices.

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

The compliance office's anti-money laundering unit is responsible for monitoring customer and counterparty transactions in compliance with the Anti-Money Laundering Law, its implementing rules and regulations, and Bangko Sentral Circular 706. Developed under the guidance of the Bangko Sentral's Money Laundering and Terrorist Financing Prevention Program, the bank's anti-money laundering program covers all its subsidiaries and affiliates.

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

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

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

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

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

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

INTERNAL AUDIT AND CONTROL

Our internal audit unit is an independent body that evaluates the effectiveness of the bank's risk management, internal controls, and governance processes, as well as ensures that operating and business units adhere to internal processes and procedures and to regulatory and legal requirements.

This unit reports directly to the board through its audit committee. It also works closely with the risk management office, compliance office, external auditors, and other oversight units for a comprehensive review of risks and compliance in the institution, and ensures that business units proactively manage the risk and compliance exposures.

The internal audit function as empowered by the internal audit charter includes free access to all records, properties and personnel. In this respect, the audit committee reviews the internal audit function, including its independence and the authority of its reporting relationships. The internal audit unit continuously improves the capabilities of its auditors through continuous education on auditing techniques, regulations, and banking products and services.

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

The chief audit executive reports directly to the board of directors through the audit committee. This ensures that the chief audit executive is not dependent on any bank executive or operating officer for the security of his or her position. Additionally, it ensures that the chief audit executive has access to the board, on a confidential basis, and that the internal audit unit is independent of bank management, both by intent and actual practice.

The audit committee appoints a Bangko Sentral-accredited external auditor for the purpose of preparing or issuing an audit report or related work. It also assesses the external auditor's effectiveness, independence and objectivity, ensuring that key partners are rotated at appropriate intervals; and removes external auditors if circumstances warrant. The committee also oversees the resolution of disagreements between management and the external auditors in the event that they arise.

For fiscal year 2015, fees to the bank's external auditor, Isla Lipana & Co., amounted to approximately P18 million. BPI did not have any non-audit engagements with its external auditor for the year 2014 and, hence, there were no non-audit fees.

CODE OF BUSINESS CONDUCT AND ETHICS

Our code of business conduct and ethics is the exceptional standard set for BPI citizens that guides what we say and do in our relationships with our customers, suppliers, co-employees, business partners, shareholders, competitors, government and regulators, markets and communities. The code is our commitment to the behaviors that are expected from the bank as a financial institution imbued with public interest, and from each BPI citizen upholding that public interest. The code is also the guidance that applies to behaviors across all activities of the BPI group and, where applicable, to counterparts and business partners.

These standards of behavior are derived from the BPI Credo and Core Values, and are aligned with key global initiatives that promote responsible business practices.

The core values embodied in the BPI Credo and Code of Business Conduct and Ethics are mandatory for all BPI professionals at all levels, including directors and officers. As a financial institution, the ethical character and integrity of our board, management and employees are considered one of the most important safeguards of corporate governance—BPI citizens must earn the trust of all of our stakeholders by always acting with integrity, fairness, accountability and transparency.

As no code could address every situation an employee may encounter, all employees, including our board and management, are required to follow both the spirit and the letter of the code, its policies, and procedures; this extends even to individual employee's personal financial dealings.

All BPI citizens must abide and fulfill their duty and personal responsibility to read, understand and comply with the code of business conduct and ethics. Most importantly, all BPI citizens are duty-bound to protect the bank's reputation and its business.

Major internal policies are also in place to lend guidance, provide support and lay the proper context in BPI citizens' adherence to the Code of Business Conduct and Ethics. These include the policy on conflict of interest, insider trading policy, whistleblower policy, and policy on related party transactions.

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

Our conflict of interest policy expects all directors, officers and employees to refrain from any conduct that could be viewed unfavorably by our clients, co-employees, competitors, suppliers, investors, regulators, or the public. The policy also requires full cooperation and provision of complete and accurate information from employees during government, regulatory or internal inquiries, investigations and audits. It advocates that directors, officers and employees do not tolerate corruption or any form of bribery nor provide or accept improper inducements in the course of any business dealing.

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

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

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

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

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

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

The whistleblower may approach any of the following officers who are the designated contacts for the bank and the primary reporting line: head of human resources, chief internal auditor, and chief risk officer. Under extraordinary circumstances, the whistleblower may also course the complaint through other reporting lines, like the president and CEO or the chairman of the bank's audit committee.

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

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

Our whistleblower policy emphasizes our commitment to fostering and maintaining an environment of utmost confidentiality where all personnel may act appropriately without fear of reprisal, and be treated with utmost confidentiality. An individual who makes a protected disclosure shall not suffer harassment, retaliation, or adverse employment consequences. Any person who retaliates against any individual who makes a protected disclosure shall be subject to discipline, including termination.

In case the whistleblower believes he has been subjected to retaliation, he may seek redress or file a formal complaint to the head of human resources, chief internal auditor, or chief risk officer.

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

INVESTOR RELATIONS

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

Our investor relations unit, which is part of the bank's strategic and corporate planning division, is tasked with a program of proactive, uniform, appropriate and timely communication and reporting, in the spirit of full disclosure and in compliance with the Securities Regulation Code, and SEC and PSE rules, regulations and disclosure guidelines.

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

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

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

All investor relations presentations and press releases distributed, including presentations of the chairman and the president and CEO at the company's annual stockholders meeting, may be viewed at www.bpiexpressonline.com.

COMMUNICATION AND INFORMATION

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

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

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

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

CUSTOMER EXPERIENCE

The bank recently created a unit dedicated to customer experience, an initiative not only complying with Bangko Sentral directives but also creating an environment that improves BPI's satisfaction levels with clients. With customer experience taking on a more recognized meaning across industries, this unit has started to develop policies, processes, and technologies to enhance customer experience and brand perceptions at all levels, as well as to improve protection, information and rules in the bank's provision of products and services. This unit, over which the board-level executive committee ultimately has oversight, reports directly to the president and CEO.

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

CAPITAL STRUCTURE

The bank's total qualifying capital for the years ended 2015 and 2014 were P133.4 billion and P128.5 billion, respectively. The bank's total qualifying capital for 2015 and 2014 were largely composed of CET1 capital and Tier1 at 93.5% and 94.1%, respectively.

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

Capital Structure (P Mn)	December 31, 2015			December 31, 2014		
	CET1/ Tier1	Tier 2	TOTAL	CET1/ Tier1	Tier 2	TOTAL
Core Capital	146,181	8,659	154,840	139,604	7,579	147,183
Paid-up common stock	39,285	-	39,285	39,272	-	39,272
Additional paid-in capital	29,358	-	29,358	29,260	-	29,260
Retained earnings	64,590	-	64,590	56,433	-	56,433
Undivided profits	18,294	-	18,294	18,538	-	18,538
Net unrealized gains or losses on AFS securities	(4,553)	-	(4,553)	(4,013)	-	(4,013)
Cumulative foreign currency translation	(201)	-	(201)	(278)	-	(278)
Others	(924)	-	(924)	-	-	-
Minority interest [1]/	332	-	332	391	-	391
Net unrealized gains on AFS equities [2]/	-	-	-	-	-	-
General loan loss provision [3]/	-	8,659	8,659	-	7,579	7,579
Deductions	21,437	-	21,437	18,664	-	18,664
Net unrealized losses on AFS equities [4]/	-	-	-	-	-	-
Total O/S unsecured credit accommodations [5]/	1,885	-	1,885	1,937	-	1,937
Total O/S unsecured loans [6]/	2,045	-	2,045	1,766	-	1,766
Deferred tax [7]/	7,245	-	7,245	6,644	-	6,644
Other intangible assets	1,767	-	1,767	2,045	-	2,045
Defined benefit pension fund assets (liabilities)	20	-	20	10	-	10
Investments in equity [8]/	1,921	-	1,921	1,960	-	1,960
Significant minority investments [9]/	3,177	-	3,177	2,567	-	2,567
Other equity investments [10]/	3,377	-	3,377	1,735	-	1,735
Gross Qualifying Capital	124,744	8,659	133,403	120,940	7,579	128,519
Required deductions 11/	-	-	-	-	-	-
TOTAL QUALIFYING CAPITAL	124,744	8,659	133,403	120,940	7,579	128,519
% to Total	94%	6%	100%	94%	6%	100%

[1]/ Minority interest in subsidiary banks, which are less than wholly-owned (for consolidated basis)
[2]/ Net unrealized gains on available for sale equity securities purchased
[3]/ General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shalL be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio
[4]/ Net unrealized losses on available for sale equity securities purchased
[5]/ Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI), per BSP regulations on DOSRI and related party transactions
[6]/ Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates
[7]/ Deferred tax assets
[8]/ For 2014, Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any. For 2015, Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any and Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any
[9]/ Significant minority investments (10%-50% of voting stock) in securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)
[10]/ Other equity investments in non-financial allied undertakings and non-allied undertakings
[11]/ Investments in equity of unconsolidated subsidiary securities dealers/brokers, insurance companies, and non-financial allied undertakings, after deducting related goodwill, if any (for both solo and consolidated bases)

Credit risk-weighted assets. Using the Basel regulatory standardized approach, our total credit risk-weighted assets as of December 31, 2015 amounted to P864.7 billion, and are composed of on-book credit exposures after risk mitigation of P856.5 billion, off-balance sheet risk-weighted assets of P5.1 billion, and counterparty risk-weighted assets in the trading book of P4.4 billion.

The table below provides a summary of the bank's credit risk-weighted assets for 2015 and 2014:

Credit RWAs (P Mn)	Amount	
	2015	2014
Total RWA (On-balance sheet) 0/	856,497	748,720
Total RWA (Off-balance sheet) 0/	5,055	5,664

Credit RWAs (P Mn)	Amount	
	2015	2014
Total counterparty RWA (banking book) 1/	-	37
Total counterparty RWA (trading book)	4,389	3,374
Total RWA credit-linked notes (banking book)	-	93
Total Gross RWA	865,942	757,888
Deductions: General loan loss provision 2/	(1,285)	(864)
Total Credit RWAs	864,657	757,024

[0]/ Risk-weighted assets
[1]/ For derivatives and repo-style transactions; for 2014, the bank has HTM (banking book), with P74Mn risk-weighted at 50%
[2]/ In excess of the amount permitted to be included in upper Tier 2

The bank's credit risk exposures on both on- and off-balance sheet assets after mitigation and off-balance sheet credit equivalent amount, broken down by risk buckets, for 2015 and 2014 are as follows:

SCHEDULE A

December 31, 2015								
RWA (On-Balance Sheet) (P Mn)	Total Credit Risk Exposure after risk Mitigation	Risk Weights						Total CRWA 1/
		0%	20%	50%	75%	100%	150%	
Cash on hand	35,445	35,445	-	-	-	-	-	35,445
Checks and other cash items	256	-	256	-	-	-	-	256
Due frotm BSP	214,970	214,970	-	-	-	-	-	214,970
Due from other banks	21,157		3,574	17,304	-	278	-	21,157
Available-for-sale (AFS)	41,323	23,803	3,447	9,305	-	4,203	-	40,759
Held-to-maturity (HTM)	244,371	185,237	2,435	46,067	-	4,714	-	238,453
UDSCL 2/	-	-	-	-	-	-	-	-
Loans and receivables	839,150	-	26,391	43,963	54,474	708,522	5,800	839,150
Loans and receivables - Others 3/	6,521	6,521	-	-	-	-	-	6,521
Sales contract receivables	0	-	-	-	-	-	0	0
ROPA 4/	3,687	-	-	-	-	-	3,687	3,687
Sub-total	1,406,882	465,977	36,103	116,639	54,474	717,718	9,488	1,400,399
Other assets	16,977	-	-	-	-	16,977	-	16,977
Total exposures, plus other assets	1,423,859	465,977	36,103	116,639	54,474	734,695	9,488	1,417,376
Total risk-weighted OBSA (no CRM) 0/ 5/	-	-	7,221	58,320	40,856	734,695	14,231	855,322
Total risk-weighted OBSA (with CRM) 5/	-	-	187	446	-	543	-	1,175
Total RWA (On-Balance Sheet)		-	7,408	58,765	40,856	735,237	14,231	856,497

December 31, 2014								
RWA (On-Balance Sheet) (P Mn)	Total Credit Risk Exposure after risk Mitigation	Risk Weights						Total CRWA 1/
		0%	20%	50%	75%	100%	150%	
Cash on hand	38,185	38,185	-	-	-	-	-	38,185
Checks and other cash items	293	-	293	-	-	-	-	293
Due from BSP	211,957	211,957	-	-	-	-	-	211,957
Due from other banks	21,594		6,999	14,447	-	148	-	21,594
Available-for-sale (AFS)	50,087	20,345	7,506	15,940	-	5,402	-	49,193
Held-to-maturity (HTM)	208,905	173,987	818	24,075	-	2,434	-	201,314
UDSCL 2/	-	-	-	-	-	-	-	-
Loans and receivables	766,598	0	64,575	27,783	58,930	609,774	5,537	766,598
Loans and receivables - Others 3/	501	501	-	-	-	-	-	501
Sales contract receivables	38	-	-	-	-	38	-	38
ROPA 4/	4,344	-	-	-	-	-	4,344	4,344
Sub-total	1,302,504	444,975	80,192	82,246	58,930	617,795	9,881	1,294,019
Other assets	13,685	-	-	-	-	13,685	-	13,685
Total exposures, plus other assets	1,316,189	444,975	80,192	82,246	58,930	631,480	9,881	1,307,704
Total risk-weighted OBSA (no CRM) 0/ 5/	-	-	16,038	41,123	44,198	631,480	14,822	747,661
Total risk-weighted OBSA (with CRM) 5/	-	-	219	706	-	134	-	1,059
Total RWA (On-Balance Sheet)		-	16,258	41,829	44,198	631,614	14,822	748,720

0/ On-balance sheet assets
1/ Credit risk-weighted assets
2/ Unquoted debt securities classified as loans
3/ Loans and receivables arising from repurchase agreements, certificates of assignment/participation with recourse, and securities lending and borrowing transactions
4/ Real and other properties acquired
5/ Not covered by, and covered by credit risk mitigants, respectively

SCHEDULE B

December 31, 2015								
Counterparty Assets Trading Book (P Mn)	CEA 0/	Risk Weights						Total CRWA 1/
		0%	20%	50%	100%	150%	150%	
Direct credit substitutes 2/	3,195	-		-	691	2,273	-	2,964
Transaction-related contingencies 3/	697	-	-	-	19	671	-	690
Trade-related contingencies 4/	1,434	-	3	-	60	1,337	-	1,401
Total RWA (Off-Balance Sheet)		-	3	-	771	4,281	-	5,055

December 31, 2014								
RWA (Off-Balance Sheet) (P Mn)	CEA 0/	Risk Weights						Total CRWA 1/
		0%	20%	50%	75%	100%	150%	
Direct credit substitutes 2/	3,467	-	4	-	707	2,506	-	3,216
Transaction-related contingencies 3/	869	-	-	-	16	848	-	864
Trade-related contingencies 4/	1,613	-	0	-	87	1,497	-	1,584
Total RWA (Off-Balance Sheet)		-	4	-	809	4,851	-	5,664

0/ Credit equivalent amount
1/ Credit risk-weighted assets
2/ Such as general guarantees of indebtedness and acceptances
3/ Such as performance bonds, bid bonds, warranties and stand-by LCs related to particular transactions
4/ Arising from movement of goods, such as documentary credits collateralized by the underlying shipments, and commitments with an original maturity of up to one year

SCHEDULE C

December 31, 2015							
Counterparty Assets Trading Book (P Mn)	CEA 0/	Risk Weights					Total CRWA 1/
		0%	20%	50%	100%	150%	
Derivative exposures:							
Exchange rate	7,169	-	129	2,872	782	-	3,783
Interest rate	1,030	-	38	416	6	-	461
Credit derivatives	293	-	-	146	-	-	146
Total counterparty RWA 2/ of derivative transactions		-	167	3,434	788	-	4,389

December 31, 2014							
Counterparty Assets Trading Book (P Mn)	CEA 0/	Risk Weights					Total CRWA 1/
		0%	20%	50%	100%	150%	
Derivative exposures:							
Exchange rate	5,717	-	99	2,259	669	-	3,027
Interest rate	707	-	33	262	19	-	313
Credit derivatives	67	-	-	34	-	-	34
Total counterparty RWA 2/ of derivative transactions		-	132	2,555	688	-	3,374

[0]/ Credit equivalent amount
[1]/ Credit risk-weighted assets
[2]/ Risk-weighted assets

Market risk-weighted assets. In terms of capital usage using the Basel standardized approach, total market risk-weighted assets stood at P23.7 billion as of end-2015, of which interest rate exposures accounted for more than half, followed by foreign exposures and equity exposures, respectively.

The table below presents the breakdown of the bank's market risk-weighted assets for 2015 and 2014:

MARKET RWA (P Mn)	AMOUNT	
	2015	2014
Using standardized approach:		
Interest rate exposures	14,873	8,811
Foreign exposures	8,119	15,518
Equity exposures	662	1,238
TOTAL MARKET RWA 0/	23,653	25,567

[0]/ Risk-weighted assets

Operational risk-weighted assets. We currently use the Basel regulatory basic indicator approach to quantify operational risk-weighted assets, by using the historical total annual gross income as the main measure of risk. In 2015, the bank's total operational risk-weighted assets stood at P93.21 billion.

The table below presents the bank's operational risk-weighted assets for the years 2015 and 2014:

OPERATIONAL RWA (P Mn)	AMOUNT	
	2015	2014
Gross income (a)	56,579	48,803
Capital requirement 1/	8,487	7,321
Average capital requirement (b) 2/	7,457	6,649
Adjusted capital charge (c) 3/	9,321	8,312
TOTAL OPERATIONAL RWA 4/	93,208	83,117

[0]/ Risk-weighted assets
[1]/ (a) multiplied by 15 percent
[2]/ Average of 15 percent of (a) for the past (3) years
[3]/ (b) multiplied by 125 percent
[4]/ (c) multiplied by factor 10