



# Operational Highlights

BPI strengthened its commitment to take customers farther in their quest for financial progress and ensured that their funds are safe and secure in the face of a global economic crisis.

An institutional campaign, 'Expect more in life with BPI', offered BPI products and services with better value to the customer.



## BRANCH BANKING

Key initiatives were undertaken to adopt best practices, encourage a culture of saving among Filipinos, and inspire Filipinos towards a more fulfilling life.

On its 157th year, BPI sported a revitalized brand with a new logo and branch look. The new logo now features a more contemporary typeface and a modified crest without box enclosure to symbolize openness and friendliness. The corporate color red was consistently applied in all outlets and ATMs to exemplify the Bank's vigor and dynamism.

The branch interiors of about 100 branches were remodeled with warm shades of deep red and mustard yellow walls, accentuated by artistically rendered images of the Bank's legacy obtained from its historical archives. To better serve customer needs, branch lobbies were equipped with electronic banking facilities for clients who prefer the convenience of self-service banking. Workstations were also provided for private meetings with customers on their financial transactions.

In February, BPI extended its banking hours from 9:00 a.m. to 3:00 p.m. to 9:00 a.m. to 4:30 p.m. to provide more time for its customers to complete their banking transactions. A new document imaging system of signatures on file also enabled customers to perform a wider range of financial



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and non-financial transactions in any of the more than 800 branches in the country as opposed to the customer's branch of account only. These transactions include over-the-counter withdrawal, check encashment, application for manager's checks and telegraphic transfer; ATM card replacement, and request for bank statement and certification. Within BPI and BPI Family Savings Bank, checks deposited over-the-counter in any branch of the same bank are cleared on a real time basis, hence making funds immediately available to the customer.

To gather instant feedback on the branch service, the "Expect More Smiles" program was implemented where a 'Smiley' chip is handed to a customer at the end of the transaction. A customer drops the chip in either the 'happy face' or 'sad face' box to signify his satisfaction or dissatisfaction with the service rendered. The branch personnel who delivered excellent customer service were recognized while those who did not meet the BPI service standards had to be coached by the branch manager.

Moreover, to transform the branches into effective sales outlet, a Sales Management Process initiative was put in place. This included daily sales huddles, coaching by sales experts, sales scripts and campaign management leads, automated monitoring of daily sales, and sales incentives to branch frontliners for lead generation and closed sales. Relationship Managers (RMs) regularly underwent Financial Advisory Programs

and certifications to further hone their skills in rendering relevant and appropriate financial advice to BPI customers. The branches and the RMs sold about 850,000 products during the year.

Outside of the branches, worksite marketing provided an additional cross-selling channel for the Bank's various products to the corporate payroll customer base. Branded as 'BPI on Call', BPI conducted a series of financial wellness seminars in over 400 companies in a span of eight months. Topics covered ranged from building one's savings, budgeting and smart spending, building and protecting assets to an introduction to investing. This initiative generated more than 50,000 products sold since its inception and, more importantly, earned the goodwill of both employers and employees.

BPI Direct introduced Save-Up, an electronic (internet, telephone, mobile phone) access savings account that automatically transfers a specified amount from a client's primary or payroll account on an elected day. This carries a higher interest rate than a regular savings account and comes with a free life insurance coverage of up to 10 times a client's average daily balance or as much as P4 million. This product generated close to 50,000 accounts with an outstanding balance of over P200 million in less than six months.

## ELECTRONIC BANKING

Consistent with the new BPI branch look, 270 ATMs were transformed with the ATM Red Surround. A Software Delivery and Management System (SDMS) was installed in the ATMs to display product or service updates and various advertising campaigns. Cardless Deposit and Bills Payment functionality was also introduced in March to enable customers to conveniently do these transactions without the use of an ATM card.

BPI 24/7 Banking, composed of BPI Express Online, BPI Express Phone, and BPI Express Mobile, provide an efficient and secure way of doing both financial and non-financial transactions anywhere, anytime. This was reinforced by the 'Expect More Freedom' campaign to convey that transactions can be done beyond branch banking hours through the internet, a landline, or a mobile phone 24 hours a day, 7 days a week. Awareness of this service resulted in an increase in the number of users. BPI Express Online customer base and transaction volume grew by 48% and 41%, respectively. BPI Express Phone, the Call Center of which celebrated its 10th year, serviced close to 14 million calls. Launched in 2007, BPI Express Mobile users reached 136,000 in December 2008, six times more than a year ago. These self-service channels serviced 62% of the Bank's monetary transactions.

With the signing of a Memorandum of Agreement with Smart Communications, Inc. in December, BPI Express Mobile will be available for Smart subscribers in the first quarter of 2009.

Despite the intense competition in the cash management services, customer base increased by 16% to 9,714 and transactions totaled 22 million, 14% higher than last year. Similarly, ExpressLink customers increased by 24% to 8,223 and transaction volumes grew by 2.4 million or 37% with monetary values higher by P158 billion or 34% compared to the previous year. ExpressLink, a single, integrated internet banking platform with one of the most comprehensive suite of functionalities, is being retrofitted to accommodate exponential growth from the SME market.

As the Best Cash Management Bank in the Philippines, it introduced product enhancements to respond to the evolving needs of its corporate customers. The One-Government Business Solution was launched with the inclusion of Pag-IBIG and PhilHealth Payments to complement the existing Social Security System (SSS) and BIR Tax payment facilities. The Check Disbursement Facility was re-engineered to handle increased check volume processing, automated e-mail or SMS notification on check availability, individual check release site assignment, and customizable check voucher design. The host-to-host check disbursements file upload was likewise implemented.

Collections Consolidation and Cash Concentration solution, a tailor-fit service that consolidates collection data as well as moves collection funds into investment placements and disbursement accounts, will be piloted with a local utility company.





*ExpressLink is being retrofitted to accommodate exponential growth from the SME market.*



*BPI ATMs are transformed with the new ATM Red Surround.*

## CARD BANKING

Beyond payment convenience, the Bank's credit, debit, and prepaid card businesses provided cardholders with value-laden offers, making BPI Express Credit, Express Teller, and Express Cash the cards of choice at point of sale.

BPI Express Credit signed up over 120 merchants for Real Thrills, an instant rewards system based on cardholders' spending. Cardholders are given discounts and freebies for their accumulated purchases or number of visits at partner merchants. Real Thrills was expanded to allow cardholders to get instant gifts when they shop anywhere for as low as P1,000. The Bank partnered with some of the biggest food chains in the country for these gift offers. Real Thrills was a major contributor to the 27% growth in credit card billings and 30% growth in receivables.

New sales channels were tapped, the Direct Sales Channel in May and an Outbound Call Center in September. Together with the enhanced Branch Sales Model, these channels acquired 74,000 new customers, which were twice the number in 2007, resulting in a 27% growth in customer base.

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The Express Payment System or E.P.S., a payment facility of the Express Teller card, was enhanced with a special privilege feature to give more value to spending. Cardholders enjoy discounts and perks whenever they use E.P.S. at partner establishments. Various promos such as Express Privileges, raffles, and gifts with purchases from supermarkets grew E.P.S. billings by 22% to P8.6 billion.





The Express Cash, BPI's prepaid cards, sustained its double-digit growth in billings with a 20% increase from P216 million in 2007 to P260 million by end 2008. This was brought about by the surge in gift card transactions from both MasterCard electronic and merchant-branded gift cards. Major product developments were the Chinese-inspired Gift Card (similar to 'Ang Pao'), a gift card variant for a new market who want to send good luck tokens in a more convenient package; Petron e-Fuel Card, the first prepaid fuel card in the country; and Express Cash Photo Gift Card, a customized gift card with the cardholder's digital photo.

BPI's merchant acquiring business made its debut in the virtual world with the launch of its e-commerce payment platform, the BPI SecurePay facility. This new facility allows merchants with shopping websites to expand their customer reach by accepting online credit card payments from customers around the globe. Merchants using this facility include two airlines, a flower shop, travel agencies, resorts, and other retail stores among others. Billings grew by a remarkable 39%.

In coordination with BPI/MS Insurance Corporation, the Bank offered the first free insurance promo which generated new auto loans worth P1.22 billion in just one month or an increase of 52% month-on-month.

BPI Family Savings Bank (BFSB), the consumer lending arm of the Bank, continue to provide homes to Filipino families via its Build your Dream Housing Loan. It financed P15.8 billion in new housing loans, 28% over the previous year. Total portfolio reached P37.6 billion, 26% more than last year. Being in the business of consumer financing for over 20 years, the Bank provided expert advice in acquiring a dream home through advocacy ads on TV and newspaper columns. As a market leader, it partnered with notable real estate developers and accredited brokers to provide affordable financing schemes to buyers.

Major process improvements, like automation of the Bank's tracking system, classification of simple and complex accounts, and the use of Blackberry units to send credit evaluation reports of credit investigators from the field, improved the approval turn-around-time (TAT) to just 3 hours for simple and 7 to 8 hours for complex accounts.

Ride your Dream Motorcycle Loan also became available not only to the Bank's payroll accounts but also to other depositors as another mobility option at very affordable loan rates.





## CORPORATE BANKING

Despite the tough times, Corporate Banking managed an 18.5% build up in loan portfolio, largely driven by the top corporate clients. Loans to multinationals and large firms posted strong growth at 26% arising from the term loans granted to power projects and financing of expansion activities of food companies, real estate projects of big and reputable developers, and infrastructure requirements of the BPO industry. The higher oil prices during the year likewise necessitated higher working capital requirements for the top three oil firm clients.

The middle market grew by 17% with higher requirements from trading firms and distributorships, BPOs, real estate companies, energy-related projects, hospitals, schools, and companies in the steel, wheat, soybean, automotive, chemicals, and paper businesses. SME loan portfolio rose by 13%, fuelled by increased demand from smaller firms in these industries. New accounts were actively pursued, mostly from trading communities and branch clients.

SME lending was further augmented by local government and local district project financing. The Electronic Rediscounting Window of the BSP (e-Rediscounting) provided the cheaper alternative funding for SME production and trade credits, which exhibited a significant increase of 197% from a year-ago level.

BPI's microfinance portfolio more than doubled but continued to post 100% repayment rate throughout the year. Taking it one step farther, a Memorandum of Agreement was signed with Globe Telecom and Ayala Corporation to form the country's first mobile microfinance bank. The venture will initially extend wholesale microfinance loans to microfinance institutions and offer other microfinance products in the future, and will use mobile technology to deliver financial services to expand its retail client base.

BPI was the pioneer bank in Southeast Asia to embark on a Sustainable Energy Finance Program on a commercial scale in partnership with the International Finance Corporation. Under this program, companies with projects aimed at

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improving efficiency of energy generation, energy distribution, and energy use, which may lessen carbon emission, can avail of this financing. The Bank financed two projects in 2008 – a biogas expansion of a piggery in Bulacan and the purchase of energy efficient equipment for a carton manufacturing company in Cebu.

The Bank's trade finance business garnered two awards, the Best Local Trade Bank in the Philippines by the Euromoney PLC Trade Finance Asian Awards for Excellence and the Best Local Trade Finance Bank by the Alpha Southeast Asia. BPI also merited a Quality Recognition award for the 5th consecutive year from JP Morgan Chase Bank, and the Best Payments Partner Bank in the Philippines for the 4th consecutive year from Bank of America. In October, Citibank named BPI its Most Outstanding Correspondent Local Bank for Worldlink.

BPI Leasing Corporation and BPI Rental Corporation remained the leading industry player and lessor of choice of multinationals with a 30% market share. New leases booked for the year amounted to P3.67 billion or 15% higher than the previous year. Growth was attributed mainly to higher business volumes from prime accounts via operating leases for cars and strategic partnership with medical equipment vendors. Landmark deals included a leasing facility for a leading food and beverage conglomerate and a hospital with a nursing school based in Paranaque.



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## INVESTMENT BANKING

Sound businesses remain resilient in challenging times and continue to see opportunities in the Philippines. BPI Capital Corporation, the Bank's investment banking arm, played key roles in major fund raising and participated in raising debt & equity totaling P231 billion.

BPI Capital was once again tapped as Joint Issue Manager for the Bureau of Treasury's Retail Treasury Bond (RTB) which generated P70 billion from retail and institutional investors. Due to strong public demand and for the first time since the RTB's inception, sales of the bond were closed several days before the end of the offer period.

On the corporate front, BPI Capital was the sole Issue Manager and Lead Underwriter of Ayala Corporation's P6 Billion Preferred Shares issue, which utilized the P2 billion over-subscription



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option. It also acted as Joint Issue Manager and Lead Underwriter for the fixed rate retail bonds of Ayala Land, Inc. (P4 billion) and Manila Water Company, Inc. (P4 billion).

Despite the volatile financial markets, the Company's Securities Distribution Group successfully sold its allocation of the above public offerings, even emerging as one of the leading selling agents of the RTBs. The Company also sold half of BPI's P5 billion Tier 2 issue in less than a week.

BPI Capital continues to be a major player in the government securities market raising P11 billion in the primary market and trading volumes of over P91 billion in the secondary market. Based on the Philippine Dealing & Exchange Corporation's Fixed Income Trading Activity Report as of December 2008, it ranked third based on brokering activity volume and first based on number of trades out of 22 trading participants.

Major corporations pursued development and expansion projects through BPI Capital's structuring expertise, perfect timing, and swift market execution of the transactions. BPI Capital arranged several loan syndications and private placements raising over P40 billion in peso and dollar denominated funds for power projects and major corporations in various industries such as the Aboitiz Group, ABS CBN, Alphaland Corporation, Araneta Center, JG Summit Holdings, KHI-Manila Property Inc., PLDT, and the Roxas Holdings Group.

BPI Securities Corporation, BPI Capital's wholly owned stock brokerage company, upgraded its online trading platform BPI Trade ([www.bpitrade.com](http://www.bpitrade.com)) to improve its reliability and interface with investors, notwithstanding the poor stock market performance.



## OVERSEAS BANKING

Bangko Sentral ng Pilipinas (BSP) awarded BPI as the Top Commercial Bank for OFW Remittances for the third consecutive year and bestowed the first-ever Hall of Fame citation for this feat. In 2008, the Bank's remittance volume reached USD4.4 billion, a record 35% increase over the previous year and way above the industry's 14% growth. This boosted market share to 28%.

This achievement was attained as the Bank rationalized its overseas operations by closing or consolidating bigger remittance centers with smaller kiosk type offices situated in high traffic areas. Four such kiosks were opened in Seafood City branches in the U.S. while an office catering to Filipinos and Chinese was opened in Turin, Italy. The BPI Remittance Centers now total 21 worldwide with some offices open 6 to 7 days a week to service clients at their convenience.



BPI also increased the number of tie-up companies in the Middle East, Asia, and Europe as well as expat marketing officers to nurture the relationship with these companies. These preserved the Bank's commanding 60% market share in the sea-based market.

Moreover, sizeable investments in IRIS, a remittance back-end system, were made to increase operations efficiency and hasten remittance delivery.

Bank of the Philippine Islands (Europe) Plc., a wholly owned bank subsidiary which began operations in 2007, rolled out its Star Current, Star Savings, and Star Plus time deposit accounts and opened more than a thousand accounts. The subsidiary's share of remittance transactions were up 13.5%, with volume higher by 11.3% and service income up by 7%. All these increased a net income after tax by 80%.

To expand the business in major European cities, BPI Europe sought permission and was granted to carry out cross-border services in 12 Eurozone countries by the Financial Services Authority of the U.K. These 12 countries have the most number of overseas Filipinos in the Eurozone and include Italy, Spain, Germany, and France. BPI Europe will thus market its products and services to these countries in 2009.

## BPI FOREIGN EXCHANGE CORPORATION

BPI Forex maintained trading volumes at the previous year's level due to the resilience of the local economy and sustained remittance flows. Gross trading profits increased by 3% notwithstanding the record volatilities in the peso-dollar rate and other major currencies such as the euro and British pound brought about by adverse events in the international markets. The company overcame these challenges by consistently providing prime, competitive, and up-to-date exchange rates to its clients. To offer its products and services to a wider retail base, sale of foreign currencies was also executed through a wider network.

## ASSET MANAGEMENT AND TRUST

On the strength of established risk management policies and practices, BPI Asset Management grew assets under management by 15% to P290 billion and generated P1.6 billion in revenues. This success centered on time-proven, prudent total investment solutions approach consisting of performance, products, people, and technology.

The BPI Premium Bond Fund, a unit investment trust fund, and ALFM Peso Bond Fund, a mutual fund, which are managed peso funds, remained

consistently on top of its peers with full year return of 3.95% and 4.21%, respectively, despite rising peso interest rates. The leading performance of the investment funds resulted from a strong risk management process based on the principles of value-at-risk. The financial crisis may present very challenging times but BPI Asset Management viewed the financial crisis as an opportunity to buy quality investments at value prices.

Among its complete range of investment products to suit customers' preferences, BPI Asset Management provided investment outlets under BPI Living Trust, a tax-exempt long-term trust product, and access to the BSP Special Deposit Account via the BPI Investment-Linked Limited Structure. It is also the fund manager of Ayala Life Assurance, Inc.'s (ALAI) Express Unit Linked product.

Moving towards a more comprehensive financial planning discipline, BPI Asset Management personnel were accredited as certified financial planners under the International Association of Registered Financial Consultants. This is also in preparation for the adoption of international best practices in the new funds distribution system to be implemented in the ensuing year.

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Communication was also an important priority during the year. Timely advisories and relevant information were issued to its valued investors, and weekly updates and investment recommendations were regularly provided to the BPI sales team.

## INSURANCE

The insurance subsidiaries contributed P588 million in pre-tax profits to the Bank's fee-based revenues. While lower than last year, this was generated largely from the core insurance business.

The insurance subsidiaries focused on completing its product line, providing clients with convenient modes of payment and information channels, opening up new markets for its agency force, and increasing the bancassurance portfolio. Payment channels were expanded to include automatic debit arrangements (ADA) from a settlement account and automatic charge arrangements (ACA) to a BPI credit card.

ALAI, the Bank's life insurance company, launched a series of Personal Accident Insurance (PA) products on its 75th anniversary in April 2008 and distributed free PA coverage of P75,000 to its customers in various ALAI and BPI events. The PA was also used in a pilot project in telemarketing sales with BPI Express Credit Card as mode of payment. A series of affordable greeting cards with a free PA available in denominations of P100,000 and P50,000 face amounts was also introduced. These cards were used by the agency force and the other sales channels to show appreciation to their existing clients and at the same time to encourage them to avail of the free needs-based analysis.

Acknowledging the importance of the internet to the buying public, ALAI also launched its website, [www.ayalalife.com.ph](http://www.ayalalife.com.ph). Aside from providing information about the company, its management, and its product and service offerings, this became a

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venue for clients to send their queries, comments, and suggestions to the company. It also provided downloadable forms to clients and agents, an overseas Filipino page, financial wellness tips, and daily prices of investment funds attached to the variable life products. The single-pay peso and dollar variable life product, an alternative to traditional insurance products, was launched to complete the Company's product line.

BPI's non-life insurance company, BPI/MS Insurance Corporation, remained one of the Philippines' largest non-life insurance companies. To achieve total customer satisfaction, the Quality Management System was implemented with the vision of becoming ISO 9001 certified.





*The Bank, through the Financial Markets Group, maintains a strong presence in the foreign exchange market, covering both institutional and corporate requirements.*

## FINANCIAL MARKETS GROUP

The Financial Markets Group navigated through the turmoil in the international securities markets, implementing effective strategies of shifting from high yield assets to safer and more liquid portfolio comprised of U.S. treasuries and short-term placements. Foreign currency deposit unit spreads were managed by diversifying short-term high grade investments, supporting a prudent strategy of asset allocation, duration, and gapping.

The Bank maintained a strong presence in the foreign exchange (FX) market, covering both institutional and corporate requirements. Customer trade flows in the Visayas and Mindanao areas grew by 65% contributing to the overall growth of 30%. To mitigate clients' risks, FX hedging products were offered. The Bank maintained a conservative portfolio of derivate products and

stayed out of exotic structured products thereby avoiding exposure to credit-related losses.

BPI also provided liquidity to the domestic market by actively trading in the foreign exchange and interest rate swap markets. It also participated in the development of the Philippine Dealing and Exchange Corporation's (PDEX) Inter-Professional Repurchase and Collateralized Call Loan Programs as these products can be executed, cleared, and settled within the Philippine Dealing System (PDS) Group subsidiaries.

The Bank's premiere status in the industry was recognized by the Bureau of Treasury as one of the best Government Securities Eligible Dealer and one of the Most Active Trading Participants in the Philippine Dealing and Exchange Corporation's (PDEX) Fixed Income Exchange.

To prepare BPI for possible investment opportunities, the Bank sought the approval of BSP for the issuance of P15 billion 10-year unsecured subordinated debt qualifying as Lower Tier 2 Capital. The first P5 billion was successfully issued on December 12, 2008 at a rate of 8.45%.

## HUMAN RESOURCES

Recruitment and training efforts were geared towards strengthening the sales and service orientation of the organization. To augment the current sales force of the Bank, a core group of marketing specialists were hired and underwent the Sales Management Training Program. Financial advisory courses aimed at enhancing the investment management and financial consultancy skills of frontline personnel were continuously conducted.

For the senior executives, a pioneering online Leadership Development Program in partnership with the Harvard Business School was launched to further develop core leadership competencies. The Program allowed the participants to access the Harvard Business School cases and Harvard Business Review articles online. Weekly case discussions were facilitated by Harvard alumni from BPI and other Ayala companies.

As part of the 'WOW the Customers' campaign, all branch personnel underwent training on the service attributes to ensure consistent delivery of service across branches. This was complemented by the 'Expect More Smiles' program earlier discussed in Branch Banking. The feedback obtained from this program allowed frontline personnel to further improve their manner of conduct during face to face situations with clients.

In partnership with the World Wildlife Fund, the Bank implemented an environmental program, the BPI I-GIVE Program (I Get Involved, I Volunteer for the Environment), to involve the whole organization in the global efforts to save the environment. Campaigns were launched to promote energy, paper, and water consumption reduction. Carpooling was encouraged among the employees.

The Bank remained committed at nurturing the organization and sustaining an effective workforce by providing more performance based rewards and incentives, strengthening career development, and instilling a culture of employee volunteerism and social responsibility especially during times of natural calamities and disasters.

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