



MEMORANDUM

No.2010-0356

The Philippine Stock Exchange, Inc.

_____ Disclosures	_____ Stockholders' Meeting	Others: <u>Final Offer</u>
_____ Dividend Notice	_____ SEC / Gov't Issuance	<u>Terms</u>
_____ Stock Rights Notice	_____ Transfer Agent's Notice	_____

To : **THE INVESTING PUBLIC**

Subject : **BANK OF THE PHILIPPINE ISLANDS**
Stock Rights Offering

Date : **July 29, 2010**

This is with reference to Offering Memorandum No. 2010-0326 dated July 16, 2010 regarding the Stock Rights Offering (the "Offer" or "Rights") of the **BANK OF THE PHILIPPINE ISLANDS** ("BPI" or the "Bank") to all stockholders of record as of August 5, 2010.

In the said July 16, 2010 Memorandum, the Offer terms provided by the Bank were still indicative as the final Offer terms will be determined on the Pricing Date scheduled on July 28, 2010.

In this regard, please be informed that, in the attached letter dated July 28, 2010 (see Annex "A"), the Bank provided the Exchange the summary of the final Offer terms. Below are the pertinent terms of the Offer:

Gross Proceeds	Approximately ₱10,000,000,000.00
Net Proceeds¹	Approximately ₱9,829,263,646.00
Rights Shares, Par value	307,692,307 common shares, ₱10.00 per share
Offer Price	The Rights Shares are being offered at a price of ₱32.50 per share. The Offer Price is computed based on the 15-day volume-weighted average price ("VWAP") of the Bank's Common Shares on the PSE, subject to a discount of 30.50%.
Rights Entitlement	Each eligible holder of BPI common shares is entitled to subscribe to one (1) Rights Share for every 10.555 Common Shares held as of the Record Date. Fractions of the Rights Shares will not be allotted to existing shareholders and fractional entitlements will be rounded down to the

¹ Use of Proceeds. The Bank has proactively evaluated its capital in light of its business strategy and determined that the Offer would strengthen the core Tier 1 (equity) capital of the Bank, further solidifying the Bank's capital adequacy and financial strength, positioning it to support critical strategic growth initiatives, including (i) extending its credit and the balance sheet to meet increased demand from the growing economy; (ii) deepening and expanding customer relationships while developing new business segments; (iii) broadening the product and services offered to the Bank's growing customer base and (iv) evaluating and pursuing any inorganic growth opportunities as they arise.

In terms of specific application, the Bank expects that the net proceeds will be initially reinvested in investments allowed under BSP but will eventually be reinvested in loans to be disbursed within a period of 18 to 24 months.



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	nearest whole number of the Rights Shares. Such fractions will be aggregated and sold for the benefit of the Bank.
Minimum Subscription	Each Application must be for a minimum of one (1) Rights Shares.
Eligible Shareholders	The Rights Shares are being offered to eligible existing holders of record of BPI common shares as of the Record Date. Holders of common shares who are eligible to participate in the Offer are: (i) holders located inside the Philippines and (ii) holders located in jurisdictions outside the Philippines and the United States where it is legal to participate in the Offer under the securities laws of such jurisdictions.
Payment Terms	The Rights Shares must be paid for in full to the designated "BPI Rights Offer" settlement account upon submission of the Application. Payment must be made by (a) check drawn against a bank in Metro Manila to the order of "BPI Rights Offer" or (b) cash. The check must be dated as of the date of submission of the Application and crossed "Payee's Account Only".
Additional Subscription	If an applicant fully subscribes to his Entitlement Shares and subject to the availability of unsubscribed Rights Shares arising from the failure of the other eligible stockholders to fully exercise their Rights Shares entitlement, the applicant may simultaneously apply for an additional subscription of the unsubscribed Rights Shares (the "Additional Rights Shares"). The Additional Rights Shares are payable in full upon submission of the Application. If the aggregate number of Additional Rights Shares available for subscription equals or exceeds the aggregate number of Additional Rights Shares so subscribed for, an applicant will be allocated the number of Additional Rights Shares indicated in his Application. If the aggregate number of Additional Rights Shares available for subscription is less than the aggregate number of Additional Rights Shares so subscribed for, the available Additional Rights Shares will be allocated to applicants who have applied to subscribe for such Additional Rights Shares. Such allocation will be made at the discretion of



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	<p>the Bank primarily based on each applicant's relative shareholding in the Bank as of the Record Date, provided that no applicant for Additional Rights Shares shall be allocated more Additional Rights Shares than the number for which such applicant has applied. There can be no guarantee made as to the number of Additional Rights Shares an applicant may be allocated. A subscription for Additional Rights Shares is irrevocable on the part of the applicant and may not be cancelled or modified by such applicant.</p>
Refunds	<p>In the event that the number of Rights Shares to be received by an applicant is less than the number covered by its Applicant, or if an Application is rejected by the Bank, then the Bank shall refund, without interest, via check payable to the relevant applicant, within five (5) banking days from the end of the Offer Period, the amount corresponding to the number of Rights Shares not issued to such applicant. Such refund check shall be made available for pickup at the offices of the BPI Stock Transfer Office at the 16th floor, BPI Building, Ayala Avenue corner Paseo de Roxas, Makati City, Philippines. Refund checks that remain unclaimed after 30 days from the date such checks are made available for pickup shall be mailed at the applicant's risk to the address indicated in the Application.</p>
Share Registration and Lodgment	<p>Rights Shares are required to be lodged with the Philippine Depository & Trust Corp. (the "PDTC"). Applicants must provide the required information in the Application to effect the lodgment.</p>
Sole Domestic Issue Manager and Domestic Lead Underwriter	Bank of the Philippine Islands Capital Corporation
Sole International Lead Manager	J.P. Morgan (S.E.A.) Ltd. ²

² The Bank, through the Sole International Lead Manager, is offering the International Offer Shares, by way of the International Offer, outside of the Philippines and the United States in reliance on Regulation S under the U.S. Securities Act.

In the event of an under-application in the International Offer and if there is a corresponding over-application in the Domestic Offer, International Offer Shares in the International Offer may be (at the option of the Sole International Lead Manager with consent of the Sole Domestic Issue Manager and Domestic Lead Underwriter) reallocated to the Domestic Offer. If there is an under-application in the Domestic Offer and if there is a corresponding over-application in the International Offer, Domestic Offer Shares in the Domestic Offer may be (at the option of the Sole Domestic Issue Manager and Domestic Lead Underwriter with the consent of the Sole International



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Receiving Agent	BPI Stock Transfer Office or the designated branches of the Bank or BPI Family Savings Bank.
Stock Transfer Agent	BPI Stock Transfer Office
Independent Auditor	Isla Lipana & Co.
Legal Counsel	Picazo Buyco Tan Fider & Santos

Below is the timetable of the Bank's Offering activities:

Activity	Date
Pricing Date	July 28, 2010
Ex-Date	August 2, 2010
Record Date	August 5, 2010
Offer Period	August 9, 2010 to August 13, 2010
Listing Date	August 23, 2010

For your information and guidance.

(Original Signed)
MARSHA M. RESURRECCION
Head, Listings Department

Noted by:

(Original Signed)
JOSELITO V. BANAAG
*General Counsel &
 OIC, Issuer Regulation Division*

Lead Manager) reallocated to the International Offer. The reallocation shall not apply in the event of over-application in both the Domestic Offer and the International Offer.



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July 28, 2010

Philippine Stock Exchange, Inc.
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Gentlemen:

Re: Summary of the Offer

We refer to the Philippine Stock Exchange's (PSE) letter dated July 15, 2010 informing the Bank of the Philippine Islands (the "Bank") of its approval of the Bank's application for the additional listing of approximately 325,710,000 common shares for its stock rights offering (SRO) to all stockholders as of the proposed record date of August 5, 2010.

Please find attached copy of the Summary of the Final Offer Terms.

Thank you.

Very truly yours,


Antonio V. Paner
Executive Vice President & Treasurer

SUMMARY OF THE OFFER

Issuer.....	Bank of the Philippine Islands, a banking corporation organized under the laws of the Republic of the Philippines.
Rights Shares	307,692,307 Common Shares of the Bank with a par value of ₱10.00 per share. The Rights Shares shall rank equally in all respects with the existing Common Shares, including the right to receive all dividends or distributions made, paid or declared after a valid subscription agreement is perfected between the Bank and a buyer as evidenced by the written acceptance by the Bank of the application to subscribe (the "Application to Subscribe" or the "Application") of the buyer and other conditions, including listing of the Rights Shares on the PSE.
The Offer	<p>The Bank is offering common shares for subscription to Eligible Shareholders on a pre-emptive rights basis.</p> <p>Any Rights Shares that remain unsubscribed for by the Eligible Shareholders after the second round of the Offer will be taken up by the Sole Domestic Issue Manager and Domestic Lead Underwriter to be offered to qualified buyers as defined under the SRC.</p>
Offer Price	The Rights Shares are being offered at a price of ₱32.50 per share. The Offer Price is computed based on the 15-day volume-weighted average price ("VWAP") of the Bank's Common Shares on the PSE, subject to a discount of 30.5%.
Offer Period	The Offer Period shall commence on August 9, 2010 and end on August 13, 2010 at 1:00 p.m. The Bank and the Lead Managers reserve the right to extend or terminate the Offer Period with the approval of the PSE.
Minimum Subscription	Each Application must be for a minimum of one (1) Rights Share.
Eligible Shareholders.....	<p>The Rights Shares are being offered to eligible existing holders of record of Common Shares as of the Record Date. Holders of Common Shares who are eligible to participate in the Offer are: (i) holders located inside the Philippines and (ii) holders located in jurisdictions outside the Philippines and the United States where it is legal to participate in the Offer under the securities laws of such jurisdiction.</p> <p>The Common Shares of the Bank may be held by any person or entity, regardless of nationality, subject to the right of the Bank to reject an Application or reduce the number of Rights Shares applied for subscription or purchase if the same will cause the Bank to be in breach of the Philippine ownership requirement under relevant Philippine laws.</p>
Rights Entitlement	<p>Each eligible holder of Common Shares is entitled to subscribe to one (1) Rights Share for every 10.555 Common Shares held as of the Record Date (the "Entitlement Shares").</p> <p>Fractions of the Rights Shares will not be allotted to existing shareholders and fractional entitlements will be rounded down to the nearest whole number of the Rights Shares. Such fractions will be aggregated and sold for the benefit of the Bank.</p> <p>Subscription to the Rights Shares in certain jurisdictions may be restricted by law. Foreign investors interested in subscribing or purchasing the Rights Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Rights Shares will not violate the laws of their jurisdiction and that</p>

they are allowed to acquire, purchase and hold the Rights Shares.

Additional Subscription If an applicant fully subscribes to his Entitlement Shares and subject to the availability of unsubscribed Rights Shares arising from the failure of the other eligible stockholders to fully exercise their Rights Shares entitlement, the applicant may simultaneously apply for an additional subscription of the unsubscribed Rights Shares (the "Additional Rights Shares"). The Additional Rights Shares are payable in full upon submission of the Application. If the aggregate number of Additional Rights Shares available for subscription equals or exceeds the aggregate number of Additional Rights Shares so subscribed for, an applicant will be allocated the number of Additional Rights Shares indicated in his Application. If the aggregate number of Additional Rights Shares available for subscription is less than the aggregate number of Additional Rights Shares so subscribed for, the available Additional Rights Shares will be allocated to applicants who have applied to subscribe for such Additional Rights Shares. Such allocation will be made at the discretion of the Bank primarily based on each applicant's relative shareholding in the Bank as of the Record Date, provided that no applicant for Additional Rights Shares shall be allocated more Additional Rights Shares than the number for which such applicant has applied. There can be no guarantee made as to the number of Additional Rights Shares an applicant may be allocated. A subscription for Additional Rights Shares is irrevocable on the part of the applicant and may not be cancelled or modified by such applicant.

Restrictions on Ownership The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities. The Bank is subject to Philippine legislation restricting the aggregate foreign ownership to 40.0% of the outstanding Shares. Accordingly, the Bank cannot allow the issuance or the transfer of its Shares which may result in the Bank ceasing to be at least 60.0% owned by Philippine nationals.

As of March 31, 2010, approximately 67.0132% of the Shares were held by Philippine nationals. After completion of the Offer, foreign equity shall not exceed 40.0% of the Bank's share capital.

For more information, see the sections titled "Description of the Securities" and "Risk Factors" of the Prospectus.

Procedure for Application All Applications shall be evidenced by the Application to Subscribe, duly executed by an authorized signatory of the applicant and the corresponding payment for the Rights Shares covered by the Application and all other required documents. The duly executed Application and required documents should be submitted during the Offer Period to the branches of the Bank and BPI Family Savings Bank. Eligible Shareholders of certificated shares that are located outside the Philippines and the United States may submit an Application to the BPI Stock Transfer Office (the "Receiving Agent") by email or fax before the end of the Offer Period.

If the applicant is an eligible individual shareholder, the applicant must submit a properly completed Application to Subscribe.

If the applicant is a corporation, partnership, or trust account, the Application to Subscribe must be accompanied by a duly notarized corporate secretary's certificate setting forth the resolution of the applicant's board of directors or equivalent body authorizing the purchase of the Rights Shares indicated in the Application, identifying the designated signatories authorized for the purpose, including his or her specimen signature, and certifying to the percentage of the applicant's capital or capital stock held by Philippine nationals.

If the applicant is a non-Filipino (individual shareholder or corporation, partnership or trust account), the Application to Subscribe must be accompanied by a certification letter (in the form attached to the Application to Subscribe) representing and warranting that (i) the applicant is not a resident in the United States and (ii) the

applicant's purchase of the Rights Shares will not violate the laws of their resident jurisdiction.

Applications must be received by the Receiving Agent or by designated branches of the Bank or BPI Family Savings Bank not later than 1 p.m., Manila Time on the last day of the Offer Period. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to the Receiving Agent, and shall be subject to the terms and conditions of the Offer as stated in this Prospectus and in the Application. The actual subscription and/or purchase of the Rights Shares shall become effective only upon the actual listing of the Rights Shares on the PSE.

Payment Terms The Rights Shares must be paid for in full to the designated "BPI Rights Offer" settlement account upon submission of the Application. Payment must be made by (a) check drawn against any BSP authorized agent bank to the order of "BPI Rights Offer" or (b) cash. The check must be dated as of the date of submission of the Application and crossed "Payee's Account Only". Check payments for regional clearing will not be accepted.

Acceptance/Rejection of Applications The Bank has full discretion to accept or reject all or a portion of any Application under the terms and conditions of the Offer. The actual number of Rights Shares to which any applicant may be entitled is subject to the confirmation of the Bank. Applications where checks are dishonored upon first presentment and Applications which do not comply with the terms of the Offer shall be rejected. Moreover, payment received upon submission of an Application does not constitute approval or acceptance by the Bank of the Application.

An Application, when accepted, shall constitute an agreement between the applicant and the Bank for the subscription to the Rights Shares at the time, in the manner and subject to terms and conditions set forth in the Application and those described in this Prospectus. Notwithstanding the acceptance of any Application by the Bank, the actual subscription and/or purchase by an applicant of the Rights Shares will become effective only upon listing of the Rights Shares on the PSE. If such condition is not fulfilled on or before the periods provided above, all application payments will be returned to the applicants without interest and, in the meantime, the said application payments will be held in a separate bank account with the Receiving Agent.

Refunds In the event that the number of Rights Shares to be received by an applicant is less than the number covered by its Application, or if an Application is rejected by the Bank, then the Bank shall refund, without interest, via check payable to the relevant applicant, within five (5) banking days from the end of the Offer Period, the amount corresponding to the number of Rights Shares not issued to such applicant. Such refund check shall be made available for pickup at the offices of the BPI Stock Transfer Office at the 16th floor, BPI Building, Ayala Avenue corner de Paseo de Roxas, Makati City, Philippines. Refund checks that remain unclaimed after 30 days from the date such checks are made available for pickup shall be mailed at the Applicant's risk to the address indicated in the Application.

Issuance and Transfer Taxes All documentary stamp taxes applicable to the original issuance of the Rights Shares shall be for the sole account of the Bank.

Registration and Lodgment of Shares with the Philippine Depository & Trust Corp. Rights Shares are required to be lodged with the Philippine Depository & Trust Corp. (the "PDTC"). Applicants must provide the required information in the Application to effect the lodgment. Applicants may request their shares in certificated form and receive stock certificates evidencing their investment in the Rights Shares through their respective brokers after full payment and lodgment of the Rights Shares and in accordance with existing procedure. The cost of the issuance of stock certificates shall be for the account of the applicant, except for expenses to be incurred by BPI Stock Transfer Office as the stock transfer agent, which shall be borne by the Bank *provided*, a request and submission of completed documents and requirements to the BPI Stock Transfer Office is made within 90

calendar days from the Listing Date.

Registration of Foreign Investments..... The Bangko Sentral ng Pilipinas, the central bank of the Philippines (the "BSP") requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance is to be sourced from the domestic banking system. The registration with the BSP of all foreign investments in the Rights Shares shall be the responsibility of the foreign investor.

Listing and Trading..... The Bank's application for the listing of the Rights Shares was approved by the PSE on July 14, 2010. All of the Rights Shares are expected to be listed on the PSE on August 23, 2010. Trading is expected to commence on the same date that the relevant Rights Shares are listed on the PSE.

Timetable..... The timetable of the Offer is scheduled as follows:

Ex-Date	August 2, 2010
Record Date	August 5, 2010
Offer Period	August 9, 2010 to August 13, 2010
Listing Date	August 23, 2010

The dates listed above are subject to market and other conditions and may be changed at the discretion of the Bank and, the Lead Managers, subject to the approval of the PSE.

Underwriter's Firm Commitment to Purchase..... The Sole Domestic Issue Manager and Domestic Lead Underwriter shall purchase, or procure qualified institutional buyers in the Philippines to purchase, a portion of the unsubscribed Offer, after the second round, to ensure that the Rights Shares covered by the Offer are fully subscribed. See the section titled "Plan of Distribution" of the Prospectus.