

BPI

AUDITCOM REPORT TO THE BOARD OF DIRECTORS

REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 2010

The Board of Directors Bank of the Philippine Islands

In line with the duties and responsibilities defined in the Audit Committee Charter and in compliance with the applicable corporate governance laws and rules, we confirm that:

1. We have two (2) independent Directors out of the four (4) members, with an independent director chairing the Audit Committee.
2. We had 12 regular and 1 special meetings for 2010 with at least three (3) Directors present, including the Chairman.
3. We discussed, reviewed and evaluated the following significant matters:
 - the audited consolidated financial statements of Bank of the Philippine Islands (BPI) as of and for the year ended December 31, 2010, with Management, internal auditors and the external auditors, Isla Lipana & Co., a member firm of Price Waterhouse Coopers. These activities were performed in the following context:
 - Management has the primary responsibility for the financial statements and the financial reporting process;
 - Isla Lipana & Co. is responsible for expressing an opinion on the BPI annual audited consolidated financial statements in accordance with the Philippine Financial Reporting Standards.

We reviewed and discussed with Management and internal auditors, and endorsed to the Board of Directors for approval the quarterly unaudited financial statements;

- the 2010 internal audit work plan, Internal Audit Risk Assessment model and audit rating framework, and the Internal Audit's accomplishments versus plan to ensure audit goals are achieved;

We also evaluated the performance of the Chief Audit Executive; assessed and reviewed the adequacy of resources, access to relevant records, properties and

personnel, the competence of staff, and the activities of Internal Audit performed in accordance with the International Standards for the Professional Practice of Internal Auditing.

- the reports of Internal Audit and Compliance Office ensuring that Management is taking appropriate actions in a timely manner, including addressing internal controls and compliance issues;
- the overall scope and audit plan of Isla Lipana & Co., including the engagement letter. We also received written disclosures from them re-affirming their independence from the BPI, subsidiaries and Management;
- the BSP Consolidated Report of Examination on BPI and its Financial Allied Subsidiaries as of October 31, 2009, including management replies. The Bank maintained the CAMELS 4 rating;
- the Minutes of Meetings conducted by the respective Audit Committees of BPI subsidiaries;
- the Audit Committee Charter and the Internal Audit Charter were also reviewed and no changes were recommended.

4. In addition, the Audit Committee:

- Recommended the re-engagement of Isla Lipana & Co. as the Bank's external auditor for 2011
- Regularly coordinated with Risk Management Committee to ensure that risks noted in the audit are properly evaluated and addressed, and
- Conducted a self-assessment on the Audit Committee performance

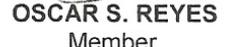
Based on Internal Audit's assurance activities, Internal Audit through the Chief Audit Executive rendered a favorable overall assessment/judgment to the Audit Committee, Board of Directors and Senior Management regarding the adequacy and effectiveness of the Bank's risk management, corporate governance and internal control processes. This overall assessment states, among others, that the scope and coverage are sufficient, comprehensive and risk-based, that Management is aware of its responsibility for internal control, and that there is no interference with the accomplishment of Internal Audit activities and reporting of issues and other relevant information to appropriate level of Management, Audit Committee, and Board of Directors.



OCTAVIO V. ESPIRITU
Member



XAVIER P. LOINAZ
Chairman



OSCAR S. REYES
Member



KHOO TENG CHEONG
Member