

**STANDARD DOCUMENT COVER SHEET  
FOR SEC FILINGS**

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

SEC Number 121  
File Number

**BANK OF THE PHILIPPINE ISLANDS  
BPI BUILDING, 6768 AYALA AVE. CORNER PASEO DE ROXAS  
MAKATI CITY, METRO MANILA  
818-55-41 to 48  
FISCAL YEAR ENDING DECEMBER 31**  
(indicate if anything above is new and the date it was changed)

**SEC FORM 17-Q QUARTERLY REPORT  
AMENDMENT DESIGNATION "A"**

**PERIOD-ENDED March 31, 2011**  
(if a report, financial statement, GIS, or related amendment or show-cause filing)

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

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17 (2) (b) THEREUNDER**

1. For the quarterly period ended **March 31, 2011**
2. Commission identification number **121**
3. BIR Tax identification No. - **TIN: 000-438-366-000**
4. **BANK OF THE PHILIPPINE ISLANDS**  
Exact name of registrant as specified in its chart
5. **Philippines**  
Province, country or other jurisdiction of incorporation
6. Industry Classification Code: (SEC Use Only)
7. **BANK OF THE PHILIPPINE ISLANDS BUILDING**  
**6768 Ayala Avenue Corner Paseo de Roxas**  
**Makati City** **ZIP Code 0720**  
Address of principal office **Postal Code**
8. **(02) 818 5541 to 48**  
Registrant's telephone number, including area code
9. **Not Applicable**  
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code

Title of each class	Number of shares of common stock outstanding and amount of debt outstanding
<b>Common</b>	<b>3,556,356,173</b>

11. Are any or all of the securities listed on the Philippine Stock Exchange? Yes [x] No [ ]  
If yes, state the name of such stock exchange and the classes of securities listed therein:

**Philippine Stock Exchange** **Common**

12. Indicate by check mark whether the registrant:

(a) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such reports) Yes [] No []

(b) Has been subject to such filing requirements for the last 90 days Yes [] No []

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENT OF CONDITION**  
**MARCH 31, 2011 AND DECEMBER 31, 2010**  
(in Thousands of Pesos)

	<b>UNAUDITED</b>	<b>AUDITED</b>
	<b>MARCH 31, 2011</b>	<b>DECEMBER 31, 2010</b>
<b>RESOURCES</b>		
Cash and Other Cash Items	14,043,053	18,150,991
Due from Bangko Sentral ng Pilipinas	98,393,226	128,487,493
Due from Other Banks	8,734,255	6,548,011
Interbank Loans Receivable and Securities		
Purchased under Agreements to Resell	21,218,779	66,832,907
Financial Assets at Fair Value through Profit or Loss		
Derivative Financial Assets	5,738,912	6,058,892
Trading Securities	16,916,383	11,448,815
Available for Sale Securities, net	84,558,155	112,522,947
Held-to-Maturity Securities, net	95,304,856	95,474,303
Loans and Advances, net	359,763,670	378,728,447
Bank Premises, Furniture, Fixtures and Equipment	11,626,863	11,605,982
Investment Properties, net	2,685,847	2,706,049
Assets Held for Sale, net	11,239,316	11,773,668
Equity Investments, net	2,488,247	2,508,088
Assets Attributable to Insurance Operations	11,787,106	11,915,613
Deferred Income Tax Assets, net	5,594,074	5,023,075
Other Resources, net	10,733,847	8,360,277
<b>TOTAL RESOURCES</b>	<b>760,826,588</b>	<b>878,145,558</b>
<b>LIABILITIES AND CAPITAL FUNDS</b>		
Deposit Liabilities		
Demand	121,689,397	120,528,815
Savings	247,013,894	245,769,001
Time	235,291,447	353,468,394
Sub-total	<b>603,994,738</b>	<b>719,766,211</b>
Derivative Financial Liabilities	5,022,685	5,329,468
Bills Payable	26,419,858	24,868,223
Due to Bangko Sentral ng Pilipinas and Other Banks	1,018,025	2,000,084
Manager's Checks and Demand Drafts Outstanding	4,562,164	4,186,804
Accrued Taxes, Interest and Other Expenses	3,640,690	5,119,066
Unsecured Subordinated Debt	5,000,000	5,000,000
Liabilities Attributable to Insurance Operations	9,039,450	9,212,827
Deferred Credits and Other Liabilities	19,191,510	20,388,544
<b>TOTAL LIABILITIES</b>	<b>677,889,121</b>	<b>795,871,226</b>
<b>CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI</b>		
Capital Stock	35,562,265	35,562,265
Paid-in Surplus	8,316,838	8,316,838
Reserves	1,323,521	1,366,683
Surplus	38,215,500	35,317,835
Accumulated Other Comprehensive Loss	(1,764,006)	466,175
	<b>81,654,117</b>	<b>81,029,796</b>
Non-controlling Interest	1,283,350	1,244,536
<b>TOTAL CAPITAL FUNDS</b>	<b>82,937,468</b>	<b>82,274,332</b>
<b>TOTAL LIABILITIES AND CAPITAL</b>	<b>760,826,588</b>	<b>878,145,558</b>

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**For the Three Months Ended March 31, 2011 and 2010**  
**(In Thousands of Pesos)**

	<b>Unaudited 2011</b>	<b>Unaudited 2010</b>
<b>INTEREST INCOME</b>		
On loans and advances	6,353,139	5,994,350
On held-to-maturity securities	1,574,622	1,389,695
On available-for-sale securities	916,329	577,155
On deposits with BSP and other banks	765,190	698,626
On trading securities	174,857	127,922
Gross Receipts Tax	<b>(352,961)</b>	<b>(331,779)</b>
	<b>9,431,177</b>	<b>8,455,969</b>
<b>INTEREST EXPENSE</b>		
On Deposits	2,835,930	2,596,574
On Bills Payable and other borrowings	309,158	375,214
	<b>3,145,089</b>	<b>2,971,789</b>
<b>NET INTEREST INCOME</b>	<b>6,286,088</b>	<b>5,484,180</b>
<b>IMPAIRMENT LOSSES</b>	<b>592,244</b>	<b>623,786</b>
<b>NET INTEREST INCOME AFTER IMPAIRMENT LOSSES</b>	<b>5,693,844</b>	<b>4,860,394</b>
<b>OTHER INCOME</b>		
Fees and commissions	1,143,234	925,828
Income from foreign exchange trading	426,273	568,444
Trading gain (loss) on securities	207,633	549,540
Income attributable to insurance operations	242,927	129,216
Other operating income	1,287,278	1,514,293
Gross Receipts Tax	<b>(212,788)</b>	<b>(266,491)</b>
	<b>3,094,557</b>	<b>3,420,831</b>
<b>OTHER EXPENSES</b>		
Compensation and fringe benefits	2,356,639	2,139,255
Occupancy and equipment-related expenses	1,461,980	1,398,959
Other operating expenses	1,446,665	1,270,845
	<b>5,265,284</b>	<b>4,809,059</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>3,523,116</b>	<b>3,472,166</b>
<b>PROVISION FOR INCOME TAX</b>		
Current	738,438	700,089
Deferred	<b>(131,937)</b>	10,769
	<b>606,501</b>	<b>710,858</b>
<b>NET INCOME FOR THE PERIOD</b>	<b>2,916,615</b>	<b>2,761,307</b>
Attributable to:		
Equity holders of BPI	<b>2,854,902</b>	<b>2,732,189</b>
Non-controlling interest	<b>61,713</b>	<b>29,119</b>
	<b>2,916,615</b>	<b>2,761,307</b>
Earnings per share:		
Based on 3,556,356,173 shares as of March 31, 2011 and 3,247,022,287 shares in 2010	<b>P 0.80</b>	<b>P 0.84</b>

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the Three Months Ended March 31, 2011 and 2010**  
**(In Thousands of Pesos)**

	<b>Unaudited 2011</b>	<b>Unaudited 2010</b>
<b>NET INCOME BEFORE MINORITY INTEREST</b>	<b>2,916,615</b>	<b>2,761,307</b>
<b>Other Comprehensive Income:</b>		
Net change in fair value reserve on available-for-sale securities, net of tax effect	(2,059,006)	(52,826)
Fair value reserve on investments of insurance subsidiaries, net of tax effect	(159,883)	60,356
Share in other comprehensive income of associates	(70,066)	985,826
Currency translation differences	35,815	(163,852)
<b>Total Other Comprehensive Income (Loss), net of tax effect</b>	<b>(2,253,140)</b>	<b>829,505</b>
<b>Total Comprehensive Income for the Year</b>	<b>663,476</b>	<b>3,590,812</b>
<b>Attributable to:</b>		
Equity holders of BPI	624,721	3,556,297
Non-Controlling Interest	38,754	34,515
	<b>663,476</b>	<b>3,590,812</b>

**BANK OF THE PHILIPPINE ISLANDS**  
**STATEMENT OF CHANGES IN CAPITAL FUNDS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011 & MARCH 31, 2010**  
(In Thousands of Pesos)

	<b>Consolidated</b>						
	<b>Attributable to equity holders of BPI</b>						
	Capital stock	Paid-in surplus	Reserves	Surplus	Accumulated Other Comprehensive Income	Non-controlling interest	Total
<b>Balance, December 31, 2010</b>	35,562,265	8,316,838	1,366,683	35,317,835	466,175	1,244,536	82,274,332
Total comprehensive income for the year				2,854,902	(2,230,181)	38,754	663,476
Employee stock option plan:							0
Unexercised expired stock option			(41,017)	41,017			(0)
Cash dividends							0
Adjustments			(2,145)	1,745			(400)
Other changes in non-controlling interest						60	60
<b>Balance, March 31, 2011</b>	35,562,265	8,316,838	1,323,521	38,215,500	(1,764,006)	1,283,350	82,937,468

	<b>Consolidated</b>						
	<b>Attributable to equity holders of BPI</b>						
	Capital stock	Paid-in surplus	Reserves	Surplus	Accumulated Other Comprehensive Income	Non-controlling interest	Total
<b>Balance, December 31, 2009</b>	32,466,688	1,412,302	1,394,866	33,160,134	(1,636,301)	967,459	67,765,149
Total comprehensive income for the year				2,732,189	824,108	34,515	3,590,812
Employee stock option plan:							0
Exercise of options	2,235	8,436	(15,694)				(5,023)
Cash dividends				(2,922,079)			(2,922,079)
Adjustments			(3,066)	2,085	2,001		1,020
Other changes in minority interest							0
<b>Balance, March 31, 2010</b>	32,468,923	1,420,738	1,376,107	32,972,329	(810,192)	1,001,974	68,429,879

**BANK OF THE PHILIPPINE ISLANDS**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE QUARTERS ENDED MARCH 31, 2011 AND MARCH 31, 2010**  
**(In Thousands of Pesos)**

	2011	2010
<b><i>CASH FLOW FROM OPERATING ACTIVITIES</i></b>		
Income before income tax	3,523,116	3,472,166
Adjustments for:		
Impairment losses	592,244	623,786
Depreciation and amortization	659,530	613,716
Equity in net income of associates	(2,496)	2,459
Dividend income	(125)	(24,333)
Interest income	(9,784,138)	(8,787,748)
Interest received	11,966,600	10,362,441
Interest expense	3,145,089	2,971,789
Interest paid	(3,848,903)	(3,193,071)
Operating income before changes in operating assets and liabilities	6,250,917	6,041,205
Changes in operating assets and liabilities		
(Increase) decrease in:		
Due from Bangko Sentral ng Pilipinas	13,558,194	3,350,000
Interbank loans receivable and securities purchased	2,774,536	20,214,826
Trading securities	(5,490,353)	12,505,001
Loans and advances	18,169,220	9,256,901
Assets held for sale	534,352	205,233
Assets attributable to insurance operations	(44,916)	233,587
Other resources	(2,665,641)	(2,483,225)
Increase (decrease) in:		
Deposit liabilities	(115,771,472)	(18,821,110)
Due to Bangko Sentral ng Pilipinas and other bank	(982,059)	(1,173,715)
Manager's checks demand drafts outstanding	375,360	(32,301)
Accrued taxes, interest and other expenses	(774,563)	(616,867)
Liabilities attributable to insurance operations	(173,376)	(185,745)
Derivative financial instrument	13,198	139,234
Deferred credits and other liabilities	(1,197,034)	(361,594)
Net cash from operating activities before income tax	(85,423,636)	28,271,429
Income taxes paid	(1,177,500)	(634,001)
Net cash generated from operating activities	(86,601,135)	27,637,427
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>		
(Increase) decrease in:		
Available for sale securities	24,841,573	5,118,745
Held-to-maturity securities	(473,882)	(5,019,900)
Bank, premises, furniture, fixtures and equipment	(637,563)	(462,048)
Dividends received	125	24,333
Equity investments	(171,736)	(123,938)
Assets attributable to insurance operations	168,960	(41,957)
Investment property	20,202	15,607
Net cash used in investing activities	23,747,679	(489,158)
<b><i>CASH FLOWS FROM FINANCING ACTIVITIES</i></b>		
Cash Dividends	-	(2,922,079)
Increase (decrease) in bills payable	1,551,635	(7,391,223)
Net cash (used in) provided by financing activities	1,551,635	(10,313,302)
<b><i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i></b>		
	(61,301,821)	16,834,967
<b><i>CASH AND CASH EQUIVALENTS</i></b>		
January 1	161,910,429	75,428,358
December 31	100,608,608	92,263,325



**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2011**

<b>SEC REQUIREMENT</b>	<b>DISCLOSURE</b>
Disclosure that the issuer's interim financial report is in compliance with generally accepted accounting principles	The Bank's interim financial statements have been prepared in accordance with the Phil. Financial Reporting Standards (PFRS) which includes applicable PFRS, PAS (Phil. Accounting Standards) and interpretations approved by the FRSC (Financial Reporting Standards Council).
The following information, as a minimum, should be disclosed in the notes to financial statements, if material and if not disclosed elsewhere in the interim financial report:	
<ul style="list-style-type: none"> <li>• A statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change.</li> </ul>	<ul style="list-style-type: none"> <li>• The Bank's interim financial statements have been prepared consistent with its most recent annual financial statements as of December 31, 2010 which was in accordance with the PFRS (Philippine Financial Reporting Standards) adopted by the SEC.</li> </ul>
<ul style="list-style-type: none"> <li>• Explanatory comments about the seasonality or cyclicity of interim operations</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>• The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>• The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period</li> </ul>	<ul style="list-style-type: none"> <li>• In compliance with the PFRS, the Bank adopted certain accounting and measurement methods in 2010. Those changes did not materially affect the current interim period.</li> </ul>
<ul style="list-style-type: none"> <li>• Issuances, repurchases, and repayments of debt and equity securities</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>• Dividends paid (aggregate or per share) separately for ordinary shares and other shares</li> </ul>	<ul style="list-style-type: none"> <li>• Nothing to report</li> </ul>

**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

<b>SEC REQUIREMENT</b>	<b>DISCLOSURE</b>
<ul style="list-style-type: none"> <li>Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting. (This shall be provided only if the issuer is required to disclose segment information in its annual financial statements)</li> </ul>	<ul style="list-style-type: none"> <li>Attached</li> </ul>
<ul style="list-style-type: none"> <li>Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period</li> </ul>	<ul style="list-style-type: none"> <li>Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations</li> </ul>	<ul style="list-style-type: none"> <li>Nothing to report</li> </ul>
<ul style="list-style-type: none"> <li>Changes in contingent liabilities or contingent assets since the last annual balance sheet date</li> </ul>	<ul style="list-style-type: none"> <li>Changes in contingent liabilities and contingent assets are in the normal course of business and are not anticipated to cause any material losses from those commitments/ contingent liabilities.</li> </ul>
<ul style="list-style-type: none"> <li>Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.</li> </ul>	<ul style="list-style-type: none"> <li>Nothing to report</li> </ul>

BANK OF THE PHILIPPINE ISLANDS SEGMENT REPORT For the Quarter Ended March 31, 2011					
In P Mn	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Interest Income	5,828	1,845	1,819	(61)	9,431
Interest Expense	2,857	162	31	95	3,145
Net interest income	2,971	1,683	1,788	(156)	6,286
Impairment charge	330	260	0	2	592
Net interest income after impairment charge	2,641	1,423	1,788	(158)	5,694
Other Income, net	1,589	427	890	188	3,094
Total operating expenses	4,135	724	251	155	5,265
Operating profit	95	1,126	2,427	(125)	3,523
Share in net income of associates					62
Provision for Income Tax					607
Net Income					2,855
	CONSUMER BANKING	CORPORATE BANKING	INVESTMENT BANKING / FINANCIAL MARKETS	CORP / ELIM	TOTAL
Assets	244,560	239,086	255,603	21,578	760,827
Liabilities	628,245	19,307	21,070	9,267	677,889
Capex	118	462	3	107	690
Depreciation	294	223	3	140	660

## Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

### Financial Condition

**Total resources** as of end of first quarter 2011 stood at P760.8 billion, P117.3 billion or 13.4% lower than December 2010's level of P878.1 billion. The decrease was due to the decline in total **deposits** by P115.8 billion or 16.1% to P604.0 billion owing to the P118.2 billion **time deposits** maturities. **Accrued taxes, interest and other expenses** contracted by P1.5 billion or 28.9% on payments of accrued interests on matured/redeemed time deposits and accrued yearend expenses. **Deferred credits and other liabilities** likewise declined by P1.2 billion primarily on lower bills purchased contra account. **Due to Bangko Sentral ng Pilipinas (BSP) and other banks** also declined by P982 million or 49.1% on lower tax collections and foreign banks deposits. **Derivative financial liabilities** were lower by P307 million on lower market valuation of swaps and offshore non deliverable forwards. **Bills payable**, however, grew by P1.6 billion on increased foreign currency interbank borrowings. **Manager's Checks and Demand Drafts Outstanding** also went up by P375 million on higher level of outstanding manager's checks issued.

**Total capital funds** grew by P663 million. **Surplus** increased by P2.9 billion or 8.2% mainly due to first quarter earnings, but was partially offset by the increase of P2.2 billion in **accumulated other comprehensive loss** resulting from the market valuation of available for sale securities.

On the asset side, **interbank loans receivable and securities purchased under agreements to resell** decreased by P45.6B to service the time deposit maturities. **Due from BSP** likewise declined by P30.1 billion on lower statutory reserves on deposits and placements with the BSP following the drop in deposits. **Available for Sale Securities, net** fell by P28.0 billion on reduced government securities inventory as interest rates were initially expected to rise in the first quarter of the year. **Trading securities**, on the other hand, increased by P5.5 billion as interest rates movement showed signs of a reversal in the upward trend by March 2011. **Derivative financial assets** were also lower by P320 million on lower market valuation of offshore non-deliverable forwards.

**Loans and advances, net** also went down by P19.0 billion or 5.0% on payments of loans drawn in the fourth quarter. **Cash and Other Cash Items** dropped by P4.1 billion on lower cash level requirement relative to year-end. **Other Resources, net** was higher by P2.4 billion due to deferred charges related to the acquisition of the trust and investment management business of ING Bank Manila N.V. and increased prepaid expenses. **Due from Other Banks** also grew by P2.2 billion on higher balances with foreign banks from proceeds of matured foreign currency securities. **Deferred income tax** also grew by P571 million on lower valuation gains on available for sale securities and derivative products.

## RESULTS OF OPERATIONS

### For the Three Months ended March 31, 2011 and 2010

**Net income** for the first quarter of 2011 was P2.8 billion, P123 million or 4.5% higher than same period last year of P2.7 billion. Total revenues increased by P476 million but were almost negated by an increase of P456 million in **other expenses**. **Provision for income tax** however declined by P104 million.

**Net interest income** was up by P802 million or 14.6% due to the P81.0 billion or 11.7% average asset base expansion, and the 8 basis points increase in net interest margins. Asset yield was preserved at last year's level, as 59.6% of the increase in asset base was in the relatively higher yielding loans. Cost of funds likewise declined on the higher growth rate of low cost funds.

**Interest income** was up by P975 million while **interest expense** increased by P173 million.

- The higher **interest income** was brought about by an overall improvement in the volume of interest-bearing assets. Income on **loans and advances** was higher by P359 million or 6%, notwithstanding a drop in yield, on increased volume of P46.3 billion or 14.8%. Income on **available for sale securities, held-to-maturity securities, and deposits with BSP and other banks** rose by P339 million, P185 million, and P67 million on higher average balances of P26.2 billion, P17.3 billion, and P16.9 billion, respectively. The increase in income on **trading securities** of P47 million however came from the 3% improvement in yield as its average volume dropped by P29.4 billion. These increases caused **gross receipts tax** to be higher by P21 million.
- The **interest expense** increase was mainly attributed to the P239 million rise in interest expense on **deposits** as average deposit volume grew by P66.4 billion. On the other hand, interest expense on **bills payable and other borrowings** declined by P66.1 million due to the lower rediscounting volume with the BSP.

**Other income** was at P3.1 billion, P326 million or 9.5% lower than same period last year. **Trading gain (loss) on securities** fell by P342 million on valuation losses on local government securities in the trading book. **Other operating income** was also down by P227 million mainly due to last year's non-recurring access fee of P232 million from Philamlife. **Income from foreign exchange trading** likewise dropped by P142 million on lower realized gains from forwards and swaps. On the other hand, **fees and commissions** grew by P217 million on increased service charges from higher transaction volume. **Income attributable to insurance operations** likewise increased by P114 million on higher premiums earned by BPI/MS Insurance Corp. (BPI/MS) and investment income at BPI Philam Life Assurance Co. With the overall decline in other income, **gross receipt tax** declined by P54M.

**Impairment losses** at P592 million was P31 million or 5.1% lower due to collection of interest on some past due accounts, thereby necessitating the reversal of loss provision on the corresponding accrued interest receivable.

**Other expenses** at P5.3 billion was P456 million or 9.5% higher than last year's P4.8 billion. **Compensation and fringe benefits** were higher by P217 million on increased manpower headcount and higher salaries. **Other operating expenses** also reflected a P176 million or 13.8% increase due to higher regulatory and variable costs.

**Provision for income tax** at P606 million was P104 million or 14.7% lower in view of the lower taxable position of the Bank. This is reflected in the lower **deferred income tax (DIT)** of P143 million compared to last year which reflected the corresponding reversal of DIT equivalent to the utilized portion of net operating loss carry over. **Current income tax** on the other hand increased by P38 million due to higher final taxes.

**Income attributable to non-controlling interest** went up by P33 million or 111.9% largely on increased earnings of BPI/MS.

### **Comprehensive Income**

**Total comprehensive income** for the first quarter of 2011 was P663 million, P2.9 billion less than last year's P3.6 billion. The decline was due to the drop in **other comprehensive income** by P3.1 billion.

The **net change in fair value reserve on available-for-sale securities** was a P2.1 billion loss based on the market valuation of bank's available for sale securities. The **share in other comprehensive income of associates** was likewise P1.1 billion lower based on the market valuation of the investments of BPI-Philam. The **fair value reserve on investments of insurance subsidiaries** also fell by P220 million due to the decline in the market valuation of equities and funds of the insurance subsidiaries. **Currency translation differences**, however, improved by P200 million due to the strengthening of the British pound.

With the above movements in **other comprehensive income**, **income attributable to equity holders** similarly dropped by P2.9 billion while **income attributable to non-controlling interest** managed to increase by P4.2 million with the higher profits of the bank's insurance subsidiaries.

### Key Performance Indicators

The following ratios, applied on a consolidated basis, are used to assess the performance of the Bank and its majority owned subsidiaries:

	March 31, 2011	March 31, 2010
Return on Equity (%)	14.4	16.6
Return on Assets (%)	1.5	1.6
Net Interest Margin (%)	3.7	3.6
Operating Efficiency Ratio (%)	56.0	54.0
Capital Adequacy Ratio (%) - Basel II	16.5	14.7

**Return on equity (ROE)**, net income divided by average equity, and **return on assets (ROA)**, net income divided by average assets, were lower by 222 and 10 basis points, respectively, largely due to 21% and 12% increase in average equity and assets, respectively, as against the modest growth in profits of 4%. ROE and ROA measure the bank's efficiency in utilizing its capital and resources, respectively, to generate profits.

**Net interest margin (NIM)**, net interest income divided by average interest bearing assets, was 8 basis points higher this year as cost of funds declined by 9 basis points.

**Operating efficiency ratio** (cost to income), operating expenses divided by total revenues, deteriorated by 2.0% to 56.0% as operating expenses growth outpaced operating the revenue growth. The Bank thus utilized a higher level of expenses but fell short of generating more revenues.

**Capital adequacy ratio (CAR)**, total qualifying capital divided by total risk-weighted assets, measures the ability of the bank's capital funds to cover its various risks. The bank's CAR at 16.5% was better than last year's 14.7% due to the increase in qualifying capital on account of the stock rights issue and higher surplus. The bank's CAR is above BSP's minimum requirement of 10%.

## **Material Events and Uncertainties**

The Bank has nothing to report on the following:

1. Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.
2. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
3. Other material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period other than those mentioned above.
4. Material commitments for capital expenditures.
5. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
6. Events that will cause material change in the relationship between costs and revenues (such as known future increases in cost of labor or materials or price increases or inventory adjustments).
7. Any significant elements of income or loss that did not arise from the registrant's continuing operations.
8. Any seasonal aspects that had a material effect on the financial condition or results of operations.



**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**BANK OF THE PHILIPPINE ISLANDS**

Issuer



**AURELIO R. MONTINOLA III**  
Chief Executive Officer / President

Date: May 12, 2011



**ANTONIO V. PANER**  
Executive Vice President / Treasurer

Date: May 12, 2011

**BPI UNIBANK**  
**CONSOLIDATED AGING OF ACCOUNTS RECEIVABLE**  
**MARCH 31, 2011**

<b>No. of Days Outstanding</b>	<b>Amount (In Thousands)</b>
0-90	P 581,221
91-180	49,663
181-360	25,079
Over 360	1,264,341
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<b>Grand Total</b>	<b>P 1,920,304</b>
<b>Less: Allowance for Probable Losses</b>	<b>1,017,014</b>
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<b>Net of Allowance for Probable Losses</b>	<b>P 903,290</b>
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