

**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 (required)  
File Number \*\***

**BANK OF THE PHILIPPINE ISLANDS  
6768 BPI BUILDING, AYALA COR. PASEO DE ROXAS, MAKATI CITY  
818-5541 to 48  
December 31, 2004  
SEC FORM I7 -A (Form type)**

**AMENDMENT DESIGNATION (if applicable)**

**FOR THE PERIOD ENDED DECEMBER 31, 2004**  
(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)

- 
- \* SEC will assign SEC No. to new companies.
  - \*\* SEC will assign File No. to new applications or registrations.
  - \*\*\* Companies should display the File No. on any filing which is an amendment to an application or registration

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-A  
ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended : **DECEMBER 31, 2004**
2. SEC Identification Number : **121**
3. BIR Tax Identification No. : **TIN: 047-000-438-366**
4. **BANK OF THE PHILIPPINE ISLANDS**  
Exact name of issuer as specified in its charter
5. **Ayala Avenue, Makati City, Metro Manila, Philippines**  
Province, Country or other jurisdiction of incorporation or organization
6. Industry Classification Code  : (SEC Use Only)
7. **BANK OF THE PHILIPPINE ISLANDS BUILDING**  
**Cor. Ayala Avenue & Paseo de Roxas**  
**Makati City, Metro Manila** **ZIP Code 1226**  
Address of principal office **Postal Code**
8. **(02) 818-5541 to 48**  
Issuer's telephone number, include 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 SRC, or Sections 4 and 8 of the RSA  

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Common</b>	<b>2,243,672,470</b>
11. Are any or all of these securities listed on a 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. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [  ]                      No [  ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [  ]                      No [  ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

<b>Shares Held by Non-Affiliates</b>	<b>Market Value per share as of 04/13/05</b>	<b>Total Market Value</b>
2,243,165,929	P 49.50	P 111,036,713,485.50

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [  ]                      No [  ]

**DOCUMENTS INCORPORATED BY REFERENCE**

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

- (a) Any annual report to security holders;
- (b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);
- (c) Any prospectus filed pursuant to SRC Rule 8.1-1.

## PART 1 - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### (A) Description of business

##### (1) Business Development

BPI is the second largest commercial bank in the country in terms of total assets. It has a significant market share in both the deposit and lending markets and has the biggest market share in consumer lending. The bank also enjoys a significant presence in corporate finance, asset and fund management, securities distribution and insurance business. BPI is a recognized leader in electronic banking, having introduced most of the firsts in the industry, such as automated teller machines (ATMs), a point-of-sale debit system, kiosk banking, phonebanking, internet banking and mobile banking.

*Historical Background.* BPI is the country's oldest bank. It was founded in 1851 and issued the country's first currency notes four years later. It opened its first branch in Iloilo in 1897 and pioneered in sugar crop loans, thereby paving the way for Iloilo and Negros to emerge as prime sugar exporters. It also financed the first tram service, telephone system, and electric power utility in Manila and the first steamship in the country.

*Business Evolution.* In the post World War II era, BPI evolved from a purely commercial bank to a fully diversified universal bank with activities encompassing traditional commercial banking as well as investment and consumer banking. This transformation into a universal bank was accomplished largely through mergers and acquisitions in the eighties when it absorbed an investment house, a stockbrokerage company, a leasing company, a savings bank, and a retail finance company.

In the last decade, BPI consummated two bank mergers. In 1996, it merged with City Trust Banking Corporation, a medium sized bank, to further strengthen its stronghold in consumer banking and in 2000, it consummated the biggest merger in the banking industry when it merged with the former Far East Bank & Trust Company (FEBTC). This merger strengthened its foothold in the asset management & trust services, enhanced its penetration of the middle market, as well as further reinforced its dominance in branch banking. In 2000, it also formalized its acquisition of three major insurance companies in the life, non-life and reinsurance fields. This move integrated the insurance product line into the bank's basket of financial products for its customers.

The entire evolution of BPI has been a process of improving and broadening its array of products and services and at the same time balancing its presence and risk exposures across the corporate, middle and consumer markets. By constantly improving its product line, it is able to serve its customers in the most comprehensive way possible and retain them in the process. By maintaining a very well balanced and diversified risk structure, the bank is able to ensure the relative stability of its earnings streams.

##### Business Milestones (2002-2004).

On August 18, 2003, Universal Reinsurance Corp. (UNIRE), the bank's reinsurance subsidiary, signed a memorandum of agreement with Malayan Reinsurance Corp. to merge in 2004. The merger was completed in January 2004 and the merged entity is now known as the Universal Malayan Reinsurance Corp., a 50:50 joint venture between BPI and the Yuchengco Group of Companies. The merged company has the capacity to go for a larger foothold in the Philippine reinsurance industry.

In December 2004, BPI's thrift bank subsidiary, BPI Family Savings Bank merged with Shenton Realty Corporation, with the former as the surviving entity.

Principal Subsidiaries. The bank's principal subsidiaries are:

- (1) BPI Family Savings Bank, Inc. serves as BPI's primary vehicle for retail deposits, housing loans and auto finance. It has been in the business since 1985.
- (2) BPI Capital Corporation is an investment house concentrating in corporate finance and the securities distribution business. It began operations as an investment house in December 1994. It merged with FEB Investments Inc. on December 27, 2002. It wholly owns BPI Securities Corporation, a stock brokerage company.
- (3) BPI Leasing Corporation is a quasi-bank concentrating in lease finance. Its quasi-banking license was inherited from the merger with Citytrust Investment Phils. Inc. in May 1998. It was originally established as Makati Leasing and Finance Corporation in 1970. It merged with FEB Leasing & Finance Corporation on February 20, 2001.
- (4) BPI Direct Savings Bank is a savings bank focused on providing internet and mobile banking services to its customers. It started operating as such on February 17, 2000 when it obtained Bangko Sentral ng Pilipinas approval to do so. Prior to this, the legal vehicle was known as BPI Agribank and had been focused on agricultural lending and project finance.
- (5) BPI International Finance Limited, Hong Kong is a deposit taking company in Hong Kong. It was originally established in August 1974.
- (6) BPI Express Remittance Corp. (U.S.A) is a remittance center for overseas Filipino workers and was incorporated on September 24, 1990.
- (7) BPI Remittance Center (Europe) SPA was incorporated on June 19, 1994 as a remittance center for overseas Filipino workers.
- (8) BPI/MS Insurance Corporation is a non-life insurance company formed through a merger of FGU Insurance Corporation and FEB Mitsui Marine Insurance Company on January 7, 2002. FGU and FEB Mitsui were acquired by BPI through its merger with Ayala Insurance Holdings Corp. and FEBTC in April 2000.
- (9) Ayala Life Assurance Inc. is a life insurance company acquired by BPI through its merger with AIHC in April 2000. It was originally established in 1933 as Filipinas Life Assurance Co. and has a 100% owned subsidiary, Ayala Plans, which is in the pre-need business.
- (10) Universal Malayan Reinsurance (UMRe) is the reinsurance company formed through the merger of Universal Reinsurance Corp. (UNIRE) and the Yuchengco group's Malayan Reinsurance Corp. in January 2004. UNIRE was acquired by BPI through its merger with AIHC in April 2000.

## (2) **Business of Issuer**

### **Principal Products & Services**

The bank has two major categories for products & services. The first category covers its deposit taking and lending / investment activities. Revenue from this category is known as net interest income and accounts for about 68% of revenues. The second category covers income derived

from all services other than deposit taking, lending, and investing. These are generally in the form of commissions, service charges & fees and are derived from rendering services that are auxiliary to its basic or core banking services. Revenues include investment banking & corporate finance fees, asset management & trust fees, foreign exchange, securities distribution fees, securities trading gains, credit card membership fees, rental of safety deposit boxes, income from insurance subsidiaries and service charges / commissions. The latter is earned on international trade transactions, drafts, fund transfers, and various deposit related services, etc. The bank may from time to time also realize gains or losses from the disposal of foreclosed properties.

#### Foreign Offices Contribution

	2002	2003	2004
Share in Total Revenue (%)	1.55	1.40	1.35
Hongkong	0.47	0.44	0.35
USA	0.58	0.57	0.57
Europe	0.50	0.39	0.42
Share in Total Net Income (%)	0.34	1.29	(0.49)
Hongkong	0.18	0.08	-
USA	0.45	1.06	.01
Europe	(0.29)	0.15	(0.50)

#### Distribution Network

BPI had 709 traditional branches across the country, including 227 Express Banking Centers (EBCs) by the end of 2004. EBCs are kiosk branches much smaller than the traditional branch but fully equipped with terminals allowing direct electronic access to product information and customers' accounts as well as processing of self service transactions. They serve as sales outlets in high foot traffic areas such as supermarkets, shopping malls, transit stations, and large commercial establishments.

BPI's ATM network, known as the ExpressNet, complements the branch network by providing banking services to its customers at any place and time of the day. As of December 2004, the ExpressNet consortium had a total of 2,188 ATM servicing its customers nationwide. An interconnection of ExpressNet with Megalink, another ATM network, provides BPI ATM card holders access to more than 3,856 ATMs. Its ATM network is also interconnected with the Cirrus international ATM network. In addition, BPI also operates an Express Payment System (point-of-sale / debit card system) involving 11,232 terminals in major department stores, supermarkets, and merchant establishments. This facility allows customers to pay for their purchases electronically through their ATM cards. This network is interconnected with the Maestro international POS network.

BPI pushes the frontiers with respect to the use of the phone as a powerful and efficient delivery channel for its electronic banking services through the Express Phone Facility. BPI depositors are able to inquire their balances and latest transactions, request for bank statements, transfer funds to other BPI accounts real time, and pay for their various bills (e.g., PLDT, Meralco, club dues, insurance premiums) and reload prepaid cell phones electronically. To further enhance the Express Phone facility, a Call Center was established in 1998 to provide phone banker assisted services to its customers. The bank also provides Mobile banking service for busy and mobile depositors requiring real-time updates on their deposit, loan and credit card balances.

In 2000, BPI launched its B2C web-based platform, Express Online (EOL), which provides all the transactional services available through the Express Phone plus the real-time convenience of viewing transactional history and balances on screen. EOL now also allows investment transactions through its BPI Trade platform. Customers can choose to invest in equities as well as government securities (GS), common trust funds (CTFs) and mutual funds (MFs) online without having to go through any dealer or broker.

BPI also maintains a specialized network of remittance centers for servicing overseas remittances from contract workers and other Filipinos working abroad. To date, BPI has 15 Remittance Centers and Desks located in Hong Kong, USA and Europe. BPI also maintains tie-ups with various foreign entities in locations where this mode of operation is more effective and cost-efficient.

On the lending side, BPI maintains 10 Business Centers across the country to process loan applications, loan releases, and international trade transactions and provide after-sales servicing of loan accounts, whether on the corporate or retail side.

### **Competition**

Mergers, acquisitions and closures trimmed down the number of players in the industry from a high of 50 upon the liberalization of rules on the entry of foreign banks to 40 universal and commercial banks in 2004.

In 2004, industry loans increased by 4.5%. Stiff competition continued in corporate lending with banks focusing mainly on the same more stable and bigger institutions, while pockets of growth were seen in the middle corporate market segment. Spreads on top-tier corporate loans remained narrow with some banks willing to squeeze margins in order to corner the business. Recent trend towards regionalization of multinational company also poses a threat. Loans to the middle corporate market segment have wider spreads but carries a higher risk as the sector continue to be highly vulnerable to economic shocks as shown by the 1997 Asian crisis. Certain manufacturers reaching 80% capacity utilization offers some prospects for loan growth. Some corporate accounts, however, remained saddled with over-capacity.

The weak demand for corporate loans prodded banks to venture more and more into consumer lending. BPI, being a well-entrenched, long-term player enjoys the advantage of having an unrivaled depth of experience in this operationally demanding business that spans origination / credit selection, collection, and asset recovery activities. With this advantage, BPI has managed to maintain its unquestionable leadership in this market. The bank's high level of automation also provided competitive edge in its consumer and other business thrusts.

BPI's continuing double certifications on Quality Management (ISO 2001:2000) and Information Security Management (BS 7799-2:2002) was affirmed by TUV auditors. These certifications are particularly significant as these were earned in the context of an integrated management system and are first in the banking industry.

Based on published statements as of December 2004, BPI is the second largest bank operating in the country in terms of assets, deposits, loans, and capital and largest in terms of asset management and trust business.

### **Patents, Trademarks, Licenses, Franchises, etc.**

BPI sells its products and services through the BPI trademark and/or tradenames. All its major financial subsidiaries carry the BPI name e.g. BPI Family Savings Bank (BFSB), BPI Capital, BPI Securities, BPI Leasing, BPI Direct Savings, and so do its major product & service lines.

In addition to the BPI trademark, it markets its products through the "Express" brand name e.g.,

- (1) Express Banking Center, for its banking kiosks
- (2) Express Loan Center, for the banking kiosks of BPI Family Savings Bank
- (3) Express Teller, for its ATM
- (4) Express Deposit Service, for its cash acceptance machine
- (5) Express Payment System or EPS, for its debit card system
- (6) ExpressNet, for its shared ATM network
- (7) Express Credit, for its credit cards
- (8) Express Cash, for its electronic cash card
- (9) Express Phone, for its call center facility
- (10) Express Online, for its internet based transaction platform for retail customers
- (11) Express Connect, for its mobile banking facility
- (12) Express Prepaid, for its prepaid cell phone reloading /top-up facility
- (13) ExpressLink, for its internet based transaction platform for corporate customers
- (14) ExpressBills, for its bill presentment facility
- (15) Express Collect, Express Recon, etc. for its corporate deposit related services
- (16) Express Remit, for its remittance service
- (17) Express Life Plus, for its peso denominated life insurance and savings plan
- (18) Express Dollar Protector, for its dollar denominated Endowment Plan.

At BPI Family Savings Bank, the product trademarks include the Happy Family Housing Loan and the Happy Family Auto Loan. Other product brands of BPI and BFSB are Maxi-One, Gold Savings, Platinum Savings, Platinum for Kids, Multi Earner, Power 5 & TD Plus.

In terms of corporate business licenses, BPI has an expanded commercial banking license while BPI Family Savings Bank and BPI Direct Savings have savings bank licenses. Both BPI and BPI Direct Savings have e-banking licenses. BPI Capital Corporation has an investment house. BPI Leasing has a finance company as well as quasi-banking license.

### **Related Parties**

BPI extends loans to its Directors, Officers, Stockholders and their Related Interests or DOSRI in the normal course of business and on equal terms with those offered to unrelated third parties. The Bangko Sentral ng Pilipinas (BSP) imposes an aggregate ceiling of 15% of the bank's loan portfolio for these types of loans with the unsecured portion limited to thirty percent (30%) of the outstanding loans, other credit accommodations and guarantees. As of December 31, 2004, DOSRI loans amounted to 3.93% of loans and advances as per Note 9 of the 2004 Audited Financial Statements.

### **Government Regulations**

Under the General Banking Act, the Monetary Board of the BSP is responsible for regulating and supervising financial intermediaries like BPI. The implementation and enforcement of the BSP regulations is primarily the responsibility of the supervision and examination sector of the BSP.

The General Banking Act was revised in 2000. The revisions allow (1) the issuance of tier 2 capital and its inclusion in the capital ratio computation, and (2) the 100% acquisition of a local bank by a foreign bank. The second item removes the advantage of a local bank over a foreign bank in the area of branching.

The Special Purpose Vehicle Law was passed in 2002 and allows the creation of special purpose vehicles (SPV) to invest in and acquire non-performing assets of financial institutions. Transactions eligible under the law are exempt from capital gains tax. Sellers who may incur losses in their transactions which may result in negative tax positions, may utilize their NOLCO for a maximum period of 5 years.



### Research and Development Activities

BPI spent the following for the last three years:

		% of Revenues
2002	Php 86.5 M	0.4
2003	98.3	0.5
2004	145.0	0.6

### Employees

Below is a breakdown of the manpower complement of BPI in 2004 as well as the approved headcount for 2005.

	December 31 2004			2005
	Officers	Staff	Total	Plan
Unibank	2,676	7,032	9,708	10,002
Insurance Companies	141	576	717	725
	2,817	7,608	10,425	10,727

Majority of the rank and file employees are members of various unions. The Department of Labor and Employment Secretary decided on the Collective Bargaining Agreement of the parent company for 2004-2005 on February 24, 2005.

### Risk Management

The bank carries out a disciplined approach to managing all the risks pertaining to its business to protect and optimize shareholder value. The risk management infrastructure covers all identified risk areas. Risk management is an integral part of day-to-day business management and each operating unit measures, manages and controls the risks pertaining to its business. Functional support on policy making and compliance at the corporate level is likewise provided for the major risk categories: credit risks, market risks and operating risks. Finally, independent reviews are regularly conducted by the Internal Audit group, regulatory examiners and external auditors to ensure that risk controls are in place and functioning effectively.

Credit risk continues to be the largest single risk that the bank faces. Credit risk management involves the thorough evaluation, appropriate approval, management and continuous monitoring of counterparty risk, product risk, and industry risk relating to each loan account and/or portfolio. The credit risk management process of the Unibank is anchored on the strict implementation of credit risk management policies, practices and procedures, control of delegated credit approval authorities and limits, evaluation of portfolio risk profile and the approval of new loan products taking into consideration the potential risk. For consumer loans, credit risk management is additionally supported by established portfolio and credit scoring models.

Market risk management involves liquidity risk and price risk. Both risks are managed thru a common structure and process but use separate conceptual and measurement frameworks that are compatible with each other. Liquidity risk management involves the matching of asset and liability tenors to limit the bank's vulnerability to abnormal outflows of funds. If funds flows are not defined by contractual maturity, the bank resorts to historical and statistical models in arranging funds by tenor buckets. Mismatches between asset and liability maturities are managed down where deemed appropriate. Price risk management involves measuring the probable loss arising from changes in the values of financial instruments and major asset and

liability components as a result of changes in market rates, prices and volatility. The bank applies various form of Value-at-Risk (VAR) methodology to the trading book and the balance sheet. For trading accounts, potential losses are defined over a one to thirty day holding period at a 99% confidence level. For balance sheet interest rate risk, the balance sheet VAR is calculated at the 99% level with a two month holding period. Data requirements for volatility analysis are based at a minimum of one year. The return on VAR (ROVAR) framework is used to define risk return objectives and measure actual performance.

Operational risk management involves creating and maintaining an operating environment that ensures and protects the integrity of the institution's assets, transactions, records and data, the enforceability of its claims, and compliance with all pertinent legal and regulatory parameters.

## **Item 2. Properties**

BPI's Head Office is located at the BPI Building, Ayala Avenue corner Paseo de Roxas, Makati City. BPI likewise owns BPI Buendia Center, the former head office of Far East Bank, which is located at Buendia Avenue, Makati City. Of the 709 branches, 538 operate as BPI branches: 274 in Metro Manila / Greater Metro Manila Area and 264 in the provincial area. The parent bank owns 32% of these branches and leases the remaining 68%. Total annual lease amounted to Php 350 million. Expiration dates of the lease contracts vary from branch to branch.

BPI Family Savings Bank operates another 169 branches of which 20% are bank owned while 80.% are leased. Total annual lease amounted to Php 91 million.

The head offices of BPI and BPI Family Savings Bank as well as the 709 branches are maintained in good condition for the benefit of both the employees and the transacting public. The bank enforces standards for branch facade, layout, number and types of equipment and upkeep of the premises.

All of the bank-owned properties are free from any lien.

The bank will maintain its existing number of branches and will continue to reconfigure the mix of its traditional branches and Express Banking Centers (kiosk branches) as it adjusts to the needs of its customers.

## **Item 3. Legal Proceedings**

NONE

## **Item 4. Submission of Matters to a Vote of Security Holders**

NONE

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer's Common Equity and Related Stockholders Matters

#### Market Information

The common shares of BPI have been listed on the Philippine Stock Exchange since 1966.

The table below shows the high and low prices of BPI shares transacted at the Philippine Stock Exchange (PSE) for each quarter within the last two (2) fiscal years.

	<b>High</b>	<b>Low</b>
Year Ended December 31, 2003		
1st Quarter	P 38.00	P 31.00
2 <sup>nd</sup> Quarter	51.00	33.00
3 <sup>rd</sup> Quarter	49.50	41.00
4th Quarter	47.00	41.00
Year Ended December 31, 2004		
1st Quarter	P 52.50	P 43.00
2 <sup>nd</sup> Quarter	50.50	40.00*
3 <sup>rd</sup> Quarter	46.50	40.00
4th Quarter	52.50	46.00

\* A 20% stock dividend took effect on 1 June 2004.

The high and low sales prices of BPI at the Philippine Stock Exchange on January 31, 2005 were P58.50 and P52.00, respectively.

#### Holders of Common Equity

There were 14,397 common share holders of BPI as of December 31, 2004. Please refer to Exhibit C for the top one hundred (100) shareholders and beneficial owners of PCD Nominee Corporation with their corresponding shares and percentage ownership of BPI.

#### Dividends

Cash dividends declared and paid during the years ending December 31, 2003 & 2004 are as follows:

<u>BPI</u>	<u>Amount Declared</u>	<u>Amount Paid</u>
Year Ending December 31, 2003	4,861 Million	4,861 Million
Year Ending December 31, 2004	5,834 Million	5,536 Million

The difference between the amount declared and paid per year is due to the time lag in obtaining Bangko Sentral approval to pay out the dividends.

There are no known restrictions or impediments to the company's ability to pay dividends on common equity, whether current or future.

#### Recent Sales of Unregistered or Exempt Securities

There were no unregistered securities sold during the year.

**Item 6. Management Discussion and Analysis of Financial Condition and Results of Operations** (Last Three Years: 2002, 2003, 2004)

Highlights of the balance sheet and income statement for each year together with the compounded growth rate over the three year period (2001 - 2004) are shown below:

**Financial Condition**

In Million Pesos	2001	2002	2003	2004	CAGR
Assets	397,796	402,274	419,023	470,673	5.77%
Deposits	316,676	314,919	324,512	367,031	5.04%
Loans (Net)	188,036	187,255	189,076	205,760	3.05%
Capital	48,373	50,781	52,141	53,472	3.40%

Asset levels over the last three (3) years reached a compounded annual growth rate of 5.7%, primarily fuelled by the 5.0% growth in Deposits. Loans and Capital, expanded at a relatively slower pace of 3.0% and 3.4 %, respectively.

*Asset Quality.* The bank maintained its diversified loan portfolio spread across the corporate, middle and consumer markets at 42%, 32%, and 26% of total loans, respectively. Its non-performing loans ratio (Gross NPL - over 90 days past due) declined from 11.9% in 2002 and 10.3% in 2003 to 7.2% in 2004. This improvement in asset quality resulted from active loan work-outs, write-offs and the sale of P4.2 billion NPLs to Philippine Asset Investment, Inc. (an affiliate of Morgan Stanley Emerging Markets, Inc.). Reserves related to the NPLs sold caused the decline in total reserves from P15.3 B to P11.2 B or 5.2% of total loan portfolio. NPL cover stood at 72%.

BSP defined NPL ratio of 30 days and net of fully reserved NPLs for the bank was 5.6% compared to 6.5% the previous year. This was less than half the industry average.

BPI will continue to pursue its objective of reducing its NPL through collection or restructuring where appropriate, or through the sale of a portion of its NPL to interested buyers or Special Purpose Vehicles (SPV).

*Liquidity.* BPI maintains one of the strongest liquidity positions in the industry. It derives 97% of its funding from its deposit base and has very minimal borrowings (Bills Payable). The bank's loan to deposit ratio was 64%, 63% and 59% for 2002, 2003 and 2004, respectively. As excess funds were invested in investment securities, the bank has more than the required reserve level for its deposits and is well positioned to fund any potential increase in loan demand in an economic upturn.

**Results of Operations**

In Million Pesos	2001	2002	2003	2004	CAGR
Net Interest Income	14,991	13,005	13,222	15,493	1.10%
Non-Interest Income	6,631	6,964	6,977	7,227	2.91%
Provision for Losses	2,692	1,200	1,200	1,623	-15.52%
Operating Expenses	12,668	12,157	11,634	12,162	-1.35%
Net Income	5,253	5,173	5,674	6,668	8.28%

BPI's net income grew by an average of 8.3% over the last three (3) years due to higher revenues and well managed overhead. Net interest income and non-interest income increased by 1.1% and 2.9%, respectively. Overhead was down by 1.3%.

### Net Interest Income

The bank's net interest income (gross interest income less VAT/GRT and interest expense) consistently accounted for around two thirds of the bank's total revenues. In 2004, net interest income accounted for 68% of the bank's revenues due to the growth in asset base and the wider net interest margin.

### Non-Interest Income

The bank's non-interest income such as bank commissions and service charges, foreign exchange and securities trading gains, income from the insurance subsidiaries, investment banking fees, gains on assets disposed accounted for the remaining one third of revenues. Non-interest income posted a growth rate of 2.9% with improved earnings derived from the bank's insurance subsidiaries, corporate finance fees, gains from the sale of non-performing assets, asset management and trust fees, and rental income.

### Operating Expenses

The bank's operating expenses were very well contained and posted a decline of 1.3%. The Input VAT credits resulted in a 2% favorable variance in 2003. The rise in 2004 overhead costs was basically due to higher manpower expenses and non-credit related write offs.

### Key Performance Indicators

	2002	2003	2004
Return on Equity (%)	10.4	11.1	12.5
Return on Assets (%)	1.4	1.5	1.6
Net Interest Margin (%)	3.9	3.9	4.3
Operating Efficiency Ratio (%)	60.9	57.6	53.5
Capital Adequacy Ratio (%)	19.6	21.1	20.2

The bank's profitability ratios reflect consistent improvement over the years. The return on equity (ROE) or the ratio of net income to average equity improved from 10.4% in 2002 to 12.5% in 2004 reflecting the more efficient utilization of the bank's capital. Return on assets (ROA) or the ratio of net income to average assets likewise inched up from 1.4% to 1.6% as an indication of the better use of the bank's assets.

The net interest margin (NIM) or the ratio between the bank's net interest income and its total earning assets was steady at 3.9% in 2002 and 2003. This widened to 4.3% in 2004 mainly on the upward trend in the benchmark Treasury Bill rates which enabled the bank to reprice its assets.

The bank's operating efficiency ratio or the ratio of operating expenses to total income showed a notable improvement from 61% in 2002 to 53% in 2004. The bank managed to grow its revenue base while maintaining about the same level of manpower resources, premises and other operating expenses.

The bank's capital adequacy ratio (CAR) or the BIS "risk-weighted" ratio had stayed at twice the required 10% minimum of the Bangko Sentral ng Pilipinas (BSP) as it posted 19.6%, 21.1% and 20.2 % in 2002, 2003, and 2004 respectively. This ratio provides the bank ample capacity for potential loan growth in the event of a major economic turnaround as well as possible acquisition of portfolio or entities deemed complementary to its existing markets.

### Material Event/s and Uncertainties:

Other than the disclosure enumerated above, the bank has nothing to report on the following:

- Any known trends, demands, commitments, events or uncertainties that will have a material impact on its liquidity
- Any event that will trigger direct or contingent financial obligation that is material to the bank, including any default or acceleration of an obligation

- c) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the bank with unconsolidated entities or other persons created during the reporting period.
- d) Any material commitments for capital expenditures.
- e) 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/revenues/income from continuing operations.
- f) Any significant elements of income or loss that did not arise from the bank's continuing operations.
- g) Any seasonal aspects that had a material effect on the financial condition or results of operations.

### **Impact of High Interest Rates and Peso Devaluation**

In general, a high interest rate regime squeezes out liquidity, leads to operating losses, and business failures. Especially in the second half of 1997, this translated to a higher level of NPLs for the banking industry. BPI's gross 90-days NPL level rose from 1.3% to 6.3% in 1998. While interest rates declined in 1999 and stayed at a low level until September 2000, NPLs remained high at 6.8% in 1999 and 12% (BPI and FEBTC) in 2000. The benign interest rates in 2001 to 2003 allowed for some restructuring of accounts gradually pushing down NPLs to 11.6% and to 10.3%. Despite the uptick in interest rates in 2004, the banks' assets quality continued to improve to 7.2%. Much of the improvement though came from write-offs and sale of NPLs to a SPV vehicle.

On the other hand, the peso devaluation has not adversely impacted the balance sheet of the bank. The bank firmly managed its foreign currency books within prudent limits. At the end of 1997, foreign currency loans amounted to only 12% of the total loan books and further moved down to 5% at the end of 2004. The peso devaluation however, had an indirect impact on the bank's loan growth as the economic slowdown set in and inevitably weakened business volumes, revenues, and profits for many borrowers of the bank. Loan demand particularly for the corporate sector has remained weak. The bank's loan portfolio though posted a modest growth of 6% in 2004.

### **Future Prospects**

*Near Term Prospects.* While some expansion is expected, economic growth is bound to be modest in 2005 mainly on account of slower consumer spending and agriculture growth. Near-term growth prospects for BPI as well as the banking industry are therefore seen to be moderate given certain challenges facing the financial services industry.

The financial services sector will also have to deal with a more stringent regulatory and corporate governance environment with the implementation of the new Accounting Standards (IAS) effective January 1, 2005.

BPI will continue to liquefy non-performing loans and foreclosed properties through wholesale as well as retail sales. This should further improve both asset quality and interest earnings of the bank.

With loan growth of around 7% expected for the year, the bank shall continue to focus on segments that are seen to grow faster, e.g. mortgage and auto loans as well as credit cards. Special focus has been given to Overseas Filipino Workers, termed the "Expatriate Pinoys" with the bank offering them a wide array of on-line financial services that allow this special segment better control over their finances and their investments.

Non-interest income is seen boosted by contributions from the bank's asset management business, its insurance business, investment banking fees and gains from assets disposal. As the bank strives to grow its revenues from increased business volumes, it will keep its operating costs under control while setting aside adequate provisions for probable losses.

The bank will continue to leverage on its leadership in technology to enable better service delivery, and more innovative banking products. Corporate and risk management structures will continue to be important concerns.

Medium to Long Term Prospects. Against a backdrop of moderate economic growth in the medium- to long-term, BPI expects to expand its business at a steady and predictable pace.

GDP is seen to increase within the range of 5% to 6% in the next 3 to 5 years with inflation averaging between 4% and 5%. The 91-day Treasury bill rate is seen within the 7% to 8% average. Given the positive impact of a stable interest rate scenario combined with moderate economic expansion, annual loan growth for the bank is expected between 7% and 10%. In view of the thrust toward further expanding asset levels, BPI's interest income is seen to remain a strong contributor to revenues accounting for over 2/3 of the bank's net income with fee-based income and securities trading gains accounting for the balance.

The bank will maintain the healthy diversification of its loan portfolio across market segments with consumer loans as the focus for growth. Known for its prudent management style, BPI will further strengthen its risk management and corporate governance capabilities. The bank will continue to introduce banking innovations to render better services and products that meet the ever-changing needs of its customers in the country and abroad. It will continue to rein in its operating costs while at the same time upgrade its service quality standards and strengthen its control and security systems.

#### **Item 7. Financial Statements**

Please refer to the attached Audited Financial Statements for 2004, audited by the principal accountant, Accounting Firm of Joaquin Cunanan & Co. and signed by partner Ms. Blesilda A. Pestano.

#### **Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None

### **PART III – CONTROL AND COMPENSATION INFORMATION**

#### **Item 9. Directors and Executive Officers of the Issuer**

##### **A-1. The Board of Directors and Executive Officers (as of December 31, 2004)**

##### **The Board of Directors and Nominees**

##### **Jaime Augusto Zobel de Ayala II (46)**

<b>Directors' term of Office</b>	-	<b>March 25, 2004 to April 7, 2005</b>
<b>Period Served</b>	-	<b>March 25, 2004 to Present</b>

**1. JAIME AUGUSTO ZOBEL DE AYALA II**, Filipino, born in 1959, is the present Chairman of the Board of Directors of BPI. He was elected as Chairman on March 25, 2004. He has served as a Member of the Board of BPI since 1994 and as Vice-Chairman from 1995 to March 2004. He is also currently the Chairman of the Executive Committee and Nomination Committee of BPI. He also holds the following positions: Chairman of the Board of Directors, Executive Committee, Nomination Committee and Personnel & Compensation Committee of BPI Direct Savings Bank, Inc., BPI Family Savings Bank, Inc. and BPI Capital Corporation; Co-Vice-Chairman of the Board of Directors and Executive Committee and President & Chief Executive Officer of Ayala Corporation; Chairman of the Board of Directors of Ayala International Pte. Ltd., Ayala Life Assurance, Inc., Ayala Plans, Inc., FGU Insurance Corporation, Globe Telecom, Inc., Azalea Technology Investment, Inc. and Integrated Microelectronics, Inc., Co-Vice-Chairman of the Board of Directors of Ayala Foundation, Inc.; Vice-Chairman of the Board of Directors and Executive Committee of Ayala Land, Inc.; and Director of Universal Malayan Reinsurance Corporation. He is an active member of the following local professional organizations: Vice-Chairman of the Board of Directors of the Asia Society Philippine Foundation, Inc. and Makati Business

Club; Member of the Board of Trustees of Asian Institute of Management and Carlos P. Romulo Foundation for Peace and Development; Member of Advisory Board of the Center for Corporate Citizenship; and Member of Business Sector Advisory Group on Corporate Governance, Philippine National Council of the Pacific Basin Economic Council, Philippine-British Business Council, Philippine-Singapore Business Council, Philippine-U.S. Business Council, World Wildlife Fund Philippine National Council and Public-Private Sector Task Force for the Development of Globally Competitive Philippine Service Industries. He is also affiliated with the following international organizations: Member of the Presidents' Circle of The Asia Society, Member of the Asia Business Council, Global Leaders for Tomorrow (World Economic Forum), Harvard Business School Asia Advisory Committee, Harvard Business School Visiting Committee, Harvard University Asia Center Advisory Committee, JP Morgan International Council, Mitsubishi International Advisory Committee, New York Stock Exchange Asia Pacific Advisory Committee, Toshiba International Advisory Group and World Wildlife Fund US National Council. He graduated with B.A. in Economics (Cum Laude) at the Harvard College in 1981 and took up his MBA (with Distinction) at the Harvard Graduate School of Business Administration in 1987.

**Fernando Zobel de Ayala (45)**

**Directors' term of Office** - **March 25, 2004 to April 7, 2005**  
**Period Served** - **March 25, 2004 to Present**

2. **FERNANDO ZOBEL DE AYALA**, Filipino, born in 1960, is a present member of the Board of Directors of BPI. He also holds the following positions: Chairman of the Personnel and Compensation Committee, Vice-Chairman of the Executive Committee and Trust Committee, and Member of the Corporate Governance Committee of BPI; Co-Vice Chairman of the Board and Alternate Member of the Executive Committee of Ayala Corporation; Chairman of the Board, Executive Committee and Nomination Committee of Ayala Land, Inc., Chairman of the Board and of the Executive Committee and President of Alabang Commercial Corporation; Chairman of the Board and of the Executive Committee of Ayala Hotels, Inc., Enjay Hotels, Inc. and Manila Water Company, Inc.; Chairman of the Board of Ayala Automotive Holdings, Inc., Ayala DBS Holdings, Inc., Ayala Infrastructure Ventures, Inc., AC International Finance Limited, Caritas Manila and Roxas Land Corporation; Vice-Chairman of the Board of Aurora Properties, Inc., and Vesta Property Holdings, Inc.; Co-Vice Chairman of the Board of Trustees of Ayala Foundation, Inc.; Co-Vice Chairman of the Board of Azalea Technology Investments, Inc.; Vice-Chairman of the Board and Chief Executive Officer of Ayala International Pte. Ltd.; Director and Member of the Executive Committee of Mermac, Inc.; Director of Ayala Aviation Corporation, Globe Telecom, Inc., Integrated Microelectronics, Inc. and Asiacom Philippines, Inc.; and Co-Chairman of Philippine-Japan Economic Cooperation Committee. He graduated with B.A. Liberal Arts degree at the Harvard College in 1982.

**Jeanette K.Y. Wong (45)**

**Directors' term of Office** - **March 25, 2004 to April 7, 2004**  
**Period Served** - **March 25, 2004 to Present**

3. **JEANETTE WONG**, Singaporean, born in 1960, was elected as Member of the Board of Directors of BPI in April 2003 and as Vice-Chairman on March 25, 2004. She is a member of the Executive Committee, Corporate Governance Committee, Nomination Committee, and Personnel & Compensation Committee of BPI. Among her other positions are: Director and Member of the Executive Committee of BPI Capital Corporation; Chief Financial Officer of DBS Bank Ltd., Singapore; Director of Asfinco Singapore Ltd. and ASEAN Finance Corporation; Member of the MAS-sponsored Singapore Foreign Exchange Market Committee and of the Ministry of Finance Tax Advisory Committee; Member of the Advisory Board of the SMU Lee Kong Chian Business School; and a Trustee of the SingHealth Endowment Fund. She joined DBS Bank in February 2003 as Chief Administrative Officer. She had oversight responsibilities for the Group's Credit, Human Resources and Risk Management functions. She serves on the DBS Group Holdings Management Committee. She was appointed as the Chief Financial Officer on 01 October 2003. She is responsible for financial and management reporting of the affairs and activities of the entire DBS group and risk-based capital management. She leads the group's financial initiatives, including capital fund raising, alliances and acquisitions. Prior to joining DBS Bank, she was the Senior Country Officer for J.P. Morgan Singapore, responsible for key corporate and investor clients as well as regulatory relationships in Singapore. In her 16-year career at J.P. Morgan, she had been a member of global, regional and local management committees for Global Markets and Emerging Asia and had held senior management positions with local and regional responsibilities in Foreign Exchange and Fixed Income. Prior to



joining J.P. Morgan in 1986, her career began in 1982 at Banque Paribas in Corporate Banking. She then worked for Citibank Singapore from 1984 to 1986 in Private Banking. A Singaporean, she graduated from the National University of Singapore with a Bachelor of Business Administration degree and holds a Master of Business Administration degree with honors from the University in Chicago.

**Aurelio R. Montinola III (53)**

**Directors' term of Office** - **March 25, 2004 to April 7, 2005**  
**Period Served** - **March 25, 2004 to Present**

**4. AURELIO R. MONTINOLA III**, Filipino, born in 1951, is the newly appointed President of BPI. He assumes his post as President of BPI on 01 January 2005, replacing Mr. Xavier P. Loinaz, who retires from BPI effective 01 January 2005. He was elected as Member of the Board of Directors of BPI in January 2004. He is also a member of the Executive Committee and Risk Management Committee of BPI. Prior to his appointment as the President of BPI, he was a Senior Executive Vice-President and the Chief Operating Officer of BPI and was also the President of BPI Family Savings Bank, Inc., a wholly-owned subsidiary of BPI, from 01 July 1985 to May 2004. He also holds the following positions: Chairman of the Board of Directors of BPI Computer Systems Corporation, BPI Forex Corporation, BPI International Finance Limited, BPI Operations Management Corporation, BPI Express Remittance Corporation, BPI Remittance Center, BPI Remittance UK Plc, BPI Express Remittance Center (Europe) SpA, Amon Trading Corporation, Derc, Inc., Monti-Rey, Inc., Desrey, Inc. and Seyrel Investment and Realty Corporation; Vice-Chairman of Republic Cement Corporation and FEU-Asia College; Vice-Chairman and Member of the Board of Trustees of Far Eastern University; Vice-Chairman and President of BPI Foundation, Inc.; Regional Vice-Chairman of MasterCard International; Director of BPI Family Savings Bank, Inc., BPI Direct Savings Bank, Inc., BPI/MS Insurance Corporation, Ayala Life Assurance, Inc., Universal Malayan Reinsurance Corporation and Manila Water Company, Inc.; President and Director of Armon Realty, and Member of the Board of Trustees of Alliance Francaise de Manille. He graduated with BS Management Engineering degree at the Ateneo de Manila University in 1973 and obtained his MBA at the Harvard Business School in 1977.

**Gerardo C. Ablaza, Jr. (51)**

**Directors' term of Office** - **March 25, 2004 to April 7, 2005**  
**Period Served** - **March 25, 2004 to Present**

**5. GERARDO C. ABLAZA, JR.**, Filipino, born in 1953, is a present member of the Board of Directors of BPI and was elected in 2001. He is a member of the Trust Committee and Risk Management Committee of BPI. He also holds the following positions: Director and Member of the Trust Committee of BPI Family Savings Bank, Inc.; Director of BPI Card Finance Corporation and iAyala Company, Inc.; President and CEO of Globe Telecom, Inc.; Senior Managing Director of Ayala Corporation; and Chairman of the Board of Directors of Innove Communications, Inc. He graduated with AB Mathematics (Honors Program) at the De La Salle University in 1974.

**Romeo L. Bernardo (50)**

**Directors' term of Office** - **March 25, 2004 to April 7, 2005**  
**Period Served** - **March 25, 2004 to Present**

**6. ROMEO L. BERNARDO**, Filipino, born in 1954, has served as a Director of BPI from February 1998 to April 2001, and was re-elected in August 2002. He is a member of the Corporate Governance Committee, Personnel & Compensation Committee and Trust Committee of BPI. He also holds the following positions: Director, Chairman of the Audit Committee, Member of the Nomination and Personnel and Compensation Committee of BPI Capital Corporation; President of Lazaro Bernardo Tiu & Associates, Inc.; Director of Globe Telecom, Inc., PSi Technologies Holdings, Inc. and RFM Corporation; Chairman and President of Ayala Life Fixed-Income Fund, Inc. and ALFM Dollar Bond Fund, Inc.; Chairman of FINEX Capital Market Development Committee, Vice-Chairman and Founding Fellow of Foundation of Economic Freedom, Director of Institute for Development and Econometric Analysis, Inc. and UP School of Economics Alumni Association; and Member of Capital Market Development Council (Chaired by Secretary of Finance). He graduated with B.S. Business Economics degree (Magna Cum Laude) from the University of the Philippines in 1974. He obtained his M.A. Development Economics (Top of the Class) at the Williams College, Williamstown, Massachusetts, USA in 1977.

**Chng Sok Hui (44)**

**Directors' term of Office** - **March 25, 2004 to April 7, 2005**  
**Period Served** - **March 25, 2004 to Present**

7. **CHNG SOK HUI**, Singaporean, born in 1961, was elected as Member of the Board of Directors of BPI in April 2003. She is an Alternate Member of the Executive Committee and Member of the Risk Management Committee and Trust Committee of BPI and currently a Managing Director and the Head of Group Risk Management of DBS Bank Ltd. (Singapore). She was awarded a DBS scholarship and joined DBS in 1983. She finished Accountancy at the National University of Singapore and was a recipient of several awards, including the Harvard Club of Singapore Prize, the Tan Siak Kew Gold Medal Award and the Singapore International Chamber of Commerce Prize. A DBS career banker, she has extensive experience in several functions within DBS. In her current position, she is responsible for Credit, Market and Operational Risk across the DBS Group. Prior to this appointment and at various stages, she had direct responsibility for spearheading DBS Credit Risk Management, Market Risk Management and Asset Liability Management functions. Her banking experience also includes Finance, Corporate Planning, Credit Administration and Treasury & Markets Operations. She is a CFA charter holder, as well as a Certified Financial Risk Manager. She speaks regularly on risk management at industry conferences and seminars. She received AsiaRisk's Risk Manager of the Year Award in 2002.

**Cesar P. Consing (45)**

**Directors' term of Office** - **August 18, 2004 to April 7, 2005**  
**Period Served** - **August 18, 2004 to Present**

8. **CEZAR P. CONSING**, Filipino, born in 1959, was elected as Member of the Board of Directors of BPI on 18 August 2004 and was elected as a Member of the Risk Management Committee of BPI in December 2004. He has served as a Member of the Advisory Board of BPI from May 2000 to May 2001 and as a Member of its Board of Directors from February 1995 to January 2000 and also as a Member of the Board of BPI Capital Corporation, a wholly-owned subsidiary of BPI, from February 1995 to January 2000. At present, he holds the following positions: Partner of TRG Management Principals LP and TRG Allocation Principals LLC (The Rohatyn Group); Managing Partner and Director of TRG Management Hong Kong Ltd. (The Rohatyn Group); Chairman (Non-Executive) of FILGIFTS.COM and Member of the Advisory Board and Executive Committee of Asian Youth Orchestra. He graduated with M.A. Applied Economics Degree from the University of Michigan in 1980 and finished A.B. (Accelerated Program) Economics from the De La Salle University in 1979.

**Octavio V. Espiritu (61)**

**Directors' term of Office** - **March 25, 2004 to April 7, 2005**  
**Period Served** - **March 25, 2004 to Present**

9. **OCTAVIO V. ESPIRITU**, Filipino, born in 1943, has served as a Director of BPI since April 2000. He is the Chairman of the Audit Committee and Risk Management Committee and a Member of the Executive Committee of BPI. He also holds the following positions: Chairman of Delphi Group, Inc.; Chairman & President of MAROV Holding Company, Inc.; Director of Clark Pipeline and Depot Company, Inc., International Container Terminal Services, Inc., ISM Communications Corporation, Netvoice, Inc., Philippine Coastal Storage and Pipeline Corporation, Pueblo de Oro Golf and Country Club, San Miguel Corporation and SM Development Corporation. He graduated with AB Economics degree at the Ateneo de Manila University in 1963 and obtained his M.A. Economics degree from the Georgetown University, USA in 1966.

**Rebecca G. Fernando (56)**

**Directors' term of Office** - **March 25, 2004 to April 7, 2005**  
**Period Served** - **March 25, 2004 to Present**

10. **REBECCA G. FERNANDO**, Filipino, born in 1948, has served as Director of BPI and BPI Capital Corporation since 1995. She also holds the following positions: Member of the Executive Committee, Personnel & Compensation and Trust Committee of BPI; Director and Member of the Audit Committee and Personnel & Compensation Committee of BPI Capital Corporation; President of LAIKA Intertrade Corporation; Financial Consultant and Finance Board Member of The Roman Catholic Archbishop of Manila and Finance Board

Member of The Roman Catholic Bishop of Antipolo, Inc. She graduated with BSBA major in Accounting from the University of the Philippines in 1970. She is a Certified Public Accountant.

**Kankipati Rajan Raju (39)**

**Directors' term of Office** - **March 25, 2004 to April 7, 2005**  
**Period Served** - **March 25, 2004 to Present**

**11. KANKIPATI RAJAN RAJU**, Indian, born in 1965, is a present member of the Board of Directors of BPI and was elected in July 2002. He is also a Member of the Audit Committee of BPI. Among his other positions are: Director and Member of the Executive Committee and Audit Committee of BPI Capital Corporation; Managing Director and Head of South and Southeast Asia areas and Global Transaction Services of DBS Bank, Ltd.; Director of CLS Group Holdings AG, SP Services Ltd., Capital OK Company Ltd. and Thai Military Bank Public Co., Ltd.; Alternate Director of ASEAN Finance Corporation Ltd. (AFC Merchant Bank); and Member of the Board of Commissioners of PT Bank DBS Indonesia. He graduated with Bachelor of Arts at St. Xaviers College in 1986. He took up his MBA degree at the Institute of Management, Ahmedabad in 1998.

**Xavier P. Loinaz (61)**

**Directors' term of Office** - **March 25, 2004 to April 7, 2005**  
**Period Served** - **March 25, 2004 to Present**

**12. XAVIER P. LOINAZ**, Filipino, born in 1943, has served as the President of BPI from 1982 to 2004. He remains to be a Member of the Board of Directors of BPI after his retirement as President in December 2004. At present, he holds the following positions: Member of the Executive Committee, Trust Committee and Nomination Committee of BPI; Director and Member of the Executive Committee, Trust Committee, Nomination Committee and Personnel and Compensation Committee of BPI Family Savings Bank, Inc.; Director and Member of the Executive Committee, Nomination Committee and Personnel and Compensation Committee of BPI Capital Corporation; Director, Chairman of the Executive Committee and Member of the Nomination Committee of BPI Direct Savings Bank, Inc.; Chairman of the Board of Directors and Executive Committee of BPI/MS Insurance Corporation; Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Ayala Life Assurance, Inc. and FGU Insurance Corporation; Vice-Chairman of Ayala Plans, Inc.; Chairman of BPI Bancassurance, Inc.; Member of the Board of Directors and Investment Committee of Universal Malayan Reinsurance Corporation; Director of Globe Telecom, Inc.; and Member of the Board of Trustees of Ayala Foundation, Inc. He graduated with A.B. Economics degree from the Ateneo de Manila University in 1963 and obtained his MBA Finance at the Wharton School of Pennsylvania in 1965.

**Mercedita S. Nolleto (64)**

**Directors' term of Office** - **March 25, 2004 to April 7, 2005**  
**Period Served** - **March 25, 2004 to Present**

**13. MERCEDITA S. NOLLEDO**, Filipino, born in 1941, has served as a Director of BPI since 1991. She is the Chairman of the Corporate Governance Committee, Trust Committee and Alternate Member of the Executive Committee of BPI. She also holds the following positions: Director, Chairman of the Trust Committee and Member of the Executive Committee and Personnel and Compensation Committee of BPI Family Savings Bank, Inc.; Director and General Alternate Member of the Executive Committee of BPI Capital Corporation; Chairman of the Board of Directors of BPI Investment Management, Inc., FEB Management, Inc. and PEx, Inc.; Senior Managing Director, Corporate Secretary and General Counsel of Ayala Corporation; General Counsel of Ayala Group of Companies; Director and Corporate Secretary of Ayala Land, Inc.; Member of the Board of Trustees and Corporate Secretary of Ayala Foundation, Inc.; Member of the Board of Trustees of BPI Foundation, Inc.; Director of Ayala Aon Risk Services, Inc., Ayala Automotive Holdings, Inc., Ayalafil, Inc., Honda Cars Cebu, Inc., Honda Cars Makati, Inc., HCMI Insurance Agency, Inc., Isuzu Automotive Dealership, Inc., Isuzu Cebu, Inc and Mandaue Primeland, Inc.; Treasurer of JMY Realty Development Corporation and Philippine Tuberculosis Society, Inc.; and Treasurer, Vice-President and Member of the Executive Committee of Sonoma Properties, Inc. She graduated with the degree of Bachelor of Science in Business Administration major in Accounting from the University of the Philippines in 1960 and topped the CPA exams (second place) given in the same year. In 1965, she finished Bachelor of Laws also from the University of the Philippines where she also topped the Bar exams (second place) given in the same year.

**Oscar S. Reyes (59)**

**Directors' term of Office** - **March 25, 2004 to April 7, 2005**  
**Period Served** - **March 25, 2004 to Present**

14. **OSCAR S. REYES**, Filipino, born in 1946, was elected as Member of the Board of Directors of BPI in April 2003. He is a member of the Audit Committee and Corporate Governance Committee of BPI. He is also a Director of BPI Leasing Corporation and Director and Member of the Audit Committee of BPI Capital Corporation, both wholly-owned subsidiaries of BPI. Among his other positions are: Chairman of Link Edge, Inc., Actron Industries, Inc. and Unicapital Securities Co., Inc.; Director and Member of the Remuneration and Compensation Committee of Universal Robina Corporation; Director and Member of the Audit Committee of Pilipinas Shell Petroleum Corporation, Sunlife of Canada Philippines, Inc., Level Up, Inc. and Tower Club, Inc.; Director of D.M. Consunji, Inc., Manila Water Company, Inc., Sunlife Prosperity Dollar Advantage Fund, Inc., Sunlife Prosperity Dollar Exclusive Fund, Inc., The Mutual Fund Co. of the Philippines, Inc., Philippine Electric Corporation, Mindoro Resources Ltd., MRL Gold Philippine, Inc., CEO's, Inc., CBV Asset Management Co., Global Resources for Outsourced Workers (GROW), Inc.; Member of the Board of Trustees of Pilipinas Shell Foundation, Inc., El Nido Foundation, Inc. and The Knowledge Institute; and Member of the Advisory Board of Chikka Holdings, Inc. He is also a member of Professional Organizations, such as: Management Association of the Philippines, Makati Business Club, Financial Executives Institute of the Philippines, Canadian Chamber of Commerce of the Philippines, European Chamber of Commerce of the Philippines, Philippine-British Business Council, Philippine Institute of Petroleum, Inc., Energy Council of the Philippines, Philippine Business for Social Progress and Asia Society of the Philippines. He is also affiliated with the Joint United Nations Programme on HIV/AIDS (UNAIDS), an International Organization, as the National Ambassador for HIV-AIDS.

He finished Bachelor of Arts, Major in Economics (Cum Laude) from the Ateneo de Manila University in 1965. He also took up the following courses: Business Management Consultants and Trainers Program from the Japan Productivity Center/Asian Productivity Organization, Tokyo, Japan and Hong Kong in 1968; International Management Development Program leading to (1) Diploma in Business Administration and (2) Certificate in Export Promotion from the Waterloo University, Ontario, Canada in 1969-1970; European Business Program from UK, Netherlands, France, Germany, Switzerland in 1970; Master of Business Administration (Academic report completed) from the Ateneo Graduate School of Business Administration in 1971; Program for Management Development from the Harvard Business School, Boston, USA in 1976; and Commercial Management Study Program from the Lensbury Centre, Shell International Petroleum Co., United Kingdom.

**Ikuo Saito (45)**

**Directors' term of Office** - **March 25, 2004 to April 7, 2005**  
**Period Served** - **March 25, 2004 to Present**

15. **IKUO SAITO**, Japanese, born in 1959, was elected as a Member of the Board of Directors of BPI on 25 March 2004. Presently, he holds the position of a Joint General Manager of the Global Institutional Banking Department, Asia of Sumitomo Mitsui Banking Corporation (SMBC). He joined SMBC on April 1, 1982.

\* *Independent Directors (Messrs. Romeo L. Bernardo, Cezar P. Consing, Octavio V. Espiritu & Oscar S. Reyes)*

**The Executive Officers**

1. **JAIME AUGUSTO ZOBEL DE AYALA II**, Filipino, born in 1959, is the present Chairman of the Board of Directors of BPI. He was elected as Chairman on March 25, 2004. He has served as a Member of the Board of BPI since 1994 and as Vice-Chairman from 1995 to March 2004. He is also currently the Chairman of the Executive Committee and Nomination Committee of BPI. The other positions that he holds are detailed in the previous section. He graduated with B.A. in Economics (Cum Laude) at the Harvard College in 1981 and took up his MBA (with Distinction) at the Harvard Graduate School of Business Administration in 1987.

2. **XAVIER P. LOINAZ**, Filipino, born in 1943, is the President of BPI up to 31 December 2004. He has been Director and the President of BPI since 1982. He is a Member of the Executive Committee, Trust

Committee, Nomination Committee and Pension Committee of BPI. The other positions he holds are detailed in the previous section. He graduated with A.B. Economics at the Ateneo de Manila University in 1963. He obtained his MBA Finance at the Wharton School of Pennsylvania in 1965.

3. **AURELIO R. MONTINOLA III**, Filipino, born in 1951, is a Senior Executive Vice-President and the Chief Operating Officer of BPI. He is the newly appointed President of BPI effective 01 January 2005. He is a Member of the Board of Directors, the Executive Committee and the Risk Management Committee of BPI. He was also the President of BPI Family Savings Bank, Inc., a wholly-owned subsidiary of BPI, from 01 July 1985 to May 2004. The other positions he holds are detailed in the previous section. He graduated with BS Management Engineering degree at the Ateneo de Manila University in 1973 and obtained his MBA at the Harvard Business School in 1977.

4. **GIL A. BUENAVENTURA**, Filipino, born in 1952, is an Executive Vice-President and the Head of the Corporate Banking Group of BPI since 1996. He also holds the following positions: Chairman of BPI Leasing Corporation; Director of BPI Family Savings Bank, Inc., BPI Direct Savings Bank, Inc., Citytrust Securities Corporation, BPI/MS Insurance Corporation, Ayala Life Assurance, Inc., FGU Insurance Corporation, BPI Bancassurance, Inc, BPI Foundation, Inc., Citytrust Realty Corporation, and Far East Savings Bank, Inc. He graduated with BA in Economics from the University of San Francisco in 1973 and finished his MBA - Finance from the University of Wisconsin in 1975.

5. **MA. YSABEL P. SYLIANTENG**, Filipino, born in 1951, is a Senior Vice President and the Head of Financial Control Group of BPI since 1998 and the Corporate Planning of BPI since 1987. She joined BPI in 1983 with the rank of Assistant Vice President. She also holds the following positions: Director of BPI Family Savings Bank, Inc., BPI Direct Savings Bank, Inc., BPI Computer Systems Corporation, BPI Operations Management Corporation, BPI Card Finance Corporation, Ayala Life Assurance, Inc., Ayala Plans, Inc., BPI Bancassurance, Inc., FGU Insurance Corporation, BPI Express Remittance Corporation, BPI International Finance Ltd., Santiago Land Development Corporation, CityTrust Realty Corporation, Far East Savings Bank, Inc. and FEB Management, Inc. She graduated AB-BSC Major in Accounting from the Assumption College in 1973 and obtained her MBA at the Stanford University in 1977.

**List of Other Executive Officers as of December 31, 2004**

NAME	AGE	POSITION	OFFICE
Anonas, Gregorio III B.	56	Senior Vice President	Consumer Banking Group
Claravall, Ma. Lourdes A.	56	Senior Vice President	Consumer Banking Group
De Leon, Cesareo III A.	53	Senior Vice President	Internal Audit
Ibarra, Ma. Caridad P.	56	Senior Vice President	CBG Operations
Jose Jr., Eduardo D.	56	Senior Vice President	Corporate Banking Group
Legasto, Adelbert a.	57	Senior Vice President	Asset Mgt. & Trust Group
Makasiar, Barry S.	58	Senior Vice President	Inst'l Banking Operations
Matoto, Senen.	57	Senior Vice President	Unibank Asset Recovery Mgmt.
Mayo, Elvira V.	53	Senior Vice President	Corporate Banking Div. I
Molinyawe, Oscar S.	58	Senior Vice President	Corporate Banking Div. I
Ocampo, Marie Josephine M.	42	Senior Vice President	Consumer Banking Group
Paner, Antonio V.	46	Senior Vice President	Financial Market Group
Razon, Jesus V.	58	Senior Vice President	Consumer Segment Group
Remo, Ma. Corazon S.	46	Senior Vice President	Inst'l Banking Operations
Sylianteng, Ma. Ysabel P.	53	Senior Vice President	Corporate Planning / Financial Control Group
Tan, Teresita B.	53	Senior Vice President	Consumer Banking Group
Trillo, Imelda	52	Senior Vice President	Consumer Banking Group

**List of Resigned / Retired Executive Officers as of December 31, 2004**

None

**A-2. Significant Employees**

Each and every employee of the bank is expected to perform the function assigned to him and contribute his share to the business. While each employee's role is important, nobody is deemed indispensable. Employees work as a team and the team's contribution is more significant.

**A-3. Family Relationships**

The Chairman of the Board of Directors, Mr. Jaime Augusto Zobel de Ayala II and Mr. Fernando Zobel de Ayala, a Member of the Board of Directors, are brothers.

**A-4. Involvement in Certain Legal Proceedings**

None

**Item 10. Executive Compensation**

Summary Compensation Table  
Annual Compensation and Bonus

**2003**

<b>Name and Position</b>		<b>Salary</b>	<b>Bonuses</b>	<b>Other Salary</b>
Jaime Zobel de Ayala, Chairman	]			
Jaime Augusto Zobel de Ayala, Vice-Chairman	]			
Xavier P. Loinaz, President & CEO	]			
Aurelio R. Montinola III, SEVP	]			
Gil A. Buenaventura, EVP	]			
All above- named Officers as a group		P 77,493,639	P 12,132,900	
All other Officers as a group		1,589,908,028	147,703,402	N.A.
All Directors (15)			25,500,000	

**2004**

<b>Name and Position</b>		<b>Salary</b>	<b>Bonuses</b>	<b>Other Salary</b>
Jaime Augusto Zobel de Ayala, Chairman	]			
Xavier P. Loinaz, President & CEO	]			
Aurelio R. Montinola III, SEVP	]			
Gil A. Buenaventura, EVP	]			
Ma. Ysabel P. Sylianteng, SVP	]			
All above- named Officers as a group		P 96,695,427	P 10,505,000	
All other Officers as a group		1,597,969,114	158,045,815	N.A.
All Directors (15)			15,000,000	

**2005 (Estimate)**

<b>Name and Position</b>		<b>Salary</b>	<b>Bonuses</b>	<b>Other Salary</b>
Aurelio R. Montinola III, President	]			
Gil A. Buenaventura, EVP	]			
Ma. Ysabel P. Sylianteng, SVP	]			
Senen I. Matoto, SVP	]			
Adelbert A. Legasto, SVP	]			
All above- named Officers as a group		P 58,074,502	P 14,127,750	
All other Officers as a group		1,677,867,569	172,812,260	N.A.
All Directors (15)			15,000,000	

At the 2004 Annual Stockholders Meeting of BPI, the stockholders approved the grant of P1.0M bonus to each member of the Board of Directors for the services rendered by them to the bank during the year 2003. Said bonus was pro-rated with respect to Directors who served for less than one year.

For this year's meeting, the grant of Directors' Bonus for services rendered by them on year 2004 will again be submitted to the Stockholders for approval.

## Item 12. Security Ownership of Certain Beneficial Owners and Management

### 1. Security Ownership of Certain Record and Beneficial Owners

Title of Class	Name/Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	<b>PCD Nominee Corp.</b> <b>(Non-Filipino)</b> <b>(Filipino)</b> G/F MSE Building 6767 Ayala Ave., Makati City <i>No relationship with issuer</i>	Various Stockholders <i>Client</i>	Various	660,944,411	29.46%
				<u>121,707,851</u>	<u>5.42%</u>
				782,652,262	34.88%
	Standard Chartered Bank – DBS 175743-1-001 <i>No relationship with issuer</i>	DBS Bank Ltd. <i>Custodian</i>	Singaporean	196,189,552	8.74%
	The HongKong and Shanghai Banking Corp. Ltd. – Client's Account <i>No relationship with issuer</i>	Clients' Accounts <i>Custodian</i>	Various	207,614,540	9.26%
	MBTC-Trust Banking Group- SUMITOMO1 <i>No relationship with issuer</i>	Sumitomo Mitsui Banking Corp. <i>Custodian</i>	Japanese	149,641,290	6.67%
Common	<b>Ayala Corporation</b> Tower I, Ayala Triangle Ayala Ave., Makati City <i>Stockholder</i>		Filipino	522,236,611	23.28%
Common	<b>Ayala DBS Holdings, Inc.</b> 11/F Pacific Star Bldg., Sen. Gil Puyat Avenue, Makati Ave., Makati City <i>Stockholder</i>		Filipino	480,726,846	21.43%
Common	<b>Roman Catholic</b> <b>Archbishop of Manila</b> 121 Arzobispado Street, Intramuros, Manila <i>Stockholder</i>		Filipino	141,336,504	6.30%

PCD Nominee Corp. (Non-Filipino & Filipino) holds 34.88% interest. PCD Nominee is the registered owner of shares beneficially owned by participants in the PCD. The Board of Directors of the

participants particularly DBS Bank Ltd. and Sumitomo Mitsui Banking Corporation have the power to decide on how the shares are to be voted.

Ayala Corporation holds 23.28% interest. Mermac, Inc. and the Mitsubishi Group own 58.20% and 10.64% respectively (or a total of 68.84%) of the outstanding shares of Ayala Corporation. The Board of Directors of Ayala Corporation has the power to decide how Ayala Corporation shares in BPI are to be voted.

The Ayala DBS Holdings, Inc. holds 21.43% interest. Ayala Corporation owns 60% of the outstanding shares of Ayala DBS. The Board of Directors of Ayala DBS Holdings, Inc. has the power to decide how Ayala DBS shares in BPI are to be voted.

The Roman Catholic Archbishop of Manila (RCAM) holds 6.30% interest. The Archbishop of Manila has the power to decide how RCAM shares in BPI are to be voted.

## 2. Security Ownership of Management

Title of Class	Name of Beneficial Owner	Position	No. of Shares	Nature of Ownership (R/B)	Citizenship	Percent of Class
Common	Jaime Augusto Zobel de Ayala II	Chairman	1,159	(R/B)	Filipino	0.0001%
Common	Jeanette K.Y. Wong	Vice-Chairman	14	(R/B)	Singaporean	0.0000%
Common	Aurelio R. Montinola III	Director	458,662	(R/B)	Filipino	0.0204%
Common	Fernando Zobel de Ayala	Director	4,017	(R/B)	Filipino	0.0002%
Common	Gerardo C. Ablaza, Jr.	Director	154	(R/B)	Filipino	0.0000%
Common	Romeo L. Bernardo	Director	30	(R/B)	Filipino	0.0000%
Common	Chng Sok Hui	Director	14	(R/B)	Singaporean	0.0000%
Common	Cezar P. Consing	Director	247	(R/B)	Filipino	0.0000%
Common	Octavio V. Espiritu	Director	873,963	(R/B)	Filipino	0.0390%
Common	Rebecca G. Fernando	Director	24,014	(R/B)	Filipino	0.0011%
Common	Xavier P. Loinaz	Director & Pres.	760,238	(R/B)	Filipino	0.0339%
Common	Kankipati Rajan Raju	Director	14	(R/B)	Indian	0.0000%
Common	Mercedita S. Nollado	Director	945	(R/B)	Filipino	0.0000%
Common	Oscar S. Reyes	Director	748	(R/B)	Filipino	0.0000%
Common	Ikuo Saito	Director	62	(R/B)	Japanese	0.0000%
Common	Gil A. Buenaventura	EVP	64,350	(R/B)	Filipino	0.0029%
Common	Ma. Ysabel P. Sylianteng	SVP	383,628	(R/B)	Filipino	0.0171%
<b>TOTAL (Directors and Officers above)</b>			<b>2,572,259</b>	<b>(R/B)</b>		<b>0.1146%</b>

N.B. Above listed beneficial or record owners do not have the right to acquire additional shares arising from any arrangement within thirty (30) days.

## Item 12. Certain Relationships and Related Transactions

In the regular course of the bank's business, Ayala Corporation was granted a loan amounting to P2.95 billion as of December 31, 2004.



## PART IV – CORPORATE GOVERNANCE

### Item 13. Corporate Governance

- a. An annual self-assessment of the Board of Directors is conducted to determine compliance not only with the bank’s Manual of Corporate Governance but also with all other regulations and rules that prescribe good corporate governance.
- b. The Internal Audit Division and the Compliance Office as well as the external auditors appointed by the Board of Directors reviews compliance with the provisions of the bank’s Manual of Corporate Governance of the various work units of the bank.
- c. The Board of Directors has four (4) independent directors, a number which is higher than the minimum of two (2) or 20% of the total composition of the Board, whichever is lesser, as contained in the bank’s Manual of Corporate Governance and the Securities Regulation Code.
- d. To further align the bank’s practices with best practices and in compliance with BSP regulations, the Board of Directors created a Corporate Governance Committee to handle all matters relating to corporate governance, and expanded its Treasury Risk Management Committee to a Risk Management Committee to focus on the management of all types of risks.
- e. In addition to the above, the Personnel Committee of the Board approved the creation of a Chief Risk Officer position at the Operating Management Level in 2005. The Chief Risk Officer is responsible for establishing policies and controls all risk-taking activities of the bank. The bank will constantly review its organization to keep pace with new developments in corporate governance practices and in the end adopt the best leading practices.

## PART V – EXHIBITS AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17 -C

#### a. Exhibits

#### Securities Regulation Code Forms

(1)	Publication of Notice re: Filing	NA
(2)	Underwriting Agreement	NA
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	NA
(4)	(A) Articles of Incorporation	NA
	(B) By-laws	NA
(5)	Instruments Defining the Rights of Security Holders, including indentures	NA
(6)	Opinion re: Legality	NA
(7)	Opinion re: Tax Matters	NA
(8)	Voting Trust Agreement	NA
(9)	Material Contracts	NA
(10)	Annual Report to Security Holders	Exhibit A
(11)	Material Foreign Patents	NA
(12)	Letter re: Unaudited Interim Financial Information	NA
(13)	Letter re: Change in Certifying Accountant	NA
(14)	Letter re: Director Resignation	NA
(15)	Letter re: Change in Accounting Principles	NA
(16)	Report Furnished to Security Holders	NA
(17)	Other Documents or Statements to Security Holders	NA
(18)	Subsidiaries of the Registrants	Exhibit B

(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	NA
(20)	Consents of Experts and Independent Counsel	NA
(21)	(A) Power of Attorney	NA
	(B) Power of Attorney-Foreign Registrant	NA
(22)	Statement of Eligibility of Trustee	NA
(23)	Exhibits To Be Filed With Commercial Papers/Bonds Issues	NA
(24)	Exhibits To Be Filed with Stock Options Issues	NA
(25)	Exhibits To Be Filed By Investment Companies	NA
(26)	Notarized Curriculum Vitae and Photographs of Officers and Members of the Board of Directors	NA
(27)	Copy of the BOI Certificate for BOI Registered Companies	NA
(28)	Authorization re: Registrant's Bank Accounts	NA
(29)	Additional Exhibits	NA
	Top 100 Shareholders	Exhibit C
	Sch. B -Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders	Exhibit D
	Sch. E - Property, Plant and Equipment	NA
	Sch. F - Accumulated Depreciation	NA
	Sch.G - Intangible Assets and Other Assets	NA
	Sch. K -Capital Stock	Exhibit E

**b. Reports on SEC Form 17-C**

Items reported under SEC Form 17-C during the last six months:

- (1) Press Statement regarding BPI's Net Income for the first semester of the year 2004.
- (2) Resignation of Mr. Xavier P. Loinaz as President and election of Mr. Aurelio R. Montinola III as President of BPI.
- (3) Resignation of Mr. Aristòn Estrada, Jr. as member of the Board of Directors of BPI and election of Mr. Cezar P. Consing as member of the Board of Directors of BPI.
- (4) Declaration of special of cash dividends of P1.00 centavos per share on August 18, 2004.
- (5) Second Semester declaration of regular cash dividends of P0.80 centavos per share on December 15, 2004.
- (6) Amendment of Amended By-Laws.

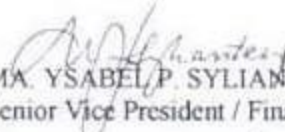
**SIGNATURES**


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly notarized, in the City of Makati on April 14, 2005.

BANK OF THE PHILIPPINE ISLANDS  
Issuer

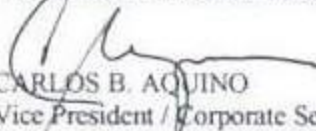
By:

  
AURELIO R. MONTINOLA III  
Chief Executive Officer & President

  
MA. YSABEL P. SYLIANTENG  
Senior Vice President / Financial Controller

  
ANTONIO V. PANER  
Senior Vice President / Treasurer

  
MELVIN M. MIRANDA  
Vice President - Central Accounting

  
CARLOS B. AQUINO  
Vice President / Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 14 2005 day of APRIL, 2005; affiant(s) exhibiting to me his/her Residence Certificates, as follows:

NAME(S)	RES. CERT. NO.	DATE	PLACE OF ISSUE
Aurelio R. Montinola III	14675293	January 24, 2005	Makati City
Ma. Ysabel P. Sylianteng	21837763	January 18, 2005	Manila City
Melvin M. Miranda	13609380	January 11, 2005	Paranaque City
Antonio V. Paner	02160356	February 10, 2005	Manila
Carlos B. Aquino	21391265	January 21, 2004	San Juan

Doc. No. 48  
Page No. 11  
Book No. III  
Series ✓

  
**BUENAVENTURA U. MENDOZA**  
Notary Public-Makati City  
Appointment No. M-19 (2005-2008)  
Until December 31, 2006  
Roll No. 31206  
PTR No. 9439648 / 01.06.05 / Makati  
IBP No. 630918 / 12.29.04 / Makati  
TIN - 123369010  
11/F BPI Bldg., Ayala Avenue, Makati City

Exhibit B

**BANK OF THE PHILIPPINE ISLANDS**

List of Subsidiaries  
As of December 31, 2004

1. BPI FAMILY SAVINGS BANK
2. BPI CAPITAL CORPORATION
3. BPI LEASING CORPORATION
4. BPI INVESTMENT MANAGEMENT, INC.
5. BPI FOREX CORPORATION
6. BPI DIRECT SAVINGS BANK
7. FAR EAST SAVINGS BANK
8. BPI OPERATIONS MANAGEMENT CORP.
9. BPI COMPUTER SYSTEMS CORPORATION
10. BPI INTERNATIONAL FINANCE LTD
11. BPI EXPRESS REMITTANCE CORP. U.S.A.
12. AYALA LIFE ASSURANCE INC.
13. BPI/MS INSURANCE CORP.
14. BPI BANCASSURANCE, INC.
15. UNIVERSAL MALAYAN REINSURANCE CORP.
16. BPI EXPRESS REMITTANCE CENTER (EUROPE) SPA
17. SANTIAGO LAND DEVELOPMENT CORP.
18. FIRST FAR EAST DEVELOPMENT CORP.

## Exhibit C

**BANK OF THE PHILIPPINE ISLANDS**

Top 100 Stockholders  
As of December 31, 2004

	<b>TOP 100 SHAREHOLDERS</b>	<b>NO. OF SHARES</b>	<b>%</b>
1.	PCD Nominee Corporation (Non-Filipino)	660,944,411	29.46%
2.	Ayala Corporation	522,236,611	23.28%
3.	Ayala DBS Holdings, Inc.	480,726,846	21.43%
4.	Roman Catholic Archbishop of Manila	141,336,504	6.30%
5.	PCD Nominee Corporation (Filipino)	121,707,851	5.42%
6.	Michigan Holdings, Inc.	46,592,950	2.08%
7.	TA #10319838 – BPI Group of Cos.	37,010,008	1.65%
8.	Tytana Corporation	28,018,645	1.25%
9.	RCAM (Real Casa De Misericordia)	26,267,509	1.17%
10.	Greatco Limited	18,878,400	0.84%
11.	RCAM (Hosp. De San Juan de Dios)	14,001,388	0.62%
12.	BPI Executive Stock Option Plan 2001	12,457,635	0.56%
13.	BPI Stock Purchase Plan 2001	9,303,242	0.41%
14.	RCAM (Hospicio de San Jose)	3,816,619	0.17%
15.	Ayala Corporation as Administrator of BPI Executive Stock Option Plan	3,286,393	0.15%
16.	RCAM (Hospicio de San Juan De Dios)	2,718,534	0.12%
17.	Mercury Group of Companies, Inc.	2,057,035	0.09%
18.	Ma. Lourdes G. Aragon	1,736,065	0.08%
19.	RCAM (Mayordomia dela Catedral)	1,,690,066	0.08%
20.	Sahara Mgt. & Dev. Corp.	1,623,600	0.07%
21.	Liberato S. De Jesus &/or Soledad N. De Jesus	1,352,062	0.06%
22.	Chung Tiong Tay	1,269,352	0.06%
23.	Henry Tee, Jr.	1,240,221	0.06%
24.	Foresight Realty & Development Corp.	1,228,521	0.05%
25.	Vicente M. Warns	1,227,960	0.05%
26.	Highland Realty & Dev't. Corp.	1,227,721	0.05%
27.	RCAM (St. Paul's Hospital)	1,124,326	0.05%
28.	BPI Employee Stock Purchase Plan 1997	1,077,943	0.05%
29.	Ching Tan	1,057,960	0.05%
30.	Ma. Inmaculada Z. Ortoll	993,780	0.04%
31.	Ma. Rosario Ortoll Zaragoza	993,271	0.04%
32.	The Insular Life Assurance Co., Ltd.	989,452	0.04%
33.	Amparo Joven de Cortes	880,308	0.04%
34.	Octavio V. Espiritu	873,963	0.04%
35.	Jose M. Olbes	854,353	0.04%
36.	Telengtan Brothers & Sons, Inc.	839,376	0.04%
37.	Mondragon Securities Corp.	801,633	0.04%
38.	Jorge Z. Ortoll	784,756	0.03%
39.	Xavier P. Loinaz	760,238	0.03%
40.	Morgan Guaranty International Finance Corp.	743,400	0.03%
41.	National Life Insurance Co.	694,174	0.03%
42.	Trusteeship, Inc.	683,130	0.03%
43.	Jose Javier Ortoll Zaragoza	652,315	0.03%
44.	Craig Awad	624,713	0.03%

45.	Salvador A. De Leon	615,330	0.03%
46.	Republic Commodities Corp.	581,758	0.03%
47.	Amalia Ortigas De Olbes	505,101	0.02%
48.	Carmel of the Divine Infant Jesus of Prague, Inc.	504,736	0.02%
49.	Agaton L. Tiu	500,000	0.02%
50.	Keith Awad	497,767	0.02%
51.	Masonic Hospital	489,169	0.02%
52.	Danielle Marie Santiago	468,000	0.02%
53.	Kenneth Awad	466,066	0.02%
54.	Sabino B. Padilla IV &/or Louise E.B. Padilla	463,586	0.02%
55.	Aurelio R. Montinola III	458,662	0.02%
56.	Reliance Commercial Enterprises, Inc.	450,000	0.02%
57.	Sagitro, Inc.	438,584	0.02%
58.	Antonio Tuason, Inc.	432,000	0.02%
59.	Leonis Development Corporation	420,331	0.02%
60.	Pacita N. Lee	397,830	0.02%
61.	Carlos Z. Ortoll	385,437	0.02%
62.	Ma. Ysabel P. / &/or Benedict P. / &/or Caesar S. Sylianteng	383,628	0.02%
63.	Edan Corporation	383,547	0.02%
64.	Philippine Remnants Co., Inc.	381,911	0.02%
65.	Yvonne Hannon Awad	379,798	0.02%
66.	Lourdes A. Guanzon	370,800	0.02%
67.	Archicofradia De Nuestro Padre Jesus Nazareno De Recoletos	369,016	0.02%
68.	Charlotte Cua Cheng	360,000	0.02%
69.	Insular Life Assurance Co., Ltd.	351,000	0.02%
70.	Roman Catholic Archbishop of Jaro	341,240	0.02%
71.	Terocel Realty, Inc.	340,805	0.02%
72.	Judy Chia	339,483	0.02%
73.	Jose Antonio Gonzalez	327,536	0.01%
74.	Amado A. Castro	324,952	0.01%
75.	Terry O. Sy &/or Melinda M. Sy	322,000	0.01%
76.	Teodoro B. Padilla &/or Louise E.B. Padilla	321,934	0.01%
77.	Ma. Dominga B. Padilla &/or Louise E.B. Padilla	321,934	0.01%
78.	Ma. Barbara B. Padilla &/or Padilla, Louise E.B.	321,933	0.01%
79.	Gabriel Gemperle De Leon	317,719	0.01%
80.	Oscar Te Se Uan	313,135	0.01%
81.	Kong Liong Chia	304,015	0.01%
82.	Regina De Leon Jalandoni	300,000	0.01%
83.	Imelda Ongsiako Cojuangco	299,629	0.01%
84.	BPI Sec. Corp. – Error Account	286,826	0.01%
85.	Ong Tok Keng	286,398	0.01%
86.	Severo A. Tuason & Co., In.c.	283,551	0.01%
87.	Zoilo Alberto &/or Ana Pilar Alberto	280,800	0.01%
88.	Peter &/or Annabelle C. Mar	275,450	0.01%
89.	Teresita C. Velez	273,686	0.01%
90.	Lourdes C. Velez	273,686	0.01%
91.	Rosana R. Balonkita	270,878	0.01%
92.	Inter Islands Investments, Inc.	269,930	0.01%
93.	Araval, Inc.	262,162	0.01%
94.	Horizon Realty, Inc.	257,000	0.01%
95.	William T. Chua	252,793	0.01%
96.	Cesar F. Bocaling	252,720	0.01%

97.	Carmen R. Martinez	250,158	0.01%
98.	Keng Sun Mar &/or Edith Uy Mar	248,320	0.01%
99.	Margarita G. De Leon	241,365	0.01%
100.	Corporacion de Padres Dominicos	240,885	0.01%

\* Percentage to total subscribed Common (voting) shares of 2,243,672,470.

Exhibit D

**SCHEDULE B**  
**AMOUNTS RECEIVABLE FROM DIRECTORS,**  
**OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS**  
**(OTHER THAN AFFILIATES)**

Name and Designation of Debtor	Balance at Beg. of Period	Additions	Amounts Collected	Amount Written Off	Current	Not Current	Balance at end of Period
--------------------------------	---------------------------	-----------	-------------------	--------------------	---------	-------------	--------------------------

Please refer to the attached printout reports (Annex A) for the details.



## Exhibit E

**SCHEDULE K  
CAPITAL STOCK**

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
Common Shares	2,900,000,000	2,243,672,470	-0-	506,541	2,572,259	2,240,593,670
Preferred A Shares	60,000,000	-0-	-0-	-0-	-0-	-0-



# BANK OF THE PHILIPPINE ISLANDS

Founded 1851

## STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

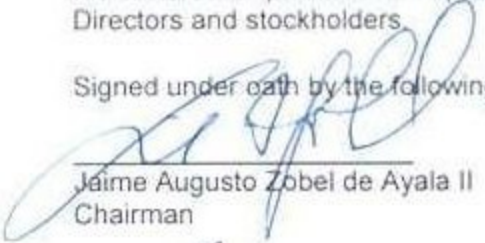
The management of Bank of the Philippine Islands and its Subsidiaries is responsible for all information and representations contained in the financial statements for the years ended December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

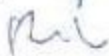
In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

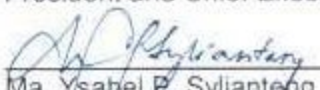
The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Bank.

Joaquin Cunanan & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the Bank of the Philippine Islands and its Subsidiaries in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:

  
Jaime Augusto Zobel de Ayala II  
Chairman

  
Aurelio R. Montinola III  
President and Chief Executive Officer

  
Ma. Ysabel P. Sylianteng  
Senior Vice President

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this **MAR 08 2005**  
day February 2005, affiants exhibited to me their Community Tax Certificate Nos.:

Name	Com. Tax Cert. No.	Date/Place of Issue
Jaime Augusto Zobel de Ayala II	18181203	Feb. 15, 2005/Makati City
Aurelio R. Montinola III	14675293	Jan. 24, 2005/Makati City
Ma. Ysabel P. Sylianteng	21837763	Jan. 8, 2005/Makati City

**ENJENAVENTURA U. MENDOZA**

Notary Public-Makati City

Appointment No. M-19 (2005-2008)

Until December 31, 2008

Ref. No. 31203

PTR No. 9439848 / 01.00.05 / Makati

330918 / 12.29.04 / Makati

TIN - 123368010

Doc. No. 83  
Page No. 18  
Book No. 11  
Series of 2005

BPI Building, Ayala Avenue corner Paseo de Roxas, Makati City

www.bpiexpressonline.com

BPI Bldg., Ayala Avenue, Makati City

Report of Independent Auditors

To the Board of Directors and Stockholders of  
**Bank of the Philippine Islands**  
BPI Building, Ayala Avenue  
Makati City

Joaquin Cunanan & Co.  
29th Floor Philamlife Tower  
8767 Paseo de Roxas  
1226 Makati City, Philippines  
Telephone + 63 (2) 845 2728  
Facsimile + 63 (2) 845 2806  
[www.pwc.com](http://www.pwc.com)

We have audited the accompanying consolidated and parent statements of condition of Bank of the Philippine Islands as of December 31, 2004 and 2003, and the related consolidated and parent statements of income, changes in capital funds and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.



*Joaquin Cunanan & Co.*

In our opinion, the consolidated and parent financial statements referred to above present fairly, in all material respects, the financial position of Bank of the Philippine Islands and its Subsidiaries and of Bank of the Philippine Islands as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with generally accepted accounting principles in the Philippines.

*Joaquin Cunanan & Co.*

Makati City  
January 27, 2005

*B. Pestano*

BLESILDA A. PESTAÑO

CPA Cert. No. 40446

P.T.R. No. 9438095

Issued January 5, 2005 at Makati City

SEC A.N. (Individual) as general auditors 0049-A

Issued September 4, 2003

SEC A.N. (Firm) as general auditors 0009-F

Issued April 3, 2003

TIN 112-071-927

BIR A.N. 08-000745-7-2004

Issued October 11, 2004

Effective until October 11, 2007

BOA/PRC Reg. No. 0142

Issued October 25, 2004

**BANK OF THE PHILIPPINE ISLANDS**

STATEMENTS OF CONDITION  
DECEMBER 31, 2004 AND 2003  
(In Millions of Pesos)

	Notes	Consolidated		Parent	
		2004	2003	2004	2003
<b>RESOURCES</b>					
CASH AND OTHER CASH ITEMS	2, 5, 18	<b>P 8,897</b>	P 7,333	<b>P 8,605</b>	P 7,050
DUE FROM BANGKO SENTRAL NG PILIPINAS	18	<b>15,421</b>	12,171	<b>13,622</b>	10,249
DUE FROM OTHER BANKS	2, 5, 17	<b>22,485</b>	14,899	<b>19,474</b>	12,504
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	2, 5, 6, 18	<b>3,555</b>	12,206	<b>9,139</b>	16,862
TRADING ACCOUNT SECURITIES	2, 7, 18	<b>19,550</b>	5,830	<b>17,489</b>	1,284
INVESTMENT SECURITIES, net	2, 8, 17, 26	<b>134,644</b>	117,762	<b>120,360</b>	101,436
LOANS AND ADVANCES, net	2, 9, 18	<b>205,760</b>	189,076	<b>160,512</b>	148,386
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	2, 10	<b>9,949</b>	10,374	<b>8,928</b>	9,223
EQUITY INVESTMENTS, net	2, 11	<b>942</b>	1,628	<b>20,188</b>	19,941
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS	2, 3	<b>19,702</b>	16,972	-	-
DEFERRED INCOME TAX ASSETS, net	2, 12	<b>4,763</b>	5,509	<b>4,470</b>	5,033
OTHER RESOURCES, net	2, 13	<b>25,005</b>	25,263	<b>18,919</b>	18,828
		<b>P 470,673</b>	P 419,023	<b>P 401,706</b>	P 350,796
<b>LIABILITIES AND CAPITAL FUNDS</b>					
DEPOSIT LIABILITIES	18				
Demand		<b>P 59,550</b>	P 55,582	<b>P 55,400</b>	P 51,547
Savings		<b>221,075</b>	199,976	<b>187,563</b>	166,076
Time		<b>86,406</b>	68,954	<b>74,301</b>	59,121
		<b>367,031</b>	324,512	<b>317,264</b>	276,744
BILLS PAYABLE	14, 18	<b>12,557</b>	7,916	<b>13,204</b>	4,782
DUE TO BANGKO SENTRAL NG PILIPINAS AND OTHER BANKS	18	<b>656</b>	617	<b>634</b>	596
MANAGER'S CHECKS AND DEMAND DRAFTS OUTSTANDING		<b>1,680</b>	1,585	<b>1,297</b>	1,306
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		<b>2,005</b>	1,912	<b>1,643</b>	1,439
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS	2, 3	<b>15,320</b>	13,283	-	-
DEFERRED CREDITS AND OTHER LIABILITIES	15	<b>16,568</b>	16,086	<b>14,192</b>	13,788
Total liabilities		<b>415,817</b>	365,911	<b>348,234</b>	298,655
MINORITY INTEREST IN SUBSIDIARIES		<b>1,384</b>	971	-	-
CAPITAL FUNDS	16, 17	<b>53,472</b>	52,141	<b>53,472</b>	52,141
		<b>P 470,673</b>	P 419,023	<b>P 401,706</b>	P 350,796

(The notes on pages 1 to 38 are an integral part of these financial statements.)

**BANK OF THE PHILIPPINE ISLANDS**

STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002  
(In Millions of Pesos, Except Per Share Amounts)

	Notes	Consolidated			Parent		
		2004	2003	2002	2004	2003	2002
<b>INTEREST INCOME</b>	2						
On loans and advances		<b>P 19,108</b>	P 17,610	P 16,079	<b>P 14,436</b>	P 13,243	P 11,275
On investments and trading account securities		<b>6,441</b>	5,431	7,307	<b>5,235</b>	4,471	6,038
On deposits with banks		<b>480</b>	491	759	<b>423</b>	414	679
Output VAT/GRT		<b>(1,020)</b>	(1,978)	(874)	<b>(807)</b>	(1,479)	(665)
		<b>25,009</b>	21,554	23,271	<b>19,287</b>	16,649	17,327
<b>INTEREST EXPENSE</b>	2						
On deposits		<b>9,070</b>	7,896	9,794	<b>7,334</b>	6,436	8,002
On bills payable and other borrowings		<b>446</b>	522	472	<b>343</b>	435	434
Input VAT	2	<b>-</b>	(86)	-	<b>-</b>	(52)	-
		<b>9,516</b>	8,332	10,266	<b>7,677</b>	6,819	8,436
<b>NET INTEREST INCOME</b>		<b>15,493</b>	13,222	13,005	<b>11,610</b>	9,830	8,891
<b>PROVISION FOR PROBABLE LOSSES</b>	2, 9	<b>1,623</b>	1,200	1,200	<b>1,555</b>	1,144	1,147
<b>NET INTEREST INCOME AFTER PROVISION FOR PROBABLE LOSSES</b>		<b>13,870</b>	12,022	11,805	<b>10,055</b>	8,686	7,744
<b>OTHER INCOME</b>	2						
Income from foreign exchange trading, securities trading and investments		<b>1,650</b>	2,221	2,358	<b>1,483</b>	1,975	1,956
Service charges and commissions		<b>2,193</b>	2,157	2,163	<b>1,625</b>	1,635	1,634
Income attributable to insurance operations before income tax and minority interest	3	<b>672</b>	643	192	<b>-</b>	-	-
Equity in net income of subsidiaries		<b>2</b>	5	7	<b>2,098</b>	2,054	2,033
Other operating income	20	<b>3,022</b>	2,473	2,552	<b>2,483</b>	1,996	2,054
Output VAT/GRT	2	<b>(312)</b>	(522)	(308)	<b>(267)</b>	(457)	(260)
		<b>7,227</b>	6,977	6,964	<b>7,422</b>	7,203	7,417
<b>OTHER EXPENSES</b>	2						
Compensation and fringe benefits	25	<b>5,834</b>	5,725	5,686	<b>3,835</b>	3,797	3,778
Occupancy and equipment-related expenses	10, 21	<b>3,314</b>	3,322	3,444	<b>2,822</b>	2,859	2,851
Other operating expenses	22	<b>3,014</b>	2,886	3,027	<b>2,736</b>	2,667	2,685
Input VAT	2	<b>-</b>	(299)	-	<b>-</b>	(254)	-
		<b>12,162</b>	11,634	12,157	<b>9,393</b>	9,069	9,314
<b>INCOME BEFORE INCOME TAX AND MINORITY INTEREST</b>		<b>8,935</b>	7,365	6,612	<b>8,084</b>	6,820	5,847

(forward)

**BANK OF THE PHILIPPINE ISLANDS**

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

(In Millions of Pesos, Except Per Share Amounts)

	Notes	Consolidated			Parent		
		2004	2003	2002	2004	2003	2002
PROVISION FOR INCOME TAX	2, 23						
Current		<b>P 1,381</b>	P 1,082	P 1,454	<b>P 853</b>	P 723	P 994
Deferred	12	<b>732</b>	510	(103)	<b>563</b>	423	(320)
		<b>2,113</b>	1,592	1,351	<b>1,416</b>	1,146	674
INCOME BEFORE MINORITY INTEREST		<b>6,822</b>	5,773	5,261	<b>6,668</b>	5,674	5,173
INCOME APPLICABLE TO MINORITY INTEREST		<b>(154)</b>	(99)	(88)	-	-	-
NET INCOME FOR THE YEAR		<b>P 6,668</b>	P 5,674	P 5,173	<b>P 6,668</b>	P 5,674	P 5,173
EARNINGS PER SHARE	2, 16	<b>P 2.97</b>	P 2.53	P 2.31	<b>P 2.97</b>	P 2.53	P 2.31

(The notes on pages 1 to 38 are an integral part of these financial statements.)

**BANK OF THE PHILIPPINE ISLANDS**

STATEMENTS OF CHANGES IN CAPITAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002  
(In Millions of Pesos, Except Par Value Per Share)

	Notes	2004	2003	2002
<b>CAPITAL STOCK</b>	16			
Authorized shares (at P10 par value per share)				
Common shares	<u>(2,900,000,000)</u>	<b>P 29,000</b>	P 29,000	P 29,000
Preferred A shares	<u>(60,000,000)</u>	<b>600</b>	600	600
		<b>P 29,600</b>	P 29,600	P 29,600
Issued common shares				
Balance, January 1		<b>P 18,481</b>	P 18,481	P 15,361
Transfer from subscribed shares		<b>16</b>	-	3
Stock dividends		<b>3,739</b>	-	3,116
Issuance of shares during the year		-	-	1
Balance, December 31		<b>22,236</b>	18,481	18,481
Subscribed common shares				
Balance, January 1		<b>216</b>	216	218
Full payment of common shares subscribed		<b>(16)</b>	-	(3)
Subscriptions during the year	17	-	-	1
Balance, December 31		<b>200</b>	216	216
Subscriptions receivable		<b>(93)</b>	(150)	(191)
Net balance		<b>107</b>	66	25
		<b>22,343</b>	18,547	18,506
<b>PAID-IN-SURPLUS</b>				
Balance, January 1		<b>955</b>	5,899	8,863
Stock dividends		-	-	(3,116)
Adjustments to surplus	16	-	(4,939)	-
Subscriptions and other changes during the year		<b>(11)</b>	(5)	151
Issuance of shares during the year		-	-	1
Balance, December 31		<b>944</b>	955	5,899
Subscriptions receivable		<b>(423)</b>	(802)	(881)
Net balance		<b>521</b>	153	5,018
<b>TRANSLATION ADJUSTMENT</b>	2			
Balance, January 1		<b>491</b>	423	379
Translation adjustment during the year		<b>25</b>	68	44
Balance, December 31		<b>516</b>	491	423
<b>EQUITY IN RESERVE FOR FLUCTUATIONS IN INVESTMENTS AND FOREIGN EXCHANGE OF INSURANCE SUBSIDIARIES</b>	2			
Balance, January 1		<b>356</b>	(8)	73
Equity in reserve for fluctuations in investments during the year		<b>47</b>	354	(51)
Currency translation differences		-	10	(30)
Balance, December 31		<b>403</b>	356	(8)

(forward)



**BANK OF THE PHILIPPINE ISLANDS**  
**STATEMENTS OF CHANGES IN CAPITAL FUNDS**  
**FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002**  
(In Millions of Pesos, Except Par Value Per Share)

	Notes	2004	2003	2002
<b>SURPLUS</b>				
Balance, January 1		<b>P 32,030</b>	P 26,341	P 24,180
Net income for the year		<b>6,668</b>	5,674	5,173
Transfer to surplus reserve		<b>(58)</b>	(63)	(20)
Cash dividends		<b>(5,834)</b>	(4,861)	(2,992)
Adjustments from paid-in surplus	16	-	4,939	-
Stock dividends		<b>(3,739)</b>	-	-
Balance, December 31		<b>29,067</b>	32,030	26,341
<b>SURPLUS RESERVE</b>				
Balance, January 1		<b>564</b>	501	481
Transfer from surplus		<b>58</b>	63	20
Balance, December 31		<b>622</b>	564	501
		<b>P 53,472</b>	P 52,141	P 50,781

(The notes on pages 1 to 38 are an integral part of these financial statements.)

**BANK OF THE PHILIPPINE ISLANDS**

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002  
(In Millions of Pesos)

	Consolidated			Parent		
	2004	2003	2002	2004	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Income before income tax and minority interest	<b>P 8,935</b>	P 7,365	P 6,612	<b>P 8,084</b>	P 6,820	P 5,847
Adjustments for:						
Provision for probable losses	<b>1,623</b>	1,200	1,200	<b>1,555</b>	1,144	1,147
Depreciation and amortization	<b>1,109</b>	1,155	1,177	<b>945</b>	1,002	959
Equity in net income of subsidiaries	<b>(2)</b>	(5)	(7)	<b>(2,098)</b>	(2,054)	(2,033)
Interest income	<b>(26,029)</b>	(23,532)	(24,145)	<b>(20,094)</b>	(18,128)	(17,992)
Interest received	<b>25,587</b>	23,645	25,477	<b>19,410</b>	18,151	18,754
Interest expense	<b>9,516</b>	8,418	10,266	<b>7,677</b>	6,871	8,436
Interest paid	<b>(9,172)</b>	(8,459)	(10,784)	<b>(7,406)</b>	(6,919)	(8,836)
Operating income before changes in operating assets and liabilities	<b>11,567</b>	9,787	9,796	<b>8,073</b>	6,887	6,282
Changes in operating assets and liabilities						
(Increase) decrease in:						
Due from Bangko Sentral ng Pilipinas	<b>(3,250)</b>	1,355	(2,177)	<b>(3,373)</b>	1,176	(2,863)
Interbank loans receivable and securities purchased under agreements to resell	<b>1,011</b>	(4,391)	1,292	<b>1,011</b>	(4,391)	-
Trading account securities	<b>(13,720)</b>	(2,326)	1,381	<b>(16,205)</b>	(334)	1,876
Loans and advances	<b>(18,440)</b>	(2,803)	(1,967)	<b>(14,048)</b>	(2,984)	(2,416)
Assets attributable to insurance operations	<b>(52)</b>	(1,293)	(595)	<b>-</b>	-	-
Other resources	<b>594</b>	(962)	530	<b>401</b>	(1,539)	506
Increase (decrease) in:						
Deposit liabilities	<b>42,519</b>	9,593	(1,757)	<b>40,520</b>	10,979	(2,036)
Due to Bangko Sentral ng Pilipinas and other banks	<b>39</b>	55	(587)	<b>38</b>	57	255
Manager's checks and demand drafts outstanding	<b>95</b>	(190)	(917)	<b>(9)</b>	(60)	(1,093)
Accrued taxes, interest and other expenses	<b>(378)</b>	293	(354)	<b>(127)</b>	162	(154)
Liabilities attributable to insurance operations	<b>2,037</b>	1,115	2,275	<b>-</b>	-	-
Deferred credits and other liabilities	<b>442</b>	3,911	1,856	<b>105</b>	3,892	1,549
Net cash from operating activities before income tax	<b>22,464</b>	14,144	8,776	<b>16,386</b>	13,845	1,906
Income taxes paid	<b>(1,368)</b>	(1,577)	(1,398)	<b>(815)</b>	(751)	(902)
Net cash provided by operating activities	<b>21,096</b>	12,567	7,378	<b>15,571</b>	13,094	1,004
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
(Increase) decrease in:						
Investment securities	<b>(16,733)</b>	(10,000)	3,650	<b>(18,731)</b>	(10,164)	624
Bank premises, furniture, fixtures and equipment	<b>(563)</b>	(848)	(1,036)	<b>(551)</b>	(739)	(1,025)
Dividends received	<b>40</b>	8	18	<b>1,444</b>	1,275	3,095
Equity investments	<b>806</b>	(42)	(24)	<b>757</b>	43	116
Assets attributable to insurance operations	<b>(2,945)</b>	(623)	(2,188)	<b>-</b>	-	-
Net cash (used in) provided by investing activities	<b>(19,395)</b>	(11,505)	420	<b>(17,081)</b>	(9,585)	2,810

(forward)

**BANK OF THE PHILIPPINE ISLANDS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002**  
(In Millions of Pesos)

	<b>Consolidated</b>			<b>Parent</b>		
	<b>2004</b>	2003	2002	<b>2004</b>	2003	2002
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Cash dividends	<b>P (5,535)</b>	P (4,861)	P (2,742)	<b>P (5,535)</b>	P (4,861)	P (2,742)
Collection on stock subscriptions	<b>436</b>	120	114	<b>436</b>	120	114
Increase (decrease) in bills payable	<b>4,641</b>	605	1,245	<b>8,422</b>	(2,430)	1,627
Net cash (used in) provided by financing activities	<b>(458)</b>	(4,136)	(1,383)	<b>3,323</b>	(7,171)	(1,001)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,243</b>	(3,074)	6,415	<b>1,813</b>	(3,662)	2,813
<b>CASH AND CASH EQUIVALENTS</b>						
January 1	<b>30,535</b>	33,609	27,194	<b>32,025</b>	35,687	32,874
December 31	<b>P 31,778</b>	P 30,535	P 33,609	<b>P 33,838</b>	P 32,025	P 35,687

(The notes on pages 1 to 38 are an integral part of these financial statements.)

## **BANK OF THE PHILIPPINE ISLANDS**

### **NOTES TO FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2004 AND 2003**

**AND FOR EACH OF THE THREE YEARS**

**IN THE PERIOD ENDED DECEMBER 31, 2004**

(All amounts are shown in millions of Pesos unless otherwise stated)

#### **Note 1 - General Information**

Bank of the Philippine Islands (BPI or the Parent Bank) is a domestic commercial bank with an expanded banking license and with principal office at BPI Building, Ayala Avenue corner Paseo de Roxas, Makati City. BPI and its subsidiaries (collectively referred to as the BPI Group) offer a whole breadth of financial services that include corporate banking, consumer banking, investment banking, asset management, corporate finance, securities distribution, and insurance services. At the end of 2004, the BPI Group had 10,425 employees (2003 – 10,478) and operated 709 branches, 1,268 ATMs and 11,232 point of sale terminals to support its delivery of services. The BPI Group also serves its customers through alternative electronic banking channels such as telephone, mobile phone and the internet. The BPI shares have been traded in the Philippine Stock Exchange since October 12, 1971. The Parent Bank was registered with the Securities and Exchange Commission (SEC) on January 4, 1943. This license was extended for another 50 years on January 4, 1993.

#### **Note 2 - Summary of Significant Accounting Policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

##### **Basis of preparation**

The financial statements of BPI Group have been prepared under the historical cost convention, except for financial instruments held for trading which are stated at market. These are all in accordance with generally accepted accounting principles (GAAP) in the Philippines. The accounting policies attributable to life insurance operations are in accordance with generally accepted insurance accounting principles in the Philippines and reporting practices prescribed by the Insurance Commission as disclosed below.

The preparation of financial statements in conformity with GAAP in the Philippines requires the use of certain critical accounting estimates based on management's best judgment of realizable values. Actual results may ultimately differ from these estimates.

Basis of consolidation; group accounts

Entities in which the BPI Group owns, directly or indirectly through subsidiaries, more than one-half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the BPI Group and are no longer consolidated from the date that control ceases. Intercompany balances and transactions (including gains and losses) are eliminated. These accounts and transactions usually arise from normal banking activities, such as deposit arrangements, trading of government securities and commercial papers, lending and borrowing of funds, investment advisory and advances for certain operating expenses, among others.

Investments in associates are accounted for by the equity method of accounting. Under this method, the BPI Group recognizes its share of the post-acquisition income or losses of associates in the statement of income. Associates are entities over which the BPI Group generally has between 20% and 50% of the voting rights, or over which the BPI Group has significant influence, but which it does not control. Unrealized gains on transactions between the BPI Group and its associates are eliminated to the extent of the BPI Group's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The percentages of effective ownership of the Parent Bank in operating subsidiaries where it has significant equity investments are as follows:

	% of ownership	
	2004	2003
BPI Family Savings Bank, Inc. (BPI Family Bank)	<b>100.00</b>	100.00
BPI Capital Corporation (BPI Capital)	<b>100.00</b>	100.00
BPI Leasing Corporation (BPI Leasing)	<b>100.00</b>	100.00
BPI Direct Savings Bank, Inc. (BPI Direct)	<b>100.00</b>	100.00
BPI International Finance Limited, Hong Kong (BPI IFL)	<b>100.00</b>	100.00
Insurance companies		
Ayala Life Assurance, Inc. and subsidiaries (ALAI)	<b>98.67</b>	98.67
BPI/MS Insurance Corporation (BPI/MS)	<b>50.50</b>	50.50
Universal Malayan Reinsurance Corporation (UMRC)	<b>49.38</b>	87.15

The accounts of ALAI included the financials of its wholly-owned subsidiary, Ayala Plans, Inc.

The Parent Bank's 50.50% effective ownership in BPI/MS consists of its direct (0.70%) and indirect (49.80%) ownership of BPI/MS as of December 31, 2004 and 2003. The Parent Bank owns BPI/MS indirectly through FGU Insurance Corporation, which is 98.01% owned by BPI (see Note 11) and which owns 50.81% of BPI/MS.

#### Segment reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments.

#### Cash and cash equivalents

For purposes of reporting cash flows, Cash and cash equivalents consist of balances with maturities of less than three months from the date of acquisition including Cash and other cash items, Due from other banks, and Interbank loans receivable and securities purchased under agreements to resell.

### Investments in debt and equity securities

The BPI Group classifies its investments in debt and equity securities into trading account securities and investment securities. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Trading account securities are securities which were acquired for the purpose of generating profits from price fluctuations and arbitrage opportunities in the market. Trading securities are initially recognized at cost and subsequently re-measured at market value. All related realized and unrealized gains and losses are included in income from trading.

Investment securities are those where management has both the intent and the ability to hold such to maturity, and are carried at amortized cost less any provision for impairment.

### Loans and advances

All loans and advances are recognized when cash is advanced to borrowers. Loans and advances are stated at the outstanding balance reduced by unearned discounts and allowance for probable losses.

Allowance for probable losses is established for estimated losses on loans and foreclosed collaterals. The estimate of loss is based on a periodic examination and evaluation by management of existing risks affecting the assets, prevailing economic conditions, collection and loss experience of the BPI Group as well as regulatory guidelines of the Bangko Sentral ng Pilipinas (Bangko Sentral).

### Bank premises, furniture, fixtures and equipment

Bank premises (including leasehold improvements), furniture, fixtures and equipment are stated at historical cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets as follows:

Building	50 years
Furniture and equipment	3-5 years

The cost of leasehold improvements is amortized over the term of the lease or the estimated useful life of the improvements, whichever is shorter. Minor expenditures for replacements, maintenance and repairs are expensed as incurred; major renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in income for the period.

### Real and other property owned or acquired

Real and other property owned or acquired (ROPOA), which are shown under Other resources, are generally stated at the total outstanding exposure or at the estimated fair market value at the time of acquisition, whichever is lower less allowance for probable losses. Any excess of loan balance over fair market value not recoverable from the borrower is charged to income. Maintenance and other carrying expenses subsequent to the foreclosure or acquisition of such property are likewise charged to income. Realized gain on sale of real and other property owned or acquired is credited to income.

### Impairment of assets

An assessment is made at each balance sheet date whenever there is any indication of impairment of any asset. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is calculated at the higher of the asset's value in use and its net selling price.



### Income recognition

Interest income is recognized in the statement of income for all interest-bearing instruments on an accrual basis.

Unearned discount/income on loans is amortized generally using the interest method and interest income is accrued over the term of the loan. Accruals uncollected at reporting date are reflected as Accrued interest receivable under Other resources.

Income from consumer lending activities is recognized under the financing method of accounting whereby the discounts, interests and financing charges are credited to Unearned discount/income and then amortized to income over the term of the receivables financed based on the annuity method.

Income from leasing activities is also recognized under the financing method of accounting whereby the excess of the aggregate future rentals and the estimated residual value of equipment over the cost of leased equipment is credited to Unearned income and then amortized to income over the term of the lease based on the annuity method.

Amortization of unearned discount/income and accrual of interest are discontinued on all past due accounts in accordance with existing regulations of the Bangko Sentral. Interest income on such accounts is recognized only upon collection.

Service charges, fees, commissions and rentals are recognized as income when earned.

### Foreign currency transactions and translation

The financial statements are presented in Philippine Pesos, which is the functional and presentation currency of the BPI Group.

Foreign currency transactions are translated into Philippine Pesos using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the statements of income.

The financial statements of foreign subsidiaries are also translated into Philippine Pesos based on the exchange rate prevailing at balance sheet date. Any adjustment arising from movement in the exchange rate is shown as a separate component (Translation adjustment) in the statements of changes in capital funds.

#### Derivative financial instruments

The Parent Bank and certain subsidiaries are parties to foreign exchange forward contracts and interest rate swaps. Amounts contracted are recorded as contingent accounts which are not reflected in the consolidated statements of condition (see Note 28).

For derivative financial instruments designated as hedge, the difference between the contracted forward rate and the spot rate at contract date is recognized as income or expense over the lives of the hedged instrument. Derivative financial instruments not designated as hedge are marked to market.

#### Borrowing costs

Borrowing costs are recognized as expense in the period in which they are incurred.

#### Income tax

Income tax payable on profits, based on the applicable tax law, is recognized as an expense in the period in which profits arise.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using the tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recorded or settled.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The BPI Group has substantial income from government securities subject to final withholding tax. Such income is presented at its gross amount and the tax paid or withheld is included in Current provision for income tax.

### Gross receipts tax (GRT) / Value-added tax (VAT)

Effective January 1, 2004, GRT was re-imposed to services rendered by all banks, non-bank financial intermediaries and finance companies.

For the year 2003, the same services rendered by all banks, non-bank financial intermediaries and finance companies were subjected to the 10% VAT. While VAT technically did not accrue to the BPI Group, income and expenses were presented on VAT-inclusive basis for better comparability. Both VAT and GRT are deducted from gross income using accrual method.

### Pension expense

The Parent Bank and its subsidiaries and the insurance company subsidiaries have separate, trustee, noncontributory retirement benefits covering all qualified officers and employees. Pension expenses are recognized based on the computations made by an independent actuary. The funding policy is to contribute an amount equivalent to the pension expense.

### Earning per share (EPS)

Basic EPS is computed by dividing income applicable to common stock by the weighted average number of common shares outstanding during the year with retroactive adjustments for stock dividends. Diluted EPS is computed in the same manner as basic EPS, however, net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares. The basic and diluted EPS of the BPI Group are the same for the years presented after giving effect to stock options considered to be dilutive potential common shares.

### Dividends

Dividends are recorded in the period in which they are approved by the board of directors and the Bangko Sentral.

### Fiduciary activities (see Note 26)

The BPI Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the BPI Group.

Significant accounting policies attributable to insurance operations follow:

#### Life insurance

The life insurance subsidiary of the BPI Group follows the generally accepted insurance accounting principles and reporting practices in the Philippines which are designed primarily to show the ability of the insurance subsidiary to meet its obligations to policyholders.

The more significant of the insurance accounting principles and practices which are prescribed by the Insurance Commission of the Philippines follow: (a) premiums are recognized as revenue when received instead of over the life of the policy; (b) policy acquisition costs are charged to current operations as incurred rather than amortized over the premium-paying periods of the policies; (c) investments in shares of stock other than those carried under the equity method are stated at market or estimated realizable values rather than at the lower of cost or market; the difference between such values and the related cost is credited or charged to the Equity in Reserve for fluctuation in investments under the statements of changes in capital funds; and (d) premiums receivable, reserve for losses incurred but not reported, legal policy reserves and reserve for dividends to policyholders are actuarially computed based on assumptions which are in accordance with the standards set forth in the Insurance Code of the Philippines.

#### Nonlife insurance

The nonlife insurance subsidiary of the BPI Group follows the provisions of Accounting Standards Council's Statement No. 27, "Accounting and Reporting for the Non-life Insurance Industry".

The more significant provisions of the Statement follow: (a) premiums from short duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method; (b) acquisition costs are deferred and charged to expense in proportion to the premium revenue recognized. Reinsurance commissions are deferred and deducted from the applicable deferred acquisition costs, subject to the same amortization method as the related acquisition costs; (c) liabilities for unpaid claim costs (including incurred but not reported losses) and loss adjustment expenses relating to insurance contracts are estimated and accrued when insured events occur; (d) amounts recoverable from reinsurers and loss adjustment expenses are classified as assets, with an allowance for estimated uncollectible amounts; (e) marketable equity securities are carried at market value. Temporary changes in the market value are credited to or

charged against Equity in reserve for fluctuation in investments shown in the statements of changes in capital funds.

### Pre-need

The pre-need subsidiary uses the installment method of recognizing income from the sale of pre-need pension and education plans. Under this method, profits on sale of the plans are recognized when installments are collected. The pre-need subsidiary also recognizes as income the portion of actuarial reserve liability equivalent to a certain percentage of collections on plans which have lapsed for more than the predetermined number of years as approved by the SEC.

Commissions relating to the sale of pre-need plans are expensed as incurred, except for those sold in 2001 and prior years which are deferred and amortized over the plans' premium paying periods.

Actuarial reserve liabilities which represent the accrued net liabilities of the pre-need subsidiary to its planholders are actuarially computed based on standards and guidelines set forth by the SEC. The increase or decrease in this account is charged or credited to income.

Insurance premium reserves which represent the amount that must be set aside by the pre-need subsidiary to pay for premiums for insurance coverage of fully paid planholders, are actuarially computed based on standards and guidelines set forth by the SEC.

### Accounting standards

#### Accounting standards effective in 2004

In 2004, the BPI Group adopted the following Statements of Financial Accounting Standards (SFAS)/International Accounting Standards (IAS):

- *SFAS 12/IAS 12, "Income Taxes"* - prescribes the accounting treatment for income taxes and requires the recognition of deferred tax liability for taxable temporary differences and deferred tax assets for deductible temporary differences if it is probably that a tax benefit will be realized.
- *SFAS 17/IAS 17, "Leases"* - prescribes the accounting policies and disclosures to apply to finance and operations leases.

### New accounting standards effective in 2005

In November 2004, the Accounting Standards Council adopted all current International Accounting Standards and International Financial Reporting Standards of the International Accounting Standards Board as the new generally accepted accounting principles framework for the Philippines. The same Standards were approved for adoption by the SEC and the Bangko Sentral and will be made effective for annual financial statements beginning January 1, 2005.

The new Standards will generally be changing BPI Group's basis of financial measurement from historical cost to fair value for financial assets and liabilities.

The impact of the adoption of such accounting Standards, however, could not be reasonably estimated as of December 31, 2004.

### Comparatives

Where necessary, comparative figures have been adjusted to conform with the changes in presentation in the current year.

### **Note 3 - Assets and Liabilities Attributable to Insurance Operations**

Details of the assets and liabilities attributable to insurance operations as of December 31 are as follows:

	<b>2004</b>	2003
Cash and cash equivalents (Note 5)	<b>P 221</b>	P 488
Insurance balances receivable, net	<b>3,956</b>	1,064
Investments	<b>10,608</b>	7,563
Land, building and equipment	<b>2,299</b>	2,399
Accounts receivable and other assets	<b>2,618</b>	5,458
	<b>P 19,702</b>	P 16,972
Reserves and other balances	<b>P 13,704</b>	P 11,606
Accounts payable, accrued expenses and other payables	<b>1,616</b>	1,677
	<b>P 15,320</b>	P 13,283

Details of income attributable to insurance operations, before income tax and minority interest for each of the three years in the period ended December 31, 2004 are as follows:

	<b>2004</b>	2003	2002
Premiums earned and related income	<b>P 3,710</b>	P 3,175	P 2,714
Investment and other income	<b>1,282</b>	908	678
	<b>4,992</b>	4,083	3,392
Increase in actuarial reserve liabilities	<b>1,368</b>	1,034	748
Management and general expenses	<b>1,024</b>	930	973
Commissions	<b>824</b>	905	942
Benefits, claims and maturities	<b>826</b>	478	222
Other expenses	<b>278</b>	93	315
	<b>4,320</b>	3,440	3,200
Income before income tax and minority interest	<b>P 672</b>	P 643	P 192

#### **Note 4 - Business Segments**

The BPI Group derives revenue from the following main operating business segments:

- Consumer Banking - this segment addresses the individual and retail markets. It covers deposit taking and servicing, consumer lending such as home mortgages, auto loans and credit card finance as well as the remittance business. It includes the entire transaction processing and service delivery infrastructure consisting of the BPI network of branches, ATMs and Point of Sale terminals as well as phone and Internet-based banking platforms.
- Corporate Banking - this segment consists of the entire lending, leasing, trade and cash management services provided by the BPI Group to corporate and institutional customers. These customers include both high-end corporations as well as various middle market clients.
- Investment Banking - this segment includes the various business groups operating in the investment markets, and dealing in activities other than lending and deposit taking. These services cover corporate finance, securities distribution, asset management, trust and fiduciary services as well as proprietary trading and investment activities.

Transactions between business segments are on a normal commercial terms and conditions.

The segment assets, liabilities and results of operations of the reportable segments of the BPI Group as of and for the years ended December 31, 2004 and 2003 reported under Philippine GAAP are as follows:

	2004				
	Consumer Banking	Corporate Banking	Investment Banking	Corporate/ Elimination Items	Total
Net interest income and other income	P 14,619	P 4,187	P 4,006	P (92)	P 22,720
Other expenses	(9,906)	(1,301)	(466)	(489)	(12,162)
Income before provision for probable losses, income tax and minority interest	4,713	2,886	3,540	(581)	10,558
Provision for probable losses					(1,623)
Provision for income tax					(2,113)
Minority interest					(154)
Net income for the year					6,668
Segment assets	141,197	142,428	168,600	18,448	470,673
Segment liabilities	379,997	7,627	15,947	12,246	415,817

	2003				
	Consumer Banking	Corporate Banking	Investment Banking	Corporate/ Elimination Items	Total
Net interest income and other income	P 12,164	P 3,849	P 4,768	P (582)	P 20,199
Other expenses	(9,406)	(1,389)	(530)	(309)	(11,634)
Income before provision for probable losses, income tax and minority interest	2,758	2,460	4,238	(891)	8,565
Provision for probable losses					(1,200)
Provision for income tax					(1,592)
Minority interest					(99)
Net income for the year					5,674
Segment assets	127,136	131,601	141,049	19,237	419,023
Segment liabilities	338,977	8,706	7,227	11,001	365,911

The business segment results presented above include internal transfer pricing adjustments across segments as deemed appropriate by management.



The Corporate/Elimination Items column includes insurance operations (see Note 3), support units and corporate offices.

The BPI Group and the Parent Bank mainly derive revenue (more than 90%) within the Philippines, accordingly, no geographical segment is presented.

### **Note 5 - Cash and Cash Equivalents**

This account at December 31 consists of:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
Cash and other cash items	<b>P 8,897</b>	P 7,333	<b>P 8,605</b>	P 7,050
Due from other banks	<b>22,485</b>	14,899	<b>19,474</b>	12,504
Interbank loans receivable and securities purchased under agreements to resell	<b>175</b>	7,815	<b>5,759</b>	12,471
Cash and cash equivalents attributable to insurance operations (Note 3)	<b>221</b>	488	-	-
	<b>P 31,778</b>	P 30,535	<b>P 33,838</b>	P 32,025

### **Note 6 - Interbank Loans Receivable**

The interbank loans receivable of the Parent Bank in 2004 include overnight lendings to BPI Family and BPI Leasing of P4,600 million and P1,159 million, respectively. The account in 2004 also includes 5-year loans granted by the Parent Bank to Bangko Sentral with outstanding balance aggregating US\$60 million (P3,380 million).

The account of the Parent Bank in 2003 included overnight lendings to BPI Family and BPI Leasing of P3,550 million and P1,421 million, respectively, and to Bangko Sentral, under reverse repurchase agreement, of P7,500 million. The account also included 5-year loans granted by the Parent Bank to Bangko Sentral with outstanding balance aggregating US\$79 million (P4,391 million).

Interbank loans receivable of the BPI Group carry interest rates (%) at December 31 as follows:

	<b>2004</b>	2003
Peso-denominated accounts	<b>6.75 – 8.00</b>	<b>6.38 - 7.75</b>
US dollar-denominated accounts	<b>2.20 – 3.98</b>	<b>2.83 - 3.08</b>

### **Note 7 - Trading Account Securities**

The account at December 31 consisted of:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
Government securities	<b>P 18,970</b>	P 5,708	<b>P 17,091</b>	P 1,235
Equity securities	<b>568</b>	80	<b>402</b>	24
Commercial papers of private companies	<b>42</b>	49	<b>17</b>	15
	<b>19,580</b>	5,837	<b>17,510</b>	1,274
Allowance for market valuation	<b>(30)</b>	(7)	<b>(21)</b>	10
	<b>P 19,550</b>	P 5,830	<b>P 17,489</b>	P 1,284

Trading account securities of the BPI Group carry interest rates (%) at December 31 as follows:

	<b>2004</b>	2003
Peso-denominated accounts	<b>7.00 - 22.88</b>	<b>8.25 - 22.88</b>
US dollar-denominated accounts	<b>3.09 – 8.70</b>	<b>4.25 - 9.50</b>

### **Note 8 - Investment Securities**

This account at December 31 consists of:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
Government securities	<b>P 133,895</b>	P 117,047	<b>P 119,744</b>	P 100,849
Commercial papers of private companies	<b>216</b>	318	<b>104</b>	275
Others	<b>709</b>	722	<b>564</b>	556
	<b>134,820</b>	118,087	<b>120,412</b>	101,680
Allowance for probable losses	<b>(176)</b>	(325)	<b>(52)</b>	(244)
	<b>P 134,644</b>	P 117,762	<b>P 120,360</b>	P 101,436

Investment securities at December 31 of the BPI Group carry effective interest rates (%) as follows:

	<b>2004</b>	2003
Peso-denominated investments		
Less than 1 year	<b>5.68 – 15.74</b>	6.00 - 14.25
More than 1 year	<b>6.00 - 15.63</b>	4.00 - 18.38
Foreign currency-denominated investments		
Less than 1 year	<b>1.17 - 9.00</b>	1.75 - 5.88
More than 1 year	<b>1.62 – 9.49</b>	1.13 - 9.50

## **Note 9 - Loans and Advances**

Major classifications of this account at December 31 are as follows:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Loans and discounts	<b>P 198,643</b>	P 186,348	<b>P 149,247</b>	P 141,426
Customer's liability on drafts under letters of credit/trust receipts and bank's acceptances	<b>11,929</b>	11,948	<b>11,795</b>	11,808
Bills purchased	<b>9,419</b>	8,975	<b>9,238</b>	8,612
	<b>219,991</b>	207,271	<b>170,280</b>	161,846
Unearned discount/income	<b>(3,056)</b>	(2,858)	<b>(155)</b>	(157)
	<b>216,935</b>	204,413	<b>170,125</b>	161,689
Allowance for probable losses	<b>(11,175)</b>	(15,337)	<b>(9,613)</b>	(13,303)
	<b>P 205,760</b>	P 189,076	<b>P 160,512</b>	P 148,386

The Parent Bank acquired from BPI Family Bank, under a deed of assignment dated January 3, 2003 and November 30, 2004, respectively, various loan accounts secured by real estate mortgage and other securities with a net book value of P1,068 million and P2,871 million in 2004 and 2003, respectively. In accordance with the deed of assignment, BPI Family Bank will act as collecting agent for the loan accounts assigned to the Parent Bank.

On July 21, 2004, the Parent Bank approved the sale by the BPI Group to Morgan Stanley Emerging Markets, Inc. of P8.64 billion worth of legal claims relating to non-performing loans (NPLs). Of the total NPLs sold, P4.22 billion were on books but with provisions of P4.20 billion. A deposit equivalent to 10% of the purchase price was effected on signing date, with the remaining balance received fully on January 5, 2005.

The gain arising from the sale of NPLs amounted to P172 million of which P159 million pertained to the Parent Bank.

Details of the loans and advances portfolio of the BPI Group at December 31 are as follows:

1) As to industry/economic sector (in %)

	Consolidated		Parent	
	2004	2003	2004	2003
Consumer	<b>23.66</b>	23.01	<b>4.61</b>	4.41
Manufacturing	<b>15.40</b>	16.91	<b>18.96</b>	20.61
Real estate, renting and other related activities	<b>16.57</b>	16.46	<b>21.10</b>	20.79
Agriculture and forestry	<b>12.38</b>	12.22	<b>15.77</b>	15.44
Wholesale and retail trade	<b>14.90</b>	11.90	<b>18.64</b>	14.74
Financial institutions	<b>3.47</b>	4.45	<b>4.31</b>	5.70
Others	<b>13.62</b>	15.05	<b>16.61</b>	18.31
	<b>100.00</b>	100.00	<b>100.00</b>	100.00

2) As to collateral

	Consolidated		Parent	
	2004	2003	2004	2003
Secured loans				
Real estate mortgage	<b>P 64,772</b>	P 58,447	<b>P 37,717</b>	P 34,837
Chattel mortgage	<b>13,480</b>	14,957	<b>686</b>	756
Others	<b>22,756</b>	24,171	<b>16,264</b>	19,355
	<b>101,008</b>	97,575	<b>54,667</b>	54,948
Unsecured loans	<b>115,927</b>	106,838	<b>115,458</b>	106,741
	<b>P 216,935</b>	P 204,413	<b>P 170,125</b>	P 161,689

Other collaterals include hold-out deposits, joint suretyship agreements, mortgage trust indentures, government securities and bonds, shares of stocks, quedan/warehouse receipts, standby letters of credit, trust receipts, and deposit substitutes.

Loans and advances of the BPI Group carry interest rates (%) at December 31 as follows:

	<b>2004</b>	2003
Commercial loans		
Peso-denominated loans	<b>7.00 – 18.75</b>	5.30 - 15.05
Foreign currency-denominated loans	<b>1.36 – 8.00</b>	1.28 - 8.83
Mortgage loans	<b>8.75 – 15.40</b>	6.00 - 23.00
Auto loans	<b>8.00 - 22.50</b>	9.50 - 28.22

Non-performing accounts (over 90 days past due) of the BPI Group and Parent Bank, net of accounts in the “loss” category and covered with 100% reserves (excluded under BSP Circular 351), are as follows:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
Non-performing accounts (NPL 90)	<b>P 15,606</b>	P 21,103	<b>P 12,825</b>	P 18,004
“Loss” category loans with 100% reserves	<b>3,558</b>	7,708	<b>3,317</b>	7,260
Net NPL 90	<b>12,048</b>	13,395	<b>9,508</b>	10,744
NPL ratio	<b>5.65%</b>	6.81%	<b>5.70%</b>	6.96%

The non-performing accounts (over 30 days past due) of the BPI Group and Parent Bank, net of accounts in the “loss” category are:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
Net NPL 30	<b>P 12,197</b>	P 13,931	<b>P 9,655</b>	P 11,265

The changes in the allowance for probable losses at December 31 are as follows:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
Balance, January 1	<b>P 15,337</b>	P 14,418	<b>P 13,303</b>	P 12,106
Provision for probable losses	<b>1,623</b>	1,200	<b>1,555</b>	1,144
Write-offs	<b>(5,403)</b>	(300)	<b>(4,939)</b>	(6)
Transfers from (to) investment securities and other assets, net	<b>(382)</b>	19	<b>(306)</b>	59
Balance, December 31	<b>P 11,175</b>	P 15,337	<b>P 9,613</b>	P 13,303

Allowance for probable losses consists of a specific reserve component and a general unallocated component. For consumer loans, the specific reserve is based on an aging formula. Specific reserve for corporate loans is based on the classification of the individual loans, in accordance with the guidelines set by the Bangko Sentral. Specific reserves are supplemented by a general allowance for loans not covered by specific reserves, which is likewise in line with the Bangko Sentral guidelines.

In the ordinary course of business, the BPI Group has loan transactions with its directors, officers, stockholders and related interest (DOSRI). At December 31, 2004 and 2003, the BPI Group is in full compliance with the General Banking Act and the Bangko Sentral regulations on DOSRI loans.

Details of DOSRI loans at December 31 are as follows:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
Outstanding DOSRI loans	<b>P 8,535</b>	P 7,025	<b>P 8,320</b>	P 6,776
% to total outstanding loans and advances	<b>3.93</b>	3.44	<b>4.89</b>	4.19
% to total outstanding DOSRI loans				
Unsecured DOSRI loans	<b>24.11</b>	23.46	<b>24.62</b>	24.27
Past due DOSRI loans	<b>Nil</b>	1.01	<b>Nil</b>	1.05
Non-performing DOSRI loans	<b>Nil</b>	Nil	<b>Nil</b>	Nil

## **Note 10 - Bank Premises, Furniture, Fixtures and Equipment**

This account at December 31 consists of:

	<b>Consolidated</b>			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
<b>Cost</b>				
January 1, 2004	P 4,702	P 5,479	P 8,013	P 18,194
Additions	63	80	956	1,099
Disposals/amortizations	(67)	(138)	(1,290)	(1,495)
December 31, 2004	4,698	5,421	7,679	P 17,798
<b>Accumulated depreciation</b>				
January 1, 2004	-	1,596	6,224	P 7,820
Depreciation	-	160	697	857
Disposals	-	(5)	(823)	(828)
December 31, 2004	-	1,751	6,098	7,849
<b>Net book value</b>				
<b>December 31, 2004</b>	<b>P 4,698</b>	<b>P 3,670</b>	<b>P 1,581</b>	<b>P 9,949</b>
Net book value				
December 31, 2003	P 4,702	P 3,883	P 1,789	P 10,374
	<b>Parent</b>			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
<b>Cost</b>				
January 1, 2004	P 4,173	P 4,832	P 7,151	P 16,156
Additions	56	66	870	992
Disposals/amortizations	-	(88)	(1,027)	(1,115)
December 31, 2004	4,229	4,810	6,994	16,033
<b>Accumulated depreciation</b>				
January 1, 2004	-	1,447	5,486	6,933
Depreciation	-	145	613	758
Disposals	-	(4)	(582)	(586)
December 31, 2004	-	1,588	5,517	7,105
<b>Net book value</b>				
<b>December 31, 2004</b>	<b>P 4,229</b>	<b>P 3,222</b>	<b>P 1,477</b>	<b>P 8,928</b>
Net book value				
December 31, 2003	P 4,173	P 3,385	P 1,664	P 9,223



## **Note 11 - Equity Investments**

This account at December 31 consists of investments in shares of stock:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
Carrying value (net of allowance)				
Investments at equity method	<b>P 142</b>	P 401	<b>P 20,027</b>	P 19,344
Investments at cost method	<b>800</b>	1,227	<b>161</b>	597
	<b>P 942</b>	P 1,628	<b>P 20,188</b>	P 19,941

The details of equity investments at equity method of the Parent Bank are as follows:

	Percentage of ownership		Acquisition cost		Accumulated equity in net income of subsidiaries		Translation adjustment/ Equity in reserve for fluctuations in investments and foreign exchange		Allowance for probable losses		Carrying value	
	<b>2004</b>	2003	<b>2004</b>	2003	<b>2004</b>	2003	<b>2004</b>	2003	<b>2004</b>	2003	<b>2004</b>	2003
BPI Family												
Bank	<b>100.00</b>	100.00	<b>P 150</b>	P 150	<b>P 6,059</b>	P 6,031	<b>P -</b>	P -	<b>P -</b>	P -	<b>P 6,209</b>	P6,181
BPI Capital	<b>100.00</b>	100.00	<b>1,573</b>	1,573	<b>3,369</b>	2,995	-	-	-	-	<b>4,942</b>	4,568
BPI Leasing	<b>100.00</b>	100.00	<b>645</b>	645	<b>1,224</b>	1,009	-	-	-	-	<b>1,869</b>	1,654
ALAI	<b>98.67</b>	98.67	<b>768</b>	768	<b>531</b>	342	<b>374</b>	338	-	-	<b>1,673</b>	1,448
FGU	<b>98.01</b>	98.01	<b>303</b>	303	<b>635</b>	545	<b>(8)</b>	(6)	-	-	<b>930</b>	842
Far East Savings												
Bank, Inc.	<b>100.00</b>	100.00	<b>500</b>	500	<b>39</b>	251	-	-	-	-	<b>539</b>	751
BPI IFL	<b>100.00</b>	100.00	<b>143</b>	143	<b>328</b>	328	<b>398</b>	390	<b>(104)</b>	(104)	<b>765</b>	757
BPI Direct	<b>100.00</b>	100.00	<b>322</b>	322	<b>322</b>	291	-	-	-	-	<b>644</b>	613
UMRC	<b>49.38</b>	64.81	<b>204</b>	219	<b>354</b>	327	<b>37</b>	25	-	-	<b>595</b>	571
Other equity investments												
			<b>1,291</b>	1,104	<b>753</b>	830	<b>117</b>	102	<b>(300)</b>	(77)	<b>1,861</b>	1,959
			<b>P5,899</b>	P5,727	<b>P13,614</b>	P12,949	<b>P 918</b>	P849	<b>P (404))</b>	P (181)	<b>P20,027</b>	P19,344

The movements in the accumulated equity in net income of the subsidiaries of the Parent Bank are as follows:

	January 1, 2004	Equity in net income during the year	Dividends/ Others	December 31, 2004
BPI Family Bank	P 6,031	P 1,028	P (1,000)	P 6,059
BPI Capital	2,995	374	-	3,369
BPI Leasing	1,009	215	-	1,224
ALAI	342	189	-	531
FGU	545	90	-	635
Far East Savings Bank, Inc.	251	38	(250)	39
BPI IFL	328	-	-	328
BPI Direct	291	31	-	322
UMRC	327	27	-	354
Other equity investments	830	72	(149)	753
	P 12,949	P 2,064	P (1,399)	P 13,614

Major transactions involving subsidiaries follow:

#### UMRC

In November 2003, the respective board of directors and stockholders of UNIRE and Malayan Reinsurance Corporation (MRC) approved the merger of the two companies with UNIRE as the surviving entity under a new corporate name, Universal Malayan Reinsurance Corporation (UMRC). The merger was effected through a swap of shares at an exchange ratio of 1.3801 MRC shares per UNIRE share.

In January 2004, the SEC approved the merger and the change in the corporate name.

On February 16, 2004, the BPI Group and Insular Life Assurance Co. Ltd. (Insular Life) sold a total of 12,554,276 shares of UNIRE to the Malayan Insurance Group to achieve equal ownership by BPI Group and the Malayan Insurance Group of the merged entity.

## **Note 12 – Deferred Income Taxes**

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 32%.

The significant components of deferred income tax assets and liabilities at December 31 are as follows:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
Deferred income tax assets				
Allowance for probable losses	<b>P 4,091</b>	P 5,516	<b>P 3,483</b>	P 4,704
Net operating loss carry over (NOLCO)	<b>780</b>	416	<b>761</b>	382
Others	<b>277</b>	2	<b>277</b>	2
Total deferred income tax assets	<b>5,148</b>	5,934	<b>4,521</b>	5,088
Deferred tax income liabilities				
Leasing income differential between capital and operating lease method	<b>334</b>	370	-	-
Capitalized interest	<b>51</b>	55	<b>51</b>	55
Total deferred income tax liabilities	<b>385</b>	425	<b>51</b>	55
	<b>P 4,763</b>	P 5,509	<b>P 4,470</b>	P 5,033

The deferred tax charge in the income statement comprises the following temporary differences:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
Allowance for probable losses	<b>P1,425</b>	P (198)	<b>P 1,221</b>	P (290)
NOLCO	<b>(378)</b>	676	<b>(379)</b>	712
Leasing income differential	<b>(36)</b>	28	-	-
Others	<b>(279)</b>	4	<b>(279)</b>	1
	<b>P 732</b>	P 510	<b>P 563</b>	P 423

The outstanding NOLCO at December 31 consists of:

Year of Incurrence	Year of Expiration	Consolidated		Parent	
		2004	2003	2004	2003
2004	2007	<b>P 1,185</b>	P -	<b>P 1,185</b>	P -
2003	2006	-	-	-	-
2002	2005	<b>1,193</b>	1,193	<b>1,193</b>	1,193
2001	2004	<b>59</b>	107	-	-
		<b>2,437</b>	1,300	<b>2,378</b>	1,193
Tax rate		<b>32%</b>	32%	<b>32%</b>	32%
Deferred income tax asset on NOLCO		<b>P 780</b>	P 416	<b>P 761</b>	P 382

Total deductions claimed amounted to P252 million and P2,367 million in 2004 and 2003, respectively, for the BPI Group, and nil and P2,226 million in 2004 and 2003, respectively, for the Parent Bank. Total expired NOLCO amounted to P14 million and P82 million in 2004 and 2003, respectively, for the BPI Group, and nil for 2004 and 2003 for the Parent Bank.

### **Note 13 - Other Resources**

The account at December 31 consists of the following:

	Consolidated		Parent	
	2004	2003	2004	2003
Real and other property owned or acquired	<b>P 16,901</b>	P 17,146	<b>P 12,596</b>	P 12,634
Accrued interest receivable	<b>2,704</b>	2,262	<b>2,461</b>	1,777
Foreign currency notes and coins on hand	<b>1,428</b>	1,319	<b>1,189</b>	1,141
Residual value of equipment for lease	<b>1,129</b>	976	-	-
Accounts receivable	<b>1,069</b>	1,337	<b>852</b>	1,053
Sales contracts receivable	<b>339</b>	364	<b>293</b>	347
Returned checks and other cash items	<b>256</b>	257	<b>250</b>	246
Prepaid expenses	<b>214</b>	235	<b>160</b>	157
Inter-office float items	-	420	<b>141</b>	515
Miscellaneous assets	<b>2,426</b>	2,335	<b>2,016</b>	1,891
	<b>26,466</b>	26,651	<b>19,958</b>	19,761
Allowance for probable losses	<b>(1,461)</b>	(1,388)	<b>(1,039)</b>	(933)
	<b>P 25,005</b>	P 25,263	<b>P 18,919</b>	P 18,828

Miscellaneous assets include advances to retirement fund and miscellaneous checks and other cash items. Miscellaneous assets also include minimum corporate income (MCIT).

The details of MCIT of the Parent Bank at December 31 are as follows:

Taxable year incurred	Year of expiry	2004	2003
2004	2007	<b>P 162</b>	P -
2003	2006	<b>150</b>	150
2002	2005	<b>74</b>	74
		<b>P 386</b>	P 224

The details of MCIT of the BPI Group at December 31 are as follows:

Taxable year incurred	Year of expiry	2004	2003
2004	2007	<b>P 162</b>	P -
2003	2006	<b>187</b>	187
2002	2005	<b>114</b>	114
		<b>P 463</b>	P 301

The MCIT can be carried forward on an annual basis and credited against the normal income tax for three consecutive taxable years immediately following the year of payment.

#### **Note 14 - Bills Payable**

This account at December 31 consists of:

	Consolidated		Parent	
	2004	2003	2004	2003
Interbank borrowings	<b>P 7,273</b>	P 463	<b>P 9,093</b>	P 463
Private firms and individuals	<b>5,244</b>	7,385	<b>4,071</b>	4,251
Bangko Sentral ng Pilipinas	<b>40</b>	68	<b>40</b>	68
	<b>P 12,557</b>	P 7,916	<b>P 13,204</b>	P 4,782

During the year, the Bank borrowed funds from various foreign banks aggregating P6,519 million with maturity dates ranging from January to May 2005 to fund the reversal of the Bank's foreign currency swap transactions.

Bills payable of the BPI Group bear interest rates (%) as follows:

	<b>2004</b>	2003
Private firms and individuals	<b>5.60 – 14.20</b>	5.00 - 15.62
Interbanks borrowings		
Peso - denominated borrowings	<b>6.88 – 8.34</b>	-
Foreign currency - denominated borrowings	<b>0.10 – 2.90</b>	-
Bangko Sentral ng Pilipinas	<b>5.00 – 8.00</b>	4.17 - 6.57

### **Note 15 - Deferred Credits and Other Liabilities**

The account at December 31 consists of the following:

	<b>Consolidated</b>		<b>Parent</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
Sundry credits	<b>P 9,326</b>	P 9,422	<b>P 9,075</b>	P 8,988
Accounts payable	<b>2,061</b>	2,153	<b>1,549</b>	1,505
Dividends payable	<b>1,805</b>	1,496	<b>1,795</b>	1,496
Deposits on lease contracts	<b>744</b>	670	-	-
Acceptances outstanding	<b>364</b>	324	<b>364</b>	324
Withholding tax payable	<b>257</b>	270	<b>244</b>	209
Miscellaneous liabilities	<b>2,011</b>	1,751	<b>1,165</b>	1,266
	<b>P 16,568</b>	P 16,086	<b>P 14,192</b>	P 13,788

Significant portion of sundry credits represents contra account for bills purchased.

Miscellaneous liabilities include other credits-dormant and miscellaneous liabilities-others.

### **Note 16 - Capital Funds**

On February 19, 2004, the board of directors approved the declaration of 20% stock dividends (P3,739 million) on issued and outstanding common shares of BPI payable to common share stockholders of record as of May 6, 2004.

The movements in the number of common shares of BPI as of December 31 follow:

	<b>2004</b>	2003	2002
<b>Issued common shares</b>			
Balance, January 1	<b>1,848,094,162</b>	1,848,050,140	1,536,149,957
Transfer from subscribed shares	<b>1,607,291</b>	43,450	265,900
Stock dividends	<b>373,945,411</b>	-	311,602,704
Issuance of shares during the year	-	572	31,579
<b>Balance, December 31</b>	<b>2,223,646,864</b>	1,848,094,162	1,848,050,140
<b>Subscribed common shares</b>			
Balance, January 1	<b>21,632,897</b>	21,676,347	21,833,047
Full payment of common shares subscribed	<b>(1,607,291)</b>	(43,450)	(265,900)
Subscriptions during the year	-	-	109,200
<b>Balance, December 31</b>	<b>20,025,606</b>	21,632,897	21,676,347

The weighted average number of common shares used in the earnings per share computation are as follows:

Year	Number of Shares
2004	2,243,672,471
2003	2,243,672,180
2002	2,243,545,167

In 2003, the Parent Bank reduced its Paid-in Surplus account by P4,939 million representing stock dividends declared in prior years which were previously taken out of Surplus account. Accordingly, the Surplus account was credited for the same amount.

During the years 2002 to 2004, BPI recognized the following cash dividends declared by the Board of Directors on the outstanding common shares of the Bank payable to stockholders of record on the 15th day from receipt by the Bank of the approval by the Bangko Sentral and distributable on the 15th day from the said record date:

Date Declared	Date Approved by the Bangko Sentral	Amount of Dividends	
		Per Share	Total
June 19, 2002	July 5, 2002	P 0.80	P 1,496
November 20, 2002	December 5, 2002	0.80	1,496
April 3, 2003	April 24, 2003	1.00	1,870
June 18, 2003	July 14, 2003	0.80	1,496
November 19, 2003	December 5, 2003	0.80	1,496
May 19, 2004	June 4, 2004	0.80	1,795
August 18, 2004	September 1, 2004	1.00	2,244
December 15, 2004	December 22, 2004	0.80	1,795

The BPI Group's capital-to-risk assets ratio in 2004, 2003 and 2002 are 20.20%, 21.13% and 19.55%, respectively.

The Parent Bank's capital-to-risk assets ratio in 2004, 2003 and 2002 are 16.11%, 16.14% and 15.23%, respectively.

#### **Note 17 - Employee Stock Plans**

The BPI Group has Executive Stock Option Plans (ESOP) for qualified officers and Stock Purchase Plan (SPP) for qualified employees.

The ESOP provides for the granting of options to qualified officers to purchase common shares of BPI at a price to be determined by the Board of Directors, taking into account the fair value of the shares and the date at which time the options are exercised and recorded. The option to purchase shares under this plan shall expire five years from grant date and all subscribers shall pay for the exercised shares within the said five-year period. All exercised option shares have a minimum holding period of three years from the date of exercise or the period between exercise date and end of the option period, whichever is shorter.



Options outstanding as of December 31, 2004 and 2003 aggregated 2,333,794 shares. There were no options granted nor exercised in 2004 and 2003.

The SPP allows qualified regular employees of the BPI Group to subscribe to BPI's common shares at a predetermined price and pay on installment basis within a period of four to five years.

### **Note 18 - Resources and Liabilities by Maturities**

	Consolidated				Parent			
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
<b>At December 31, 2004</b>								
<b>Resources</b>								
Cash and other cash items	P 8,897			P 8,897	P 8,605			P 8,605
Due from Bangko Sentral	15,421			15,421	13,622			13,622
Due from other banks	22,485			22,485	19,474			19,474
Interbank loans receivable and securities purchased under agreements to resell	175	3,380		3,555	5,759	3,380		9,139
Trading account securities	13,766	4,814	970	19,550	11,953	4,577	959	17,489
Investment securities (gross)	81,995	33,271	19,554	134,820	71,670	32,101	16,641	120,412
Loans and advances (gross)	136,169	46,169	37,653	219,991	114,948	28,374	26,958	170,280
Other resources (gross)	2,891	2,024	57,784	62,699	2,460	484	51,480	54,424
	281,799	89,658	115,961	487,418	248,491	68,916	96,038	413,445
Unearned discount/income				(3,056)				(155)
Allowance for probable losses				(13,689)				(11,584)
<b>Total resources</b>				470,673				401,706
<b>Liabilities</b>								
Deposit liabilities *	355,930	737	10,364	367,031	311,897	173	5,194	317,264
Bills payable	12,557			12,557	13,204			13,204
Due to Bangko Sentral and other banks	656			656	634			634
Other liabilities	26,093	1,260	8,220	35,573	16,641	428	63	17,132
<b>Total liabilities</b>	395,236	1,997	18,584	415,817	342,376	601	5,257	348,234
<b>At December 31, 2003</b>								
Resources	P245,024	P89,716	P105,196	P439,936	P199,299	P70,841	P96,007	P366,147
Unearned discount/income				(2,858)				(157)
Allowance for probable losses				(18,055)				(15,194)
<b>Total resources</b>				P419,023				P350,796
<b>Total liabilities</b>	P350,886	P 1,622	P 13,403	P365,911	P294,208	P 292	P 4,155	P298,655

\* All deposits without fixed term are included under the category "Up to 1 year".

## Note 19 - Resources, Liabilities and Off Balance Sheet Items by Currency

	Consolidated				Parent			
	PHP	USD	Other	Total	PHP	USD	Other	Total
<b>At December 31, 2004</b>								
<b>Resources</b>								
Cash and other cash items	P 8,897	P -	P -	P 8,897	P 8,605	P -	P -	P 8,605
Due from Bangko Sentral	15,410	11		15,421	13,611	11	-	13,622
Due from other banks	63	17,473	4,949	22,485	285	16,764	2,425	19,474
Interbank loans receivable and securities purchased under agreements to resell	175	3,380	-	3,555	5,759	3,380	-	9,139
Trading account securities	17,713	1,775	62	19,550	16,446	1,043	-	17,489
Investment securities (gross)	51,042	83,764	14	134,820	43,847	76,565	-	120,412
Loans and advances (gross)	206,559	11,980	1,452	219,991	156,855	11,984	1,441	170,280
Other resources (gross)	58,612	3,539	548	62,699	52,169	1,804	451	54,424
	358,471	121,922	7,025	487,418	297,577	111,551	4,317	413,445
Unearned discount/income	3,044	12		3,056	143	12	-	155
Allowance for probable losses	13,277	396	16	13,689	11,296	288	-	11,584
	P342,150	P 121,514	P 7,009	P470,673	P286,138	P111,251	P 4,317	P 401,706
<b>Liabilities</b>								
Deposit liabilities	P253,684	P 109,929	P 3,418	P367,031	P213,885	P101,270	P 2,109	P 317,264
Bills payable	5,454	2,105	4,998	12,557	6,101	2,105	4,998	13,204
Due to Bangko Sentral and other banks	602	54	-	656	579	55		634
Manager's checks and demand drafts outstanding	1,599	69	12	1,680	1,222	64	11	1,297
Accrued taxes, interest and other expenses	1,864	132	9	2,005	1,522	120	1	1,643
Deferred credits and other liabilities	28,991	1,875	1,022	31,888	12,876	850	466	14,192
	P292,194	P 114,164	P 9,459	P415,817	P236,185	P104,464	P 7,585	P 348,234
<b>Net on balance sheet position</b>	P 49,956	P 7,350	P (2,450)	P 54,856	P 49,953	P 6,787	P (3,268)	P 53,472
<b>Off balance sheet net notional position</b>	P 3,830	P (7,171)	P 3,413	P 72	P 3,831	P (7,171)	P 3,413	P 73
<b>At December 31, 2003</b>								
Total resources	P325,262	P 111,212	P 3,462	P439,936	P262,989	P101,948	P 1,210	P 366,147
Unearned discount/income	(2,832)	(26)	-	(2,858)	(131)	(26)	-	(157)
Allowance for probable losses	(17,664)	(355)	(36)	(18,055)	(14,888)	(300)	(6)	(15,194)
	P304,766	P 110,831	P 3,426	P419,023	P247,970	P101,622	P 1,204	P 350,796
Total liabilities	P269,198	P 93,845	P 2,868	P365,911	P212,409	P 84,763	P 1,483	P 298,655
Net on balance sheet position	P 35,568	P 16,986	P 558	P 53,112	P 35,561	P 16,859	P (279)	P 52,141
Off balance sheet net notional position	P 16,141	P (15,620)	P (171)	P 350	P 16,141	P (15,615)	P (171)	P 355

**Note 20 - Other Operating Income**

Other operating income substantially represents trust and investment management fees, credit card income, gain on sale of acquired assets and income from rentals.

**Note 21 - Leases**

The BPI Group and the Parent Bank lease the premises occupied by a number of its extension offices and branches for periods ranging from one to twenty-five years, and has the option to renew such leases under certain terms and conditions. The rentals under these lease contracts are as follows:

	<b>Consolidated</b>	<b>Parent</b>
<b>2004</b>	<b>P 598</b>	<b>P 388</b>
2003	612	410
2002	661	456

**Note 22 - Representation and Entertainment Expenses**

Representation and entertainment expenses included in Other operating expenses follow:

	<b>Consolidated</b>	<b>Parent</b>
<b>2004</b>	<b>P 41</b>	<b>P 35</b>
2003	37	31
2002	36	30

### **Note 23 - Income Taxes**

A reconciliation between the provision for income tax at the statutory tax rate and the actual provision for income tax at December 31 follows:

	<b>Consolidated</b>					
	<b>2004</b>		<b>2003</b>		<b>2002</b>	
	<b>Amount</b>	<b>Rate (%)</b>	<b>Amount</b>	<b>Rate (%)</b>	<b>Amount</b>	<b>Rate (%)</b>
Statutory income tax	<b>P 2,859</b>	<b>32.00</b>	P 2,356	32.00	P 2,116	32.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	<b>(167)</b>	<b>(1.87)</b>	(128)	(1.73)	(216)	(3.27)
Tax-exempt income	<b>(536)</b>	<b>(6.00)</b>	(551)	(7.48)	(678)	(10.25)
Others, net	<b>(43)</b>	<b>(0.48)</b>	(85)	(1.17)	129	1.95
<b>Actual income tax</b>	<b>P 2,113</b>	<b>23.65</b>	P 1,592	21.62	P 1,351	20.43

	<b>Parent</b>					
	<b>2004</b>		<b>2003</b>		<b>2002</b>	
	<b>Amount</b>	<b>Rate (%)</b>	<b>Amount</b>	<b>Rate (%)</b>	<b>Amount</b>	<b>Rate (%)</b>
Statutory income tax	<b>P 2,587</b>	<b>32.00</b>	P 2,182	32.00	P 1,871	32.00
Effect of items not subject to statutory tax rate:						
Equity in net income of subsidiaries	<b>(671)</b>	<b>(8.30)</b>	(657)	(9.64)	(651)	(11.13)
Income subjected to lower tax rates	<b>(28)</b>	<b>(0.35)</b>	29	0.42	(152)	(2.60)
Tax-exempt income	<b>(391)</b>	<b>(4.83)</b>	(419)	(6.15)	(465)	(7.96)
Others, net	<b>(81)</b>	<b>(1.00)</b>	11	0.17	71	1.22
<b>Actual income tax</b>	<b>P 1,416</b>	<b>17.52</b>	P 1,146	16.80	P 674	11.53

## **Note 24 - Basic Quantitative Indicators of Financial Performance**

The key financial performance indicators follow (in %):

	<b>Consolidated</b>		
	<b>2004</b>	2003	2002
Return on average equity	<b>12.47</b>	11.10	10.41
Return on average assets	<b>1.63</b>	1.47	1.36
Net interest margin	<b>4.34</b>	3.93	3.94

	<b>Parent</b>		
	<b>2004</b>	2003	2002
Return on average equity	<b>12.47</b>	11.10	10.41
Return on average assets	<b>1.87</b>	1.69	1.56
Net interest margin	<b>3.91</b>	3.52	3.24

## **Note 25 - Retirement Plan**

BPI and its subsidiaries, and the insurance company subsidiaries have separate trustee, noncontributory retirement benefit plans covering all qualified officers and employees. The description of the plans of BPI and the insurance company subsidiaries follows:

### **BPI**

BPI has a unified plan which includes its subsidiaries other than insurance companies. Under this plan, the normal retirement age is 60. Normal retirement benefit consists of a lump sum benefit equivalent to 200% of the basic monthly salary of the employee at the time of his retirement for each year of service, if he has rendered at least 10 years of service, or to 150% of his basic monthly salary, if he has rendered less than 10 years of service. For voluntary retirement, the benefit is equivalent to 112.50% of the employee's basic monthly salary for a minimum of 10 years of service with the rate factor progressing to a maximum of 200% of basic monthly salary for service years of 25 or more. Death or disability benefit, on the other hand, shall be determined on the same basis as in voluntary retirement.

The actuarial valuation method used in the unified plan is the projected unit credit cost method. Under this method, current service cost is computed as the present value of the retirement benefits payable in the future in respect of the service in the current period; past service liability represents the present value of accrued retirement benefits as of valuation date considering mortality, disability, withdrawal, salary and expected rate of return on plan assets. Accrued retirement benefits pertain to the total retirement benefits earned by the employees as of the valuation date based on their current salaries and years of service.

Based on the latest actuarial valuation as of December 31, 2004, the present value of accrued retirement benefits and the fair value of the plan assets (excluding the insurance company subsidiaries) amounted to P4,754 million and P4,657 million, respectively, for the BPI Group, and P3,359 million and P3,291 million, respectively, for the Parent Bank.

Pension expense (excluding the insurance company subsidiaries), equivalent to contributions made to the retirement fund based on the latest actuarial calculations, amounted to P339 million, P358 million and P328 million in 2004, 2003 and 2002, respectively, for the BPI Group and P232 million, P248 million and P222 million in 2004, 2003 and 2002, respectively, for the Parent Bank. The BPI Group's contributions to the retirement fund included the actuarially determined amortization of the excess of the present value of accrued retirement benefits over the fair value of the plan assets.

#### Insurance company subsidiaries

The insurance company subsidiaries have separate retirement benefit plans which are funded and non-contributory. The normal retirement age for these plans is 60.

Normal retirement benefits for ALAI employees consist of a lump sum benefit equivalent to 150% of the monthly salary of the employee at the time of his retirement for each year of service or the sum of all contributions made by the respective companies on his behalf including related investment earnings, whichever is larger. Voluntary retirement is allowed for ALAI employees who have attained at least age 50 and has completed at least 20 years of continuous service and the benefit is determined on the same basis as normal retirement.

Effective February 1, 2004, the retirement benefit plans of FEB Mitsui Marine (formerly BPI/MS) and FGU were consolidated. The new plan will be administered by BPI as trustee. The defined benefit obligation is calculated by an independent actuary using the projected unit credit cost method. Under the plan, the normal retirement age is 60 or the employee should have completed at least 10 years of service, whichever is earlier. The normal retirement benefit is equal to 150% of the final basic monthly salary of each year of service for below 10 years and 175% of the final basic monthly salary for each year of service for 10 and above. The actuarial assumptions used in determining retirement benefit cost include interest rate assumption of 8% per annum while the annual salary increase factor was 6%. Based on the latest actuarial valuation of the combined plan as of December 31, 2003, the actuarial present value of promised retirement benefits amounted to P44.6 million. The fair value of the plan assets amounted to P48.6 million.

Death or disability benefit for all employees of the insurance company subsidiaries shall be determined on the same basis as in normal or voluntary retirement as the case may be.

The present values (PV) of accrued retirement benefits and fair values (FV) of the plan assets of the insurance company subsidiaries follow:

	BPI/MS	ALAI
Latest actuarial valuation date	December 31, 2003	December 31, 2003
PV of accrued retirement benefits	P 45	P 121
FV of plan assets as of valuation date	49	95

The aggregate pension expense of the insurance company subsidiaries amounted to P12 million, P25 million and P15 million in 2004, 2003 and 2002, respectively.

### **Note 26 - Trust Assets**

At December 31, 2004 and 2003, the net asset value of such assets administered amounted to about P150 billion and P124 billion, respectively, for the BPI Group, and P147 billion and P121 billion, respectively, for the Parent Bank.

Government securities aggregating P1,382 million in 2004 and P1,408 million in 2003 were deposited by the BPI Group with the Bangko Sentral in compliance with the requirements of the General Banking Act relative to its trust functions. Government securities deposited by the Parent Bank with Bangko Sentral aggregated P1,308 million and P1,330 million in 2004 and 2003, respectively.

### **Note 27 - Related Party Transactions**

Included in the parent financial statements are various transactions of the Bank with its domestic and foreign subsidiaries and affiliates and with its DOSRI (see Note 9). These transactions usually arise from normal banking activities as described in Note 2. Related party transactions which are not eliminated in the consolidation process are considered immaterial.

The total remuneration of the directors approximated P27 million, P37 million and P26 million in 2004, 2003 and 2002, respectively.

### **Note 28 - Other Commitments and Contingent Liabilities**

At present, there are lawsuits and claims and tax regulatory assessments pending against the BPI Group. In the opinion of management, after reviewing all actions and proceedings and court decisions with legal counsels, the aggregate liability or loss, if any, arising therefrom will not have a material effect on the BPI Group's financial condition or results of operations.

BPI and some of its subsidiaries are defendants in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the financial statements.

In the normal course of business, the BPI Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements.



Details of the commitments and contingent liabilities at December 31 are as follows:

	<b>Consolidated</b>		
	<b>2004</b>	2003	2002
Forward exchange contracts			
Spot/future exchange sold	<b>P 47,442</b>	P 42,858	P 42,512
Spot/future exchange bought	<b>43,393</b>	41,606	41,676
Inward bills for collections	<b>8,083</b>	6,598	9,355
Unused letters of credit	<b>4,723</b>	4,825	4,343
Others	<b>1,852</b>	3,985	2,930
<hr/>			
	<b>Parent</b>		
	<b>2004</b>	2003	2002
Forward exchange contracts			
Spot/future exchange sold	<b>P 47,442</b>	P 42,858	P 42,512
Spot/future exchange bought	<b>43,393</b>	41,606	41,676
Inward bills for collections	<b>8,076</b>	6,589	9,349
Unused letters of credit	<b>4,723</b>	4,825	4,335
Swap fixed receivable trading	<b>770</b>	1,225	-
Swap floating payable trading	<b>770</b>	1,225	-
Others	<b>1,693</b>	3,895	2,787

The Parent Bank in 2003 entered into an interest rate swap arrangement with a notional amount of P1,225 million with BPI Family Bank. The remaining balance of the interest swap arrangement of P770 million will mature in 2005.

Other contingent accounts consist of guarantees, late deposit payments, items held for safekeeping, and unsold travellers' checks.

The BPI Group does not anticipate any material losses from the above commitments and contingent liabilities.

#### **Note 29 - Approval of Financial Statements**

The financial statements of the BPI Group have been authorized for issue by the Audit Committee on January 27, 2005, which has been authorized by the Board of Directors to approve such financial statements.

**BANK OF THE PHILIPPINE ISLANDS**

**FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2004 AND 2003**

**AND FOR EACH OF THE THREE YEARS IN THE**

**PERIOD ENDED DECEMBER 31, 2004**

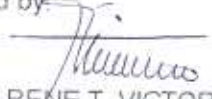
**ITEM 12 . CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AS OF DECEMBER 31, 2004**

<i>Name of Directors</i>	<i>Relationship to the Issuer</i>	<i>Nature of the Person's Interest</i>	<i>Loan Transaction Amount</i>	<i>Date</i>
Alabang Commercial Corp	Indirect Director	Borrowings/Loans	50,000,000.00	10/31/01
Alabang Commercial Corp	Indirect Director	Borrowings/Loans	50,000,000.00	12/28/01
Aurora Properties, Inc.	Indirect Director	Borrowings/Loans	15,000,000.00	12/15/99
Aurora Properties, Inc.	Indirect Director	Borrowings/Loans	29,000,000.00	03/14/04
Ayala Corporation	Stockholder	Borrowings/Loans	1,700,000,000.00	07/05/01
Ayala Corporation	Stockholder	Borrowings/Loans	250,000,000.00	08/02/02
Ayala Corporation	Stockholder	Borrowings/Loans	500,000,000.00	10/24/03
Ayala Corporation	Stockholder	Borrowings/Loans	500,000,000.00	10/24/03
Ayala Greenfields Dev't Corp.	Indirect Director	Borrowings/Loans	50,000,000.00	12/21/01
Ayala Greenfields Dev't Corp.	Indirect Director	Borrowings/Loans	30,000,000.00	03/21/02
Ayala Greenfields Dev't Corp.	Indirect Director	Borrowings/Loans	20,000,000.00	02/20/04
Ayala Greenfields Dev't Corp.	Indirect Director	Borrowings/Loans	63,000,000.00	03/19/04
Ayala Land Inc	Indirect Director	Borrowings/Loans	400,000,000.00	05/04/04
Ayala Port Makati	Indirect Director	Borrowings/Loans	20,000,000.00	10/14/02
Cebu Holdings, Inc	Indirect Director	Borrowings/Loans	40,000,000.00	09/09/02
Cebu Holdings, Inc	Indirect Director	Borrowings/Loans	53,846,153.80	09/07/01
Cebu Holdings, Inc	Indirect Director	Borrowings/Loans	73,333,333.32	09/27/02
Cebu Insular Hotel Inc.	Indirect Director	Borrowings/Loans	40,000,000.00	11/29/02
Cebu Insular Hotel Inc.	Indirect Director	Borrowings/Loans	50,000,000.00	09/16/03
Cebu Insular Hotel Inc.	Indirect Director	Borrowings/Loans	50,000,000.00	12/15/03
Ima Landholding, Inc.	Indirect Director	Borrowings/Loans	207,000,000.00	07/22/04
Isuzu Automotive Dealership	Indirect Director	Borrowings/Loans	10,000,000.00	01/30/04
Isuzu Cebu Inc.	Indirect Director	Borrowings/Loans	1,555,555.55	06/19/01
Isuzu Cebu Inc.	Indirect Director	Borrowings/Loans	1,111,111.12	06/19/01
Isuzu Philippines Corporation	Indirect Director	Borrowings/Loans	12,900,000.00	02/03/04
Laguna Properties Holdings	Indirect Director	Borrowings/Loans	100,000,000.00	04/17/97
Laguna Properties Holdings	Indirect Director	Borrowings/Loans	50,000,000.00	04/02/98
Laguna Properties Holdings	Indirect Director	Borrowings/Loans	50,000,000.00	03/19/04
Manila Peninsula Hotel, Inc	Indirect Director	Borrowings/Loans	10,000,000.00	12/21/98
Manila Peninsula Hotel, Inc	Indirect Director	Borrowings/Loans	15,000,000.00	12/09/02
Manila Peninsula Hotel, Inc	Indirect Director	Borrowings/Loans	10,000,000.00	02/05/03
Manila Peninsula Hotel, Inc	Indirect Director	Borrowings/Loans	15,000,000.00	03/03/03
Mercado, Jose/Ruth	Indirect Officer	Borrowings/Loans	1,500,000.00	03/16/04
Mercado, Jose/Ruth	Indirect Officer	Borrowings/Loans	4,000,000.00	06/22/04
True Value Hardware Corp	Indirect Officer	Borrowings/Loans	5,000,000.00	12/10/98
True Value Hardware Corp	Indirect Officer	Borrowings/Loans	2,500,000.00	10/09/02
True Value Hardware Corp	Indirect Officer	Borrowings/Loans	2,500,000.00	01/30/03

ITEM 12 . CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AS OF DECEMBER 31, 2004

<i>Name of Directors</i>	<i>Relationship to the Issuer</i>	<i>Nature of the Person's Interest</i>	<i>Loan Transaction Amount</i>	<i>Date</i>
United Engineer	Indirect Officer	Borrowings/Loans	2,300,000.00	03/22/01
United Engineer	Indirect Officer	Borrowings/Loans	3,500,000.00	03/04/04

Noted by \_\_\_\_\_

  
MGR RENE T. VICTORIANO  
AUTHORIZED SIGNATURE