



transitions



PBCOM

transformations



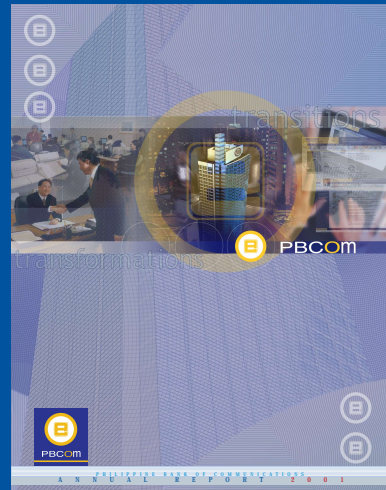
PBCOM

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PBCOM





OUR COVER

A story of dynamic transitions and transformations, our cover features PBCOM's new logo as a "circle of life" encapsulating a collage of powerful images : the new PBCOM building, actual photos of bank personnel and clients, a stylized topshot of Ayala Avenue, our new home. These images project the effective changes and upbeat spirit that embody our new PBCOM.

The backdrop is almost a watermark image upon which this collage rests. Generic currency grain – striations of curves and grooves – found in almost all currencies all over the world depict PBCOM's continued confidence in its fabric of integrity and tradition.

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The New PBCOM Logo :
3,000 years in the making

The Chinese coin represents more than 3,000 years of history, not only China, but of the whole world. Coinage was invented in China as early as 1027 BC (and so was the paper currency some 2,000 years later). Back when other people used barter goods, cowrie shells or stones as medium of exchange, the concept of minting precious metals for trade was more than revolutionary. It was an idea that would change the world. And its still the same idea that inspires the new logo of the new PBCOM. We retained the basic elements of the symbol you've grown familiar with, just as we've preserved the values that made us your stable partner over the years, like prudence, honesty and integrity. Even the colors are of the same hue. Only much improved. From somber blue to the livelier, more dynamic blue purple. From pale yellow to the richer, everlasting gold. We only added the white background representing our clearer vision for the future. So, we're not exactly different. Only brighter, bigger and better. For it's true that the world changes, but the essentials should remain the same. Besides, only forgettable logos are completely changed. And why change a symbol that took 3,000 years to make?



Financial Highlights

FOR THE YEAR (In Million Pesos)	2001	2000	1999	1998	1997
Total Income	4,326.50	3,638.50	3,662.70	4,554.60	4,005.20
Total Expenses	4,088.40	3,483.50	3,555.00	4,495.90	3,656.10
Net Income	238.10	155.00	107.70	58.70	349.10
AT YEAR-END (In Million Pesos)					
Resources	40,340.40	38,787.90	40,127.00	34,528.50	31,587.20
Loans	17,619.30	19,760.80	21,173.80	19,753.00	23,010.60
Deposits	30,323.20	22,640.00	29,452.20	23,904.50	22,560.80
Capital Funds	6,315.80	4,790.20	4,775.80	4,174.50	3,778.70
(In Pesos)					
Earnings per share	5.22	4.91	3.41	1.86	14.33



Luy Kim Guan
CHAIRMAN



Isidro C. Alcantara, Jr.
PRESIDENT & CEO

Message to Stockholders

The change in government early in 2001 led to an improved political climate that effectively halted the erosion of business confidence and shifted policy focus back to economic development. The promise of better governance cushioned the impact of a global economic slowdown as well as the far-reaching effects of the September 11 terrorist attacks in the US and other internal domestic problems.

In the face of all these difficulties, the Philippine economy managed to achieve remarkable gains. Gross Domestic Product grew by 3.4% in 2001 led by a robust agricultural sector and the ever-resilient services sector. It is significant to note that the economic expansion, though slower than in the previous year, was realized despite the contraction in exports and the weak performance of the industrial sector. Overall, the policies of the new administration kept the Philippine economy on the growth track.

The financial sector, meanwhile, remained uncertain and almost stagnant. Although monetary authorities were able to attain and manage relative stability, a lackluster investment outlook persisted mirroring a global economic trend. The seeming lack

of attractive investment opportunities that could yield superior returns kept foreign investors at bay. Meanwhile, consumer spending and demand softened amidst an uncertain employment environment.

The banking industry was one of the sectors that bore the economic brunt. Non-performing loan levels reached new heights with most industries succumbing to anemic demand and the increased competition brought about by globalization. Meanwhile, margins narrowed as interest rates remained depressed amidst a highly liquid market. Furthermore, increasing competition exacerbated the situation.

Against this backdrop, the Philippine Bank of Communications made significant strides as it drew on its inherent strengths to vigorously pursue a strategic transformation that started in 2000. PBCOM emerged as a stable and resilient institution laying the groundwork to become a dynamic and competitive medium-sized commercial bank of choice among entrepreneurs. The transfer of head office from Binondo to the new PBCOM Tower at the heart of the country's premiere

Message to Stockholders

financial center dramatized our resolve to achieve this transformation. Use of the new corporate logo and installation of attractive signages in the distribution centers signified the transformation of PBCOM from a low-key, Chinatown-based bank into a modern and highly competitive commercial bank.

Such resolve was also personified by the Bank's stockholders who renewed their unwavering commitment to this vision by infusing the balance of the P2.6 billion in fresh capital they committed in 2000. This raised the Bank's capital to P6.32 billion, much more than the prescribed capitalization and the second highest among commercial banks without uni-banking licenses. The larger capital base, likewise, increased the Bank's capital to risk assets ratio from 12.61% as of end-2000 to 16.01%, well above the minimum requirements set by the Bangko Sentral.

The continued support of our stockholders and management's determination enabled the Bank to pursue key initiatives critical to the achievement of our vision. In just over four months after acquiring the necessary regulatory approvals, Consumer Savings Bank (CSBI) was seamlessly integrated with PBCOM bringing the Bank's branch network to 64. More importantly, the merger gave us immediate presence

in desired sites in Luzon and expanded our reach in Metro Manila, the Visayas and Mindanao.

The successful launching of new deposit products and the build-up of our distribution network immediately reaped rewards for the Bank. With an improved ability to serve our clients, we were able to generate P7.7 Billion in additional deposits that effectively increased our deposit base by 34% to P30.3 billion. From some 53,462 deposit accounts in 2000, our branches increased the number of deposit accounts by 119% to 117,176. This growth came at the expense of other banks; total deposits in the commercial banking sector during the year grew by a mere 4.2%.

A major thrust was to generate new businesses. The marketing force was augmented for Treasury and Trust operations. Fully staffed, our Treasury Segment – aggressively yet systematically trading in securities and taking positions in foreign commercial paper and bonds – contributed P314 million in income in 2001, compared with just P9 million in 2000.

Efforts were also devoted to addressing problem loan accounts and managing risks. We empowered our Special Accounts Management Group to closely monitor and address delinquent and potential problem accounts. An Asset Disposal Committee was, likewise, formed to institutionalize a systematic and transparent asset disposal process. Furthermore, the Risk Management Group was reorganized as a distinct and independent unit covering four major risk areas: Credit, Treasury, Operations and Trust. This move is expected to establish a stronger risk management process and culture within the Bank.

These strategic initiatives resulted in encouraging financial results. Net interest revenues increased by 10.1% despite narrowing margins and a deliberate contraction in our loan portfolio as a result of our selective and cautious lending policy. As a compensatory measure against thinning spreads, we sought new avenues to generate more fee-based or non-interest revenues. Foremost was to increase our participation in the securities dealership business which brought in a much higher trading income of P314.5 million. We also actively engaged in the US Dollar bond trading market and pushed our traditional trust business. These initiatives contributed to the 73% increase in non-interest income to P641.3 million. Consequently, our net income increased by over 50% to P238.1 million in 2001 marking yet another profitable year for us.

Outlook for 2002

Looking forward, we expect the Philippine economy to sustain its growth in the year ahead as the business environment slowly improves and the confidence in the new administration remains. At PBCOM, we shall endeavor to build up on our past successes and strive to realize our transformation into a dynamic and competitive bank.

In particular, we will be focusing on improving the bank's profitability. This we intend to achieve through better spread management and building stable revenue streams by means of expanding our earning asset base. For the past months, we have hired seasoned marketing professionals to establish a foothold in the corporate finance market and to further push our Treasury and Trust banking businesses. Our marketing personnel will also be working closely with our branches which we have tasked to be active channels for cross-selling other products. Through aggressive sales and marketing of new products,

Message to Stockholders

we will increase leverage and deposit-taking capabilities, especially lower-cost funds. Given our success last year, we shall also continue to maximize our earnings from our fee-based business and carve out ways to further monetize or generate revenues from non-earning assets.

Our strategies to improve profits will be pursued together with the full implementation of risk management processes and standardization of all processes. Moreover, Corporate governance best practices will be adopted to ensure that interests of a wide range of stakeholders are taken into account.


To fund the growth in the asset base, we intend to bolster our fund-sourcing capabilities through the acquisition of 20 to 30 branches. Most of these will be in Metro Manila which still accounts for a substantial portion of the economy's money supply. The capital region is also where opportunities for ancillary businesses are most abundant.

On the back of last year's initiatives to improve operational efficiency and streamline the workforce, we expect to see an improvement in our cost structure. To exercise greater control on overhead costs, we will

strictly monitor expenses through periodic reviews. Similarly, we will be more judicious and selective in authorizing capital expenditures. We will further improve operating efficiency through manpower rationalization and complete automation of PBCOM by the end of 2002.

As we march towards the attainment of our objectives, we will continue to rely on our traditional strengths for which we have built up our name. The multi-generational relationships we have formed and nurtured in our traditional markets shall serve us in good stead as we tread new markets of opportunities. Similarly, we expect that the hard and painful measures we have been taking for the past two years will eventually bear us out in the longer term.

In closing, we would like to take this opportunity to thank our Board of Directors for their guidance and the management and staff for their dedication and hard work. Lastly, we wish to extend our deepest gratitude to you our stockholders for your continuing trust in our organization as well as your steadfast commitment to the vision we have set forth.


 Luy Kim Guan
 CHAIRMAN


 Isidro C. Alcantara, Jr.
 PRESIDENT & CEO

Corporate Governance



PBCOM subscribes to the basic principles of corporate governance as espoused by the Institute of Corporate Directors. PBCOM's overall corporate governance is the primary responsibility of the Bank's Board of Directors. As the highest policy-making body in the Bank, the Board approves the overall corporate philosophy and mission statement; management's strategy and business plan and budget; investments and capital expenditures; appointment of senior officers; compensation policies; other programs and policies affecting business operations; and material transactions outside the banking business. The Board also monitors the Bank's business performance through detailed financial and other operational reports submitted by management during regular monthly board meetings. The Board, likewise, ensures that the Bank fully complies with existing laws and regulations.

The management of the Bank is delegated by the Board to the President/CEO and a team of senior officers handling various segments within the organization. Several working committees have also been formed to address various concerns and formulate policies in different aspects of bank operations.

In this report, the Bank wishes to affirm some initial, basic principles of corporate governance with focus on optimizing returns to shareholders, and with a view to excelling in an industry that serves a broad public and helps drive economic growth. The initial, basic principles include the following:

Corporate Governance

Rights of Shareholders

PBCOM believes that shareholders should be given sufficient information about any major proposed changes in the bank's directions and operations, sufficiently early, to allow them to make an informed judgment and exercise their voting rights.

Equitable Treatment of Shareholders

PBCOM believes that all shareholders should be treated equitably and that the rights of all investors, including minority and foreign shareholders, should be protected.

Role of Stakeholders in Corporate Governance

PBCOM believes that active cooperation between it and its stakeholders is essential in maintaining financially sound operations, generating employment, and serving clients properly and efficiently.

PBCOM affirms that performance-enhancing mechanisms promote employee participation and align shareholder and stakeholder interests. These include broad-based employee profit-sharing programs.

Review of Operations



TREASURY

Treasury proved to be a major revenue contributor in 2001 as it intensified its trading activities. Its domestic treasury operations posted a substantial increase in securities dealership income on the back of its timely and accurate reading of market developments and the movement of interest rates. Similarly, Treasury's international operations registered substantial trading gains as the group aggressively engaged in US dollar bond trading. Efficient liquidity management by the group, enabled the bank to satisfactorily meet its financial obligations and loan commitments at the least cost. Likewise, the installation of a new electronic dealing system in the previous year was also instrumental as it enhanced the group's trading capabilities.

A significant part of Treasury's success in 2001 can also be attributed to the build-up of the competency level of the group. The hiring of seasoned and professional market practitioners provided the experience needed by the group to recognize and deal with the intricacies of volatile local and international markets. On the other hand, all of Treasury's trading personnel underwent various training activities to further hone their competencies in the trading business.

In the year ahead, Treasury intends to be more aggressive in securities and foreign exchange trading and positioning which remains to be profitable activities. The group also plans to widen its customer base by aggressively cross-selling other bank products in tandem with new and existing Treasury instruments.

Review of Operations

BRANCH BANKING

In 2001, Branch Banking broadened its market base by ensuring the smooth integration of Consumer Savings Bank's (CSBI) 19 branches with PBCOM's network. The group also opened two new branches – Corinthian Gardens in San Juan City and Congressional Branch in Quezon City, using the Bank's incentive privilege to relocate redundant branches owing to the merger with CSBI. Together with CSBI's branches, this brought PBCOM's branch network to 64. Branch banking, likewise, sustained efforts to renovate more existing branches to sport the new corporate design as well as the revitalized logo. Not only is this reflective of our strategic transformation but it is also indicative of our desire to build a strong corporate image.

To broaden the range of PBCOM's product line and build more stable sources of funds, Branch Banking initiated the development of new term products thereby generating P5.1



Billion in additional deposits in 2001. Initially, Branch Banking launched the Premium 5, a five-year time deposit with tax-free interest targeting individuals in search for higher-yielding instruments. The product also provides clients with a credit line of up to 90% of the outstanding deposit.

Premium 5 is the first of an extensive product line that Branch Banking will be pushing as it pursues the implementation of Silverlake's Integrated Retail Banking System, a new branch front-end delivery system. Stand-alone PBCOM branches will eventually be connected on-line which is critical in providing total quality service.

Branch Banking also implemented several measures to improve operational efficiency and control in the branches. Credit review and

processing was centralized while branch personnel functions were reevaluated to clearly define functional lines. Branch Banking also conducted loan portfolio reviews to improve loan quality. In 2002, Branch Banking will continue evaluating branch sites to ensure the continued profitability of PBCOM's branch network as well as to sustain its competitive edge.

CORPORATE BANKING

Corporate Banking participated more actively in the corporate finance market while maintaining a prudent and selective lending stance. Credit lines of worthy clients were renewed while new lines were established for clients in industries with strong growth opportunities, such as telecommunications and information technology.

Meanwhile, the Group continued to build on existing relationships in the Chinese-Filipino business community, which consistently has



been a source of strength for PBCOM. The Group also sought opportunities to cross-sell the new deposit products that were launched by Branch Banking during the year.

For 2002 and beyond, the Corporate Banking Group is developing an even more efficient cash management system to support its marketing objectives. At the same time, the Group will establish a stronger presence in the middle market, which could provide more business opportunities especially for a mid-sized bank like PBCOM. To achieve these objectives, the Group is equipping its account officers with marketing and salesmanship skills that will increase their effectiveness as relationship managers.

Review of Operations

SPECIAL ACCOUNTS MANAGEMENT

SAMG's efforts in 2001 underscored management's determination to improve the Bank's overall asset quality. Tasked to handle problem loan accounts and implement asset recovery measures, SAMG successfully restructured P1.1 billion in non-performing loans last year. The group, likewise, worked to improve the bank's collateral position specially in big-ticket items. In cases where the ability of clients to liquidate their loans have been weakened, SAMG made recoveries through cash collections and *dacion en pago*.

Where such recovery options are no longer possible, SAMG resolved to foreclose on attached properties. This primarily accounted for the P2.3 Billion increase in the Bank's Real and Other Property Owned or Acquired (ROPOA). The swift disposal of such properties has been enhanced by the formation of an Asset



Disposal Committee which institutionalized a systematic and transparent asset disposal approval process. In the same manner, the creation of a comprehensive and accurate acquired asset database for proper monitoring of such assets proved beneficial. As a result of these, SAMG was able to generate P258 Million in sales of repossessed properties.

Aside from undertaking remedial measures, SAMG similarly established a monitoring system to ensure that credit quality is preserved. By closely monitoring past due and potential problem accounts, lending officers were able to immediately implement recovery and remedial plans should a specific account become past due.

TRUST

PBCOM's Trust Group emerged as another significant revenue contributor. The establishment of a Makati Trust Center at the new head office to complement the Binondo Trust Center brought new opportunities that served the Bank's asset management business well. Despite the distance between the two Centers, efficiency was quickly achieved as on-line technology enabled instant mutual access and close coordination in their operations.

This year, the Trust Group is priming itself to be a more aggressive player in the market with the launching of more common trust fund products as well as a personal trust fund. These new products which offer prospective clients a variety of choices are aimed at widening the customer base. A new automation system is also in the drawing board to enable faster product delivery and turn-around time. Once fully operational, the new system will, likewise, provide branches the capability to cross-sell Trust products.



OPERATIONS AND INFORMATION TECHNOLOGY

The Operations and Information Technology Segment implemented key structural changes in 2001 to improve operational efficiency. These included the establishment of the Makati and Binondo Clearing Centers, a Centralized Check Verification Unit and a Statement Rendition Unit at the Makati Clearing Center. The group, likewise, established in two separate branch locations the Visayas and Mindanao Processing Centers, a move that effectively streamlined loan and trade transaction bookings by branches within the two regions.

Furthermore, divisional functions were rationalized and operational processes were streamlined. A review of key transactional processes was conducted to see where improvements could be made. These resulted in the elimination of processes that are being duplicated thereby

Review of Operations

significantly improving overall productivity. Forms for some transactions were, likewise, simplified and reduced in an effort to make certain transactions less cumbersome for clients.

The group, likewise, performed the documentation of procedures for new products launched by the Bank. Various efforts were also exerted to improve transaction control thus ensuring that all transactions comply with existing policies and conform with established quality service standards.

In the area of Information Technology, the Misys OPICS system was implemented in record time. This will support Treasury in its securities trading activities as well as in aggressively marketing its foreign exchange and money market products and services.



The bank, likewise, embarked on upgrading its communications infrastructure, both at the head office and the branches that will allow unified messaging for voice, data, fax and e-mail across all units. At the head office, an integrated voice and data structured cabling was installed together with an IP-based Telephony system to support the Bank's communication requirements including allowing direct local calls from the branches.

Traditional point-to-point leased lines from the branches were replaced with a frame relay infrastructure that provides bigger bandwidth but reduced recurring costs. This translates to more services that can be made available to the branches as well as to its clients. This also supports the Bank's plans in implementing Silverlake's Integrated Retail Banking solution that will put all PBCOM branches online as well as streamline the branches' front and back office operations.

CONTROLLERSHIP

The consolidation of the books of Consumer Savings Bank with the Bank proper proved to be one of the more challenging tasks for Controllership in 2001. Prior to actual consolidation, the group had to go through an integration process that involved implementing a uniform accounting treatment in all branches for reports preparation, tax-handling procedures and inter-office accounting system. With such tedious preparation, Controllership successfully consolidated the books of CSB.

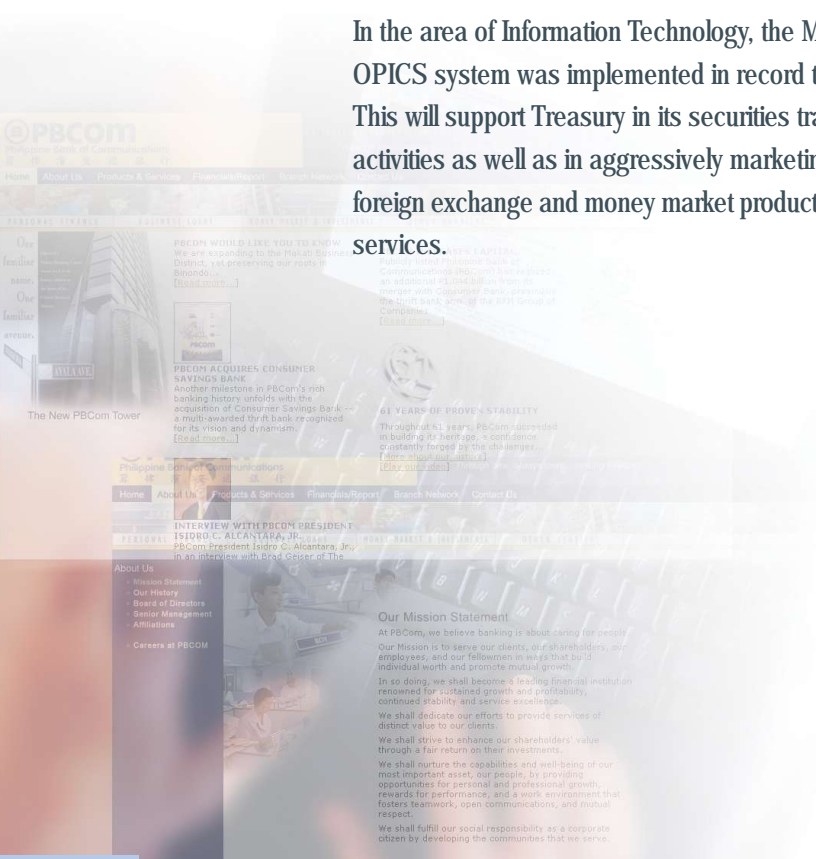
On top of this, Controllership also successfully effected the transfer of Head Office books from Binondo to the Makati Banking Center which has



been designated as the Bank's new head office. A major structural change was also implemented with the alignment of branch accounting responsibilities with Controllership, a move that strengthened internal accounting control. Branch reports were also centralized at the head office ensuring their timely and accurate submission.

Controllership also pursued the integration of the Management Performance Report (MPR) with the General Ledger core application system resulting in a more timely and accurate reporting of the performance of the different units of the Bank. Forecasting models were simultaneously implemented to aid management in its decision making.

Together with Operations, a zero-float policy was effected by way of timely reconciliation statements and investigation of float items. Enhancements in the reconciliation programs and processes were also made.



Review of Operations

HUMAN RESOURCES

In 2001, Human Resources successfully managed the integration of the 205-strong manpower complement of Consumer Savings Bank (CSB) with the PBCOM workforce. The group took on the challenge of aligning employee ranks and compensation and benefit packages. The task also involved the delicate process of placing the right people in the right jobs based on each individual's experiences and skills. The Group's determination in accomplishing its tasks were critical in speeding up the whole process of integration which took just a little over four months after securing regulatory approvals.

Aside from the merger, the Group was also preoccupied with streamlining and developing the competency of the PBCOM workforce.

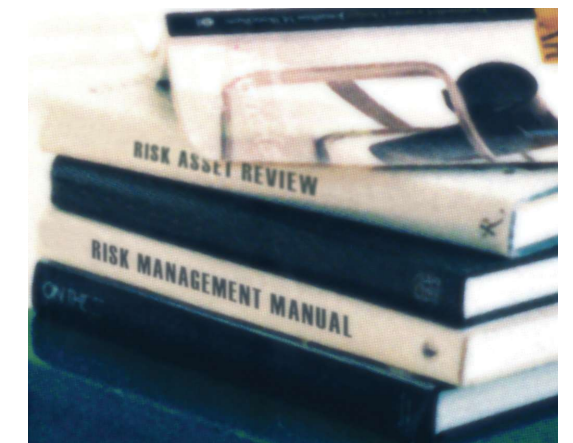


The centralization of back-office operations as well as the implementation of automation and process simplification projects enabled the Bank to reduce the overall manpower complement by 127 to 1,061 from the level after the integration of CSB employees. Meanwhile, manpower gaps were filled by the hiring of 19 well-experienced and seasoned officers for various critical positions. In terms of manpower development, the Group conducted various in-house seminars and sent key personnel to professional certification programs conducted by reputable learning institutions. These moves eventually brought about significant cost savings and resulted in a leaner and more effective organization.

Amidst all the dynamic changes in the past year, the Group's Corporate Communications unit maximized internal information channels to effectively communicate management's thrusts and guide the people through the transformation process.

RISK MANAGEMENT

PBCOM's risk mission is to develop risk awareness and risk/return consciousness in the organization in order to protect deposits, preserve capital and ensure adequate return on capital. Toward this end, the Risk Management Group was reorganized in October 2001 into a distinct and independent unit covering four major risk management areas: Credit, Treasury, Operations, and Trust. The Risk Management Committee was also reorganized with the President, several Board Directors and senior executives actively overseeing the Bank's risk management processes.



In 2002, the Risk Management Group intends to institute a strong risk management process and culture within the Bank by adopting several measures. Foremost is the creation of a Risk Management Manual that will serve as a guide to officers and staff within the four risk management areas mentioned above. The group will, likewise, utilize widely accepted risk measurement tools to measure and monitor the Bank's risk exposures specially in the four risk areas mentioned above. The implementation of a fully-functioning Risk Asset Review and Loss Provisioning System will also be vigorously pursued.

Review of Operations

COMPLIANCE

In close coordination with the Risk Management Group, the Compliance Group ensured that the Bank fully complied with all regulatory requirements including the creation of a Revised Compliance Program. The Group, likewise, developed an anti-money-laundering program as required by the newly passed Anti-Money-Laundering Law of 2001. In 2002, the Group will be creating a Compliance Manual that will serve as a guide to various units in ensuring that all procedures comply with existing rules and regulations set by regulatory authorities.



INTERNAL AUDIT

The Internal Audit Group expanded the coverage of its audit reviews in 2001 to ensure the propriety of transactions being conducted and the compliance of different units with institutional and regulatory policies. Internal Audit also rendered oversight services on the adequacy of control processes with respect to the various automated solutions the Bank acquired and developed. Post-implementation reviews will also be eventually conducted on such systems. Meanwhile, the Group will be sending its auditors on an extensive training program on information systems auditing to further build up their competency on conducting systems audit.

This year, the Group will also be adopting the risk-based audit approach and accordingly introduce a risk-focused audit rating system. This will make the audit reviews more relevant specially in light of changing business practices.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Mandaluyong, Metro Manila

The management of Philippine Bank of Communications is responsible for all information and representations contained in the financial statements and the schedules referred therein for the year ended December 31, 2001. The financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines and reflected amounts that are based on the best estimates and informed judgement of management with 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 Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Bank.

Sycip, Gorres, Velayo and Co., the independent auditors appointed by the stockholders, have audited the financial statements of the Bank in accordance with auditing standards generally accepted in the Philippines and have expressed their opinion on the fairness of presentation, upon completion of such audit, in their report to the stockholders and the Board of Directors.

Jose R. Chanyungco
Jose R. Chanyungco
Senior Vice President & Controller

Chung Tiong Tay
Chung Tiong Tay
Vice Chairman

Isidro C. Alcantara, Jr.
Isidro C. Alcantara, Jr.
President & CEO

SGV & Co

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Stockholders and the Board of Directors
Philippine Bank of Communications

We have audited the accompanying statements of condition of Philippine Bank of Communications as of December 31, 2001 and 2000, and the related statements of income, changes in capital funds and cash flows for each of the three years in the period ended December 31, 2001. 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 auditing standards generally accepted 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.

As discussed in Note 8 to the financial statements, in 2000, the Bank took up provision for probable losses of P1.19 billion, net of deferred income tax, by a charge to surplus. Under Philippine generally accepted accounting principles, such provisions is chargeable to current operations.

In our opinion, except for the effects on the 2000 statements of income, changes in capital funds and cash flows of the matter referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Philippine Bank of Communications as of December 31, 2001 and 2000, and the results of their operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the Philippines.

Sycip, Gorres, Velayo & Co.
PTR No. 6723210
January 2, 2002
Makati City

January 31, 2002

Board of Directors



Luy Kim Guan
CHAIRMAN



Chung Tiong Tay
VICE CHAIRMAN



Ralph Nubla, Jr.
VICE CHAIRMAN



Isidro C. Alcantara, Jr.
PRESIDENT & CEO



Enrique T. Luy
DIRECTOR



Ernesto T. Luy
DIRECTOR



Henry Y. Uy
DIRECTOR



Edwin L. Luy
DIRECTOR



Peter C. Lim
DIRECTOR



Carlos Chung Bunsit
DIRECTOR



Atty. Bi Yong So Chungunco
DIRECTOR

Management Team



From left

Virgilio J. Katigbak
Senior Vice President

Arthur D. Chung
Senior Vice President

Evangelina P. Samonte
Senior Vice President

Isidro C. Alcantara, Jr.
PRESIDENT & CEO



From left

Roberto B. Reyes
First Vice President

Edmundo L. Tan
Corporate Secretary

Arnaldo L. Cruz
First Vice President

Serafin L. Bernardo IV
First Vice President

Dante T. Fuentes
First Vice President

Management
Team

Senior
Officers



CHAIRMAN

Luy Kim Guan

VICE CHAIRMEN

Chung Tiong Tay
 Ralph Nubla, Jr.

VICE CHAIRMAN - EXECUTIVE COMMITTEE

Henry Y. Uy

PRESIDENT & CEO

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Angel M. Corpus

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 Arthur D. Chung
 Virgilio J. Katigbak
 Edgardo T. Nallas
 Evangelina P. Samonte

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 Arnaldo L. Cruz
 Raul C. Diaz
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 Rafael G. Flameño
 Dante T. Fuentes
 James Y. Go
 Melvin C. Lim
 Aurora C. Manguerra
 Evangeline Y. Qua
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 Edgardo R. Sancho
 Robert T. Tan
 Chai Sen D. Uy
 Armando Ma. T. Velasquez
 Evelyn D. Vinluan

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Serafin L. Bernardo IV
 First Vice President

Arthur D. Chung
 Senior Vice President

Virgilio J. Katigbak
 Senior Vice President

Angel M. Corpus
 Executive Vice President

Raul C. Diaz
 First Vice President

Arnaldo L. Cruz
 First Vice President

Roberto B. Reyes
 First Vice President

Edmundo L. Tan
 Corporate Secretary

Armando Ma. T. Velasquez
 First Vice President

Juan B. Estioko
 First Vice President

Jose R. Chanyungco
 Senior Vice President

Evangelina P. Samonte
 Senior Vice President

Evelyn D. Vinluan
 First Vice President

Dante T. Fuentes
 First Vice President

Isidro C. Alcantara, Jr.
 President & CEO

Senior Officers

VICE PRESIDENTS

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Domingo S. Aure
Enrique R. Bartolome, Jr.
Editha N. Bautista
Daniel C. Brion
Rodolfo M. Carlos, Jr.
Mary Jane T. Cuatico
Rose Margaret T. Cuatico
Romeo G. De la Rosa
Marina U. Francisco
Danilo Y. Garcia
Gloria Elena H. Go
Juanito P. Gonzales, Jr.
Lolita Giok Pen G. Leh
Ester P. Lim
Roberto C. Mangligot
Elizabeth T. Mercado
Christopher B. Mutuc
Leo Manuel L. Peñala
Caesar D. Ramirez
Victor A. Veloro
Deogracias A. Vicente
Leo P. Villanueva
Carolina O. Yu

ASSISTANT VICE PRESIDENTS

Froilan G. Alcantara
Rizalee G. Angeles
Jorge P. Arboleda
Virginia P. Basaca
Antonio Q. Beltran
Fernando V. Carpio
Marie Antoinette L. Dela Cruz
Danilo Dominguez
Ma. Rosario Lourdes S. Garcia
Emmanuel C. Geronimo
Ma. Rosario C. Geronimo
Julie N. Go
Rene H. Gochangco
Eulogio S. Hangsitang, Jr.
Mario Agaton I. Ignacio
Reynaldo M. King
Annabel C. Lee
Betsy Y. Lim
Jacinto M. Marquez
Crisostomo L. Martin
Arturo S. Martinez
Teresita M. Nebrida
Ma. Socorro I. Santos
Grace M. Suarez
Carmencita L. Tan
Alicia S. Yu

CORPORATE SECRETARY

Edmundo L. Tan

HEAD OFFICE

PBCOM Tower, 6795 Ayala Avenue
corner V.A. Rufino Street, 1226 Makati City
Tel. No.: 830-7000

METRO MANILA

Ayala - Alabang
Mapfre Asian Corporate Center
Acacia Avenue, Madrigal Business Park
Ayala Alabang, Muntinlupa City
Tel. Nos.: 809-4341; 722-5748
Loran S. Abanilla - Manager

BMA
Web-Jet Building
BMA Street corner Quezon Avenue,
Quezon City
Tel. Nos.: 712-3527; 412-4503
Teresita M. Nebrida - Assistant Vice President

Binondo Banking Center
214-216 Juan Luna Street,
Binondo, Manila
Tel. Nos.: 242-8710; 244-6413
Ester P. Lim - Vice President

Coastal Mall
Block 26, Units 5-7, Phase II
G/F Uniwide Coastal Mall, Tambo,
Parañaque City
Tel. Nos.: 879-0071; 879-0102
Reynaldo V. Zapanta - Senior Assistant Manager

Congressional
G/F Cheny Foodarama Complex
Congressional Avenue,
Quezon City
Tel. Nos.: 925-9847; 925-9849
Mariching B. Miranda - Assistant Manager

Corinthian Gardens
Sanso St., Corinthian Gardens,
Quezon City
Tel. Nos.: 687-7088; 687-7087
Jocelyn D. Lim - Senior Assistant Manager

Crossroad
N-3 & N-4 Crossroad Arcade
Greenhills Commercial Complex
San Juan
Tel. Nos.: 721-6708; 727-7119
Vanessa S. Cheng - Assistant Manager

Cubao
RC-27D Rustan's Superstore Building
Araneta Center, Cubao, Quezon City
Tel. Nos.: 912-2943; 913-4912
Rene H. Gochangco - Assistant Vice President

Echague
88-90 Carlos Palanca,
corner Isla del Romero Street,
Quiapo, Manila
Tel. Nos.: 736-0121; 735-4380
Elizabeth C. Ngan - Assistant Manager

Elcano
SHC Tower
613 Elcano Street,
San Nicolas, Manila
Tel. Nos.: 242-7809; 242-3573
Evelyn C. Choa - Manager

Greenhills
Quadstar Building, Ortigas Avenue,
Greenhills, San Juan
Tel. Nos.: 721-2601; 725-6482
Daniilo Y. Garcia - Vice President

Kalookan
359-365 Rizal Avenue Extension,
Grace Park, Kalookan City
Tel. Nos.: 366-2785; 361-3416
Zaida R. Sevilla - Senior Assistant Manager

Legaspi Village
C/F, Vermida I Condominium
120 Amorsolo St., Legaspi Village,
Makati City
Tel. No.: 813-2506; 812-9582
Cezar M. De Guzman, Jr. - Senior Manager

Mabini
1336-1350 Mabini Street,
Ermita, Manila
Tel. Nos.: 523-0568; 523-0401
Vergel L. Pabillon - Senior Manager

Makati Banking Center
PBCOM Tower, 6795 Ayala Avenue
corner V.A. Rufino Street, 1226 Makati City
Tel. Nos.: 810-2324; 817-3492
Arturo S. Martinez - Assistant Vice President

Malabon
123 Gov. Pascual Avenue,
Acacia, Malabon City
Tel. Nos.: 446-0381; 446-0429
Alicia S. Yu - Assistant Vice President

Marikina
34 J. P. Rizal Street,
Calumpang, Marikina City
Tel. Nos.: 645-2637; 645-8024
Dante P. Abacan - Senior Assistant Manager

Masangkay
1004-1006 G. Masangkay Street,
Binondo, Manila
Tel. Nos.: 244-8751; 244-8761
Melly C. Tan - Senior Assistant Manager

MERALCO Avenue
C-1 Horizon Condominium
Meralco Avenue, Pasig City
Tel. Nos.: 632-0418; 637-2858
Rodrigo D. Joaquin, Jr. - Senior Manager

Novaliches
860 Quirino Highway, Brgy. Gulod
Novaliches, Quezon City
Tel. Nos.: 938-1701; 938-1703
Nemesio C. Barrantes - Manager

Ongpin
Ongpin corner S. Padilla Street,
Sta. Cruz, Manila
Tel. Nos.: 733-1346; 733-1165
Lolita Giok Pen G. Leh - Vice President

Branches

Padre Rada
S & U Building
953 Juan Luna near corner
Padre Rada Street, Tondo, Manila
Tel. Nos.: 245-2265; 245-2354
Brenda L. Ong - Manager

Parañaque
Stall Nos. 3 & 4, Kingsland Building
Dr. A. Santos Avenue, Sucat,
Parañaque City
Tel. Nos.: 820-0901; 829-2424
Lazaro T. Averilla - Manager

Pasay
92 Tait Avenue Extension,
Pasay City
Tel. Nos.: 831-0329; 831-0395
Antonio Q. Beltran - Assistant Vice President

Pioneer
RFM Corporate Center
Pioneer corner Sheridan Street,
Mandaluyong City
Tel. Nos.: 637-8927; 637-8933
Ma. Ofelia F. Ferrera - Senior Manager

Quezon Avenue
APC Building
1186 Quezon Avenue,
Quezon City
Tel. Nos.: 371-2940; 371-1776
Annabel C. Lee - Assistant Vice President

Sen. Gil Puyat Avenue
Unit 104 Pacific Star Building
Sen. Gil Puyat corner Makati Avenue
Makati City
Tel. Nos.: 843-9287; 843-9311
Edgardo R. Aquino - Manager

Shaw Boulevard
146 Shaw Boulevard,
corner San Roque, Pasig City
Tel. Nos.: 634-1430; 636-5759
Mario Agaton I. Ignacio - Assistant Vice President

Sta. Elena
Hin Long Building
715-717 Ylaya near corner
Sta. Elena Street, Manila
Tel. Nos.: 242-9079; 242-9066

Sta. Mesa
440-A G. Araneta Avenue
corner Bayani Street, Sta. Mesa,
Quezon City
Tel. Nos.: 749-0265; 781-4947
Feligunda T. Ascaño - Manager

Sto. Cristo
705 Sto. Cristo Street,
Binondo, Manila
Tel. Nos.: 242-3194; 242-3197
Carmencita L. Tan - Assistant Vice President

T. Alonzo
Ground Floor, Tan Kiang Building
665 T. Alonzo Street, Sta. Cruz, Manila
Tel. Nos.: 733-1529; 733-1520
George L. Cu - Manager

Branches

Tekite
Unit W-1802 ABC, 18th Flr. West Tower
PSE Tower Condominium
Exchange Road, Ortigas Center,
Pasig City
Tel. Nos.: 637-1717; 637-6523
Aron B. Bugalon - Senior Manager

Tutuban
Unit Nos. PL-LS07 & PL-LS08
Tutuban Center Prime Block
C. M. Recto Avenue, Tondo, Manila
Tel. Nos.: 252-4954; 252-5069
Alice A. Cheng - Senior Manager

Valenzuela
246 MacArthur Highway,
Karuhatan, Valenzuela City
Tel. Nos.: 291-5196; 291-0708
Ma. Rosario C. Geronimo - Assistant Vice President

L U Z O N

Angeles
No. 878 Henson Street,
Brgy. Northwest,
Angeles City
Tel. Nos.: (045) 888-9855; 322-9751
Dolores S. Laquindanum - Manager

Batangas
Hilltop Plaza, National Road,
Batangas City
Tel. Nos.: (043) 723-4207; 723-7801
Ma. Socorro C. Uson - Manager

Dagupan
FIB Building, M. H. del Pilar,
Dagupan City
Tel. Nos.: (075) 515-2097; 523-6862
Norma C. Palma - Manager

Dasmariñas
Brgy. San Agustin, Aguinaldo Highway
Dasmariñas, Cavite
Tel. Nos.: (046) 416-5031; 416-5032
Marieta G. Camahalan - Manager

Imus
P. Nueño Street comer Gaerlan Street,
Imus, Cavite
Tel. Nos.: (046) 471-4349; 471-5245
Eulogio S. Hangsitang, Jr. - Assistant Vice President

La Union
Ortega Street, San Fernando,
La Union
Tel. Nos.: (072) 888-2044; 888-2741
Mariquita P. Ortega - Manager

Lucena
Merchan Street,
Lucena City
Tel. Nos.: (042) 373-6462; 373-6464
Victorina L. Tan - Manager

Marilao
Cecilia Commercial
MacArthur Highway, Abangan Norte,
Marilao, Bulacan
Tel. No.: (044) 711-3408; 711-2850
Librada M. Tomagan - Manager

San Fernando - Pampanga
MacArthur Highway, Dolores,
San Fernando, Pampanga
Tel. Nos.: (045) 963-6784; 963-6786
Segundo G. Basa - Senior Manager

San Jose Del Monte
Bagong Buhay Drive, San Martin I,
Sapang Palay, San Jose del Monte
Bulacan
Tel. Nos.: (0979) 773-7940
(0912) 403-0466
Rogelio D. Drio, Jr. - Manager

San Pedro
G/F Mega Building
National Highway, Landayan,
San Pedro, Laguna
Tel. Nos.: 868-7364; 868-7365
Elsa I. Hatulan - Senior Assistant Manager

Sta. Rosa
Brgy. Dila, National Highway,
Sta. Rosa, Laguna
Tel. Nos.: (049) 534-2928; 534-2927
Sonny R. Jacinto - Assistant Manager

VISAYAS

Bacolod
6th Street comer Hilado Street,
Capitol Shopping Center,
Bacolod City
Tel. Nos.: (034) 433-0404; 433-0911
Elsa L. Peregil - Manager

Cebu - Magallanes
Magallanes near comer
Manalili Street, Cebu City
Tel. Nos.: (032) 253-2740; 253-2761
Myrna T. Lim - Senior Manager

Cebu - Mango
General Maxillom (Mango) Avenue,
Cebu City
Tel. Nos.: (032) 253-1419; 254-3157
Pelagi C. Uy - Senior Assistant Manager

Cebu Mandaue - Basak
Co Tiao King Building
Cebu North Road, Basak,
Mandaue City, Metro Cebu
Tel. Nos.: (032) 346-2709; 422-9146
Michele Y. Rull - Junior Assistant Manager

Cebu Mandaue - National Highway
National Highway, Mandaue City,
Metro Cebu
Tel. Nos.: (032) 346-5110; 346-1076
Dinah S. Tiu - Manager

Iloilo - Ledesma
Ledesma comer Valeria Street,
Iloilo City
Tel. Nos.: (033) 337-3668; 336-8989
Efren T. Hudtohan - Senior Assistant Manager

Iloilo - Valeria
Valeria Extension, Iloilo City
Tel. Nos.: (033) 336-9889; 336-9887
Ceciro M. Kapunan - Assistant Manager

MINDANAO

Cagayan De Oro - Hayes
Tiano Bros. comer Hayes Street,
Cagayan de Oro City
Tel. Nos.: (08822) 724-190; 726-519
Shan Shan N. Chu - Senior Assistant Manager

Cagayan De Oro - Lapasan
Lapasan Highway,
Cagayan de Oro City
Tel. Nos.: (08822) 729-217;
(088) 856-3380
Helen N. Dagalea - Manager

Davao - Matina
Peaceneast Building
No. 36 R. Quimpo Boulevard,
Ecoland Subdivision, Matina,
Davao City
Tel. Nos.: (082) 296-1297; 296-1301
Luis U. Nucum - Senior Manager

Davao - Monteverde
41 Monteverde Avenue,
Davao City
Tel. Nos.: (082) 221-2140; 221-2141
Narda Y. Lu - Manager

Davao - Quirino
111 E. Quirino Avenue,
Davao City
Tel. Nos.: (082) 222-4160; 222-4162
Liza Delos Reyes - Manager

General Santos
Santiago Boulevard,
General Santos City
Tel. Nos.: (083) 552-8166; 552-8167
Edgardo R. Tan - Manager

Kidapawan
Quezon Boulevard, Kidapawan City,
North Cotabato
Tel. Nos.: (064) 288-5296; 288-5297
Proceso T. Peligrino - Senior Assistant Manager

Koronadal
General Santos Drive,
Koronadal, South Cotabato
Tel. Nos.: (083) 228-3917; 228-3919
Derwin B. Tolosa - Manager

Tagum
Pioneer Avenue, Tagum,
Davao del Norte
Tel. Nos.: (084) 217-3900; 217-3901
Alan Q. Brigoli - Assistant Manager

Zamboanga
Ground Floor, Intero Building
N. S. Valderosa Street, Zamboanga City
Tel. Nos.: (062) 992-6437; 992-6438
Raquel T. Bangayan - Vice President

List of Branches as of May 1, 2002

Banking Services

DEPOSIT

Regular Peso Savings Account
Quick Cash ATM
Foreign Currency Deposit Account (US\$ and Euro)
Regular Peso Checking Account
Automatic Fund Transfer
Value Check (Interest-bearing Checking Account)
Peso and Dollar Time Deposit
Premium Certificate of Deposit
Premium 5

REMITTANCES

Foreign and Domestic Remittances
(Incoming / Outgoing) via:

- Society of Worldwide Interbank Financial Telecommunications (SWIFT)
- Philippine Domestic Dollar Transfer System (PDDTS) through:
- End-of-Day Netting (EOD) transmission
- Gross Settlement Real-Time (GSRT) transmission
- Cable
- Western Union Money Transfer

PAYMENT AND COLLECTION SERVICES

BIR Payments
SSS Payments
SSS Pension Accounts
Clearing of Foreign Bank Checks & Out-of-Town Checks
Demand Draft (US\$ and Major 3rd Currencies)

ANCILLARY

Deposit Pick-up
Safe Deposit Boxes
Gift Cheques
Managers' Cheques

TRADE RELATED SERVICES

Import and Domestic Letters of Credit
Foreign & Domestic Stand-by Letters of Credit
Bank Guaranty/Shipside Bond
Trust Receipts
Export Bills Purchase
Clean and Documentary Collections
Import Bills/Customers Liabilities under Acceptances
Final Duties

TREASURY

Government Securities
Money Market Placements
Commercial Paper
Purchase and Sale of Foreign Exchange
Foreign Securities Trading

Banking Services

TRUST AND INVESTMENT SERVICES

Employee Benefit Trust
Investment Management Accounts
Group Investment Plan
Escrow Agency
Corporate Trust
Personal Trust
Pre-need Trust
Estate Planning
Custodianship
PBCom Dollar Fund
PBCom Dragon Fund*
PBCom Power Fund*

CREDIT AND LOAN FACILITIES

Commercial Loans
Industrial Loans
Foreign Currency Loans
Rediscounting
Export Packing Credit Loans
Trust Receipt Financing
Consumer Lending

- Real Estate Development Loan
- Real Estate Receivables Financing
- Trade Receivables Financing
- Multi-Purpose Loans

Specialized Lending

- Small Business Guarantee & Finance Corporation (SBGFC)
 - SME Funding Access for Short Term Loans (SME-FAST)
 - SME Financing Reach for Exporters through Network Development (SME-FRIEND)
 - SME Funding for Investments in Regional Markets (SME-FIRM)
- Social Security Systems (SSS)
 - Hospital Financing Program
 - Joint Housing Loan Program
 - Housing Development Loan Program
 - Housing Loan for Repair and/or Improvement
 - Individual Housing Loan Program
 - Financing Program for Educational Institutions
 - Special Financing Program for Vocational and Technical School
 - Financing Program for Tourism Projects (KASAPIV)
 - Dormitory/Apartment Loan Program
 - SSS Special Financing Program (Joint Program with GSIS)
 - SSS Industry Loan Program

Credit Inquiries

**Soon to be available*