PBCOM

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PBCOM

ON COURSE ON TARGET

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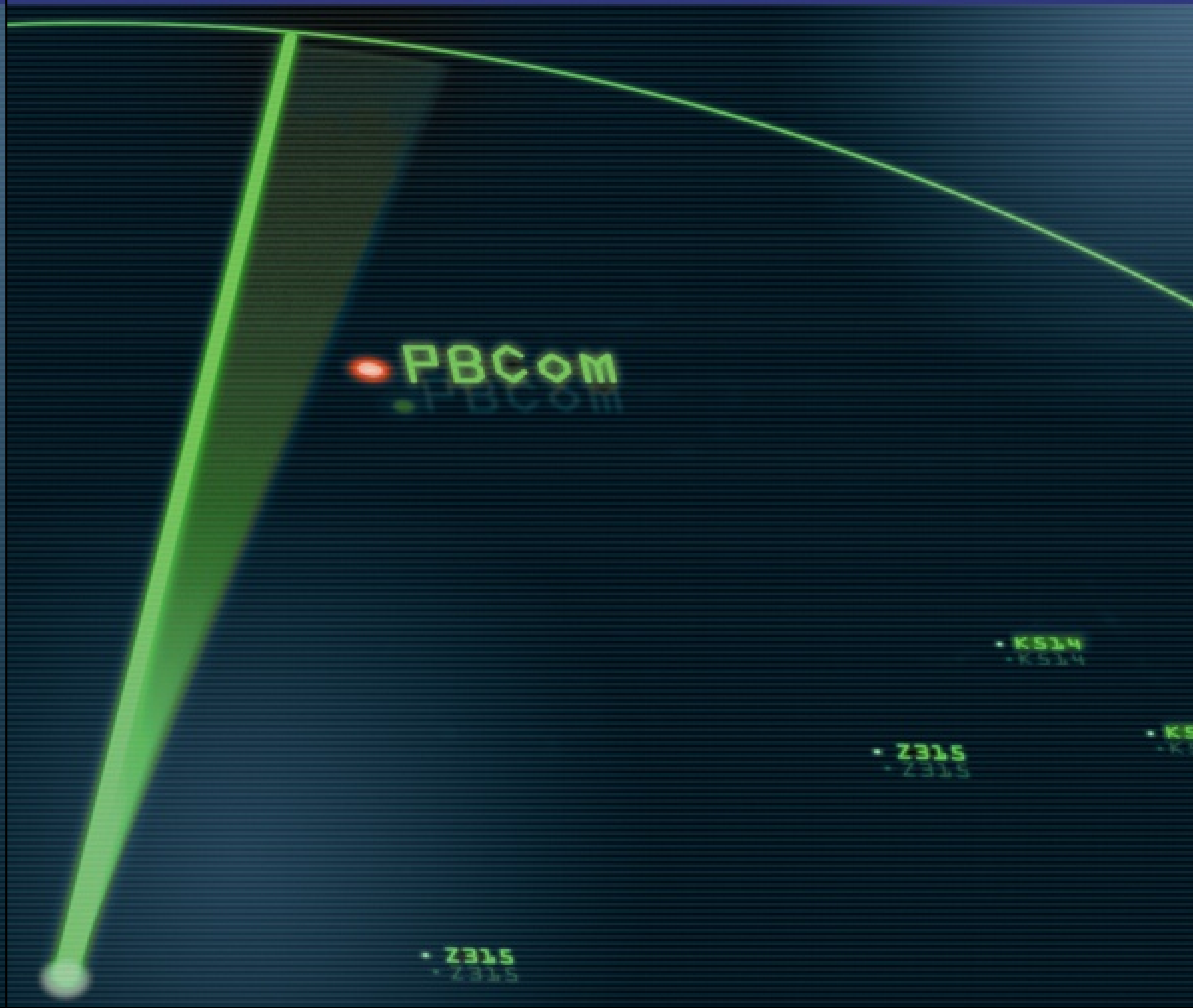


ON COURSE. ON TARGET.

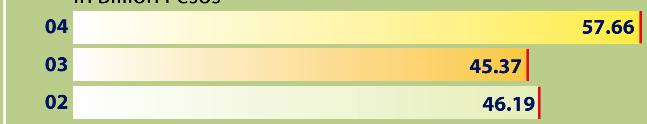
After cleaning up its balance sheet and strengthening its financial position, PBCom is on course to achieving its targets of sustained growth and profitability. The use of radar is an apt symbol of the Bank's efforts and abilities. Detecting and anticipating hurdles even in the distant future. Finding its range and homing in on solutions that hit its target with precision.

ON THE UPSURGE

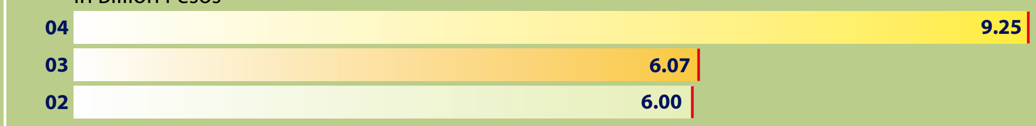
FINANCIAL HIGHLIGHTS

NET INCOME
in Million Pesos

RESOURCES
in Billion Pesos



CAPITAL FUNDS
in Billion Pesos



	2004	(As Restated*) 2003	2002
Operating Results (for the year, in million pesos)			
Total Income	4,155.8	3,736.2	3,713.6
Total Expenses	4,071.5	3,662.6	3,688.4
Net Income	84.3	73.6	25.2
Earnings Per Share (in pesos)	1.60	1.40	0.48
Balance Sheet (as of year-end, in million pesos)			
Total Resources	57,663.8	45,371.8	46,187.1
Loans, Net	10,942.7	12,304.2	17,566.7
Non-Performing Loans	2,179.2	1,623.2	6,831.0
Deposits	33,010.4	26,212.5	33,751.3
Capital Funds	9,254.1	6,066.9	5,996.4
Non-Performing Loans to Total Loans	15.91%	11.90%	28.05%
Capital Adequacy Ratio	28.42%	15.57%	15.16%
Headcount (as of year-end)	994	988	1,043
Number of Branches (as of year-end)	64	64	64

** see Note 2 of Notes to Financial Statements*

ON TRACK
ON THE MOVE

In 2004, we celebrated PBCom's 65th year with renewed strength and confidence after having finalized the sale of the bulk of the Bank's non-performing assets (NPAs) - one of the basic elements of a comprehensive business plan initiated and spearheaded by major shareholders. Last October 11, 2004, the Bank entered into an Asset Sale and Purchase Agreement covering the cash sale of ₱12.91 billion worth of non-performing assets with Unimark Investments Corp., a special purpose vehicle or SPV led by respected and well-known Filipino-Chinese businessmen.

The sale followed the ₱3.0 billion capital infusion by the major shareholders last March 2004 that complemented the financial enhancement package obtained from the Philippine Deposit Insurance Corporation (PDIC) and the Bangko Sentral ng Pilipinas (BSP) in the same month.

The disposal of our NPAs took on a greater significance at that time as the banking industry faced a pivotal year in its efforts to address its NPA problems. Banks were faced with an impending deadline to avail of exemptions from transaction taxes and fees accorded under the SPV Act of 2002. The government-

sponsored SPV Act was enacted primarily to assist banks in disposing their substantial inventory of NPAs which were mostly an overhang of the 1997 financial crisis. Additionally, the SPV Act intended to achieve the broader objectives of improving the financial system's liquidity and spurring economic growth. The sale of PBCom's NPAs materialized in time to emerge as one of the major breakthroughs under the SPV Act after a series of failed negotiations between selling institutions and prospective investors.

For PBCom, the sale of our NPAs is crucial to our drive to become a leading mid-sized bank and entrench our position in the Filipino-Chinese market. With our remaining NPAs now accounting for just 5.3% of our total assets or far better than the industry average of 11.4%, we now have a clean and stronger balance sheet. Our capital adequacy ratio also now stands at 28.42% which compares much favorably with the industry average of 18.4% (as of June 2004), bringing PBCom on course to become a more formidable competitor in the industry. In the process, this will allow us to achieve respectable returns in the years ahead.

Financial Results
The past year proved to be an even more difficult year for PBCom and business in general. In the first half of 2004, the political uncertainties during the run-up towards the May 2004 presidential elections generated a tentative outlook that cut across most industries. This was compounded in the second semester by the government's fiscal problems and rising inflation resulting from higher oil prices, both of which continuously exerted upward pressure on interest rates. Nevertheless, the economy flourished on agriculture's solid performance, stronger remittances from overseas workers, a more robust export sector and brisk consumer spending.

For PBCom, facing another year of uncertain business environment while delivering the final pieces of its comprehensive business plan, were but challenges that shaped our organization to become ever more resilient. The results were reflective of such resiliency as we delivered yet another profitable year in 2004. Net income after tax amounted to ₱84.3 million, a 14.5% increase from the previous year's restated earnings.

Net interest income increased more than four-fold with the recognition of ₱520.2 million in net interest earnings from the financial enhancement package. Nevertheless, the judicious allocation of funds to high-yielding investments significantly contributed to the increase.

On the expense side, we kept our overhead flat at ₱1.50 billion by leveraging on operational efficiencies. Past investments on automation and structural changes further improved manpower utilization resulting in significant savings in manpower costs.

The disposal of a substantial number of our NPAs allowed us to post an ₱88.4 million recovery in loan loss provisions set up in prior periods. Another ₱589.2 million of allowance for losses were also reversed to surplus. Notwithstanding the reversals, our total allowance for losses remain at a healthy level of ₱2.23 billion. Loan loss reserves accounted for ₱1.41 billion, resulting in a 64.6% non-performing loan coverage ratio or above the industry average of 60.4%.

The substantially lower 2004 net income reported this year compared to previous years' net income as reported in earlier annual reports resulted from the Bank's adoption of new accounting standards based on the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).

Specifically, the adoption of IAS 12 or the accounting standards on Income Taxes starting January 1, 2004, resulted in the write-down of deferred tax assets that are not realizable within the next five years. The write-offs were charged against both surplus and operations. This resulted in a retroactive downward adjustment in net income by ₱191.7 million in 2003 and by ₱247.7 million in 2002.

Similarly, the adoption of IAS 17 or the accounting standards on Leases resulted in retroactive adjustments that increased miscellaneous income on one hand and reduced occupancy costs on the other. Effective January 1, 2005, the Bank also adopted new IAS-based Philippine Accounting Standards that included standards on accounting for Employee Benefits, Effects of Changes in Foreign Exchange Rates, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, Financial Instruments, Investment Property, Business Combination and Non-Current Assets Held for Sale and Discontinued Operations. The adoption of the IAS is consistent with the Bank's emphasis on good governance and adoption of best business practices.

On Course, On Target in 2005
The successful completion of the sale of our NPAs has now allowed us to pursue with great determination our growth strategies. To diversify our revenue base, we aim to establish a niche in the consumer financing market where we believe growth opportunities still exist. Initially, we intend to build-up on earlier gains in the wholesale mortgage financing where we have already successfully drawn up lines for leading developers.

With a clean balance sheet, we are now in a better position to expand our portfolio particularly in the middle markets wherein we have, through the years, established a strong presence. This will be complemented by a more aggressive push to maximize our cash management service capabilities.

We will continue to leverage on the strengths of our existing branches to generate more low-cost deposits. With a fully functioning backroom system, our branches are now primed to handle more retail transactions.

Given our focus now on identifying market segments where we have the potential to be among the leaders, we will operationalize technological solutions such as account profitability analysis and customer information system. These will help us segmentize our market more effectively and in the process tailor-fit our products to what our customers need.

With our recent accomplishments in bringing about a clean balance sheet, we are convinced that we are now on course to fully harness our traditional strengths as a Filipino-Chinese bank in achieving success in the growth areas we have identified. Ultimately, the course we have taken will build further value on the PBCom franchise and its 65-year history of reputable service.

Reaching this position of strength, however, would not have been possible were it not for the commitment and sacrifices put forth by our major shareholders and for this we express our deepest gratitude. In the same token, we convey our appreciation for the good counsel of our fellow Directors and the tireless efforts of our employees in bringing PBCom on course towards sustained growth and profitability.

Luy Kim Guan
Chairman Emeritus

Chung Tiong Tay
Chairman

Angel M. Corpus
Officer-In-Charge

ON STREAM

Sale of NPAs. In 2004, a significant reduction in the inventory of acquired assets was achieved as a result of the completion in October of that year of the sale of identified properties eligible for tax incentives under the Special Purpose Vehicle Act to Unimark Investments Corp., an SEC-registered SPV. A total of ₱12.91 billion of acquired assets including various non-performing loans (NPLs) were sold to the SPV. The excess of book value over the net realizable value arising from the sale of these assets to the SPV amounting to ₱11.48 billion were deferred over a ten-year period in accordance with regulatory accounting policies prescribed by the Bangko Sentral ng Pilipinas for banks and financial institutions availing of the provisions of Republic Act No. 9182, "Special Purpose Vehicle Act 2002."

In March 2004, the Bank purchased ₱7.640 billion in long-term government securities through a 10-year loan obtained from the Phil. Deposit Insurance Corporation (PDIC) as part of a financial enhancement package intended to provide income support to cover losses incurred on the sale of non-performing assets.

Balance Sheet Management. The purchase of the government securities mentioned above mainly accounted for the expansion of the Bank's total assets by ₱12.3 billion or 27.1% to ₱57.664 billion as of December 31, 2004. The improvement in PBCom's liquidity position due to the infusion

of additional capital and the strong growth of deposits also enabled the Bank to increase its inventory of bond holdings and government securities. The Bank's loan portfolio, however, suffered an 11.1% drop bringing the total portfolio to ₱10.943 billion as of end-2004. With the continuing soft credit market for both the corporate and middle markets, the Bank instead focused on improving the overall net interest margin by unwinding loan accounts which have not provided sufficient spreads given the corresponding credit risks involved.

Fund Generation. The increase in five-year deposit funds and the launching of new time deposit products, namely the Passbook TD and the TD Prime, raised total deposits by ₱6.798 billion from 2003 to ₱33.010 billion as of end-2004. The introduction of the new products provided the Bank the opportunity to generate a more stable funding base. The aggressive push for the time deposit products was in line with the Bank's thrust to steadily grow a stable deposit base amidst a highly competitive market for largely volatile funds.

Funding was augmented by the infusion of ₱3.0 billion in fresh equity through the subscription of new preferred shares by the three major shareholders groups last March 2004. Pending the receipt of the formal approval of the SEC of the amended articles of incorporation, the equity infused is reflected as deposits for future stock subscription. This brought the Bank's total capital to ₱9.254 billion for a risk-based capital adequacy ratio of 28.42%, well above the 10% minimum requirement of the BSP.

Sustained Profitability. PBCom sustained its profitable performance with a net income after tax of ₱84.3 million, up ₱10.7 million or 14.5% from the 2003 restated net income of ₱73.6 million. The increase in net interest income and cost savings realized from operational efficiencies offset the decline in trading gains.

Net interest income increased by ₱965.8 million to ₱1.259 billion to account for about 70% of net revenues on account of the interest income accrued on government securities purchased under the financial enhancement package obtained from PDIC. Increased investments in other peso and dollar-denominated sovereign bonds, likewise, contributed to the higher net interest income. Non-interest income, however, declined by 60.6% to ₱535.0 million in 2004 primarily due to lower trading gains. There were lesser trading opportunities during the year as a result of the reversal of the low-interest rate environment in the previous years. Fees and commissions, likewise, dropped by 28.6% due to lower service charges on loans collected. Miscellaneous income, on the other hand, more than doubled to ₱238.7 million due to higher gains from the sale of non-performing properties and rental income from leased units in PBCom Tower.

Improvements in operating efficiency and reduced headcount resulting from the full automation of branch backroom operations led to a decline in operating expenses in 2004. Net of taxes and licenses which increased due to the re-application of the gross receipts tax in lieu of the expanded value added tax, operating expenses dropped by 12.2% or ₱171.6 million to ₱1.231 billion.

ON THE PATH TO SUSTAINABLE FUTURE

It is their steadfast commitment to PBCom that ensures the sustained success of the institution in the years to come.

On March 26, 2004, PBCom's three major shareholder groups - the Luys, the Nublas and the Chungs - crystallized their commitment to the future of the Bank by infusing ₱3.0 billion in fresh capital through the subscription of new preferred shares. It was sheer resolve and a vision in carrying out the business plan intended to attain sustained growth and profitability that moved the major shareholders to further increase their stakes in the Bank. To PBCom's benefit, the major shareholders were not only willing supporters of the plan but also have the financial resources to uphold their commitment.

ON THE GO

ON ITS 65TH YEAR

PBCom is one of the oldest local Banks operating in the country today. The Bank has survived throughout turbulent periods of history experiencing a number of financial crises that hit the country. Few financial institutions have endured under the same difficult circumstances and hardships as those faced by PBCom. Our branches have weathered extreme difficulties, and they have operated under extreme circumstances. But after 65 years, PBCom has continued on the path envisioned for it with persistence and tenacity. The ability of the Bank to comprehend and adapt to the significant factors, which are continuously influencing and reshaping the banking industry, has become the cornerstone of the Bank's strength.

The dynamism of the banking industry has motivated the Bank to outperform itself in the past years. After 65 years of hard work, PBCom has now become the highest capitalized commercial bank with a total capital of ₱9.3 billion.

OVER THE YEARS

The 50- to 60-year-old banking relationships PBCom maintains are an integral part of the Bank's long history and what makes PBCom different from other banks. The history of its clients, their successes, and growth of their businesses are associated with PBCom… it is one way of saying that its customers' success is PBCom's success.

With PBCom's commitment of treating customers as part of a corporate family, the next generations of those families who started doing business with PBCom continue their relationship with the Bank. Indeed, the sense of family history is strong that long-time clients choose to entrust their children's future and their children's children's future with the Bank.

For 65 years, PBCom has stood firm. It has honored its obligations no matter what the price of the difficulty. In return, the customers have trusted the Bank and helped it to succeed.

OUT TO GIVE OUR SERVICE

Because the relationships PBCom builds and keeps go beyond pure economics, its officers and staff are committed to give their personalized service. The sense of affinity with all clients is evident in the way PBCom officers and its employees do business with them.

Reflecting the will and desire to succeed, PBCom has pursued to spread its network in the most important locations in the country. The sleek and modern interior of its new branches, highlighted by the bright yellow and striking blue colors of PBCom is reflective of a modern, dynamic and upbeat PBCom.

PBCom continues to come up with the latest service and product offerings. Added to the list are Trust Group's Unit Investment Trust Fund (UITF) products such as PBCom Signature Trust, PBCom Generation Trust, and PBCom Winner Dollar Fund and Estate Planning products such as PBCom Master Trust, PBCom Forward Trust, and PBCom Dollar Classic Trust.

The innovation of the Bank has not been limited only to the promotion of new products. It has also modified some complicated and sophisticated services in order to better fit the market and improve its services to customers. One such innovation is the P2H (Pay2Home) Remittance Service, which overseas Filipino workers and their families can benefit from. P2H has been slowly attracting various institutions like the STI Education network with 115 colleges nationwide, Northwestern University, Ilocos Norte and Emilio Aguinaldo College to sign up for this unique service.

BOARD OF DIRECTORS

Luy Kim Guan
Chairman Emeritus

Chung Tiong Tay
Chairman

Enrique T. Luy
Vice Chairman

Ralph Nubla, Jr.
Vice Chairman

Carlos G. Chung
Executive Director

Henry Y. Uy
Executive Director

Ernesto T. Luy
Executive Director

Johnny O. Cobankiat
Director

J. Antonio M. Quila
Director

Renato H. Peronilla
Director

Atty. Bi Yong So Chungunco
Director

Edwin L. Luy
Director

Ruben D. Almendras
Director

Jose Luis S. Javier
Director

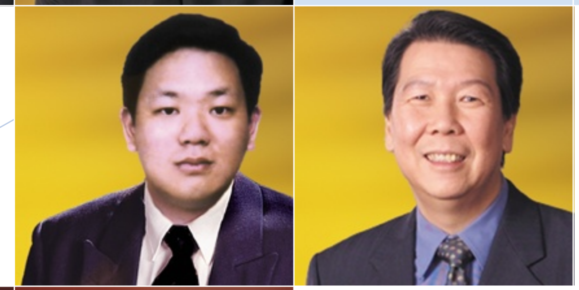
Roman Anthony V. Azanza
Consultant to the Board

MANAGEMENT TEAM

Angel M. Corpus
Executive Vice President
and Officer-In-Charge

From left to right
Carolina O. Yu
First Vice President
Felimon F. Baltazar
First Vice President
Aurora C. Manguerra
First Vice President

Virgilio J. Katigbak
Senior Vice President



From left to right
Enrique L. Luy, Jr.
First Vice President
James Y. Go
First Vice President

Jose R. Chanyungco
Senior Vice President

From left to right
Edgardo R. Sancho
First Vice President
Chai Sen D. Uy
First Vice President
Robert T. Tan
First Vice President

Arthur D. Chung
Senior Vice President

From left to right
Serafin L. Bernardo IV
First Vice President
Melvin C. Lim
First Vice President
Roberto B. Reyes
First Vice President

Edgardo T. Nallas
Senior Vice President

From left to right
Raul C. Diaz
First Vice President
Evelyn D. Vinluan
First Vice President

Edmundo L. Tan
Corporate Secretary

From left to right
Arnaldo L. Cruz
First Vice President
Evangeline Y. Qua
First Vice President
Juan B. Estioko
First Vice President
Dante T. Fuentes
First Vice President

BOARD COMMITTEES

Executive Committee

Chairman	Ralph Nubla, Jr.
Vice Chairmen	Carlos G. Chung
	Enrique T. Luy
Members	Jose Luis S. Javier
	Renato H. Peronilla
	J. Antonio M. Quila
Secretary	Atty. Edmundo L. Tan

Audit Committee

Chairman	Renato H. Peronilla
Members	Carlos G. Chung
	Edwin L. Luy
	Ralph Nubla, Jr.
	J. Antonio M. Quila
	Juan B. Estioko

Trust Committee

Chairman	Enrique T. Luy
Members	Johnny O. Cobankiat
	Jose Luis S. Javier
	Raul C. Diaz

Management Committees

Asset Liabilities Committee
Management Committee
Personnel Committee
Information Technology Steering Committee
Operations Committee
PBCom Tower Committee
Retirement and Provident Fund Committee
Trust Investment Committee
Bidding Committee

Governance Committee

Chairman	J. Antonio M. Quila
Members	Ruben D. Almendras
	Carlos G. Chung
	Johnny O. Cobankiat
	Jose Luis S. Javier
	Edwin L. Luy
	Enrique T. Luy
	Ralph Nubla, Jr.
	Renato H. Peronilla

Anti-Money Laundering Council

Members	Ernesto T. Luy
	Jose Luis S. Javier
	Virgilio J. Katigbak
	Dante T. Fuentes
	Atty. Caesar D. Ramirez

Risk Management Committee

Chairman	Ruben D. Almendras
Members	Enrique T. Luy
	Renato H. Peronilla
	Henry Y. Uy
	Angel M. Corpus
	Evelyn D. Vinluan

Asset Disposal Committee

Chairpersons	Carlos G. Chung
	Ernesto T. Luy
Members	J. Antonio M. Quila
	Renato H. Peronilla
	Roman A.V. Azanza
	Robert T. Tan
	Melvin C. Lim
	Marina U. Francisco
	Enrique R. Bartolome

SENIOR OFFICERS

CHAIRMAN EMERITUS
Luy Kim Guan

CHAIRMAN
Chung Tiong Tay

VICE CHAIRMEN
Enrique T. Luy
Ralph Nubla, Jr.

EXECUTIVE DIRECTORS
Carlos G. Chung
Ernesto T. Luy
Ralph Nubla, Jr.
Henry Y. Uy

EXECUTIVE VICE PRESIDENT & OFFICER-IN-CHARGE
Angel M. Corpus

SENIOR VICE PRESIDENTS
Jose R. Chanyungco
Arthur D. Chung
Virgilio J. Katigbak
Edgardo T. Nallas

FIRST VICE PRESIDENTS
Felimon F. Baltazar
Serafin L. Bernardo IV
Arnaldo L. Cruz
Raul C. Diaz
Juan B. Estioko
Dante T. Fuentes
James Y. Go
Melvin C. Lim
Enrique L. Luy, Jr.
Aurora C. Manguerra
Evangeline Y. Qua
Roberto B. Reyes
Edgardo R. Sancho
Robert T. Tan
Chai Sen D. Uy
Evelyn D. Vinluan
Carolina O. Yu

VICE PRESIDENTS
Rene C. Alejandrino
Raquel T. Bangayan
Enrique R. Bartolome, Jr.
Editha N. Bautista
Daniel C. Brion
Mary Jane T. Cuatico
Rose Margaret T. Cuatico
Romeo G. De La Rosa
Marie Antoinette L. Dela Cruz
Marina U. Francisco
Gloria Elena H. Go
Agnes M. Lamberte
Lolita Giok Pen G. Leh
Ester P. Lim
Caesar D. Ramirez
Leo P. Villanueva

ASSISTANT VICE PRESIDENTS
Froilan G. Alcantara
Christopher T. Bacud
Virginia P. Basaca
Antonio Q. Beltran
Ricardo M. Bondoc
Carlos V. Borbon
Vilma V. Bugia
Fernando V. Carpio
Danilo Dominguez
Ma. Visitacion V. Gajitos
Ma. Rosario Lourdes S. Garcia
Emmanuel C. Geronimo
Maria Rosario C. Geronimo
Julie N. Go
Romeo L. Ibarra
Annabel C. Lee
Rainelda O. Rodriguez
Ma. Socorro I. Santos
Carmencita L. Tan
Alicia S. Yu

List of officers (AVP & up) as of April 30, 2005

PBCom's overall corporate governance is the primary responsibility of the Bank's Board of Directors. The Board ensures that the Bank exercises full compliance to existing laws and regulations, and approves the overall corporate philosophy and mission statement; 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.

During the last annual stockholders' meeting held on July 15, 2004, Mr. Luy Kim Guan was re-elected as Chairman Emeritus while Mr. Chung Tiong Tay was re-elected Chairman of the Board of Directors. Currently, the Board is composed of 14 directors.

The Executive Committee remains as the primary executory arm of the Board. Composed of six directors and headed by Vice Chairman of the Board of Directors Ralph Nubla, Jr., the Executive Committee exercises ultimate responsibility over the credit approval process.

Re-Organization. Consistent with the Bank's thrust to exercise the highest standards of corporate governance and with the objective of promoting the active involvement of the Shareholders and Directors of the Bank, four members of the Board were appointed last August 1, 2004 as Executive Directors for specific business areas. The appointment of the Executive Directors are intended to harness the strength and capabilities of the Board of Directors and enhance the implementation of the Bank's business plans. The four Executive Directors are as follows:

1. Director and Vice Chairman of the Board Ralph Nubla, Jr. – Executive Director for Corporate Banking and Branch Lending
2. Director Henry Y. Uy – Executive Director for Trust
3. Director Carlos G. Chung – Executive Director and Segment Head-In-Charge of Credit Management and Asset Recovery Segment
4. Director Ernesto T. Luy – Executive Director-In-Charge of Oversight Functions for Treasury, Facilities Management and Branch Expansion Projects

Appointment of Officer-In-Charge. The Board of Directors, in its meeting on October 28, 2004, appointed Executive Vice President and Treasurer Angel M. Corpus as Officer-In-Charge of the Bank effective on the first day of November 2004 following the retirement of Mr. Isidro C. Alcantara, Jr. effective at the end of October 2004.

Risk Management. PBCom's risk mission, objectives and philosophy are based on the strategy that for effective risk management, it is necessary to have both an appropriate risk management environment and a dynamic pro-active risk management process that involves risk-taking personnel in the process.

The risk management philosophy of PBCom is to develop risk awareness, and a risk/return consciousness in order to protect deposits, preserve and properly allocate capital and ensure an adequate return on capital. In order to achieve this, the Bank created the Risk Management Group, a distinct and independent unit directly reporting to the Risk Management Committee, to identify, measure, monitor, control and report risks in the areas of Treasury, Credit, Operations and Trust. The Risk Management Committee is composed of several Board members and senior management who meets regularly to oversee bankwide implementation of the risk management process and ensure compliance with defined risk parameters.

Internal Credit Risk Rating System. The Bank has developed its Internal Credit Risk Rating System in compliance with BSP Circular No. 439 which is consistent with Basel II requirements and appropriate to the Bank's nature, complexity and scale of activities. The system is designed to risk rate a portfolio based on the general credit worthiness of the borrower and the type of credit facility extended to the borrower, taking into account the different security arrangements or other risk influencing factors. The risk ratings will eventually serve as bases in the measurement of the drivers of credit risk such as Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD).

Statement of Management's Responsibility for Financial Statements

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

The management of Philippine Bank of Communications (PBCom) is responsible for all information and representations contained in the financial statements of PBCom as of December 31, 2004 and 2003 and each of the three years in the period ended December 31, 2004. The financial statements have been prepared in conformity with accounting principles generally accepted 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 PBCom'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.

Sycip Gorres Velayo & 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 examination, in its report to the stockholders and the Board of Directors.

Jose R. Chanyungco
Senior Vice President and Controller

Angel M. Corpus
Executive Vice President
and Officer-In-Charge

Chung Tiong Tay
Chairman of the Board

Report of Independent Auditors

SGV & Co

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, 2004 and 2003, 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, 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 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, the excess of book value over the net realizable value arising from the sale of the Bank's nonperforming loans (NPLs) and real and other properties owned or acquired (ROPOA) to a special purpose vehicle (SPV) amounting to ₱11.48 billion was deferred over a ten-year period in accordance with regulatory accounting policies prescribed by the Bangko Sentral ng Pilipinas for banks and financial institutions availing of the provisions of Republic Act No. 9182, "The Special Purpose Vehicle Act of 2002." In addition, as discussed in Note 1 to the financial statements, the Bank's rehabilitation plan includes a financial assistance agreement (FAA) with the Philippine Deposit Insurance Corporation (PDIC) and sale of nonperforming assets to an SPV. In 2004, certain expenses related to the FAA and SPV transactions amounting to ₱213.79 million were also deferred over 10 years. Also, as discussed in Note 1 to the financial statements, the financial assistance from PDIC amounting to ₱7.64 billion is in the form of 10-year government securities. The net yield from this investment will be used to offset, on a staggered basis, the excess of book value over the net realizable value arising from the sale of the Bank's NPLs and ROPOA to an SPV. Further, as of December 31, 2004, the Bank's excess allowance for probable losses amounting to ₱400.65 million, net of deferred tax asset, was reversed against surplus. Accounting principles generally accepted in the Philippines (Philippine GAAP) require that the difference between the present value of the net yield on such investment and the excess of book value over the net realizable value arising from the sale and the expenses that were deferred be charged against 2004 operations and the excess allowance for probable losses be credited to 2004 operations. Had these matters been accounted for in accordance with the Philippine GAAP, the effects on the 2004 financial statements would have been as discussed in Note 8 to the financial statements.

In our opinion, except for the effects on the 2004 financial statements of the matters discussed 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, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the Philippines.

Sycip Gorres Velayo & Co

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Partner
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Tax Identification No. 129-434-735
PTR No. 9404009, January 3, 2005, Makati City

April 28, 2005

STATEMENTS OF CONDITION

	December 31	
	2004	2003 (As restated - Note 2)
RESOURCES		
Cash and Other Cash Items (Note 10)	**₱ 421,153,660**	₱ 388,994,429
Due from Bangko Sentral ng Pilipinas (Note 10)	**2,073,371,922**	997,163,018
Due from Other Banks	**1,084,147,445**	732,604,608
Interbank Loans Receivable	**1,331,673,690**	555,860,000
Trading Account Securities - at market (Note 4)	**44,821,143**	4,473,458,720
Available-For-Sale Securities - at market (Note 4)	**5,246,505,442**	–
Investment in Bonds and Other Debt Instruments		
- at amortized cost (Notes 4 and 10)	**17,425,914,607**	8,112,334,479
Loans - net (Notes 5 and 20)	**10,942,692,532**	12,304,165,091
Equity and Other Investments - net (Note 6)	**2,004,434,578**	2,017,429,051
Property and Equipment		
At cost - net (Note 7)	**1,397,228,997**	1,429,847,779
At appraised value (Note 7)	**419,698,500**	439,712,598
Real and Other Properties Owned or Acquired - net of allowance for probable losses of ₱108,865,859 in 2004 and ₱193,519,810 in 2003 (Notes 8 and 9)	**771,153,889**	6,200,208,077
Deferred Tax Assets - net (Note 17)	**415,532,107**	625,951,162
Other Resources - net (Note 8)	**14,085,455,599**	7,094,092,014
	₱ 57,663,784,111	₱ 45,371,821,026
LIABILITIES AND CAPITAL FUNDS		
Liabilities		
Deposit Liabilities (Notes 10 and 20)		
Demand	**₱ 2,528,896,949**	₱ 2,280,302,663
Savings	**2,824,208,794**	11,079,158,817
Time	**27,657,341,503**	12,853,081,003
	33,010,447,246	26,212,542,483
Bills Payable (Note 11)	**14,531,271,327**	12,268,552,439
Outstanding Acceptances (Note 12)	**221,438,432**	164,606,883
Marginal Deposits (Note 12)	**5,652,938**	11,001,414
Manager's Checks (Note 12)	**63,593,813**	61,675,817
Accrued Interest, Taxes and Other Expenses (Note 13)	**226,293,497**	180,897,563
Other Liabilities (Note 14)	**350,973,985**	405,649,238
	48,409,671,238	39,304,925,837
Capital Funds		
Capital stock (Note 16)	**₱ 5,259,896,500**	₱ 5,258,906,500
Additional paid-in capital	**476,011,662**	476,011,662
Deposit for future stock subscription (Note 1)	**3,000,000,000**	–
Surplus reserves (Note 16)	**81,483,636**	73,249,633
Surplus (Notes 2 and 16)	**559,875,632**	83,186,012
Revaluation increment on land - net	**161,931,795**	175,541,382
Unrealized loss on available-for-sale securities (Note 4)	**(285,086,352)**	–
	9,254,112,873	6,066,895,189
	₱ 57,663,784,111	₱ 45,371,821,026

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME

	Years Ended December 31		
	2004	2003 (As restated - Note 2)	2002
INTEREST INCOME ON			
Loans (Notes 1, 5 and 20)	**₱ 1,819,717,095**	₱ 1,379,573,813	₱ 1,415,537,535
Trading and investment securities (Notes 1 and 4)	**1,736,801,329**	911,566,952	675,297,781
Deposits with banks	**37,847,853**	42,109,005	39,439,768
Interbank loans receivable	**26,432,429**	46,315,241	51,131,286
	3,620,798,706	2,379,565,011	2,181,406,370
INTEREST EXPENSE ON			
Deposit liabilities (Note 20)	**1,789,299,091**	1,820,937,162	1,661,675,446
Borrowed funds (Notes 1 and 11)	**572,805,269**	265,783,320	127,036,255
	2,362,104,360	2,086,720,482	1,788,711,701
NET INTEREST INCOME	**1,258,694,346**	292,844,529	392,694,669
PROVISION FOR (RECOVERY FROM) PROBABLE LOSSES (Note 9)	**(88,388,479)**	–	326,328,735
NET INTEREST INCOME AFTER PROVISION FOR (RECOVERY FROM) PROBABLE LOSSES	**1,347,082,825**	292,844,529	66,365,934
OTHER INCOME (CHARGES)			
Service charges, fees and commissions	**178,263,213**	138,601,073	60,685,002
Income from trust operations	**71,158,882**	98,386,709	66,803,009
Trading and securities gain - net (Note 4)	**50,512,529**	1,009,701,601	1,227,687,372
Foreign exchange loss - net	**(3,695,052)**	(32,721,638)	(19,491,743)
Miscellaneous (Notes 2 and 6)	**238,726,619**	142,695,651	196,532,843
	534,966,191	1,356,663,396	1,532,216,483
OTHER EXPENSES			
Compensation and fringe benefits (Note 18)	**508,610,308**	585,153,855	570,739,618
Taxes and licenses (Note 17)	**270,671,501**	100,667,662	139,752,760
Depreciation and amortization (Notes 6 and 7)	**193,568,794**	165,380,099	114,903,639
Occupancy and other equipment-related costs (Notes 2 and 19)	**118,860,273**	92,139,547	88,981,725
Amortization of software cost (Note 8)	**48,384,921**	29,502,400	5,872,797
Amortization of goodwill (Note 8)	**14,585,736**	14,585,736	14,585,736
Miscellaneous (Note 15)	**346,507,002**	515,313,470	545,603,224
	1,501,188,535	1,502,742,769	1,480,439,499
INCOME BEFORE INCOME TAX	**380,860,481**	146,765,156	118,142,918
PROVISION FOR INCOME TAX (Note 17)	**296,582,771**	73,174,484	92,922,207
NET INCOME (Note 23)	**₱ 84,277,710**	₱ 73,590,672	₱ 25,220,711
Earnings Per Share (Note 23)	**₱ 1.60**	₱ 1.40	₱ 0.48

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN CAPITAL FUNDS

	Years Ended December 31		
	2004	2003	2002
		(As restated - Note 2)	
CAPITAL STOCK (Note 16)			
Balance at beginning of year	**₱ 5,258,906,500**	₱ 5,258,906,500	₱ 5,258,906,500
Subscriptions during the year	**990,000**	–	–
Balance at end of year	**5,259,896,500**	5,258,906,500	5,258,906,500
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	**476,011,662**	476,011,662	476,009,722
Additions	**–**	–	1,940
Balance at end of year	**476,011,662**	476,011,662	476,011,662
DEPOSIT FOR FUTURE STOCK SUBSCRIPTION (Note 1)			
Balance at beginning of year	**–**	–	–
Deposit during the year	**3,000,000,000**	–	–
Balance at end of year	**3,000,000,000**	–	–
SURPLUS RESERVES (Note 16)			
Balance at beginning of year	**73,249,633**	68,358,940	65,465,142
Transfer from surplus	**8,234,003**	4,890,693	2,893,798
Balance at end of year	**81,483,636**	73,249,633	68,358,940
SURPLUS (Note 16)			
Balance at beginning of year, as previously reported	**700,250,285**	491,160,512	247,219,260
Effect of change in accounting for:			
Deferred income tax (Note 2)	**(683,008,134)**	(491,267,013)	(243,606,122)
Leases (Note 2)	**65,943,861**	14,592,534	(11,454,018)
Balance at beginning of year, as restated	**83,186,012**	14,486,033	(7,840,880)
Net income (Note 23)	**84,277,710**	73,590,672	25,220,711
Reversal of allowance for probable losses, net of deferred tax asset of ₱188,539,253 (Note 9)	**400,645,913**	–	–
Transfer of surplus reserves	**(8,234,003)**	(4,890,693)	(2,893,798)
Balance at end of year	**559,875,632**	83,186,012	14,486,033
REVALUATION INCREMENT ON LAND			
Balance at beginning of year, as previously reported	**258,149,091**	262,637,091	262,637,091
Effect of change in accounting for deferred tax liability (Note 2)	**(82,607,709)**	(84,043,869)	(84,043,869)
Balance at beginning of year, as restated	**175,541,382**	178,593,222	178,593,222
Reductions during the year, net of deferred tax liability of ₱6,404,511 in 2004 and ₱1,436,160 in 2003 (Note 7)	**(13,609,587)**	(3,051,840)	–
Balance at end of year	**161,931,795**	175,541,382	178,593,222
UNREALIZED LOSS ON AVAILABLE-FOR-SALE SECURITIES (Note 4)			
Balance at beginning of year	**–**	–	–
Unrealized loss during the year	**(285,086,352)**	–	–
Balance at end of year	**(285,086,352)**	–	–
TREASURY STOCK - AT COST			
Balance at beginning of year	**–**	–	(9,700)
Issuance during the year	**–**	–	9,700
	–	–	–
	₱ 9,254,112,873	₱ 6,066,895,189	₱ 5,996,356,357

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2004	2003	2002
		(As restated - Note 2)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱ 380,860,481**	₱ 146,765,156	₱ 118,142,918
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:			
Depreciation and amortization (Notes 6 and 7)	**193,568,794**	165,380,099	114,903,639
Amortization of software cost (Note 8)	**48,384,921**	29,502,400	5,872,797
Amortization of goodwill (Note 8)	**14,585,736**	14,585,736	14,585,736
Equity in net earnings of affiliates (Note 6)	**(512,812)**	(345,280)	(322,381)
Provision for (recovery from) probable losses (Note 9)	**(88,388,479)**	–	326,328,735
Unrealized trading loss (gain) (Note 4)	**202,134**	(112,402)	(777,897)
Loss (gain) on sale of property and equipment	**(50,068)**	11,139,242	(43,587,193)
Changes in operating resources and liabilities:			
Decrease (increase) in amounts of:			
Trading account securities	**4,428,687,645**	(4,249,015,550)	82,110,345
Loans	**6,878,915,226**	(145,537,584)	(1,720,403,694)
Other resources	**(7,054,361,913)**	88,708,971	(162,342,499)
Increase (decrease) in amounts of:			
Deposit liabilities	**6,797,904,763**	(7,538,796,063)	3,428,142,394
Manager's checks	**1,917,996**	(18,545,063)	7,169,357
Accrued taxes and other expenses	**45,214,521**	(3,467,748)	(41,088,567)
Other liabilities	**242,766,849**	(204,482,776)	90,415,884
Net cash generated from (used in) operations	**11,889,695,794**	(11,704,220,862)	2,219,149,574
Income taxes paid	**(268,089,375)**	(73,174,484)	(108,644,285)
Net cash provided by (used in) operating activities	**11,621,606,419**	(11,777,395,346)	2,110,505,289
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Available-for-sale securities	**(5,246,505,442)**	–	131,987,610
Investment in bonds and other debt instruments	**(9,313,580,128)**	399,120,181	(4,014,401,044)
Equity and other investments	**(21,788,940)**	(63,706,333)	(101,663,218)
Additions to property and equipment	**(155,475,099)**	(210,926,216)	(282,111,076)
Proceeds from sale of property and equipment	**36,275,891**	130,557,159	177,319,274
Net cash provided by (used in) investing activities	**(14,701,073,718)**	255,044,791	(4,088,868,454)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in:			
Bills payable	**2,262,718,888**	7,170,983,889	2,348,836,492
Outstanding acceptances	**56,831,549**	(325,926,167)	339,257,921
Marginal deposits	**(5,348,476)**	9,245,423	(4,296,053)
Proceeds from deposit for future subscription (Note 1)	**3,000,000,000**	–	–
Proceeds from issuance of capital stock	**990,000**	–	11,640
Net cash provided by financing activities	**5,315,191,961**	6,854,303,145	2,683,810,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,235,724,662**	(4,668,047,410)	705,446,835
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	**388,994,429**	309,028,568	389,004,500
Due from Bangko Sentral ng Pilipinas	**997,163,018**	2,007,548,945	1,900,465,395
Due from other banks	**732,604,608**	805,414,952	892,873,735
Interbank loans receivable	**555,860,000**	4,220,677,000	3,454,879,000
	2,674,622,055	7,342,669,465	6,637,222,630
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	**421,153,660**	388,994,429	309,028,568
Due from Bangko Sentral ng Pilipinas	**2,073,371,922**	997,163,018	2,007,548,945
Due from other banks	**1,084,147,445**	732,604,608	805,414,952
Interbank loans receivable	**1,331,673,690**	555,860,000	4,220,677,000
	₱ 4,910,346,717	₱ 2,674,622,055	₱ 7,342,669,465

See accompanying Notes to Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS

NOTES TO FINANCIAL STATEMENTS

1. General Information

Philippine Bank of Communications (the Bank) is a publicly listed domestic commercial bank organized in the Philippines to provide banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services through a network of 64 local branches. The Bank's principal place of business is at PBCom Tower, 6795 Ayala Avenue corner V. A. Rufino Street, Makati City. As of December 31, 2004 and 2003, the Bank had 994 and 988 employees, respectively.

Rehabilitation Plan

On March 15, 2004, the Bank and its majority stockholders entered into a Financial Assistance Agreement (FAA) with the Philippine Deposit Insurance Corporation (PDIC) under the following salient provisions:

1. Fresh capital infusion from the existing major stockholders amounting to ₱3.00 billion;
2. Compliance at all times with the risk-based capital adequacy ratio of at least 12.5%, any shortfall shall be covered by additional capital infusion from the major stockholders;
3. Prohibition against sale of, or lien or encumbrances on the controlling interest;
4. Sale of certain nonperforming assets (NPAs) to a Special Purpose Vehicle (SPV) and amortization of losses from such sale based on SPV guidelines, with the necessary modifications;
5. Maximum direct loan from PDIC amounting to ₱7.64 billion payable at the end of 10 years with interest rate of 1% per annum;
6. Unless the loan is prepaid in accordance with the FAA, the major stockholders agree to absolutely divest, sell or transfer their controlling interest to a strategic third party investor; and
7. Prior approval from PDIC on the declaration, distribution, or payment of cash or stock dividends; effecting any profit sharing or distribution of bonuses to directors and officers of the Bank; transactions or activities not in accordance with the rehabilitation plan; and any single major capital expenditure.

Proceeds from the PDIC loan amounting to ₱7.64 billion were used by the Bank to purchase government securities, which were pledged to PDIC to secure such obligation (see Notes 4 and 11). The interest income on these securities, net of all taxes and the corresponding 1% interest expense on the loan from PDIC, represents the income support of PDIC to the Bank. Any interest income in excess of 85% of the actual losses from the sale of NPAs to an SPV shall inure to the benefit of PDIC. The actual loss on the sale of the NPAs is the difference between the net book value of the NPAs and the cash proceeds from such sale (see Note 8). In 2004, the Bank has recognized net interest income amounting to ₱520.19 million from the financial assistance.

On March 25, 2004, the Bangko Sentral ng Pilipinas (BSP) through its Monetary Board (MB) approved the revised Financial Recovery and Rehabilitation Program of the Bank subject to the following conditions, among others: (a) infusion of the ₱3.00 billion fresh capital (as required under the FAA discussed above) within 30 days from the approval of the rehabilitation plan; and (b) existing appraisal increment reserve shall be allowed as part of unimpaired capital for purposes of computing the regulatory ratios.

On March 26, 2004, the major stockholders infused the ₱3.00 billion fresh capital to the Bank as advances for future stock subscriptions, awaiting approval of the Securities and Exchange Commission (SEC) on the amendment of the Bank's Articles of Incorporation covering the increase in the authorized capital stock of the Bank by the creation of new preferred shares as discussed in Note 16.

As discussed in Note 8, on October 11, 2004, the Bank entered into an Asset Sale and Purchase Agreement (ASPA) with an SPV covering the cash sale of certain NPAs of the Bank.

As of December 31, 2003, the Bank was in the process of arranging the sale of a pool of NPAs to an SPV that will result in a loss, a portion of which will be recovered through the financial assistance from the PDIC. As of that date, the amount of loss from such sale could not be determined by the Bank until the consummation of sale. The additional allowance for probable losses that would need to be booked in the accounts of the Bank as of December 31, 2003 is dependent on the determination of the loss from such sale and the income support under the FAA. As of December 31, 2003, nonperforming loans (NPLs) amounting to ₱6.97 billion, which were initially identified by the Bank based on the FAA, were reclassified to Loans for Sale (see Note 8).

The accompanying comparative financial statements were authorized for issue by the board of directors (BOD) of the Bank on April 28, 2005.

2. Summary of Significant Accounting Policies

Basis of Financial Statement Preparation
The Bank follows the accounting principles generally accepted in the Philippines (Philippine GAAP) for the banking industry, which generally follow historical cost convention, except for the measurement at fair value of trading account securities (TAS), available-for-sale securities (ASS) and certain derivative instruments and land carried at appraised values (as discussed in the policies below).

The accompanying financial statements of the Bank reflect the accounts maintained in the Regular Banking Unit (RBU) and the Foreign Currency Deposit Unit (FCDU). The financial statements individually prepared for these units are combined after eliminating inter-unit accounts. The books of accounts of the RBU are maintained in Philippine pesos, while those of the FCDU are maintained in United States (US) dollars. For financial reporting purposes, the accounts of the FCDU are translated into their equivalents in Philippine pesos based on the Philippine Dealing System weighted average rate (PDSWAR) prevailing at the end of the year (for resources and liabilities) and at the average PDSWAR for the year (for income and expenses).

The accounts of PBCom Realty Corporation (PBCom Realty), a wholly owned subsidiary of the Bank are not consolidated in the Bank's financial statements as of and for the years ended December 31, 2003 and 2002 on the basis that PBCom Realty is not significant in relation to the Bank's financial statements taken as a whole (see Note 6).

The preparation of the financial statements in accordance with Philippine GAAP requires the Bank to make estimates and assumptions that affect the reported amounts of income, expenses, resources and liabilities, and disclosures relating to contingent resources and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates will be reflected in the financial statements as they become reasonably determinable.

Changes in Accounting Policies
On January 1, 2004, the following new accounting standards became effective and were adopted by the Bank:

- Statement of Financial Accounting Standards (SFAS) 12/International Accounting Standard (IAS) 12, *Income Taxes*, requires deferred income taxes to be determined using the balance sheet liability method. The adoption of this accounting standard resulted in a retroactive downward adjustment to surplus amounting to ₱683.01 million and ₱491.27 million as of December 31, 2003 and 2002, respectively.

  Previously, all deferred tax assets believed not likely to be realized in the future were provided with valuation allowance. The Bank reversed its valuation allowance amounting to ₱578.42 million and ₱360.10 million as of December 31, 2003 and 2002, respectively, against the corresponding deferred tax assets and continued to recognize deferred tax assets amounting to ₱749.18 million and ₱966.00 million as of December 31, 2004 and 2003, respectively (see Note 17).

  Deferred income tax liability was provided on revaluation increment of certain land and building on a retroactive basis, which decreased capital funds and increased deferred tax liability by ₱76.20 million and ₱82.61 million as of December 31, 2004 and 2003, respectively, and decreased revaluation increment on land by ₱82.61 million and ₱84.04 million as of January 1, 2004 and 2003, respectively.

  Net income decreased by ₱191.74 million and ₱247.66 million in 2003 and 2002, respectively.

- SFAS 17/IAS 17, *Leases*, prescribes the accounting policies and disclosures applicable to finance and operating leases. The adoption of the standard resulted in the recognition of lease payments under operating leases on a straight-line basis. Previously, all leases under operating lease were recognized in the statements of income on the basis of the terms of the lease agreements. The adoption of this accounting standard resulted in a retroactive upward adjustment to the beginning balance of capital funds in 2004 and 2003 amounting to ₱65.94 million and ₱14.59 million, respectively. Net income increased by ₱51.35 million in 2003. The effects on net income in 2003 and 2002 are presented below.

Lease income included under Miscellaneous Income:

	2003	2002
	(In Thousands)	
Miscellaneous income, as previously reported	₱ 104,554	₱ 191,561
Effect of adoption of new standard	38,142	4,972
Miscellaneous income, as restated	₱ 142,696	₱ 196,533

Lease expense included under Occupancy and Other Equipment - related Costs:

	2003	2002
	(In Thousands)	
Occupancy and other equipment-related costs, as previously reported	₱ 105,349	₱ 110,057
Effect of adoption of new standard	(13,209)	(21,075)
Occupancy and other equipment-related costs, as restated	₱ 92,140	₱ 88,982

Additional disclosures required by these standards were included in the financial statements, where applicable.

New accounting standards based on IAS and International Financial Reporting Standards, referred to as Philippine Accounting Standards (PAS) and Philippine Financial Reporting Standards (PFRS), respectively, will become effective in 2005. The Bank will adopt the following new accounting standards that are relevant to the Bank effective January 1, 2005:

- PAS 19, *Employee Benefits*, provides for the accounting for long-term and other employee benefits. The standard requires the use of the projected unit credit method in determining the retirement benefits of the employees and a change in the manner of computing benefit expense relating to past service cost and actuarial gains and losses. It requires the Bank to determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the statement of condition date.

  The effect of adopting this standard will result in either a transition liability or asset with a corresponding adjustment to surplus as of January 1, 2005. The Bank will engage the services of a professionally qualified actuary to determine the quantitative impact on the financial statements of adopting this standard in 2005.

- PAS 21, *The Effects of Changes in Foreign Exchange Rates*, prohibits the capitalization of foreign exchange losses. The standard also addresses the accounting for transactions in foreign currency and translating the financial statements of foreign operations that are included in those of the reporting enterprise by consolidation, proportionate consolidation and equity method. The adoption of this standard will have no material impact on the financial statements.

- PAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, provides for the required disclosure and presentation in respect of the accounts of banks and similar financial institutions. It also provides that provision for general banking risks is treated as appropriation of surplus and should not be included in the determination of net income for the year. The Bank has yet to determine the effect of this standard in the context of the need to reallocate the general reserve to cover any increase in specific loan loss reserves required under PAS 39 (see discussion on PAS 39 below). The disclosures required by this standard will be reflected in the 2005 financial statements, where applicable.

- PAS 32, *Financial Instruments: Disclosure and Presentation*, covers the disclosure and presentation of all financial instruments. The standard requires more comprehensive disclosures about the Bank's financial instruments, whether recognized or unrecognized in the financial statements. New disclosure requirements include terms and conditions of financial instruments used by the Bank, types of risks associated with both recognized and unrecognized financial instruments (market risk, price risk, credit risk, liquidity risk, and cash flow risk), fair value information of both recognized and unrecognized financial assets and financial liabilities, and the Bank's financial risk management policies and objectives. The standard also requires financial instruments to be classified as liabilities or equity in accordance with its substance and not its legal form.

- PAS 39, *Financial Instruments: Recognition and Measurement*, establishes the accounting and reporting standards for the recognition and measurement of the Bank's financial assets and financial liabilities. The standard requires a financial asset or financial liability to be recognized initially at fair value. Subsequent to initial recognition, the Bank should continue to measure financial assets at their fair values, except for loans and receivables and held-to-maturity investments, which are measured at cost or amortized cost using the effective interest rate method. Financial liabilities are subsequently measured at cost or amortized cost, except for liabilities classified as "at fair value through profit and loss" and derivatives, which are subsequently measured at fair value.

  PAS 39 also covers the accounting for derivative instruments. The standard has expanded the definition of a derivative instrument to include derivatives (derivative-like provisions) embedded in non-derivative contracts. Under the standard, every derivative instrument is recorded in the statement of condition as either an asset or liability measured at its fair value.

  Derivatives that are not hedges are adjusted to fair value through income. If a derivative is designated and qualifies as a hedge, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in capital funds until the hedged item is recognized in income. The Bank must formally document, designate, and assess the effectiveness of derivative transactions that receive hedge accounting treatment.

  To date, the Bank has not yet determined the impact of PAS 32 and PAS 39 on the financial statements due to the following reasons:

  - The Bank is still in the process of formalizing policies, systems, and processes related to the adoption of these standards.
  - The system which will incorporate the requirements of PAS 32 and PAS 39 has not yet been implemented. The BSP, through the MB Resolution No. 1869 dated December 23, 2004, has given the banks and financial institutions until December 31, 2005 to set up their infrastructures to be PAS 32 and PAS 39-compliant. Interim reports that will be submitted to the BSP for 2005 need not be in compliance with the provisions of the said standards.

  On the impact of account classification and related measurement, in February 2005, the Bank submitted to the BSP the proposed reclassification of its trading and investment securities portfolio. The Bank does not expect any material impact on the classification of financial assets and liabilities other than trading and investment portfolio.

  The effect of adopting the effective interest rate method in measuring amortized cost for loans, held-to-maturity investments and available-for-sale securities (AFS) has not yet been quantified since the existing systems of the Bank have not yet been reconfigured to adopt the effective interest rate method of amortization. Due to the volume of transactions, it is impracticable to compute for the financial statement impact manually. The Bank will report the financial statement implication as soon as the information is available.

  PAS 39 requires that in the absence of quoted market rates, the discounted cash flow method will be used in determining whether an asset is impaired. The effect of adopting this provision may be material to the financial assets and liabilities of the Bank, particularly for impaired loans and other receivables, if any. Currently, the adequacy of allowance for probable losses on loans and other receivables is determined based on management criteria and BSP requirements. The existing systems of the Bank have not yet been programmed to adopt the discounted cash flow method. Due to the volume of transactions, it is impracticable to compute for the financial statement impact manually. The Bank will report the financial statement implication as soon as the information is available.

In general, the effect of adopting these standards will not result in a restatement of prior years' financial statements. Any cumulative effect of adopting the standards, however, will be charged against surplus as of January 1, 2005. The disclosures required by these standards will be reflected in the 2005 financial statements, where applicable.

- PAS 40, *Investment Property*, prescribes the accounting treatment for investment property and related disclosure requirements. This standard permits the Bank to choose either the fair value model or cost model in accounting for investment property. Fair value model requires an investment property to be measured at fair value with fair value changes recognized directly in the statements of income. Cost model requires that an investment property should be measured at depreciated cost less any accumulated impairment losses. The Bank is still in the process of identifying real and other properties owned or acquired (ROPOA) accounts that will be accounted for under PAS 40 and PFRS 5 (see significant provisions of PFRS 5 below), and which valuation model to be used under PAS 40. Regardless of valuation model (either cost or fair value), the adoption of PAS 40 may result in an adjustment of prior years' financial statements. The Bank has not yet quantified the implication of PAS 40 since the system that will support the accounting of ROPOA under PAS 40 has not yet been established. Due to the volume of transactions, it is impracticable to compute for the financial impact manually. The Bank will report the financial implications of PAS 40 as soon as the information becomes available.

- PFRS 3, *Business Combination*, will result in the cessation of the amortization of goodwill and a requirement for an annual test for goodwill impairment. Any resulting negative goodwill after performing reassessment will be credited to income. Moreover, pooling of interests in accounting for business combination will no longer be permitted. As of December 31, 2004, goodwill on acquisition of CSBI amounted to ₱87.51 million.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. It requires assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and the depreciation on such assets to cease. Furthermore, assets that meet the criteria to be classified as held for sale should be presented separately on the face of the statements of condition and the results of discontinued operations to be presented separately in the statements of income. Pending the identification of the ROPOA accounts to be accounted for under PFRS 5, as discussed under PAS 40 above, the effect of adoption of PFRS 5 with respect to the assets to be accounted for under this standard will not be material to the financial statements.

The Bank will also adopt in 2005 the following revised standards:

- PAS 1, *Presentation of Financial Statements*, provides a framework within which an entity assesses how to present fairly the effects of transactions and other events; provides the base criteria for classifying liabilities as current or noncurrent; prohibits the presentation of income from operating activities and extraordinary items as separate line items in the statements of income, and specifies the disclosures about key sources of estimation uncertainty and judgments that management has made in the process of applying the entity's accounting policies.

- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, removes the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. It defines material omissions or misstatements, and describes how to apply the concept of materiality when applying accounting policies and correcting errors.

- PAS 10, *Events After the Balance Sheet Date*, provides a limited clarification of the accounting for dividends declared after the statement of condition date.

- PAS 16, *Property, Plant and Equipment*, provides additional guidance and clarification on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

- PAS 17, *Leases*, provides a limited revision to clarify the classification of a lease of land and buildings and prohibits expensing of initial direct costs in the financial statements of lessors.

- PAS 24, *Related Party Disclosures*, provides additional guidance and clarity in the scope of the standard, the definitions and the disclosures for related parties. It also requires disclosure of the total compensation of key management personnel and by benefit types.

- PAS 27, *Consolidated and Separate Financial Statements*, reduces alternatives in accounting for subsidiaries in consolidated financial statements and in accounting for investments in the separate financial statements of a parent, venturer or investor. Investments in subsidiaries will be accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements. This standard also requires strict compliance with adoption of uniform accounting policies and requires the parent company to make appropriate adjustments to the subsidiary's financial statements to conform them to the parent company's accounting policies for reporting like transactions and other events in similar circumstances.

- PAS 28, *Investments in Associates*, reduces alternatives in accounting for associates in consolidated financial statements and in accounting for investments in the separate financial statements of an investor. Investments in associates will be accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements. This standard also requires strict compliance with the adoption of uniform accounting policies and requires the investor to make appropriate adjustments to the associate's financial statements to conform them to the investor's accounting policies for reporting like transactions and other events in similar circumstances.

The Bank does not expect any significant impact on the adoption of the foregoing revised standards in the 2005 financial statements. The disclosures required by these revised standards will be reflected in the 2005 financial statement, where applicable.

Cash Equivalents
For purposes of reporting cash flows, cash equivalents include amounts due from BSP and other banks, and interbank loans receivable which represent cash placements with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value. Where actual cash flows are not determinable, the reported cash flows are determined based on samples and other estimating procedures.

Trading and Investment Securities
Trading Account Securities
TAS consist of government and private debt securities and equity securities that are purchased and held principally with the intention of selling them in the near term. These securities are carried at fair market value; realized and unrealized gains and losses on these instruments are recognized as Trading and Securities Gain - net in the statements of income. Interest earned on debt instruments is reported as Interest Income.

When a security is transferred to TAS, the unrealized holding gain or loss at the date of transfer is recognized in the statements of income immediately.

Available-for-Sale Securities
Securities are classified as ASS when purchased and held indefinitely, i.e., neither held to maturity nor for trading purposes, where the Bank anticipates to sell the securities in response to liquidity requirements or in anticipation of changes in interest rates or other factors. ASS are carried at fair market value and any unrealized gains or losses are reported as a separate component of capital funds.

When a debt security is transferred to ASS from investment in bonds and other debt instruments (IBODI), the unrealized holding gain or loss at the date of the transfer is excluded from reported earnings and reported as a separate component of capital funds until realized.

Investment in Bonds and Other Debt Instruments
IBODI are government and private debt securities where the Bank has the positive intent and ability to hold to maturity. These securities are carried at amortized cost; realized gains and losses are included in Trading and Securities Gain - net in the statements of income. An allowance for probable losses, if any, is established by a charge to current operations to reflect other-than-temporary impairment in value. Under current BSP regulations, IBODI shall not exceed 50% of adjusted statutory net worth plus 40% of total deposit liabilities.

When a debt security is transferred from ASS to IBODI, the unrealized gain or loss at the date of the transfer is maintained as a separate component of capital funds and is amortized over the remaining life of the security as an adjustment of yield in a manner consistent with the amortization of the premium or accretion of the discount.

Loans
Loans are stated at the outstanding principal balance, reduced by unearned discounts and allowance for probable loan losses.

Interest income on loans are recognized based on the accrual method of accounting, except in the case of nonaccruing or nonperforming accounts as required by existing regulations of the BSP. Interest income on nonaccruing loans is recognized only to the extent of cash collections received. Unearned discount is amortized to income over the terms of the loans, with the amortization discontinued when the loan becomes nonperforming.

Loans are classified as nonaccruing or nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Loans are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

Allowance for Probable Loan Losses
The allowance for probable loan losses, which consists of specific and general loan loss reserves, represents management's estimate of probable losses inherent in the loan portfolio, after consideration of prevailing and anticipated economic conditions, prior loss experience, estimated recoverable values based on fair values of underlying collaterals, prospects of support from guarantors, subsequent collections, and evaluations made by the BSP. The BSP observes certain criteria and guidelines based largely on the classification of loans in establishing specific loan loss reserves. To supplement the specific loan loss reserves, a general reserve on unclassified loans is set aside.

The allowance for probable loan losses is established through provisions for probable losses charged to current operations. Loans are written off against the allowance when management believes that the collectibility of the principal is unlikely.

Investments in Associates
Equity investments in associates (PBCom Finance Corporation and PBCom Forex Corporation) and wholly owned subsidiary (PBCom Realty) are accounted for under the equity method (see Note 6). An associate is an enterprise in which the Bank holds 20% to 50% of the voting power or which the Bank exercises significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment is carried in the statements of condition at cost plus post acquisition changes in the Bank's share in the net assets of the investee, less any impairment in value. Post acquisition changes include the share in the investees' net earnings or losses (included in Miscellaneous Income). Dividends received, if any, are treated as a reduction in the carrying values of the investment.

Other equity investments where the Bank has no significant influence (other than trading and investment securities, as discussed below) are carried at cost less allowance for market decline. The allowance for market decline is set up by a charge to current operations.

Investment in Real Estate
Investment in real estate are real properties which are held for lease to others. These are carried at cost less accumulated depreciation and any impairment in value.

Property and Equipment
Parcels of land acquired by the Bank are stated at appraised values less any impairment in value. The appraisal increment resulting from revaluation is credited to Revaluation Increment on Land under capital funds.

The Bank's depreciable properties including leasehold improvements, furniture, fixtures and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance are normally charged to operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. When assets are retired or otherwise disposed of, both the cost and the related accumulated depreciation and any impairment in value are removed from the accounts, and any resulting gain or loss is credited or charged to current operations.

The Bank follows the straight-line method of computing depreciation over the estimated useful life of the respective assets. The cost of leasehold improvements is amortized over the estimated useful lives of the improvements or the term of the applicable leases, whichever is shorter.

The useful lives of the depreciable properties are as follows:

Condominium property, buildings and improvements	50 years
Furniture, fixtures and equipment	2-5 years
Leasehold improvements	20 years

The useful life and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of the property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts (see accounting policy on Impairment of Assets).

Real and Other Properties Owned or Acquired
Resources acquired in settlement of loans are stated at the total outstanding exposure of the loans at the time of foreclosure or at bid price, whichever is lower. Nonrefundable capital gains and documentary stamp tax incurred in connection with foreclosures are capitalized as part of the carrying values of the foreclosed properties provided that such carrying values do not exceed appraised values. Holding costs subsequent to the foreclosure or acquisition of the properties are charged to current operations as incurred. Management performs periodic appraisals of the estimated realizable values of these properties and provides allowance, accordingly, based on existing BSP provisioning requirements and for any significant shortfalls from the net recorded values and the estimated realizable values by a charge against current operations.

Loans for Sale (LFS)
As of December 31, 2003, LFS account (shown under Other Resources) consists of nonaccruing loans and related accrued interest receivable for sale to an SPV. Generally, nonmonetary assets received as consideration for LFS are stated at the fair market value of the nonmonetary assets received or the fair market value of the nonperforming loans sold, whichever is more clearly determinable (see Notes 1 and 8).

Goodwill
Goodwill pertaining to the difference between the Bank's acquisition cost of Consumer Savings Bank, Inc. (CSBI) and the latter's net asset value is amortized over 10 years starting in 2001.

Deferred Software Cost
Deferred software cost (included in Other Resources) is stated at cost and is amortized over its estimated useful life of five years.

Income Taxes
Deferred income tax is provided using the balance sheet liability method on all temporary differences at the statement of condition date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from the excess of the minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

The carrying amount of deferred income tax assets is reviewed at each statement of condition date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of condition date.

Impairment of Assets
An assessment is made at each statement of condition date whether there is any indication of impairment of an asset, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's value in use or its net selling price.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

A previously recognized impairment loss is reversed by a credit to current operations, unless the asset is earned at a revalued amount in which case the reversal of the impairment loss is credited to the revaluation increment of the same asset, to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years.

Income Recognition
Income is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognized:

Interest Income
Interest on interest-bearing placements and securities are recognized as the interest accrues, taking into account the effective yield on the resources.

Loan Fees and Service Charges
Loan commitment fees are recognized as earned over the terms of the credit lines granted to borrowers.

Loan syndication fees are recognized upon completion of all syndication activities and where the Bank does not have further obligations to perform under the syndication agreement.

Service charges and penalties are recognized only upon collection or where there is reasonable degree of certainty as to its collectibility.

Rental Income
Rental income from investment in real estate is recognized on a straight-line basis over the lease term.

Operating Lease
Operating lease is recognized as expense in the statements of income on a straight-line basis over the lease term.

Foreign Exchange Translations and Transactions
Resources and liabilities denominated in foreign currencies are translated into their equivalents in Philippine pesos based on the PDSWAR prevailing at the end of the year while foreign currency income and expenses are translated at the rates on transaction dates. Gains or losses arising from foreign currency transactions and revaluation adjustments of foreign currency denominated resources and liabilities are credited or charged to current operations.

Derivative Instruments
The Bank is a party to foreign exchange forward contracts entered into as a service to customers and as a means of reducing and managing the Bank's foreign exchange exposures as well as for trading purposes.

For a forward contract designated as a hedge, the exchange difference between the contracted forward rate and the spot rate at contract date is deferred and recognized as income or expense over the term of the hedged instrument, while gain or loss in the revaluation of the forward contract is recognized currently in the statements of income. For a forward contract not designated as a hedge, the difference between the contracted forward rate and the market forward rate for the remaining maturity of the contract is recognized currently in the statements of income.

Retirement and Staff Provident Plans
The Bank's retirement expense is determined using the entry age normal method. This method reflects the retirement benefits based on services both rendered and to be rendered by employees as of the date of the actuarial valuation. Under this method, the costs of employees' retirement benefits are evenly allocated over the full period of employment. Retirement cost includes normal cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions over the expected remaining working lives of the employees.

The Bank also contributes to its contributory, defined-contribution type staff provident plan based on a fixed percentage of the employees' salaries as defined in the plan.

Provisions and Contingencies
Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized but are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Earnings Per Share
Basic earnings per share is determined by dividing net income for the year by the weighted average number of common shares outstanding during the year (after retroactive adjustment for any stock dividends declared in the current year).

Segment Reporting
The Bank's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products. Financial information on business segment is presented in Note 3. The Bank's resources producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Subsequent Events
Post-year-end events that provide additional information about the Bank's position at the statement of condition date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Segment Information

The Bank's operating businesses are organized and managed separately according to the nature of services provided and the different markets served with segment representing a strategic business unit. The Bank's business segments are as follows:

Consumer Banking - principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit card facilities and fund transfer facilities;

Corporate Banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;

Treasury - principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

Gross income consists of interest income and other income.

Segment information for the year December 31, 2004 and 2003 are as follows (in thousands):

2004	Consumer Banking	Corporate Banking	Treasury	Other	Total
Gross income	₱ 876,010	₱ 841,000	₱ 905,738	₱ 1,533,017	₱ 4,155,765
Segment result	339,774	35,409	97,413	156,574	629,170
Unallocated costs					248,863
Income from operations					380,307
Income from associates					513
Income before tax					380,820
Provision for income tax					296,542
Net income					₱ 84,278
Other Information					
Segment resources	₱ 9,396,023	₱ 6,859,297	₱ 12,894,175	₱11,191,030	₱40,340,525
Investment in associate					3,999,800
Unallocated resources					13,323,829
Total resources					57,664,154
Segment liabilities	₱28,977,477	₱ 1,056,250	₱ 8,840,134	₱ 743,233	₱39,617,094
Transfer pool funding	(18,103,048)	5,803,047	4,054,041	8,245,960	–
Adjusted segment liabilities	₱10,874,429	₱ 6,859,297	₱ 12,894,175	₱ 8,989,193	39,617,094
Unallocated liabilities					8,792,577
Total liabilities					₱48,409,671
Other Segment Information					
Capital expenditures					₱ 119,249
Depreciation and amortization	₱ 68,738	₱ 4,645	₱ 3,199	₱ 179,959	₱ 265,541

2003 (As restated - Note 2)	Consumer Banking	Corporate Banking	Treasury	Other	Total
Gross income	₱ 862,513	₱ 753,083	₱ 1,595,111	₱ 525,521	₱ 3,736,228
Segment result	₱ 412,464	₱ 94,962	₱ 929,859	₱ (600,247)	₱ 837,038
Unallocated costs					690,618
Income from operations					146,420
Income from associates					345
Income before tax					146,765
Provision for income tax					73,174
Net income					73,591
Other Information					
Segment resources	₱ 9,403,394	₱ 6,899,593	₱ 9,973,302	₱ 8,372,612	₱34,648,901
Investment in associate					4,312,675
Unallocated resources					6,410,245
Total resources					45,371,821
Segment liabilities	₱24,983,687	₱ 722,455	₱ 10,010,871	₱ 488,101	₱36,205,114
Transfer pool funding	(15,580,293)	6,177,138	(37,569)	9,440,724	–
Adjusted segment liabilities	₱ 9,403,394	₱ 6,899,593	₱ 9,973,302	₱ 9,928,825	₱36,205,114
Unallocated liabilities					3,099,812
Total liabilities					39,304,926
Other Segment Information					
Capital expenditures					₱ 210,926
Depreciation and amortization	₱ 65,856	₱ 4,257	₱ 1,539	₱ 137,816	₱ 209,468

4. Trading and Investment Securities

The following table presents the breakdown of trading and investment securities by contractual maturity dates:

	2004			2003		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
TAS - at market	**₱ 37,916,764**	**₱ 6,904,379**	**₱ 44,821,143**	₱ 27,605	₱4,473,431,115	₱ 4,473,458,720
ASS - at market	**368,068,591**	**4,878,436,851**	**5,246,505,442**	–	–	–
IBODI - at amortized cost	**852,643,779**	**16,573,270,828**	**17,425,914,607**	282,302,485	7,830,031,994	8,112,334,479
	₱1,258,629,134	**₱21,458,612,058**	**₱22,717,241,192**	₱282,330,090	₱12,303,463,109	₱12,585,793,199

Net unrealized loss in 2004 and gain in 2003 and 2002 on revaluation to market of TAS amounting to ₱0.20 million, ₱0.11 million and ₱0.78 million, respectively, is included under Trading and Securities Gain - Net in the statements of income.

As of December 31, 2004, the Bank reclassified certain securities from IBODI to ASS. The Bank anticipates that these securities, although originally intended to be held to maturity, may be sold as the opportunity arises. Net unrealized loss on revaluation to market of ASS amounting to ₱285.09 million as of December 31, 2004 is shown as a separate component of capital funds in the statements of changes in capital funds.

IBODI consists of:

	2004	2003
BSP treasury bills	**₱ 1,091,316,480**	₱ 196,412,012
Government bonds	**8,638,609,760**	5,044,014,730
Treasury notes (Note 21)	**7,695,988,367**	2,871,907,737
	₱17,425,914,607	₱ 8,112,334,479

As of December 31, 2004, government bonds amounting to ₱7.64 billion are pledged as collateral to PDIC to secure loans under the FAA (see Notes 1 and 11). As approved by the BSP, such collateral is excluded in the computation of the prescribed regulatory ceiling on IBODI holdings under BSP Circular No. 161.

As of December 31, 2004 and 2003, IBODI bears nominal annual interest rates ranging from 6.00% to 19.00% and 5.00% to 19.00%, respectively, for peso IBODI and 0.00% to 9.80% and 1.94% to 9.88%, respectively, for US dollar-denominated IBODI.

The market value of IBODI amounted to ₱12.91 billion and ₱7.58 billion as of December 31, 2004 and 2003, respectively.

5. Loans

This account consists of:

	2004	2003
Loans and discounts (Note 1)	**₱ 9,801,857,162**	₱ 10,599,032,653
Customers' liabilities under acceptances, import bills and trust receipts (Note 1)	**2,529,204,695**	2,372,309,704
Bills purchased	**36,567,286**	117,265,656
	12,367,629,143	13,088,608,013
Allowance for probable loan losses (Note 9)	**(1,407,434,247)**	(762,857,024)
Unearned discounts	**(17,543,056)**	(21,585,898)
	₱ 10,942,651,840	₱ 12,304,165,091

Restructured loans as of December 31, 2004 and 2003 amounted to ₱286.49 million and ₱606.49 million, respectively.

As of December 31, 2004 and 2003, 68.64% and 56.97% of the total loans are subject to periodic interest repricing, respectively. Remaining loans earn annual fixed interest rates ranging from 9.25% to 30.00% annually.

Loans amounting to ₱506.41 million and ₱275.76 million as of December 31, 2004 and 2003, respectively, are pledged as collateral to the BSP to secure loans under rediscounting privileges by the same amount (see Note 11).

The following table shows the breakdown of loans as to secured and unsecured and the breakdown of secured loans as to type of security (amounts in thousands):

	2004		2003	
	Amount	**%**	Amount	%
Loans secured by:				
Real estate	**₱ 6,234,186**	**50.41**	₱ 7,618,024	58.20
Chattel	**1,510,749**	**12.21**	1,561,242	11.93
Securities and others	**1,358,510**	**10.98**	221,013	1.69
Deposit hold-out	**256,729**	**2.08**	256,474	1.96
	9,360,174	**75.68**	9,656,753	73.78
Unsecured loans	**3,007,455**	**24.32**	3,431,855	26.22
	₱12,367,629	**100.00**	₱13,088,608	100.00

Current banking regulations allow banks with no unbooked valuation reserves and capital adjustments required by BSP to exclude from nonperforming classification those loans classified as Loss in the latest examination of the BSP, which are fully covered by allowance for probable losses, provided that interest on said loans shall not be accrued. As of December 31, 2004 and 2003, the Bank's NPLs amounted to ₱2.18 million and ₱1.62 million, respectively. As of December 31, 2004 and 2003, the Bank has no NPLs that are classified as loss.

As of December 31, 2004 and 2003, information on the concentration of credit as to industry follows (amounts in thousands):

	2004		2003	
	Amount	**%**	Amount	%
Manufacturing (various industries)	**₱ 3,698,864**	**29.91**	₱ 4,112,391	31.42
Wholesale and retail trade	**3,174,782**	**25.67**	3,535,577	27.02
Real estate, renting and business services	**2,645,398**	**21.39**	2,256,339	17.24
Financial intermediaries	**874,107**	**7.07**	937,783	7.17
Mining and quarrying	**303,878**	**2.46**	259,670	1.98
Agriculture	**259,815**	**2.10**	538,069	4.11
Other community, social and personal activities	**227,799**	**1.84**	381,269	2.91
Construction	**112,926**	**0.91**	149,683	1.14
Others	**1,070,060**	**8.65**	917,827	7.01
	₱ 12,367,629	**100.00**	₱13,088,608	100.00

The BSP considers that loan concentration exists when total loan exposure to a particular economic sector exceeds 30% of total loan portfolio.

The following table presents the loans by contractual maturity dates:

	2004			2003		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Loans and discounts	**₱5,846,772,321**	**₱3,955,084,841**	**₱ 9,801,857,162**	₱ 3,542,800,931	₱ 7,056,231,722	₱ 10,599,032,653
Customers' liabilities under acceptances import bills and trust receipts	**2,469,623,620**	**59,581,075**	**2,529,204,695**	2,280,011,319	92,298,385	2,372,309,704
Bills purchased	**3,135,377**	**33,431,909**	**36,567,286**	22,168,630	95,097,026	117,265,656
	₱8,319,531,318	**₱4,048,097,825**	**₱12,367,629,143**	₱ 5,844,980,880	₱ 7,243,627,133	₱ 13,088,608,013

6. Equity and Other Investments

This account consists of:

	Percentage of Ownership	**2004**	2003
Investments in shares of stock - at equity:			
Acquisition cost:			
PBCom Finance Corporation	40	**₱ 2,000,000**	₱ 2,000,000
PBCom Forex Corporation (PBCom Forex)	40	**1,999,800**	1,999,800
PBCom Realty	100	**–**	312,875
		3,999,800	4,312,675
Accumulated equity in net earnings (Note 16):			
Balance at beginning of year		**7,550,926**	7,205,646
Equity in net earnings		**512,812**	345,280
Balance at end of year		**8,063,738**	7,550,926
		12,063,538	11,863,601
Other investments:			
Real estate - net of accumulated depreciation of ₱51,064,974 in 2004 and ₱15,768,749 in 2003		**1,917,537,432**	1,989,404,597
Shares of stocks - at cost, net of allowance for probable losses of ₱1,188,420 in 2004 (Notes 9 and 25)		**74,833,608**	16,160,853
		1,992,371,040	2,005,565,450
		₱2,004,434,578	₱ 2,017,429,051

Under the BSP regulations, the use of equity method of accounting for investment in shares of stock is allowable only when ownership is more than 50%. The use of equity method of accounting for equity interests of 20% to 50% is being made for financial reporting purposes to comply with the provisions of SFAS 28/IAS 28, *Accounting for Investments in Associates*, issued by the Accounting Standards Council and is not intended for BSP reporting purposes.

Equity in net earnings is included in Miscellaneous Income in the statements of income.

On October 24, 2001, the BOD of PBCom Forex approved to discontinue and terminate its operations on October 31, 2001. The results of the final liquidation of PBCom Forex will not result in any material impact on the Bank's financial statements.

On December 11, 2002, the BOD of PBCom Realty approved the shortening of its corporate existence up to December 31, 2002. On March 17, 2004, PBCom Realty received a tax clearance from the Bureau of Internal Revenue (BIR). Accordingly, in 2004, PBCom Realty has effected the final liquidation in its financial statements.

Investment in real estate represents the contributed cost of developing the Bank's Ayala Avenue property, originally consisting of land and fully depreciated building, into a 52-storey building named PBCOM Tower under a joint development agreement with Filinvest Asia. The agreement provided for equal sharing of the cost of the project and, correspondingly, of the net usable area of the building, which was converted into a condominium property. Under the agreement, the Bank's share in such cost included its land on Ayala Avenue, which was given an appraised value of ₱900.00 million in 1995. The appraisal increment was recorded and shown as part of Capital Funds in the statements of condition. Upon completion of the project in December 2000, such appraisal increment was closed to Surplus, net of applicable deferred income tax. The title to the land will be transferred to a condominium corporation to be organized in due course in compliance with the law governing condominium buildings.

About 71% of the usable area that the Bank acquired under such project is held for sale or lease, with the balance used for the Bank's operations. Accordingly, the cost allocable to the area held for sale or lease is carried as Investment in Real Estate, while the remaining balance is carried as condominium property and included in Property and Equipment at cost account (see Note 7).

7. Property and Equipment

The details of property and equipment - at cost are as follows:

	2004					
	Condominium Property	**Buildings and Improvements**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements-net**	**Total**	2003 Total
Cost (Note 25)						
Balance at beginning of year	**₱ 928,282,313**	**₱ 282,886,004**	**₱ 668,326,929**	**₱118,759,439**	**₱1,998,254,685**	₱2,011,511,788
Additions	**61,767,160**	**54,565,188**	**28,518,533**	**10,624,218**	**155,475,099**	210,926,216
Disposals	**–**	**(22,780,317)**	**(65,807,146)**	**–**	**(88,587,463)**	(199,556,137)
Reclassifications	**–**	**(5,000,963)**	**1,857,742**	**8,767,173**	**5,623,952**	–
Amortization	**–**	**–**	**–**	**(38,421,912)**	**(38,421,912)**	(24,627,182)
Balance at end of year	**990,049,473**	**309,669,912**	**632,896,058**	**99,728,918**	**2,032,344,361**	1,998,254,685
Accumulated Depreciation						
Balance at beginning of year	**45,685,479**	**114,773,744**	**407,947,683**	**–**	**568,406,906**	501,949,141
Disposals	**–**	**(946,626)**	**(46,449,137)**	**–**	**(47,395,763)**	(58,526,403)
Reclassifications	**–**	**82,267**	**(5,828,703)**	**–**	**(5,746,436)**	–
Depreciation	**18,891,439**	**18,888,833**	**82,070,385**	**–**	**119,850,657**	124,984,168
Balance at end of year	**64,576,918**	**132,798,218**	**437,740,228**	**–**	**635,115,364**	568,406,906
Net Book Value at End of Year	**₱ 925,472,555**	**₱ 176,871,694**	**₱ 195,155,830**	**₱ 99,728,918**	**₱1,397,228,997**	₱1,429,847,779

As of December 31, 2004 and 2003, the details of land at appraised value are as follows:

	2004	2003
Cost (Note 25)		
Balance at beginning of year	**₱ 181,563,507**	₱ 182,230,174
Reduction	**–**	(666,667)
Balance at end of year	**181,563,507**	181,563,507
Appraisal Increment		
Balance at beginning of year	**258,149,091**	262,637,091
Reductions	**(20,014,098)**	(4,488,000)
Balance at end of year	**238,134,993**	258,149,091
	₱ 419,698,500	₱ 439,712,598

8. Other Resources

This account consists of:

	2004	2003
Deferred charges - net	**₱ 11,708,007,960**	₱ 42,782,810
Accounts receivable	**1,332,497,244**	261,363,877
Accrued interest receivable (Note 1)	**904,339,794**	672,788,665
Sales contract receivable	**203,471,991**	217,322,976
Prepaid expenses	**178,665,473**	70,805,785
Goodwill on acquisition of CSBI - net	**87,514,417**	102,100,153
Deferred software cost - net	**60,607,372**	108,992,293
Foreign currency notes and coins on hand	**42,361,484**	49,818,738
Returned checks and other cash items	**40,216,265**	185,861,571
Interoffice float items - net	**29,229,637**	131,062,852
Loans for sale (Note 1)	**–**	6,974,116,492
Miscellaneous	**240,280,107**	256,294,900
	14,827,191,744	9,073,311,112
Allowance for probable losses (Note 9)	**(715,576,800)**	(1,954,221,445)
Unrealized profit on assets sold	**(26,159,345)**	(24,997,653)
	₱ 14,085,455,599	₱ 7,094,092,014

As discussed in Note 1, based on the ASPA entered into by the Bank on October 11, 2004, certain NPAs with an aggregate book value of ₱12.91 billion were sold by the Bank to an SPV under the provisions of Republic Act (RA) No. 9182, "The Special Purpose Vehicle Act of 2002." As of December 31, 2004, the Bank had collected 30% of the total selling price. On April 8, 2005, the Bank collected the remaining 70% less the portion retained covered by an Escrow Agreement entered by the Bank and the SPV with a local bank. Based on such agreement the local bank shall act as the escrow agent on the portion of the selling price amounting to ₱50.00 million that has to be retained to secure fulfillment by the Bank of its representation and warranties and to apply any adjustment in the purchase price in accordance with the ASPA.

Accounts receivable as of December 31, 2004, include the remaining 70% of the total selling price of the NPAs sold to SPV as discussed. Such amount was collected on April 8, 2005.

The excess of book value over the net realizable value arising from the sale of the NPAs amounting to ₱11.48 billion was deferred by the Bank as allowed under the regulations issued by the BSP for banks and financial institutions availing of the provisions of RA No. 9182.

Under such regulations, losses are allowed to be amortized over ten years based on the following schedule:

End of Period From Date of Transaction	Cumulative Write-down of Deferred Charges
Year 1	5%
Year 2	10%
Year 3	15%
Year 4	25%
Year 5	35%
Year 6	45%
Year 7	55%
Year 8	70%
Year 9	85%
Year 10	100%

The Bank will start the amortization in April 2005.

Further, certain expenses in 2004 related to the FAA and SPV transaction amounting to ₱213.79 million were also deferred and shall be amortized based on the above schedule.

Under RA No. 9182, for the purpose of computing the Bank's income tax, the loss is treated as an ordinary loss and will be carried over as a deduction from the Bank's taxable gross income for a period of five consecutive taxable years immediately following the year of sale.

Had the excess of book value over net realizable value arising from the sale of NPAs, net of the present value of the income support (as discussed in Note 1) and the expenses that were deferred been charged against current operations and the excess allowance for probable losses, net of deferred tax asset been credited to current operations, net income would have been decreased by ₱6.56 billion and other resources and capital funds would have been decreased by ₱6.96 billion in 2004.

As of December 31, 2004 and 2003, the aggregate appraised value of the Bank's remaining ROPOA amounted to ₱3.99 billion and ₱7.85 billion, respectively, or an increment of ₱3.11 billion and ₱1.46 billion over the net carrying value, respectively.

As of December 31, 2004, deferred charges account includes the following:

Excess of book value over net realizable value of sold NPAs		₱ 11,483,484,498
FAA related expenses:		
Documentary stamp tax		76,325,950
Registration and filing fees		18,872,053
Professional, advisory and legal fees		9,115,000
Others		837,440
		105,150,443
Interest expense		80,708,499
SPV expenses:		
Financial advisory fee		15,628,034
Professional and legal fees		8,294,196
Publication and service fees		4,012,611
		27,934,841
		₱ 11,697,278,281

The movements in selected intangible asset accounts follow:

	2004			
	Goodwill	Deferred Software Cost	Total	2003
Balance at beginning of year	₱ 102,100,153	₱ 108,992,293	₱ 211,092,446	₱ 227,807,221
Additions	–	–	–	27,373,361
Amortization for the year	(14,585,736)	(48,384,921)	(62,970,657)	(44,088,136)
Balance at end of year	₱ 87,514,417	₱ 60,607,372	₱ 148,121,789	₱ 211,092,446

Goodwill on acquisition of CSBI represents the excess of the total acquisition cost over the fair value of the net assets acquired amounting to ₱145.86 million. The acquisition of CSBI has been accounted for under the purchase method. On August 8, 2001, upon the approval of the SEC, CSBI was merged with the Bank.

As of December 31, 2003, loans for sale account includes the related accrued interest receivable amounting to ₱346.15 million.

The following table presents the breakdown of other financial resources by contractual maturity dates:

	2004			2003		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Accounts receivable	₱1,332,497,244	₱ –	₱1,332,497,244	₱ 170,595,721	₱ 90,768,156	₱ 261,363,877
Accrued interest receivable	570,669,689	333,670,105	904,339,794	235,900,026	436,888,639	672,788,665
Sales contract receivable	3,994,926	199,477,065	203,471,991	42,507,718	174,815,258	217,322,976
Returned checks and other cash items	40,216,265	–	40,216,265	185,861,571	–	185,861,571
Loans for sale	–	–	–	6,974,116,492	–	6,974,116,492

9. Allowance for Probable Losses

Changes in the allowance for probable losses are as follows:

	2004	2003
Balance at beginning of year		
Loans	₱ 762,857,024	₱ 2,531,335,914
ROPOA	193,519,810	193,519,810
Other resources	1,954,221,445	487,992,071
	2,910,598,279	3,212,847,795
Reversal of allowance for probable losses to surplus	(589,185,166)	–
Recovery from probable losses	(88,388,479)	–
Accounts written off	–	(302,249,516)
	(677,573,645)	(302,249,516)
Balance at end of year		
Loans	1,407,393,555	762,857,024
ROPOA	108,865,859	193,519,810
Equity investment - at cost	1,188,420	–
Other resources	715,576,800	1,954,221,445
Balance at end of year	₱ 2,233,024,634	₱ 2,910,598,279

As discussed in Note 2, the Bank's allowance for probable losses has been determined with due consideration of the BSP's guidelines on loan loss provisioning.

Also, as discussed in Note 1, as of December 31, 2003, the Bank was in the process of arranging the sale of its NPAs to an SPV. Until the finalization of the sale of these NPAs, the Bank's management was not able to ascertain the adequacy of the allowance for probable losses as of December 31, 2003.

10. Deposit Liabilities

The following table presents the breakdown of deposit liabilities by contractual settlement dates:

	2004			2003		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Demand	₱ 2,528,896,949	₱ –	₱ 2,528,896,949	₱ 2,280,302,663	₱ –	₱ 2,280,302,663
Savings	2,824,208,794	–	2,824,208,794	11,079,158,817	–	11,079,158,817
Time	15,241,858,665	12,415,482,838	27,657,341,503	5,332,087,213	7,520,993,790	12,853,081,003
	₱ 20,594,964,408	₱ 12,415,482,838	₱ 33,010,447,246	₱ 18,691,548,693	₱ 7,520,993,790	₱ 26,212,542,483

Under existing BSP regulations, non-FCDU deposit liabilities are subject to liquidity reserve equivalent to 10% and 8% as of December 31, 2004 and 2003, respectively, and statutory reserve of 9% as of December 31, 2004 and 2003.

As of December 31, 2004 and 2003, the total liquidity and statutory reserves, as reported by the Bank to the BSP are as follows:

	2004	2003
Cash	₱ 516,842,530	₱ 424,208,150
Due from BSP	2,047,272,720	861,547,398
IBODI	2,600,979,314	120,959,352
	₱ 5,165,094,564	₱ 1,406,714,900

11. Bills Payable

This account consists of borrowings from:

	2004			2003		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Banks and other financial institutions	₱5,116,165,094	₱ 530,923,214	₱ 5,647,088,308	₱11,373,766,351	₱457,657,151	₱11,831,423,502
Private firms and individuals	824,884,462	7,640,000,000	8,464,884,462	364,698,777	–	364,698,777
BSP - rediscounting	419,298,557	–	419,298,557	72,430,160	–	72,430,160
	₱6,360,348,113	₱8,170,923,214	₱14,531,271,327	₱11,810,895,288	₱457,657,151	₱12,268,552,439

Bills payable on banks and other financial institutions include a special liquidity loan facility amounting to ₱3.12 billion as of December 31, 2003. The Bank fully paid such loan in 2004.

As of December 31, 2004, borrowings from private firms and individuals include borrowings from PDIC amounting to ₱7.64 billion, which is fully secured by government bonds under the FAA (see Notes 1 and 4) as discussed in Notes 1 and 8.

Borrowings from BSP - rediscounting are fully secured by loans (see Note 5).

Interbank borrowings are subject to interest rates ranging from 1.00% to 11.00% and rediscounting availments are subject to interest rates ranging from 1.34% to 10.50% in 2004 and 2003, respectively.

12. Maturity Profiles of Outstanding Acceptances, Marginal Deposits and Manager's Checks

As of December 31, 2004 and 2003, outstanding acceptances, marginal deposits and manager's checks are all due within one year from the financial reporting date.

13. Accrued Interest, Taxes and Other Expenses

This account consists of accruals which are due within one year from the respective statement of condition dates:

	2004	2003
Accrued interest payable	₱ 159,103,845	₱ 103,088,763
Accrued other expenses	67,189,652	77,808,800
	₱ 226,293,497	₱ 180,897,563

14. Other Liabilities

This account consists of:

	2004	2003
Unearned income and other deferred credits	₱ 92,262,756	₱ 141,728,667
Accounts payable	82,898,239	102,871,090
Due to BSP	19,643,858	18,630,680
Miscellaneous	156,169,132	142,418,801
	₱ 350,973,985	₱ 405,649,238

The following table presents the breakdown of other financial liabilities by contractual maturity dates:

	2004			2003		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Accounts Payable	₱ 81,504,886	₱ 1,393,353	₱ 82,898,239	₱ 92,844,892	₱ 10,026,197	₱ 102,871,089
Due to BSP	19,643,858	–	19,643,858	18,630,680	–	18,630,680

15. Miscellaneous Expenses

This account consists of expenses on:

	2004	2003	2002
Insurance	₱ 77,307,892	₱ 90,493,179	₱ 76,878,550
Litigation and assets acquired	45,078,136	146,156,709	216,167,691
Management and professional fees	40,511,032	25,836,873	18,167,624
Communications	37,677,667	41,404,391	35,490,731
Entertainment, amusement and recreation (Note 17)	24,381,847	31,917,253	31,587,365
Stationery and supplies	23,425,751	20,021,150	18,133,355
Messengerial services	21,771,135	33,984,011	47,328,183
Transaction dues	19,711,282	21,660,343	17,189,064
Information technology	12,667,316	30,409,790	24,165,864
Advertising	5,949,636	17,586,808	20,510,884
Others	38,025,308	55,842,963	39,983,913
	₱ 346,507,002	₱ 515,313,470	₱ 545,603,224

16. Capital Funds

Capital stock consists of:

	2004	2003	2002
Authorized - 145 million shares with ₱100 par value			
Issued - 52,598,965 shares in 2004, 52,589,065 shares in 2003 and 2002	₱5,259,896,500	₱5,258,906,500	₱ 5,258,906,500

The movements in the capital stock follow:

	Shares			Amount		
	2004	2003	2002	2004	2003	2002
Issued and paid up capital:						
Balance at beginning of year	52,589,065	52,589,065	52,589,065	₱ 5,258,906,500	₱ 5,258,906,500	₱ 5,258,906,500
Issuance	9,900	-	–	990,000	-	-
Balance at end of year	52,598,965	52,589,065	52,589,065	₱ 5,259,896,500	₱ 5,258,906,500	₱ 5,258,906,500

Surplus reserves consist of:

	2004	2003	2002
Reserve for trust business	₱ 65,669,088	₱ 57,435,085	₱ 52,544,392
Contingencies	10,414,548	10,414,548	10,414,548
Self-insurance	5,400,000	5,400,000	5,400,000
	₱ 81,483,636	₱ 73,249,633	₱ 68,358,940

In compliance with BSP regulations, 10% of the Bank's profit from trust business is appropriated to surplus reserve. This annual appropriation is required until the surplus reserves for trust business equals 20% of the Bank's authorized capital stock.

Surplus reserve for self-insurance represents the amount set aside to cover for losses due to fire, defalcation by and other unlawful acts of the Bank's personnel or third parties.

On July 11, 2000, the Bank's BOD approved the issuance of 26,294,484 common shares in connection with the stock rights offering to stockholders of record as of December 27, 2000 at an offer price of ₱100 per share. The BOD also approved the issuance of 78,883,452 subscription warrants to be issued at a ratio of 3 warrants for every share subscribed without cost to subscribers of the rights offering. The warrants may be exercised from May 10, 2001 to May 10, 2004.

The Bank received ₱2.63 billion additional capital infusion from its stockholders relative to the stock rights offering as discussed above. Half of the amount was received in June 2000 and the remaining half in March 2001. On April 27, 2001, the Bank issued 26,294,484 common shares and 78,883,452 subscription warrants.

On March 22, 2004, the BOD approved the increase in the authorized capital stock of the Bank by ₱3.00 billion from ₱14.50 billion (consisting of 145 million common shares with par value of ₱100 a share) to ₱17.50 billion (consisting of the same amount and number of common shares and 120 million unredeemable and nonconvertible preferred shares with par value of ₱25.00 a share). These preferred shares have the same voting rights, dividend amount, and other rights as the holder of common shares (see Note 1).

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from Philippine GAAP in some respects.

A portion of the surplus amounting to ₱8.06 million and ₱7.55 million as of December 31, 2004 and 2003, respectively, corresponding to the undistributed equity of the Bank in net earnings of associates, is not available for dividend distribution until received (see Note 6).

Under current banking regulations, the combined capital accounts of a commercial bank should not be less than an amount equal to ten percent (10%) of its risk assets (see Note 1). Risk assets consist of total resources after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

The capital-to-risk assets ratio of the Bank as reported to the BSP as of December 31, 2004 and 2003 was 28.42% and 15.57%, respectively, which was in compliance with the minimum requirement.

17. Income and Other Taxes

Provision for income tax consists of:

	2004	2003 (As restated - Note 2)	2002 (As restated - Note 2)
Current:			
Final	₱ 261,701,819	₱ 73,174,484	₱ 92,922,207
MCIT	6,596,639	–	–
	268,298,458	73,174,484	92,922,207
Deferred	28,284,313	–	–
	₱ 296,582,771	₱ 73,174,484	₱ 92,922,207

Under Philippine tax laws, the RBU of the Bank is subject to percentage and other taxes (presented as Taxes and Licenses in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT), which was in effect until 2002 and documentary stamp taxes. Effective January 1, 2003, the Bank was subjected to the value added tax (VAT) instead of GRT. However, RA No. 9238 reimposed GRT on banks and financial intermediaries effective January 1, 2004. The implementation of the GRT is subject to the implementing regulations issued by the BIR.

Income taxes include corporate income tax, as discussed below, and final taxes paid at the rate of 20%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

Under current tax regulations, the regular corporate income tax rate is 32%. Interest allowed as a deductible expense is reduced by an amount equivalent to 38% of interest income subjected to final tax.

Effective in May 2004, RA No. 9294 restores the tax exemption of FCDUs and offshore banking units (OBUs). Under such law, the income derived by the FCDU from foreign currency transactions with nonresidents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10% gross income tax.

Components of deferred tax assets and deferred tax liabilities are as follows:

	2004	2003 (As restated- Note 2)
Deferred tax asset on allowance for probable losses	₱ 749,179,064	₱ 966,002,630
Deferred tax liability on:		
Reversal of revaluation increment to surplus fee (Note 6)	(257,443,759)	(257,443,759)
Revaluation increment on land (Note 6)	(76,203,198)	(82,607,709)
	(333,646,957)	(340,051,468)
	₱ 415,532,107	₱ 625,951,162

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management considers projected future taxable income and tax planning strategies in making the assessment based on the historical income and projections of future taxable income.

The Bank did not set up deferred tax assets on the following timing differences:

	2004	2003
NOLCO	**₱ 14,697,915,994**	₱ 3,195,545,425
Allowance for probable losses	**970,941,416**	559,289,203
Unrealized loss on asset conversion	**830,650,869**	830,650,869
Unamortized past service cost	**26,987,052**	33,117,875
MCIT	**6,596,639**	282,770
	₱ 16,533,091,970	₱ 4,618,886,142

Details of the Bank's NOLCO are as follows:

Inception Year	Amount	Expired	Balance	Expiry Year
2001	₱ 620,234,043	₱ 620,234,043	₱ –	2004
2002	1,186,435,955	–	1,186,435,955	2005
2003	1,388,875,427	–	1,388,875,427	2006
2004	972,718,851	–	972,718,851	2007
2004 (Note 8)	11,149,885,761	–	11,149,885,761	2009
	₱ 15,318,150,037	₱ 620,234,043	₱ 14,697,915,994	

Details of the Bank's MCIT are as follows:

Inception Year	Amount	Expired	Balance	Expiry Year
2001	₱ 282,770	₱ 282,770	₱ –	2004
2004	6,596,639	–	6,596,639	2007
	₱ 6,879,409	₱ 282,770	₱ 6,596,639	

Under existing BIR regulations, the maximum amount of entertainment, amusement and recreation (EAR) expenses allowable as deduction from gross income for purposes of income tax computation shall not exceed 1% of the Bank's net revenue.

EAR expenses in 2004, 2003 and for the period September 1 to December 31, 2002 of the Bank amounting to ₱24.4 million, ₱31.9 million and ₱9.8 million, respectively, are included under Miscellaneous Expenses in the statements of income (see Note 15).

A reconciliation between the statutory income tax and the effective income tax follows:

	2004	2003 (As restated - Note 2)	2002 (As restated - Note 2)
Statutory income tax	**₱ 121,875,354**	₱ 46,964,850	₱ 37,805,734
Tax effect of:			
Nonrecognition of deferred tax assets	**317,866,671**	444,440,136	379,659,506
FCDU income before income tax	**(57,434,950)**	(269,024,994)	(281,582,288)
Nontaxable income	**(5,754,723)**	(104,693,738)	(142,003,983)
Interest income subjected to final tax - net of nondeductible interest expense	**(2,109,925)**	(723,106)	(656,750)
Others	**(77,859,656)**	(43,788,664)	99,699,988
Effective income tax	**₱ 296,582,771**	₱ 73,174,484	₱ 92,922,207

18. Retirement Plan

The Bank has a noncontributory and funded retirement plan covering all its officers and regular employees. The retirement fund is administered by the Bank's Trust Department which acts as the trustee under the plan. Retirement cost charged to current operations (included in Compensation and Fringe Benefits in the statements of income) consisting of normal cost and amortization of past service liability and experience adjustments amounted to ₱26.92 million in 2004 and ₱24.27 million in 2003 and 2002.

Based on the latest actuarial valuation as of March 31, 2004, the actuarial accrued liability amounted to ₱350.14 million. The fair value of the plan assets amounted to ₱321.39 million. The principal actuarial assumptions used to determine retirement benefits are: (a) retirement age of 60 years and average remaining working life of officers and employees of 14 years; and (b) investment yield and projected salary increases of 9% and 7% per annum, respectively. Actuarial valuations are made at least every two years. As of December 31, 2004, the total resources of the fund amounted to ₱321.00 million.

19. Long-term Leases

The Bank leases certain premises occupied by most of its branches (about 68% of the branch sites). The lease contracts are for periods ranging from 1 to 5 years and renewable at the Bank's option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5-10%.

Rent expense charged to current operations (included in Occupancy and Other Equipment-related Costs in the statements of income) amounted to ₱48.94 million, ₱45.34 million, and ₱31.84 million in 2004, 2003 and 2002, respectively.

Future minimum rentals payable under noncancelable operating leases are as follows:

	2004	2003 (As restated - Note 2)
Within one year	**₱ 15,599,690**	₱ 14,565,400
After one year but not more than five years	**60,897,314**	71,800,519
After more than five years	**15,360,188**	20,056,672
	₱ 91,857,192	₱ 106,422,591

The Bank has entered into commercial property leases on its investment property. These non cancelable leases have remaining noncancelable lease terms of between 1 and 5 years.

Future minimum rentals receivable under noncancelable operating leases are as follows:

	2004	2003 (As restated - Note 2)
Within one year	**₱ 66,054,243**	₱ 17,051,770
After one year but not more than five years	**339,407,505**	402,624,951
After more than five years	**–**	2,836,797
	₱ 405,461,748	₱ 422,513,518

20. Related Party Transactions

In the ordinary course of business, the Bank has loan transactions with its associates and affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's existing policy, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective unencumbered deposits and book value of their respective investments in the Bank. In the aggregate, loans to DOSRI generally should not exceed the lower of the Bank's total regulatory capital or 15% of the total loan portfolio. These limits do not apply to loans secured by assets considered as nonrisk as defined in the regulations. As of December 31, 2004 and 2003, the Bank is in compliance with such regulations.

BSP Circular No. 423, dated March 15, 2004 amended the definition of DOSRI accounts. Further, BSP issued Circular No. 464 dated January 4, 2005 clarifying the definition of stockholders. The following table shows information relating to DOSRI loans:

	2004	2003
Total outstanding DOSRI loans	**₱ 443,267,316**	₱ 589,363,108
Total outstanding DOSRI loans granted under regulations existing prior to Circular No. 423	**443,267,316**	589,363,108
New DOSRI loans granted under Circular No. 423	**–**	–
Total outstanding non-DOSRI loans prior to Circular No. 423	**–**	–
Percent of DOSRI loans to total loans	**3.58%**	4.79%
Percent of unsecured DOSRI loans to total DOSRI loans	**3.17%**	13.37%
Percent of past due DOSRI loans to total DOSRI loans	**–**	–
Percent of nonperforming DOSRI loans to total DOSRI loans	**–**	–

Any violation of the provisions under Circular No. 423 is subject to regulatory sanctions. However, loans, other credit accommodations and guarantees, as well as availments of previously approved loans and committed credit lines that are not considered DOSRI (non-DOSRI) accounts prior to the issuance of Circular No. 423 are not covered by such sanctions for a transition period of two years from the effectivity of the Circular or until said loan, other credit accommodations and guarantees become past due, or are extended, renewed or restructured, whichever comes later.

The year-end balances of loans and interest income in respect of related parties included in the Bank's financial statements are as follows:

	Loans		Interest Income	
	2004	2003	**2004**	2003
International Copra Export Corporation	**₱ 389,500,000**	₱ 389,500,000	**₱ 46,991,783**	₱ 21,920,285
Multi Purpose Loan	**53,767,316**	75,615,995	**8,375,866**	5,507,109
Century Container Corporation	**–**	44,247,113	**4,540,455**	1,574,147
Sanyang Weaving Mills, Inc.	**–**	40,000,000	**2,138,429**	2,203,408
Supima Holdings Inc.	**–**	35,000,000	**1,477,588**	2,634,606
Triton Securities Corp.	**–**	5,000,000	**64,444**	881,389
	₱ 443,267,316	₱ 589,363,108	**₱ 63,588,565**	₱ 34,720,944

The year-end balances of deposits and interest expense in respect of related parties included in the Bank's financial statements are as follows:

	2004	2003
Deposit liabilities	**₱14,213,943**	₱ 14,551,581
Interest expense	**142,740**	172,290

21. Trust Operations

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacity for its customers are not included in the accompanying statements of condition since these are not resources of the Bank. Total resources held by the Bank's trust department amounted to ₱5.52 billion and ₱5.05 billion as of December 31, 2004 and 2003, respectively (see Note 22).

In connection with the trust business of the Bank, government securities with a total face value of ₱52.59 million and ₱108.60 million as of December 31, 2004 and 2003, respectively, are deposited with the BSP in compliance with existing regulations.

On September 3, 2004, BSP issued Circular No. 447 paving the way for the creation of the Unit Investment Trust Funds (UITF) which will replace Common Trust Funds (CTF) of the Bank's Trust Group.

In its meeting held on December 23, 2004, the BOD approved the exit plan for the following CTF in transition to UITF:

a) Group Investment Plan
b) PBCom Growth Fund
c) PBCom Dollar Fund

22. Commitments and Contingent Liabilities

In the normal course of operations, the Bank has various outstanding commitments and contingent liabilities such as guarantees, forward exchange contracts, commitments to extend credit, etc., which are not presented in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2004	2003
Trust department accounts	**₱ 5,524,421,975**	₱ 5,047,497,729
Outstanding shipping guarantees	**786,332,091**	432,051,597
Unused commercial letters of credit	**547,989,692**	537,303,810
Forward exchange sold	**197,390,000**	2,807,177,647
Inward bills for collection	**96,056,085**	130,085,981
Spot exchange bought	**76,662,100**	138,980,000
Outward bills for collection	**51,149,499**	46,531,722
Spot exchange sold	**45,092,000**	–
Late deposits/payment received	**32,038,336**	2,973,806
Traveler's checks unsold	**2,817,050**	2,779,300
Items held for safekeeping	**199,133**	89,338
Others	**11,506,994**	8,300,004

The Bank has pending tax assessments from the BIR on FCDU taxation and on two other industry issues. Management and tax counsels believe that the Bank has a valid defense against such claims.

The Bank has several loan-related suits and claims that remain unsettled. It is not practicable to estimate the potential financial statement impact of these contingencies. However, in the opinion of management, the suits and claims, if decided adversely, will not involve sums having a material effect on the financial statements.

The Bank is a defendant in legal actions arising from its 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 Bank's financial statements.

23. Financial Performance

Basic earnings per share (EPS) amounts were computed as follows:

	2004	2003 (As restated - Note 2)	2002 (As restated - Note 2)
a. Net income	**₱ 84,277,710**	₱ 73,590,672	₱ 25,220,711
b. Weighted average number of common shares	**52,594,840**	52,589,065	52,589,065
c. Earnings per share (a/b)	**₱ 1.60**	₱ 1.40	₱ 0.48

The following table presents the reconciliation of net income as previously reported to net income, as restated in 2003 and 2002:

	2003	2002
Net income, as previously reported	₱ 213,980,466	₱ 246,835,050
Effect of adoption of new accounting standards:		
Deferred income tax (Note 2)	(191,741,121)	(247,660,891)
Leases (Note 2)	51,351,327	26,046,552
Net income, as restated	₱ 73,590,672	₱ 25,220,711

Potential common shares consisting of warrants of the Bank as discussed in Note 16 were determined to be anti-dilutive and therefore not considered in the earnings per share computation.

The following basic ratios measure the financial performance of the Bank:

	2004	2003 (As restated - Note 2)	2002 (As restated - Note 2)
Return on average equity	**1.10%**	1.22%	0.43%
Return on average assets	**0.16%**	0.16%	0.06%
Net interest margin	**4.42%**	1.02%	1.35%

24. Notes to Statements of Cash Flows

The following is a summary of noncash activities:

	2004	2003	2002
Noncash operating activity:			
Loans for sale (Notes 1 and 8)	**₱ –**	₱ 6,974,116,492	₱ –
Noncash investing activity:			
Additions to ROPOA in settlement of loans	**247,858,512**	388,440,649	1,620,969,929

The following table presents supplementary cash flow disclosure on interest:

	2004	2003	2002
Interest received	**₱ 3,389,247,577**	₱ 2,283,118,294	₱ 2,149,099,367
Interest paid	**2,309,086,278**	2,073,350,154	1,811,615,039

25. Reclassification of Accounts

The following accounts in 2003 were reclassified to conform to the 2004 presentation which takes into account the fundamental nature of the said account:

- Miscellaneous assets amounting to ₱3,665,000 which pertains to investment in Export and Industry Bank were reclassified to other investments.
- Bank premises building - branches amounting to ₱15,296,248 were reclassified to Bank premises - land.

BRANCHES

METRO MANILA

HEAD OFFICE
G/F PBCOM Tower 6795 Ayala Ave.
cor. Herrera St., Makati City
810-2324 to 25; 810-2311; 810-2329
810-2332; 810-2267; 810-2334 (fax)

Annapolis
Unit 101 Victoria Plaza Condominium
41 Annapolis St., Greenhills, San Juan
723-4856; 722-6613; 723-3049
723-9446 (fax)

Ayala Alabang
Unit 101 ALPAP Bldg. Trace cor. Investment
Drive Madrigal Business Park
Alabang, Muntinlupa City
809-4538; 772-5748; 809-4341
809-4204 (fax)

Binondo Banking Ctr
214-216 Juan Luna Street,
Binondo, Manila
242-8709 to 12; 242-1843; 242-1851;242-1793
244-6402; 242-8711 (fax)

BMA
Web-Jet Building, BMA Street, corner
Quezon Avenue, Quezon City
712-3490; 712-8414; 712-3497; 712-3527
712-35-05 (fax)

Congressional
G/F Cherry Foodarama,
Congressional Ave., Quezon City
925-9847 to 50
925-9848 (fax)

Corinthian Gardens
Sanso Street, Corinthian Gardens,
Quezon City
687-7087 (telefax); 687-7088; 687-4397

Cubao
Lower Grd. Flr., Ali Mall II
P. Tuazon Blvd. cor. Times Square Ave.
Araneta Center, Q.C.
913-4912; 912-2945; 912-2943
912-2947 (fax)

Echague
88-90 Carlos Palanca cor.
Isla Del Romero St. Quiapo, Manila
736-01- 23; 736-0125
736-0124 (fax)

Elcano
SHC Tower, 613 Elcano Street,
San Nicolas, Manila
242-3573; 242-6571; 242-3575
242-3591 (fax)

Greenhills
Quadstar Bldg. Ortigas Avenue,
Greenhills, San Juan, M.M.
721-2601/03; 725-6482; 723-8520
723-8518; 722-7060 (fax)

Kalookan
Cor. 7th Ave. & Rizal Ave. Extension
Kalookan City
361-1253; 361-3653; 361-1302
361-2094 (fax)

Legaspi
G/F, Vernida I Condominium
120 Amorsolo St., Legaspi Vill. Mkt. City
813-2506; 813-2482; 812-9582
813-24-89 (fax)

Malabon
123 Gov. Pascual Ave., Acacia,
Malabon, M.M.
288-6599; 446-0381
446-0429; 288-6598 (fax)

Marikina
34 J.P. Rizal St., Calumpang
Marikina M.M.
645-8024; 645-2637; 681-1633; 645-2966
645-8374 (fax)

Masangkay
1004-1006 G. Masangkay St.,
Binondo, Mla.
244-8787; 244-8751; 244-8679 (fax)

Meralco Avenue
C-1 Horizon Condominum Meralco Ave.,
Pasig City
632-0421; 632-0418; 637-2859; 632-0422
634-5486; 637-2858; 632-0419 (fax)

Novaliches
860 Quirino Highway, Brgy. Gulod,
Novaliches, Quezon City
938-1701; 938-1714
937-1952 (fax)

Ongpin
Ongpin cor. S. Padilla St., Sta. Cruz, Mla.
733-1165 to 66; 733-1346; 733-1188;
733-1337 (fax)

Padre Rada
S & U Bldg., 953 Juan Luna
cor. Padre Rada St. Tondo, Mla
245-2356; 245-2265
245-23-54 & 245-2329 (fax)

Parañaque
Stall #s 3&4, Kingsland Bldg.
Dr. A. Santos Ave., Parañaque City
820-0902; 820-0901
829-2424 (fax)

Pasay
2492 Taft Ave. Ext. Pasay City
831-0395/29; 831-08-78; 831-7838 (fax)

Pioneer
RFM Bldg., Pioneer cor. Sheridan St.,
Mandaluyong City
631-81-01 loc. 7160-62 ; 637-8927
631-9213 (fax)

Quezon Avenue
APC Bldg. 1186 Quezon Avenue, Q.C.
371-2940/ 41; 371-1776/ 79; 410-8013
371-29-42 (fax)

San Miguel
G101 Magnificent Mile (OMM)
Citra Condo, San Miguel Ave., Pasig City
637-1717 to 21
637-1720 (fax)

Sen. Gil Puyat Ave.
Unit 104, Grnd Flr., Pacific Star Bldg.
Sen. Gil Puyat Ave. cor. Mkti Ave. Mkti City
843-9287; 893-1721
893-1496; 843-9311 (fax)

Shaw Blvd.
146 Shaw Blvd. Cor. San Roque,
Pasig City
634-1430 to 32; 636-5758/ 59; 634-1433 (fax)

Sta. Mesa
440-A.G. Araneta Ave., cor.
Bayani St., Sta. Mesa Q. C.
749-0265; 749-1054
781-5803; 781-4948 (fax)

Sto. Cristo
705 Sto. Cristo St., Binondo, Mla.
242-3197; 242-3194; 242-6570
242-5386 (fax)

Taft Avenue-Nakpil
Goldilocks Commercial Bldg. Lot 10 Blk.548
J. Nakpil cor. Taft Ave., Malate, Manila
525-2440; 522-2485; 525-7154; 525-5258

T. Alonzo
665 T. Alonzo St., Sta. Cruz, Mla.
733-3645; 733-1623; 733-1598
733-15-20 (fax)

Tutuban
Tutuban Center C.M. Recto Mla
252-5069; 252-4954; 252-4938
252-49-97 (fax)

U.N. Avenue
Unit 101-102 Don Alfonso Sycip Condo,
U.N. Ave. cor M.H. Del Pilar Ermita Mla.
524-8387; 523-0568; 524-8291
524-8272 (fax)

Valenzuela
246 McArthur Highway,
Karuhatan, Valenzuela City
291-5253/49; 291-2514; 291-0708
291-4795; 291-5197 (fax)

Ylaya
790 Ylaya Street
San Nicolas, Manila
242-9069; 242-9067; 244-9328
244-9326 (fax)

LUZON

Angeles
878 Henson St., Brgy. Northwest,
Congressional Ave., Angeles City
(045) 625-8712; (045) 887-8534;
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Diego Silang Sreet
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(043) 723-4208; (043) 723-7801;
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(043) 723-4207 (fax)

Biñan
Grnd. Flr., ATDRMAM Laguna Corp. Bldg.
Gen. Capinpin St. Biñan, Laguna
(049) 511-6533; (049) 433-0399
699-2470 (fax)

Cabanatuan
Ground Floor Santarina Bldg.
Maharlika Highway, Cabanatuan City
(044) 464-1730 to 32
(044) 464-1733 (fax)

Dagupan
FIB Bldg. M. H. Del Pilar, Dagupan City
(075) 515-2097; (075) 523-6862
(075) 523-69-54 (fax)

Dasmariñas
Brgy. San Agustin Aguinaldo Highway
Dasmarinas, Cavite
(046) 416-5032; (046) 416-5268;
(046) 416-5031
(046) 416-5267 (fax)

Imus
P. Nueno St., cor. Gaerlan Street,
Imus, Cavite
(046) 471-5245; (046) 471-4349;
(046) 471-3368
732-4106 (telefax)

La Union
Quezon Avenue San Fernando
La Union
(072) 888-20-44; (072) 888-2741
(072) 888-2740 (fax)

Lipa
Grnd. Flr., ATDRMAM Laguna Corp. Bldg.
Ayala Highway, Mataas na Lupa
Lipa City, Batangas
(043) 757-3258 to 60
(043) 757-3261

Lucena
Merchan St., Lucena City
(042) 373-6462; (042) 373-6464
(042) 373-6465 (fax)

Malolos
Grnd Flr. Malolos Shopping Arcade,
Paseo del Congreso, Brgy. San Agustin
Malolos, Bulacan
(044) 662-0899; (044) 790-6536 to 37
(044) 662-0896 (fax)

San Fernando-Pampanga
McArthur Highway, Dolores
San Fernando, Pampanga
(045) 963-6785; (045) 963-6784;
(045) 860-1890
(045) 963-6787 (fax)

San Pedro
G/F Mega Bldg. National Highway,
Landayan, San Pedro Laguna
868-7364; 868-7365
808-5938 (fax)

VISAYAS

Bacolod
6th St., Hilado St., Capitol Shopping Center
Bacolod City
(034) 443-0404; (034) 435-0690;
(034) 433-6575
(034) 433-0402 (fax)

Cebu-Basak
Door 5 Co Tiao King Bldg., Cebu
North Road Basak Mandaue City
(032) 346-2709; (032) 346-2708
(032) 344-6350 (fax)

Cebu-Magallanes
Magallanes St., cor. Manalili St.
Cebu City
(032) 253-2761 / 40 / 74 / 64
(032) 253-2851; 253-0701; 255-3286 (fax)

Cebu-Mandaue
National Highway cor. L. Jayme St.,
Mandaue City
(032) 346-5110; (032) 344-1076 to 78
(032) 346-5109 (fax)

Cebu-Mango
Gen. Maxillom Ave., Cebu City
(032) 254-3157; (032) 253-1419;
(032) 253-8239/41
(032) 253-2326 (telefax)

Iloilo-Ledesma
Ledesma cor. Valeria St., Iloilo City
(033) 337-3668; (033) 337-67-31; (033) 336-8989
(033) 336-8985; (033) 335-1181 (fax)

MINDANAO

Cagayan De Oro-Hayes
Tiano Bros. cor. Hayes Street,
Cagayan de Oro City
(08822)72-4190; (08822)72-6519
(088) 857-15-58 to 59; (08822)72-4191 (fax)

Davao-Matina
Peacenest Bldg., No. 36 R. Quimpo Blvd.
Ecoland Subd., Davao City
(082) 296-1297; (082) 296-1302
(082) 292-1298 (telefax)

Davao-Monteverde
41 T. Monteverde Ave., Davao City
(082)221-2140/ 41;
(082) 226-3867 (telefax)

Davao-Quirino
111 E. Quirino Ave., Davao City
(082) 222-4160/ 62; (082) 227-1355
(082) 222-4161(fax)

Gen. Santos
Santiago Blvd. Gen. Santos City
(083) 552-8167/ 66; (083) 301-8038
(083) 553-2426; (083) 301-8445 (fax)

Iligan
M.H. Del Pilar cor. Juan Luna Street
Iligan City
(063) 223-2702
(063) 223-2703 (fax)

Koronadal
Gen. Santos Drive, Koronadal,
South Cotabato
(083) 228-3917 to 19;
(083) 288-3920 (fax)

Tagum
Pioneer Ave., Tagum Davao Del Norte
(084) 217-3900 to 02;
(084) 400-2768 (fax)

Zamboanga
Interco Bldg., N.S. Valderrosa St.,
Zamboanga City
(062) 992-6435/37;
(062) 992-6438 (telefax)

Zamboanga-Veterans Avenue
HC Building Veterans Avenue,
Zamboanga City
(062) 991-1865; (062) 991-6162;
(062) 991-6194 (fax)

BANKING SERVICES

DEPOSITS
Regular Peso Savings Account
Quick Cash ATM Account
U.S. Dollar Savings Account
Euro Savings Account
Automatic Fund Transfer Account
Regular Checking Account
Value Check Account
IntegrALL Account
Peso Time Deposit
U.S. Dollar Time Deposit
Euro Time Deposit
Passbook Time Deposit
TD Prime
Premium One Time Deposit
Premium Five Time Deposit
Premium Certificate of Deposit

CASH MANAGEMENT SERVICES
PBCom Checkwriting Facility
PDC Warehousing
Deposit Pick-Up
Simple Payroll Crediting
PayMaster (Full Payroll Service)
Automatic Debit Arrangement
Point-of-Sale Facility via BancNet
Sweep Facility
Electronic Payment Settlement

ANCILLARY SERVICES
Safe Deposit Boxes
Manager's Checks
Gift Certificates

REMITTANCES
Foreign & Domestic Remittances via:
•Society of Worldwide Interbank Financial Telecommunications (SWIFT)
•Western Union Money Transfer
•Tested Cable
•Philippine Domestic Dollar Transfer System (PDDTS) via:
- Gross Settlement Real Time (GSRT) – in US Dollar Amount
- End-of-Day Netting Transmission (EOD) – in US Dollar Amount
•Electronic Peso Clearing Settlement (EPCS) System – in Peso Amount
•Real Time Gross Settlement (RTGS) – in Peso Amount
P2H (Pay2Home) Remittance Service
Bills Payment Service

PAYMENT AND COLLECTION SERVICES
BIR Collections/Payments
BIR Online Tax Payment via EFTI's
SSS Collections/Payments
SSS Pension Accounts
SSS Remittance thru BancNet's EDI System
SSS SMEC Payments
Electronic Payment Settlement
Clearing of Foreign Bank Checks via:
•Cash Letters (CL)
•Bills Sent for Collection (BSC)
•Outward Bills for Collection (OBC)
Worldlink Demand Drafts (USS)
Telegraphic Transfers
•Foreign Telegraphic Transfer via MT 103
•Dollar: Local Telegraphic Transfer via PDDTS-GSRT (Gross Settlement Real Time)
•Dollar: Local Telegraphic Transfer via PDDTS-EOD (End of Day)
•Peso: Local Telegraphic Transfer via EPCS (Electronic Peso Clearing Settlement)
•Peso: Local Telegraphic Transfer via RTGS (Real Time Gross Settlement)

TRADE-RELATED SERVICES
Import and Domestic Letters of Credit
Foreign and Domestic Stand-by Letters of Credit
Bank Guaranty/Shipside Bond
Trust Receipts
Export Bills Purchase
Clean and Documentary Collections
Import Bills/Customer's Liabilities under Acceptances

TREASURY
Government Securities
•Fixed Rate Treasury Notes
•Treasury Bills
•Retail Treasury Bonds
Foreign Securities Trading
Money Market Placements
Commercial Paper
Purchase & Sale of Foreign Exchange

TRUST AND INVESTMENT SERVICES
Employee Benefit Trusts
Corporate/Institutional Trusts
Mortgage Trust Indentures/Collateral Trusts
Estate Planning
•PBCom Master Trust
•PBCom Forward Trust
•PBCom Dollar Classic Trust
Unit Investment Trust Funds (UITFs)
•PBCom Signature Trust
•PBCom Generation Trust
•PBCom Winner Dollar Fund
PBCom Dollar Fund (CTF)
Group Investment Plan (CTF)
Investment Management Accounts
Escrow Agency
Custodianship
Safekeeping

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
•Social Security Systems (SSS)
- Hospital Financing Program
- Joint Housing Loan Program on Pari-passu Arrangement
- Housing Development Loan Program
- Housing Loan for Repair and/or Improvement
- Individual Housing Loan Program
- Financing Program for Educational Institutions
- Financing Program for Vocational and Technical School
- Financing Program for Tourism Projects (KASAPI IV)
- Dormitory/Apartment Loan Program
- Industry Loan Program
•Land Bank of the Philippines
- Rediscounting Facility
- Agricultural Loan Fund (ALF)
- Countryside Loan Fund (CLF 1, 2 & 3)
•Bangko Sentral ng Pilipinas Rediscounting Facility
Guarantee Programs
•Home Guaranty Corp. (HGC)
- Retail Guaranty Program
- Developmental Guaranty Program
•Small Business Guarantee and Finance Corporation (SBGFC)
- Guarantee Lines for Anchor Industries (GLAD)
- Guarantee Resources for Agribusiness Investments (GRAINS)
- Guarantee for Enterprises in Manufacturing and Services (GEMS)
•Trade and Investment Developmental Corp. (TIDCORP OR PHILEXIM)
- PreShipment Export Finance Guarantee (PEFG)
- PostShipment Export Risk Guarantee (PERG)
- Term Loan Guarantee Program (TLGP)
- General Facility Program (GFP)

PBCOM-SCB CREDIT CARD

PBCOM ONLINE BANKING VIA BANCNET