

Annual Report 2003

BDO
BANCO DE ORO

Member of the SM Group of Companies



About the COVER

In full swing toward new horizons

Time and again, we find ways to make Banco de Oro the bank that fully and truly caters to its clients' banking needs. With our new logo, we reaffirm this commitment to you; and as we work hard to be in tune with your needs, just as much, we work in full swing to seek new and innovative ways that anticipate your thoughts and ideas about what your bank should be as our world evolves.

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Commitment to Customers

We are committed to deliver products and services that surpass customer expectations in value and every aspect of customer service, while remaining to be prudent and trustworthy stewards of their wealth.

Commitment to a Dynamic and Efficient Organization

We are committed to creating an organization that is flexible, responds to change and encourages innovation and creativity. We are committed to the process of continuous improvement in everything we do.

Commitment to Employees

We are committed to our employees' growth and development and we will nurture them in an environment where excellence, integrity, teamwork, professionalism and performance are valued above all else.

Commitment to Shareholders

We are committed to provide our shareholders with superior returns over the long term.

A New Corporate Logo



Along with Banco de Oro's continuous growth and expansion to new markets arose a need to refine its existing corporate image.

A new logo was designed that uses a simple typeface, all in upper case to represent strength and stability — in the vein of contemporary design simplicity, to communicate easy, friendly and less complicated banking.

Gold is applied to the letter **O** of "**Oro**", meaning "**gold**" in Spanish — a most fitting addition to the Bank's corporate colors. Its timelessness and richness enhance the blue color of the old logo — illustrating the Bank's faithfulness to its vision.

The gold "**O**" becomes the strong icon for the Bank, evoking an image of a gold coin that keenly etches "**Banco de Oro**" in people's minds: a strong, reliable, solid and approachable partner, fresh and forward thinking with its services, imbued with a strong sense of history and enduring loyalty to its clients.

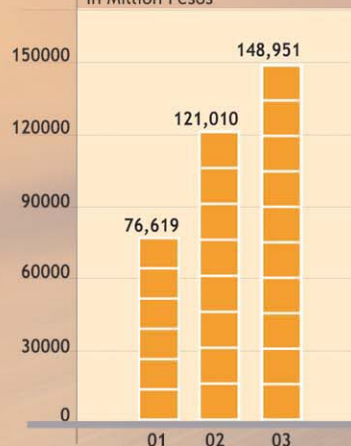
Corporate Mission

To be the preferred bank in every market we serve by consistently providing innovative products and flawless delivery of services, proactively reinventing ourselves to meet market demands, creating shareholder value through superior returns, cultivating in our people a sense of pride and ownership, and striving to be always better than what we are today... tomorrow.

Financial Highlights

	2003	2002	% Increase
Resources	148,951,068,276	121,009,687,364	23.09%
Receivables from Customers	56,194,392,171	52,449,595,208	7.14%
Deposit Liabilities	102,925,406,625	92,425,121,569	11.36%
Equity	14,854,861,905	13,624,795,359	9.03%
Net Income	1,511,093,464	1,057,404,726	42.91%

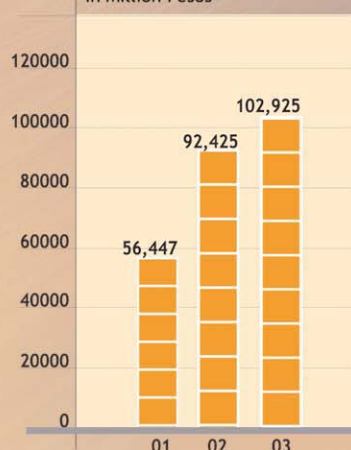
RESOURCES
In Million Pesos



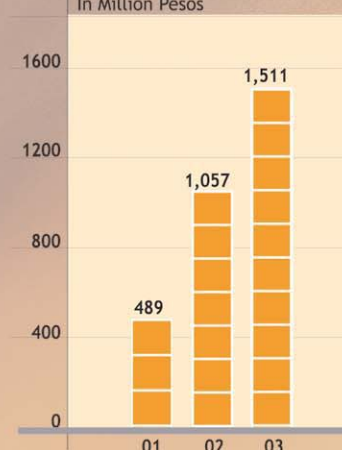
RECEIVABLES FROM CUSTOMERS
In Million Pesos



DEPOSIT LIABILITIES
In Million Pesos



NET INCOME
In Million Pesos





Message from the Chairman Emeritus

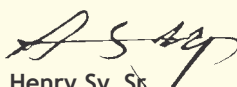
Banco de Oro Universal Bank's performance in 2003 has given me great satisfaction, not only because of its remarkable growth – it now ranks 9th in the industry – but also because of the many new ways it has tried to serve our customers and clients.

Our business philosophy has always been focused on service, endeavors, the importance of which I try my best to impart

to those I work with. With this emphasis on service, your Bank is getting closer to our goal of its becoming the Number One Bank in the country, not necessarily in terms of size but in terms of performance.

During the past year, we were able to expand our Bank's network, increase our capital position, maintain our asset quality, and offer our customers innovative banking products and services. I am also pleased to let you know that we were enthusiastically received by the international investment community and cited by regional banking groups.

Once again, I wish to congratulate Banco de Oro's management and staff for their continuing commitment to service and excellence. And to our customers and shareholders, I wish to thank you for your support and patronage.


Henry Sy, Sr.
Chairman Emeritus

Message from the Chairman



I am pleased to inform you that your Bank was able to achieve double-digit growth in a particularly challenging time — net earnings increased by more than 42%, while resources grew by 23%.

With the full integration of First E-Bank, we were able to expand our Bank's network to 180 branches, serve new markets, and establish our presence, particularly in the Northern Luzon and Mindanao regions.

Likewise, our acquisition of Banco Santander Philippines and its brokerage unit in July 2003 has given us access to a new market segment — the high net worth investor. Renamed the BDO Private Bank, it will focus on providing services to the upscale market.

Your Bank's venture into the international capital markets was not only outstanding, but broke records in the country. The 7 1/2 times over subscription of the US\$ 150 M Senior Notes reinforced the confidence of investors and clients in Banco de Oro.

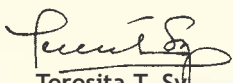
I am pleased to let you know that each of your Bank's units approached the year's challenges with dynamic solutions. As such, the growth of both our Lending Group and Trust businesses outpaced the industry average. On the capital markets front, your Bank was an active participant in major syndicated financing transactions. With the use of technology and through strategic focus, your Bank's cash management business has built a strong presence in the market.

In the retail sector, we continued to find ways to serve our customer better through non-traditional banking products. The BDO Mastercard was launched in the third quarter of the year, while the BDO Cash Card achieved substantial growth both in terms of customers and the volume of transactions handled.

In line with this, I am happy to let you know that the BDO Cash Card was cited by prestigious regional banking groups: the Asian Banking Award for Best Marketing, PR or Brand Management, and the Asian Banker Award for Retail Product Excellence.

This year, your Bank will continue to forge synergies, reach out to new markets, and find ways to serve you better amidst a challenging business environment.

We thank our customers, employees, officers, and shareholders for the continuing support and trust in us.


Teresita T. Sy
Chairman



The country posted a GDP growth of 4.5% in 2003, slightly better than the 4.4% in 2002 amid the outbreak of Severe Acute Respiratory Syndrome (SARS) which resulted in a slowdown in tourist traffic in the region. The Oakwood mutiny in July heightened the political uncertainties and further dampened investors' sentiment.

Meanwhile, the 91-day Treasury bill rates averaged 5.99% for the year against 5.85% in 2002. The government's continued deficit spending and the 5.2% deterioration in the average peso exchange rate from P51.59/US\$ to P54.25/US\$ exerted pressures on the interest rates. The relative stability of inflation at 3.1% eased off some of the pressure on the interest rates.

For 2004, the Philippine macro economic conditions are likely to remain stable but growth is expected to be subdued at the range of 4.2% – 4.7%.

BUSINESS PERFORMANCE

ACCOUNT MANAGEMENT GROUP

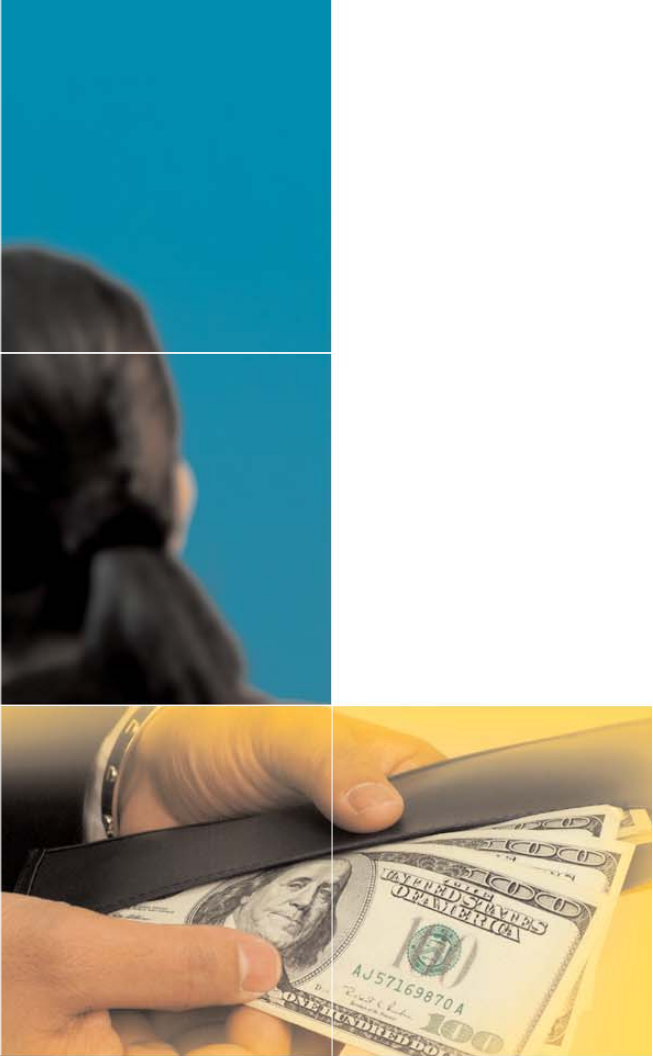
Account Management Group (AMG) continued to expand and generate above average growth relative to the industry. The Bank managed to grow its Net Loans by P3.7B or by 7% (15% on a comparable basis), compared to the banking system's net loans contraction of 4.2% in 2003. This development enabled the Bank to sustain the increase in its market share over the last few years.

The loan portfolio growth was achieved without a corresponding deterioration in asset quality. The Non Performing Loans (NPL) ratio at end-2003 remained single digit at 6.6% and still one of the lowest in the industry, while the overall average stood at 14.1%.

The Group likewise intensified its efforts to cross-sell the other business lines of the Bank. As a result, the percentage of revenues from non-loan products to total revenues went up to 40%. This healthy proportion of fee-based income reduces the Bank's vulnerability to adverse movements in interest rates.

Corporate Banking - Strengthening relationships through creative structures

Corporate Banking Group (Corbank) focused its efforts in strengthening the relationships with its large corporate and institutional clients, through a combination of creative financing structures and tailor-fitted treasury and cash management solutions that addressed clients' specific needs. This was evident in the Corbank's participation in major financing deals such as the term facility agreement with the Aboitiz Group, the term loan agreement with Monark Equipment Corp., and the project financing facility for the State Power Development Corporation.



The Bank gained access to new markets previously not served and embarked on a renewed drive to build its consumer lending business.

Review of Operations



Commercial Banking — Expanding coverage into new markets

Commercial Banking Group (Combank) which handles the bank's middle market and SME lending, worked on the expansion of its client base, through a wider coverage of markets in Metro Manila, and by leveraging on the converted branches of First E-bank in areas not being served by the Bank, such as Cagayan de Oro and Iligan in Northern Mindanao and, the western corridor of Northern Luzon. It also offered new financing programs that provided alternative sources of funding and better portfolio risk management. The Special Financing Facility with developmental institutions allowed clients access to non-traditional funding sources. The Export Development Facility, in partnership with the International Finance Corporation (IFC), offered export financing to Small- and Medium-Scale Enterprises (SME) such as furniture and housing accessory manufacturers. The Co-Guarantee Facility, also in partnership with IFC, gave the Bank the opportunity to bid for large deals without sacrificing risk concentration.

INVESTMENT BANKING

BDO Capital

BDO Capital & Investment Corp.'s (BCIC) mandate is to provide clients with an integrated approach to capital raising, ranging from syndicated loans, capital market initiatives and off-balance sheet financing alternatives. This

allows for a more comprehensive approach to client servicing particularly with lending clients.

Testimony to its success is its participation in over P25 B worth of capital raising exercise from clients like Philippine National Oil Company (PNOC), the Ayala Group, San Miguel Corporation, SM Prime and Rizal Commercial Banking Corp. (RCBC).

BCIC registered a net income of P132 M in 2003. Considering the non-recurring gain from the secondary sale of shares in the IPO in 2002, net income actually improved by 70%. The company maintained its ranking as one of the top investment houses in the industry.

CONSUMER LENDING GROUP

Mortgage Financing & Auto Loans

The Bank embarked on a renewed drive to build its consumer lending portfolio, as it aimed to have a more meaningful proportion of its loans assigned to this market segment. The Bank re-tooled its processes to provide a more consistent and competitive service to its clients. Likewise, a reorganization of the Group was effected for better customer focus and easier access to complementary products. In light of this, the Group is now responsible for Mortgage Loans, Auto Finance, Personal Loans and Credit Cards.

BDO Credit Card

The BDO Master Card was launched in the latter part of 2003. Despite a "soft" public launch, the number of cardholders has been gradually increasing. As of year-end, 10,000 cards have already been issued. Now that the start up phase is over, substantial growth is expected in 2004.

Finding the right contacts

Getting started

Network of opportunities

Opening new markets

Setting up a base

As you expand your business in the Philippines, let Banco de Oro lead the way and open up the country to a network of opportunities and investment possibilities. Banco de Oro has the best minds to provide you with the best financial advice. Products and services that answer your most challenging financial needs. Be it investment advice, project financing, capital-raising activities, cash management requirements or treasury services. Banco de Oro. One bank that's out to find ways to give you the best opportunities.

We find ways

BDO Call Center: 631-8000. Visit www.bancodeoro.com.ph



BANCO DE ORO



BRANCH BANKING GROUP — Expanding into new communities

The Branch Banking Group's (BBG) primary thrust during the year has been to expand its network and reach new communities. The objective is to cover a wider area and to deliver better services to existing clients as well. The acquisition of the First E-bank branch licenses in 2002 was part of this strategy, allowing the Bank to grow its branch network to 174 live branches by year-end. As a result, the Bank gained access to new areas/markets previously not served, and reached potential clients in Northern Luzon, Bicol and Mindanao.

The integration of these First E-bank branches into the Bank's systems was completed during the year. Going forward, these branches are expected to be major contributors to the Bank's profitability.

In its drive to make banking a pleasant experience, branches were improved and renovated. The Group also developed the Branch Clustering Program, resulting in the availability of seven-day banking services in some designated areas. The branches will continue to be the Bank's primary channel for delivering various products and services to its customers.

PRIVATE BANKING**BDO Private Bank**

BDO acquired Banco Santander Phils. Inc. (BSPI) and its brokerage unit Santander Investment Securities Phils. Inc. (SISPI) from Santander Central Hispano. This gave BDO access to a new market segment that primarily caters to the high networth investors. BSPI was renamed as BDO Private Bank Inc. (BDO Private Bank) while SISPI was renamed BDO Securities Corp. (BDO Securities). BDO Private Bank is a one-branch operation and its emphasis is on customer service and privacy, offering comprehensive array of services for the high networth market. It will be maintained as a separate legal entity focusing on private banking and the origination of corporate paper for distribution to its clients. BDO Securities will offer securities custodianship and stock brokering services to the private banking clients.

TREASURY GROUP — Maintaining a leadership position

The strong market performance enabled BDO Treasury to contribute significantly to the Bank's profitability. Amidst pressure from competition and market volatility, it continued to be a major market player and a member of the fixing banks in foreign exchange and government securities dealership.

To ensure excellent and timely service, BDO Treasury launched its Cebu Desk this year. The Bank's clients in the Visayas region can now readily access market information and execute transactions with this strategic move.

To manage the bank's funding mix, the Treasury Group initiated the issuance of the US\$150M BDO Senior Notes as a fund-raising exercise to provide a medium-term source of funding. This financial exercise allowed the Bank to be

The strong reception of the senior notes issue allowed the Bank to be recognized in the international financial community.





recognized in the international financial community. The strong reception by the investors, which resulted to more than seven times over subscription on the issue, clearly affirmed investors confidence in BDO, alluding to the Bank's consistent financial performance and growth over the last few years. With this warm reception on its maiden issue, the Bank may consider tapping the international markets again for future issuances of either debt or equity securities.

TRUST BANKING — Consistent & sustainable performance

Trust Banking Group (Trust Group) recorded a 46% growth in Assets Under Management (AUM). BDO Trust is now ranked as the 4th largest in the industry, moving up one notch from 2002. Common Trust Funds (CTFs) comprise 62% of total trust assets, while Trust & Other Fiduciary Assets (TOFA) account for 19%. The growth in CTFs is attributable to the fund-generating capabilities of the branch network, while the increase in TOFA stems from intensified marketing and cross-selling efforts in traditional markets like institutional funds, corporate retirement and corporate agency services.

The Bank acquired new systems to further enhance Trust Banking Group's capability to service its clients. This improved the Group's portfolio management, trading, investment analysis and reporting capabilities. On top of these service enhancements, Trust Group launched the Wealth Planner, a new product aimed at tapping high net worth individuals. The product gave them access to investment outlets not usually available to individual investors, at the same time, providing them the flexibility to customize their preferred portfolio to suit their financial needs and risk tolerance.

The Trust Group continued to perform well relative to its peers. Apart from the consistent citation in the Watson Wyatt survey of fund managers, BDO was ranked number one for the fourth quarter and for the whole year of 2003 in the 76th Survey on Investment Performance of Retirement Funds in the country. This extended BDO's record as a topnotch fund manager for three consecutive years from 2001 to 2003 and solidified its status as one of the country's top asset managers.

TRANSACTION BANKING - Redefining the way people bank

Transaction Banking Group (TBG) provided non-traditional banking products through corporate cash management and retail financial transaction services. Initially, the focus of the Group was on the development of the corporate market segment, which was successfully expanded from 100 clients in 2002 to over 3,500 by the end of 2003. The total volume of transactions handled by TBG leapfrogged to P77 B in 2003 from P1 B in 2002.

Similarly, the retail segment experienced substantial growth, both in terms of customers and volume of transactions handled, primarily through the BDO Cash Card and Smart Money MasterCard. By year-end, the total cardholder base for the Bank's debit cards reached 750,000. Other products such as Phone Banking, Internet Banking, Call Center and the ATM network all exhibited notable increases in terms of number of customers and product usage.

The newly launched BDO Cash Card, one of the prepaid debit card products, garnered two prestigious international awards namely the Asian Banking Award for Marketing, PR or Brand Management and the Asian Banker Retail Product Excellence Award.

Future initiatives will be focused on merchant acquisition, in order to provide a much larger network that can accept and process transactions using any of the Bank's card products.

BDO Housing Loan



Your Own Home. Easier. Faster

Banco de Oro's Housing Loan lets you own a home:

Faster - with more efficient processing and approval.

Easier - on your budget with competitive rates.

More convenient - with our SM Mall branches open until 7 p.m., even on weekends.

Call Us at 688-1220, 688-1221, 688-1223
BDO Call Center 631-8000
www.barcodeoro.com.ph

Available in Greater Metro Manila area, Laguna, Cavite and Batangas (except Malolos)

We find ways







The retail segment experienced substantial growth through the launching of the BDO Cash Card.

INSURANCE

BDO Insurance Brokers Inc.

Generali Pilipinas

BDO's insurance businesses continue to be strong despite being relatively newcomers in the industry. BDO Insurance Brokers Inc. (BDOI) posted a 43% increase in premiums to P408M, and a 17% improvement in commissions to P61M. The Bank's life and non-life affiliates, Generali Pilipinas Life Assurance Company and Generali Pilipinas Insurance Company, posted notable growth in 2003, with combined premiums amounting to P744M, up by 24% compared to 2002. With the recent BSP approval for BDO to go into bancassurance, the Bank is now able to sell insurance products through its branch network, expanding the array of products available at its branches.

REAL ESTATE MANAGEMENT

BDO Realty

BDO Realty Corp. (BRC) was formed in the early part of 2003 to provide a real estate industry perspective to the disposition of foreclosed assets, and in the process extract best value out of the bank's acquired assets. Manned by industry professionals, the company studies "best use" options for the Bank's acquired properties and, where appropriate, helps in the implementation of strategies. As a result, several partnerships have been made with established companies to develop and market a number of bank-owned properties for the middle-income housing market, including a 127-hectare property in Gen. Trias, Cavite with Sta. Lucia Realty & Development Corp.; a marketing arrangement with Moldex Realty Marketing Inc. for the disposition of subdivision lots; a 5.8-hectare development with Jardine Properties in Kalookan City and a 3.4-hectare in-house development in Dasmariñas, Cavite.

The Bank's acquired assets in the hands of professionals can be a major contributor of value to the bank in the years to come.

CREDIT & RISK MANAGEMENT - Developing a credit and risk culture

Consistent with the Bank's objective of prudent risk management, the organization of Credit & Risk Management was further enhanced with the creation of additional units to handle specific areas of bank operations. The Credit Risk function was expanded into corporate and consumer credit, consistent with the Bank's renewed drive to build its corporate as well as consumer portfolio. Market Risk monitoring was also put in place for Treasury's trading and investment activities. The implementation of the Operations Processing Integrated System (OPICS) allows for portfolio analysis and up-to-date monitoring of trading limits. Future initiatives will center on addressing operating risk in preparation for Basle 2.



Information Technology Management

The Information Technology Group was reorganized into 3 areas to give it more focus—Development, Operations and Support. This structure is expected to be more responsive in addressing the information technology requirements of the various business units. Major projects undertaken in 2003 include the acquisition of systems for the remittance and trust businesses, development of systems for credit card/consumer lending, upgrade of the Bank’s core system, and updating and testing the Business Continuity Plan to ensure a speedy return to operating levels in case of contingencies. Initiatives for 2004 are focused on the completion of some of the projects started in 2003, further development/enhancement of cash management products of Transaction Banking, the completion of the implementation of OPICS in Treasury Group, and improvements in the Account Profitability Analysis system of the Account Management Group. Other projects to ensure a more efficient and stable technological infrastructure are continually being developed.

Human Resources Management

Given the rapid growth of the Bank, it is important to nurture the corporate culture that made the Bank the institution it is today. Human Resources Management (HRM) was tasked with the communication of the Bank's corporate culture that embodied the values, vision and management philosophies of the Bank. Promotion of bank professionalism and meritocracy throughout the organization into one unified team despite the diverse origins of its officers and staff were given utmost importance.

The "We Find Ways" approach to businesses was disseminated throughout the entire organization, creating a work ethic that gives the Bank its competitive edge.

SUMMARY

Overall, 2003 was a good year for Banco de Oro having achieved 23% growth in resources and over 50% increase in net income. The Bank succeeded in expanding its market coverage through the full integration of the First E-Bank branches, and deepening client relationships. Through the Private Bank, BDO’s reach now extends to the mass affluent and High Net Worth segments. These were complemented by the continual expansion of the Bank’s products and services, that addressed changing markets.

Together with these, corporate governance programs and risk management practices were upgraded to provide better decision support system for management. For more transparency, Moody’s Investors Service and Fitch Ratings were commissioned to provide foreign investors with a professional assessment of the Bank’s financial health and performance on a periodic basis. This move was ably complemented by international road shows that introduced the Bank to potential investors.

Certainly, Banco de Oro is taking big strides in building a solid foundation towards its aim of becoming the best bank in the Philippines.

Empowered!

BDO **BANCO DE ORO**

Cash Card



Simpler, Faster, Safer



Empower your company and employees! BDO Cash Card simplifies financial management and facilitates business-related expenses efficiently. You can collect, deliver and dispense cash with just one card. Use it for:

- Salaries and bonuses
- Sales commissions and cash incentives
- Allowances
- Benefits - representation, transportation, reimbursements
- Collections and payment from suppliers

Empower yourself! Get the freedom to do more with the BDO Cash Card. You, your friends and relatives will surely enjoy its convenience and versatility:

- Shop and swipe without bringing cash
- Pay your bills anytime, anywhere
- Reload Globe prepaid airtime instantly
- Send money or do person-to-person payments just by texting
- Withdraw cash from any BDO, Expressnet or MegaLink ATM nationwide
- Keep track of your balances easily

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We find ways

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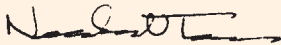
STATEMENT OF MANAGEMENT RESPONSIBILITY

The management of Banco de Oro Universal Bank is responsible for all information and representations contained in the financial statements for the years ended December 31, 2003 and 2002. The financial statements have been prepared in conformity with generally accepted accounting principles 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 Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the bank.

Punongbayan & Araullo, the independent auditors appointed by the Board of Directors and stockholders, have examined the financial statements of the bank in accordance with generally accepted auditing standards and have expressed their opinion on the fairness of presentation upon completion of such examination, in the attached report to the stockholders.



Nestor V. Tan
President



Lucy Co Dy
SVP-Comptroller

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Banco de Oro Universal Bank

We have audited the accompanying consolidated statements of condition of Banco de Oro Universal Bank and subsidiaries as of December 31, 2003 and 2002, and the related statements of income, changes in equity and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Banco de Oro Universal Bank and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in accordance with generally accepted accounting principles in the Philippines.



PTR No. 7050340
January 13, 2004
Makati City
March 15, 2004

CONSOLIDATED STATEMENTS OF CONDITION (DECEMBER 31, 2003 AND 2002)

	2003	2002
RESOURCES		
CASH AND OTHER CASH ITEMS	P 3,249,915,450	P 2,400,337,225
DUE FROM BANGKO SENTRAL NG PILIPINAS	1,991,978,346	2,286,724,883
DUE FROM OTHER BANKS (Note 3)	3,606,078,188	1,412,989,583
INTERBANK CALL LOANS RECEIVABLE (Note 4)	14,677,943,319	7,702,363,444
SECURITIES PURCHASED UNDER REVERSE		
REPURCHASE AGREEMENTS	675,000,000	-
TRADING ACCOUNT SECURITIES (Note 5)	8,303,978,947	8,176,077,575
INVESTMENTS IN BONDS AND OTHER		
DEBT INSTRUMENTS - Net (Note 6)	43,726,724,544	32,106,614,899
RECEIVABLES FROM CUSTOMERS - Net (Notes 7 and 23)	56,194,392,171	52,449,595,208
BANK PREMISES, FURNITURE, FIXTURES		
AND EQUIPMENT - Net (Note 8)	974,704,353	796,440,642
EQUITY INVESTMENTS - Net (Notes 9 and 22)	1,636,668,019	1,473,223,599
REAL AND OTHER PROPERTIES OWNED		
OR ACQUIRED - Net (Note 10)	4,623,012,694	5,102,745,184
OTHER RESOURCES - Net (Notes 11, 20 and 22)	9,290,672,245	7,102,575,122
TOTAL RESOURCES	P 148,951,068,276	P 121,009,687,364
LIABILITIES AND EQUITY		
DEPOSIT LIABILITIES (Notes 12 and 22)		
Demand	P 2,666,120,147	P 2,208,619,697
Savings	60,263,949,843	53,327,247,351
Time	39,995,336,635	36,889,254,521
Total Deposit Liabilities	102,925,406,625	92,425,121,569
BILLS PAYABLE (Notes 13 and 22)	24,007,724,442	10,579,691,799
ACCRUED INTEREST, TAXES		
AND OTHER EXPENSES (Note 14)	1,401,204,828	717,314,498
OTHER LIABILITIES (Notes 15 and 22)	5,761,870,476	3,662,764,139
Total Liabilities	134,096,206,371	107,384,892,005
EQUITY (Notes 5, 9, 16, 21 and 22)	14,854,861,905	13,624,795,359
TOTAL LIABILITIES AND EQUITY	P 148,951,068,276	P 121,009,687,364

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

(FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001)

	2003	2002	2001
INTEREST INCOME ON			
Receivables from Customers	P 4,587,168,894	P 3,139,873,132	P 3,953,414,970
Trading Account Securities and Investments in Bonds and Other Debt Instruments	2,986,455,080	1,638,844,778	1,121,577,724
Interbank Call Loans Receivable	804,829,856	399,259,095	242,239,781
Due from Other Banks	132,626,083	99,342,996	92,799,339
	8,511,079,913	5,277,320,001	5,410,031,814
INTEREST EXPENSE ON			
Deposit Liabilities	4,028,851,467	2,457,896,928	2,987,868,251
Bills Payable and Other Borrowings (Notes 13 and 15)	833,309,005	556,335,119	699,452,653
	4,862,160,472	3,014,232,047	3,687,320,904
NET INTEREST INCOME	3,648,919,441	2,263,087,954	1,722,710,910
PROVISION FOR PROBABLE LOSSES (Notes 6, 7, 10 and 11)	1,315,909,834	1,170,000,000	300,000,000
NET INTEREST INCOME AFTER PROVISION FOR PROBABLE LOSSES	2,333,009,607	1,093,087,954	1,422,710,910
OTHER INCOME			
Trading Gain	1,543,917,527	1,259,463,741	211,511,841
Service Charges and Fees	669,548,928	619,310,360	493,263,700
Trust Fees (Note 21)	264,689,993	138,859,091	63,276,444
Miscellaneous - net (Note 17)	200,036,411	430,688,525	340,531,505
	2,678,192,859	2,448,321,717	1,108,583,490
OTHER EXPENSES			
Compensation and Employee Benefits (Note 18)	1,257,014,866	1,030,938,718	753,225,135
Occupancy (Notes 8 and 19)	463,092,799	374,940,136	333,715,803
Taxes and Licenses (Note 20)	452,479,260	305,691,552	197,531,583
Foreign Exchange Loss	244,616,881	-	-
Litigation/Assets Acquired	152,333,859	173,772,964	139,951,517
Others (Notes 11 and 17)	1,291,769,572	970,079,266	721,816,934
	3,861,307,237	2,855,422,636	2,146,240,972
INCOME BEFORE INCOME TAX	1,149,895,229	685,987,035	385,053,428
INCOME TAX EXPENSE (BENEFIT) (Note 20)			
Current	17,357,825	22,921,696	10,936,665
Deferred	(378,556,060)	(394,339,387)	(114,718,144)
	(361,198,235)	(371,417,691)	(103,781,479)
NET INCOME	P 1,511,093,464	P 1,057,404,726	P 488,834,907
Earnings Per Share (Note 24)	P 1.66	P 1.22	P 0.95

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001)

	2003	2002	2001
CAPITAL STOCK (Notes 16 and 22)			
Preferred Stock - P10 par value			
Authorized - 485,000,000 shares			
Issued and outstanding - none			
Balance at beginning of year	P –	P –	P 3,349,635,700
Conversion to common stock	–	–	(3,349,635,700)
Balance at end of year	–	–	–
Common Stock - P10 par value			
Authorized - 1,015,000,000 shares			
Issued and outstanding -908,189,550 shares in 2003 and 2002; 776,018,978 in 2001			
Balance at beginning of year	9,081,895,500	7,760,189,780	105,000,000
Issuance of additional shares of stock	–	1,321,705,720	7,655,189,780
Balance at end of year	9,081,895,500	9,081,895,500	7,760,189,780
ADDITIONAL PAID-IN CAPITAL			
Balance at Beginning of Year	1,850,013,255	1,270,312,017	2,050,000
Premium on Issuance of Additional Common Stock	–	579,701,238	1,268,262,017
Balance at End of Year	1,850,013,255	1,850,013,255	1,270,312,017
TREASURY SHARES - At Cost			
Balance at Beginning of Year	–	(784,553,710)	–
Treasury Stock Sold (Acquired)	(49,281,100)	784,553,710	(784,553,710)
Balance at End of Year	(49,281,100)	–	(784,553,710)
SURPLUS RESERVES			
Balance at Beginning of Year	40,041,854	26,155,945	19,828,301
Transfer from Surplus Free (Note 21)	26,468,999	13,885,909	6,327,644
Balance at End of Year	66,510,853	40,041,854	26,155,945
SURPLUS FREE			
Balance at Beginning of Year	2,677,393,062	1,633,874,245	2,187,191,231
Net Income	1,511,093,464	1,057,404,726	488,834,907
Transfer to Surplus Reserve (Note 21)	(26,468,999)	(13,885,909)	(6,327,644)
Cash Dividends (Note 16)	(227,047,388)	–	–
Stock Dividends (Note 16)	–	–	(1,035,824,249)
Balance at End of Year	3,934,970,139	2,677,393,062	1,633,874,245
UNREALIZED DECLINE IN VALUE			
OF AVAILABLE FOR SALE SECURITIES (Note 5)			
Balance at Beginning of Year	(24,548,312)	(900,952)	(36,155,215)
Decline in Value	(9,116,006)	(23,647,360)	–
Recovery in Value	–	–	35,254,263
Balance at End of Year	(33,664,318)	(24,548,312)	(900,952)
EQUITY SHARE IN RESERVE FOR FOREIGN			
EXCHANGE FLUCTUATION (Notes 9 and 16)	4,417,576	–	–
TOTAL EQUITY	P14,854,861,905P	13,624,795,359 P	9,905,077,325
Net Gains (Losses) Directly Recognized in Equity	(P4,698,430)	(P23,647,360)	P 35,254,263

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001)

	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES			
Income Before Income Tax	P 1,149,895,229	P 685,987,035	P 385,053,428
Adjustments for:			
Depreciation and amortization	169,473,509	165,932,359	130,315,577
Amortization of deferred charges	95,351,660	109,460,862	65,248,480
Equity in net losses (earnings) of investee companies	(2,648,108)	56,861,717	23,496,901
Gain on sale of assets acquired	(7,728,618)	(9,195,549)	(4,073,102)
Interest expense	4,862,160,472	3,014,232,047	3,687,320,904
Interest income	(8,511,079,913)	(5,277,320,001)	(5,410,031,814)
Operating Loss Before Changes in Operating Resources and Liabilities	(2,244,575,769)	(1,254,041,530)	(1,122,669,626)
Decrease (increase) in:			
Interbank call loans receivable	(6,975,579,875)	(387,186,667)	(176,657,465)
Securities purchased under reverse repurchase agreements	(675,000,000)	–	–
Trading account securities	(127,901,372)	(6,676,869,852)	224,128,555
Investments in bonds and other debt instruments	(11,629,225,651)	(17,765,573,859)	(4,146,900,955)
Receivables from customers	(3,744,796,963)	(13,864,305,457)	(6,551,194,307)
Real and other properties owned or acquired	487,461,108	(938,492,681)	(634,454,444)
Other resources	(1,244,525,406)	105,678,323	(1,251,981,902)
Increase in:			
Deposit liabilities	10,500,285,056	26,733,916,204	8,996,658,256
Accrued interest, taxes and other expenses	269,538,229	214,880,287	49,377,855
Other liabilities	2,099,106,337	980,554,913	178,374,371
Cash Used in Operations	(13,285,214,306)	(12,851,440,319)	(4,435,319,662)
Interest Received	8,091,024,192	4,882,940,587	5,359,154,041
Interest Paid	(4,425,490,335)	(2,780,043,155)	(3,644,586,879)
Cash Paid for Income Taxes	(22,318,036)	(22,921,696)	–
Net Cash Used in Operating Activities	(9,641,998,485)	(10,771,464,583)	(2,720,752,500)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Acquisitions of Bank Premises, Furniture Fixtures and Equipment	(347,737,220)	(160,875,986)	(414,965,930)
Net Additions to (Deductions from) Equity Investments	(156,378,736)	2,711,102	(905,649,958)
Deposits Under Escrow	(257,669,421)	(2,931,676,595)	–
Net Cash Used in Investing Activities	(761,785,377)	(3,089,841,479)	(1,320,615,888)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Proceeds from Bills Payable	13,428,032,643	1,400,988,852	974,936,305
Dividends Paid	(227,047,388)	–	–
Sale (Acquisition) of Treasury Shares	(49,281,100)	784,553,710	(784,553,710)
Proceeds from Unsecured Subordinated Debt	–	1,111,720,000	–
Assumption of First e-Bank Corporation's Deposit and Other Liabilities	–	10,000,000,000	–
Proceeds from Additional Issuance of Capital Stock	–	1,901,406,958	4,537,991,848
Net Cash From Financing Activities	13,151,704,155	15,198,669,520	4,728,374,443
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,747,920,293	1,337,363,458	687,006,055
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	2,400,337,225	1,793,420,394	1,049,372,051
Due from Bangko Sentral ng Pilipinas	2,286,724,883	1,381,456,154	1,937,681,175
Due from other banks	1,412,989,583	1,587,811,685	1,088,628,952
	6,100,051,691	4,762,688,233	4,075,682,178
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	3,249,915,450	2,400,337,225	1,793,420,394
Due from Bangko Sentral ng Pilipinas	1,991,978,346	2,286,724,883	1,381,456,154
Due from other banks	3,606,078,188	1,412,989,583	1,587,811,685
	P 8,847,971,984	P 6,100,051,691	P 4,762,688,233

Supplemental Information on Noncash Financing Activities

The following are the significant noncash transactions of the Bank in 2001 (see Notes 16 and 22):

- Declaration of the Bank's 88,080,293 shares of common stock by way of stock dividends amounting to P1,035,824,249 from surplus free as of December 31, 2000 in favor of preferred stockholders of record as of December 31, 1999, 1998 and 1997;
- Issuance of the Bank's 113,831,572 shares of common stock in exchange for SM Keppel Land, Inc.'s 217,909,997 shares of common stock with a par value of P1 per share with a total value of P1.3 billion;
- Additional issuance of the Bank's 18,539,541 shares of common stock in consideration for various real properties with total appraised value of P218,025,000;
- Conversion of 26,700,000 Dao Heng Bank, Inc. common shares of stock into 171,841,747 shares of common stock of the Bank; and,
- Conversion of 334,963,570 preferred shares of the Bank to 284,832,968 common shares.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (DECEMBER 31, 2003, 2002 AND 2001)

1. CORPORATE INFORMATION

On August 5, 1996, the Bangko Sentral ng Pilipinas (BSP) granted approval to Banco de Oro Universal Bank (the "Bank") to operate as an expanded commercial bank. The Bank commenced operations as such in September of the same year. The Bank was authorized to engage in trust operations on September 18, 1987 and in foreign currency deposit operations on November 23, 1990. At the end of 2003, the Bank has 174 branches, 120 on-site, 99 off-site and 41 back office automated teller machines.

The Bank has six subsidiaries engaged in allied undertakings, namely:

Subsidiary	Nature of Business
BDO Capital and Investment Corporation (BDO Capital) – 100% owned	Investment house
BDO Financial Services, Inc. (BDO Financial) – 99.995% owned	Foreign exchange dealer
BDO Insurance Brokers, Inc. (BDO Insurance) – 99.8% owned	Insurance broker
BDO Card Corporation (BDO Card) – 59.99% owned	Credit card
BDO Realty Corporation (BDO Realty) – 99.99% owned	Real estate
Banco Santander Philippines, Inc. (BSPI) – 90% owned	Commercial bank

The Bank's registered address is at 12, ADB Avenue, Ortigas Center, Mandaluyong City. It operates within the Philippines and employs 3,457 personnel as of December 31, 2003 (2,417 personnel in 2002).

The Bank's common shares totaling 952,708,650 were listed at the Philippine Stock Exchange (PSE) effective April 24, 2002 (see Note 16).

The financial statements of the Bank for the year ended December 31, 2003 were authorized for issue by the Bank's President on March 15, 2004.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Financial Statements

The consolidated financial statements have been prepared in accordance generally accepted accounting principles and reporting practices applicable to the banking industry in the Philippines.

The consolidated financial statements have been prepared on a historical cost basis except for the measurement at market value of trading account securities and certain derivative instruments.

The accounting policies have been consistently applied by the Bank and are consistent with those used in the previous years.

Principles of Consolidation

The consolidated financial statements comprise the accounts of the Bank (parent company), its subsidiaries (BDO Capital, BDO Financial, BDO Insurance, BDO Card, BDO Realty and BSPI) and Santander Investment Securities Philippines, Inc. (SISPI), an indirect subsidiary, after elimination of material intercompany transactions.

Subsidiaries are consolidated from the date the parent company obtains control until such time that such control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting principles.

The minority interest components in the consolidated financial statements, being not material amounts, are shown as part of Other Liabilities and Other Operating Expenses.

Adoption of New Accounting Standards

In 2003, the Bank adopted the following Statements of Financial Accounting Standards ("SFAS"/International Accounting Standards ("IAS") issued by the Accounting Standards Council ("ASC") which became effective on January 1, 2003, that are relevant to the Bank:

SFAS 8A	: Deferral of Foreign Exchange Differences
SFAS 10/IAS 10	: Events After the Balance Sheet Date
SFAS 37/IAS 37	: Provisions, Contingent Liabilities and Contingent Assets
SFAS 38/IAS 38	: Intangible Assets

The Bank's adoption of the other new accounting standards did not result in any adjustments to the financial statements of prior years.

In 2002 and prior years, the Bank adopted the new pronouncements issued by the ASC which became effective in those years.

Certain accounts in the 2002 and 2001 financial statements have been reclassified to conform to the 2003 presentation and classification.

New Accounting Standards Effective Subsequent to 2003

The following new accounting standards issued by the ASC will be effective subsequent to 2003:

- SFAS 12/IAS 12, *Income Taxes*. This new standard, which becomes effective on January 1, 2004, prescribes the accounting treatment for current and future tax consequences of the future recovery or settlement of the carrying amount of assets or liabilities that are recognized in the consolidated statement of condition of an entity and transactions and other events of the current period that are recognized in the entity's consolidated financial statements.
- SFAS 17/IAS 17, *Leases*. This new standard, which becomes effective on January 1, 2004, prescribes the accounting policies and disclosures to be applied to finance and operating leases. A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. SFAS 17/IAS 17 requires a lessee to recognize finance leases as resources and liabilities in its consolidated statement of condition. SFAS 17/IAS 17 also provides that lease payments under an operating lease should be recognized as an expense in the consolidated statement of income on a straight line basis over the lease term.
- SFAS 21/IAS 21, *The Effects of Changes in Foreign Exchange Rates*. This new accounting standard requires the recognition of foreign exchange differences as income or as expenses in the period in which they arise and allows capitalization of foreign exchange losses only under certain restrictive conditions. This standard will become effective for the period beginning on or after January 1, 2005.

The Bank will adopt SFAS 12/IAS 12 and SFAS 17/IAS 17 in 2004 and SFAS 21/IAS 21 in 2005 as required, and is currently determining the impact of the adoption of these new accounting standards in its consolidated financial statements.

Cash Equivalents

For purposes of reporting cash flows, cash equivalents include cash and other cash items and amounts due from BSP and other banks.

Securities Purchased Under Reverse Repurchase Agreements

The Bank enters into short-term purchases of securities under reverse repurchase agreements of substantially identical securities with the BSP. Interest earned on resale agreements are reported as interest income.

Trading Account Securities (TAS)

TAS are presented at their fair market values in accordance with BSP Circular No. 161. TAS are debt securities purchased and held principally with the intention of selling them in the near term. These securities have readily determinable fair market values and are marked-to-market. Any unrealized or realized gains or losses are recognized and booked as part of trading gain or loss account.

This account also includes Available-for-Sale Securities which are purchased and held indefinitely but not until maturity nor for trading purposes. The Bank anticipates that the securities will be available to be sold in response to liquidity needs and/or reduction in legal reserves, liquidity reserves, liquidity floor, security deposits and/or allowable alternative investments. These securities are valued daily at fair market values to account for both upward and downward market movements. However, unrealized gains or losses are excluded from reported earnings and reported as a separate component of equity until realized.

Investments in Bonds and Other Debt Instruments

Investments in bonds and other debt instruments are stated at cost adjusted for amortization of premium and accretion of discount.

Receivables from Customers

Receivables from customers are stated at the outstanding balance reduced by unearned discount and allowance for probable losses.

Unearned discount is amortized monthly to income over the life of the loans using the straight-line method. Interest income on nondiscounted loans is accrued monthly as earned, except in the case of nonaccruing loans.

Loans are classified as nonaccruing when the principal becomes past due, or when, in the opinion of management, collection of interest and principal is already doubtful. Interest income on these loans is recognized only to the extent of cash collections received. Loans are not classified as accruing until interest and principal payments are brought to current status or the loan is restructured in accordance with existing BSP regulations, and future collections appear assured.

The allowance for probable losses is the estimated amount of losses in the Bank's loan portfolio, based on the evaluation of the collectibility of loans and prior loan loss experience. It is established through a provision for probable loss charged to expense. Loans are written off against the allowance for probable losses when management believes that the collectibility of the principal is unlikely, subject to BSP regulations.

Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed on the straight-line method over the estimated useful lives of the depreciable assets as follows:

Buildings	10 - 25 years
Furniture, fixtures and equipment	5 years

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge for depreciation is made in respect of those assets.

Revenue Recognition

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

- Interest – as the interest accrues (taking into consideration the effective yield on the asset) unless collectibility is in doubt based on BSP guidelines.
- Profit from assets sold or exchanged – when the title to the assets is transferred to the buyer or as gross profit is realized in the case of sale accounted for as installment sale, or when the collectibility of the entire sales price is reasonably assured.
- Service charges and penalties – recognized as earned when collected and/or when there is reasonable degree of certainty as to their collectibility.

Securities Transactions

Securities transactions of SISPI and related commission revenues and expenses are recorded on the transaction-date basis.

Equity Investments

Equity investments in companies where the Bank exercises significant influence are accounted for using the equity method. Under the equity method, the Bank recognizes in its statement of income its share in the earnings or losses of the investees. The cost of the investments is increased or decreased by the Bank's equity in net earnings or losses of the investees since the dates of acquisition. Dividends received are recorded as reduction in the carrying values of the investments.

Under BSP regulations, the use of the equity method of accounting for investments in shares of stock is allowable only where ownership is more than 50%. The use of the equity method of accounting for the equity interest of 20% to 50% is being made for financial reporting purposes to comply with the provisions of SFAS 27/IAS 27 issued by the ASC and is not intended for BSP reporting purposes.

Real and Other Properties Owned or Acquired (ROPA)

Assets acquired in settlement of loans are recorded at the lower of bid price or appraised value, and balance of total loan exposure at the time of foreclosure.

Deferred Charges

Costs incurred relative to the purchase of the Bank's branch licenses are treated as cost of such branch licenses and are carried as "Deferred Charges" (shown under Other Resources in the statement of condition). Such deferred charges are amortized over five years from the date of actual acquisition or transfer of the specific branch license to the Bank. This account also includes the cost of system software and other expenditures related to the conversion of the Bank's information technology system.

Exchange Membership Seat

Membership in stock exchange of SISPI comprising of 50,000 shares of stock and a trading ring is carried at cost net of accumulated impairment loss and is presented in the 2003 consolidated statement of condition as part of Other Resources account.

Foreign Exchange Transactions

The accounting records of the Bank are maintained in Philippine pesos. Foreign currency transactions during the year are translated into Philippine pesos at exchange rates which approximate those prevailing on transaction dates. Foreign currency monetary assets and liabilities at the date of the statement of condition are translated into Philippine pesos at exchange rate which approximate those prevailing on that date. Exchange gains and losses are recognized in the profit and loss accounts.

Impairment of Assets

The carrying values of bank premises, furniture, fixtures and equipment; equity investments; ROPA; other resources; and other intangible assets are reviewed for impairment when events or changes in circumstances indicate that their carrying values 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 amount. The recoverable amount of these assets is the greater of net selling price and value in use.

Forward Contracts

The Bank is a party to foreign exchange contracts entered into as a service to customers and as a means of reducing or managing the Bank's foreign exchange exposures.

For derivative contracts that are designated and qualify as hedges, the discount or premium is amortized over the term of the contract and the revaluation gains or losses are deferred or recognized as income or expense to match the treatment for the hedged item. Derivative instruments which are not designated as hedges are marked-to-market with the revaluation gains and losses credited to or charged against current operations.

Employee Benefits

The Bank has a defined benefit pension plan covering all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee. The cost of providing benefits under the plan is determined using the projected unit credit actuarial cost method, which utilizes the normal cost, actuarial accrued liability and unfunded actuarial liability concepts. Past service cost is amortized and actuarial gains and losses are recognized over the expected remaining working lives of the employees covered by the plan.

Income Taxes

The Bank uses the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial reporting bases of assets and liabilities and their related tax bases. Deferred income tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided for the portion of deferred income tax assets which is not expected to be realized in the future.

Earnings Per Share (EPS)

Earnings per common share are determined by dividing net income by the weighted average number of common shares subscribed and issued during the year, after retroactive adjustment for any stock dividend declared in the current year.

Use of Estimates

In accordance with generally accepted accounting principles, the preparation of the consolidated financial statements requires the Bank to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Although these estimates are based on the Bank's knowledge of current events and actions it may undertake in the future, these estimates may significantly differ from actual results.

3. DUE FROM OTHER BANKS

The balance of this account is composed of regular deposits with the following:

	2003		2002	
Local banks	P 1,506,141,495	P 38,283,298		
Foreign banks	2,099,936,693	1,374,706,285		
	P 3,606,078,188	P 1,412,989,583		

Interest rates on these deposits range from 1% to 1.5% per annum in 2003 and 1% to 3% per annum in 2002.

4. INTERBANK CALL LOANS RECEIVABLE

The maturity profile of this account follows:

	2003		2002	
Within one year	P 8,563,483,319	P 7,702,363,444		
Between one year and five years	6,114,460,000	-		
	P 14,677,943,319	P 7,702,363,444		

Interest rates on interbank call loans receivable range between 1% and 9% per annum in 2003 and 1.3% and 10.1% per annum in 2002.

5. TRADING ACCOUNT SECURITIES

This account, stated at market value, is composed of the following:

	2003		2002	
Government securities purchased	P 5,946,759,856	P 7,310,116,432		
Securities available for sale	2,333,032,922	814,597,743		
Others	24,186,169	51,363,400		
Total	P 8,303,978,947	P 8,176,077,575		

Government securities purchased represent treasury bills which earn interest at 5% to 17.7% per annum in 2003 and 5.5% to 12.2% per annum in 2002.

Securities available for sale pertain to government bonds and bonds issued by resident and non-resident corporations earning interest at 5.8% to 9.4% per annum in 2003 and 4% to 9% per annum in 2002.

6. INVESTMENTS IN BONDS AND OTHER DEBT INSTRUMENTS

The balance of this account is composed of the following (amounts in thousands):

	2003		2002	
Maturity within one year	P 7,003,090	P 6,325,162		
Maturity between one year and five years	20,947,701	16,204,549		
Beyond five years	16,217,590	10,018,560		
Total	44,168,381	32,548,271		
Allowance for probable losses	(441,656)	(441,656)		
Net	P 43,726,725	P 32,106,615		

8. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

A reconciliation of the carrying amounts at the beginning and end of 2003 and the gross carrying amounts and the accumulated of bank premises, furniture, fixtures and equipment are shown below (amounts in thousands):

	Furniture Fixtures and Equipment		Buildings		Leasehold Rights and Improvement		Land		Total	
Balance at January 1, 2003, net of accumulated depreciation	P 295,598,648	P 75,768,783	P 106,306,143	P 318,767,068	P 796,440,642					
Additions	300,715,010	25,506,837	43,639,781	-	369,861,628					
Disposals	(15,870,258)	(6,117,000)	(137,150)	-	(22,124,408)					
Depreciation charge for the year	(141,513,145)	(6,891,000)	(21,069,364)	-	(169,473,509)					
Balance at December 31, 2003, net of accumulated depreciation	P 438,930,255	P 88,267,620	P 128,739,410	P 318,767,068	P 974,704,353					
January 1, 2003										
Cost	1,007,435,022	108,429,778	106,306,143	318,767,068	1,540,938,011					
Accumulated depreciation	(711,836,374)	(32,660,995)	-	-	(744,497,369)					
Net carrying amount	P 295,598,648	P 75,768,783	P 106,306,143	P 318,767,068	P 796,440,642					
December 31, 2003										
Cost	P 1,338,760,494	P 126,430,580	P 133,262,711	P 318,767,068	P 1,917,220,853					
Accumulated depreciation	(899,830,239)	(38,162,960)	(4,523,301)	-	(942,516,500)					
Net carrying amount	P 438,930,255	P 88,267,620	P 128,739,410	P 318,767,068	P 974,704,353					

Interest rates on these investments range from 2.1% to 16% per annum in 2003 and 2.3% to 16% per annum in 2002.

Changes in the allowance for probable losses (amounts in thousands) are summarized below:

	2003		2002	
Balance at beginning of year	P 441,656	P 77,391		
Provisions during the year	-	364,265		
Balance at end of year	P 441,656	P 441,656		

7. RECEIVABLES FROM CUSTOMERS

This account consists of the following:

	2003		2002	
Loans and discounts	P 50,471,283,884	P 48,476,485,158		
Customers' liabilities under letters of credit and trust receipts	7,191,512,384	5,225,900,257		
Bills purchased	1,490,657,474	833,428,615		
Total	59,153,453,742	54,535,814,030		
Unearned discount	(17,038,168)	(23,321,208)		
Allowance for probable losses	(2,942,023,403)	(2,062,897,614)		
	(2,959,061,571)	(2,086,218,822)		
Net	P 56,194,392,171	P 52,449,595,208		

Included in these accounts are nonaccruing loans amounting to P4,868.3 million in 2003 and P4,986.6 million in 2002.

The maturity profile of the Bank's loan portfolio follows:

	2003		2002	
Past due loans	P 4,868,292,908	P 4,986,561,762		
Within one year	24,812,328,732	25,208,459,324		
Beyond one year:				
Within five years	15,972,501,677	18,997,507,091		
Beyond five years	13,500,330,425	5,343,285,853		
	P 59,153,453,742	P 54,535,814,030		

As of December 31, 2003, the Bank has an outstanding exposure of about P16,536,598,000 to the manufacturing sector and P10,691,176,000 to financial intermediaries and related sectors, which represent 28% and 18%, respectively, of the total loan portfolio.

The Bank's concentration of credit as to industry follows (amounts in thousands):

	2003		2002	
Manufacturing (various industries)	P 16,536,598	P 14,423,145		
Financial intermediaries	10,691,176	13,443,641		
Wholesale and retail trade	8,877,671	7,282,402		
Real estate, renting and other related activities	8,223,259	5,620,149		
Other community, social and personal activities	4,745,389	4,200,547		
Transportation and communication	3,296,717	2,453,633		
Agriculture, fishing and forestry	1,489,087	1,155,874		
Others	5,293,557	5,956,423		
	P 59,153,454	P 54,535,814		

The breakdown of total loans as to secured and unsecured follows (amounts in thousands):

	2003		2002	
Secured	P 38,331,529	P 32,631,834		
Unsecured	20,821,925	21,903,980		
	P 59,153,454	P 54,535,814		

Secured loans are broken down as follows (amounts in thousands):

	2003		2002	
Real estate mortgage	P 21,187,033	P 18,970,253		
Chattel mortgage	2,633,199	2,083,748		
Other securities	14,511,297	11,577,833		
	P 38,331,529	P 32,631,834		

Banks are required by the BSP to set up a general loan loss provision equivalent to 5% of the outstanding balance of unclassified restructured loans less the outstanding balance of restructured loans which are considered non-risk and 1% of the outstanding balance of unclassified loans other than restructured loans less loans which are considered non-risk.

The BSP also requires banks to establish specific allowance for probable losses on loans and other risk assets in accordance with the following classification:

Classification	Required Allowance
Unclassified	0%
Loans especially mentioned	5%
Substandard - secured	10%
Substandard - unsecured	25%
Doubtful	50%
Loss	100%

The changes in the allowance for probable losses are summarized below:

	2003		2002	
Balance at beginning of year	P 2,062,897,614	P 1,870,153,863		
Provisions during the year	863,743,903	236,593,165		
Additions from the acquisition of BSP1	20,552,637	-		
Reversal during the year	(4,323,679)	-		
Accounts written-off	(847,072)	(43,849,414)		
Balance at end of year	P 2,942,023,403	P 2,062,897,614		

Depreciation and amortization expense amounted to P169,473,509 in 2003, P165,932,359 in 2002 and P130,315,577 in 2001 (shown under Occupancy account in the consolidated statements of income).

The BSP requires that investments in fixed assets do not exceed 50% of the Bank's unimpaired capital. As of December 31, 2003, the Bank satisfactorily complies with this BSP requirement.

9. EQUITY INVESTMENTS

The Bank's equity investments consist of the following:

	2003	2002
At equity:		
Acquisition cost:		
SM Keppel Land, Inc. - 49.99% owned	P 1,294,043,842	P 1,294,043,842
Generall Pilipinas Holdings, Inc. (GPHI) - 40% owned	398,192,386	248,192,386
	<u>1,692,236,228</u>	<u>1,542,236,228</u>
Accumulated equity in net losses:		
Balance at beginning of year	(93,291,999)	(36,430,282)
Equity in net earnings (losses) during the year	2,648,108	(56,861,717)
Balance at end of year	<u>(90,643,891)</u>	<u>(93,291,999)</u>
Equity share in reserve for foreign exchange fluctuation (see Note 16)	4,417,576	-
Total at equity	<u>1,606,009,913</u>	<u>1,448,944,229</u>
At cost:		
Various investments	37,472,090	31,783,884
Allowance for decline in value of investments	(6,813,984)	(7,459,514)
Net	<u>30,658,106</u>	<u>24,324,370</u>
Equity Investments	<u>P 1,636,668,019</u>	<u>P 1,473,223,599</u>

On August 26, 2003, the BSP, through its Monetary Board (MB) approved the Bank's additional investment to GPHI amounting to P150 million

10. REAL AND OTHER PROPERTIES OWNED OR ACQUIRED

This account is composed of the following:

	2003	2002
Real and other properties owned or acquired	P 5,373,053,180	P 5,396,071,184
Allowance for probable losses	(750,040,486)	(293,326,000)
Net	<u>P 4,623,012,694</u>	<u>P 5,102,745,184</u>

The changes in the allowance for probable losses are summarized below:

	2003	2002
Balance at beginning of year	P 293,326,000	P 116,225,639
Provisions during the year	450,047,772	177,100,361
Additions from the acquisition of BSPI	7,950,150	-
Accounts written off	(1,283,436)	-
	<u>P 750,040,486</u>	<u>P 293,326,000</u>

The Bank's ROPOA as of December 31, 2003 include convertible preferred shares of Philippine Long Distance Telephone Company (PLDT) amounting to P17.2 million (net of P8 million allowance for probable losses), which were acquired by BSPI in connection with the debt restructuring of PLDT's subsidiary, Pilipino Telephone Company.

11. OTHER RESOURCES

Other resources consist of the following:

	2003	2002
Deposits under escrow (see Note 22)	P 3,189,346,016	P 2,931,676,595
Accrued interest receivable	2,015,442,605	1,606,620,892
Deferred income tax - net (see Note 20)	1,271,267,612	835,492,872
Accounts receivable - net	1,249,918,921	491,442,188
Foreign currency notes and coins on hand	695,514,227	392,179,979
Deferred charges - net of amortization	250,430,703	145,550,239
Returned checks and other cash items	159,456,592	219,236,468
Others - net of accumulated impairment loss of P66,000,000 in 2003 (see Note 20)	952,970,456	973,260,689
Total	<u>9,784,347,132</u>	<u>7,595,999,922</u>
Allowance for probable losses:		
Accrued interest receivable	(224,991,296)	(226,976,800)
Others	(268,683,591)	(266,448,000)
Total	<u>(493,674,887)</u>	<u>(493,424,800)</u>
Net	<u>P 9,290,672,245</u>	<u>P 7,102,575,122</u>

Deposits under escrow pertain to the portion of the cash obtained by the Bank in consideration for the assumption of First e-Bank Corporation's deposit and other liabilities amounting to P2,931,400,006 in 2003 and P2,931,676,595 in 2002 and 10% of BSPI's total outstanding shares of stock amounting to P257,946,010 in 2003 (see Note 22). These assets were deposited with the Bank's Trust Department (see Note 21) and to a third party agent which act as escrow agents.

Amortization expense on deferred charges amounted to P95,351,660 in 2003, P109,460,862 in 2002 and P65,248,480 in 2001 and are included in Other Operating Expenses account in the consolidated statements of income (see Note 17).

The changes in the allowance for probable losses are summarized below:

	2003	2002
Balance at beginning of year	P 493,424,800	P 102,932,716
Provisions during the year	371,087	392,041,284
Accounts written off	(121,000)	(1,549,200)
Balance at end of year	<u>P 493,674,887</u>	<u>P 493,424,800</u>

12. DEPOSIT LIABILITIES

The maturity profile of the Bank's deposit liabilities follows (amounts in thousands):

	2003	2002
Within one year	P 81,766,179	P 80,927,256
Between one year and five years	8,503,234	697,437
Beyond five years	12,655,994	10,800,429
	<u>P 102,925,407</u>	<u>P 92,425,122</u>

13. BILLS PAYABLE

Bills payable represent the Bank's fund borrowings from BSP, other banks and financial intermediaries, other entities and money market borrowings at interest rates of 1% to 13.7% per annum in 2003 and 1.3% to 13.7% per annum in 2002.

The maturity profile of the Bank's bills payable follows (amounts in thousands):

	2003	2002
Within one year	P 11,096,721	P 3,508,584
Between one year and five years	12,500,109	2,495,805
Beyond five years	410,894	4,575,303
	<u>P 24,007,724</u>	<u>P 10,579,692</u>

On July 16, 2003, the Board of Directors (BOD) approved the issuance of at least US\$100 million senior notes in the international capital market with maturity of five years. Consequently, on October 16, 2003, the Bank listed 6.5% US\$150 million senior notes in the Singapore Stock Exchange which will mature on October 16, 2008. The net proceeds from the issuance of senior notes amounted to US\$147 million or P8.89 billion. Interest expense incurred by the Bank on these senior notes amounted to P114,842,272 (shown under Interest Expense on Bills Payable and Other Borrowings account in 2003 consolidated statement of income).

14. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

The breakdown of this account follows:

	2003	2002
Accrued interest payable	P 1,128,063,004	P 636,547,442
Withholding tax payable	114,153,388	75,239,894
Others	158,988,436	5,527,162
	<u>P 1,401,204,828</u>	<u>P 717,314,498</u>

15. OTHER LIABILITIES

Other liabilities consist of the following:

	2003	2002
Sundry credits	P 1,434,258,682	P 796,285,706
Unsecured subordinated debt	1,111,720,000	1,111,720,000
Outstanding acceptances payable	897,707,310	229,018,286
Accounts payable	463,795,181	176,388,996
Minority interest in subsidiaries	290,139,506	38,500,123
Manager's checks	284,009,143	298,966,711
Due to insurance companies	222,322,696	150,216,510
Capitalized interests and other charges	108,672,122	104,970,522
Due to BSP	63,679,203	43,114,386
Margin deposits	47,372,603	59,732,554
Others	838,194,030	653,850,345
	<u>P 5,761,870,476</u>	<u>P 3,662,764,139</u>

Sundry credits pertain to bills purchase line availments which are settled on the third day from the transaction date.

Capitalized interests and other charges represent interests on restructured receivables from customers. These are recognized as income only upon collection.

On June 27, 2002, the Bank entered into a US\$20 million convertible loan agreement with International Finance Corporation (IFC). IFC has the option to convert the relevant portion of the loan into common shares of the Bank commencing two years after the date of the agreement for P16.70 per share. Total proceeds of the loan amounted to P1,111,720,000. The loan bears interest at a rate of 1.18% per annum and will mature in 2007. Total interest incurred by the Bank in 2003 amounted to P10,497,817.

Minority interest in subsidiaries pertains to the share of minority stockholders in the net assets of BSPI and BDO Card.

16. EQUITY

PSE Listing

The listing of the Bank's common stock was approved by the PSE on April 24, 2002. The Bank initially listed 952,708,650 common shares, with par value of P10 per share consisting of the following:

- 857,694,148 common shares representing issued and outstanding shares of the Bank, which includes 56,350,598 common shares owned by BDO Capital (secondary shares) at an offer price range of P17.80 to P23.80 per share.
- 32,687,702 new common shares to be offered to the public (primary shares) at an offer price range of P17.80 to P23.80 per share. Of the total of 89,038,300 offer shares (primary and secondary shares), up to 4,451,900 common shares were offered to eligible employees of the Bank and its wholly owned subsidiaries pursuant to its Employee Stock Allocation Plan (ESAP) under the same terms and conditions as the offering to the general public.
- Up to 17,807,700 common shares representing shares to cover the option granted by the Bank to BPI Capital Corporation, Issue Manager and Lead Underwriter, to purchase additional shares at the offer price, under the same terms and conditions as the offering to the general public, solely to cover over-allotments, if any.
- Up to 44,519,100 common shares to cover its Employee Stock Option Plan (ESOP).

The Bank received from the Securities and Exchange Commission (SEC) the certificate of permit to offer securities for sale consisting of 952,708,650 common shares with par value of P10 per share on May 2, 2002.

The proceeds from the sale of the Bank's listed shares amounted to about P2.2 billion.

Capital Stock

The following are the features of the Bank's preferred stock:

- Cumulative at 12% per annum;
- Convertible into common stock at the option of the holders whenever the rights of the holders arising from the cumulative feature of the stock is not satisfied within three years from the date of issue; and
- Redeemable only upon prior approval of the BSP.

On December 20, 1999, the BOD and stockholders approved the increase in the Bank's authorized capital stock from P5 billion divided into 1,500,000 shares of common stock and 48,500,000 shares of preferred stock, both with a par value of P100 each share, to P15 billion divided into 1,015,000,000 shares of common stock and 485,000,000 shares of preferred stock, both with a par value of P10 each share. Relative to the increase, 392,293,153 shares of common stock with a par value of P10 each share have been actually subscribed and fully paid in the amount of P4,585,752,034, including premium over par amounting to P662,823,505 by way of the following:

- Declaration of 88,080,293 shares of common stock by way of stock dividends amounting to P1,035,824,249 from surplus free as of December 31, 2000 in favor of preferred stockholders of record as of December 31, 1999, 1998, and 1997 (this was approved by the BSP on May 2, 2001);
- Issuance of the Bank's 113,831,572 shares of common stock in exchange for SM Keppel Land, Inc.'s 217,909,997 shares of common stock with par value of P1 per share with a total value of about P1.3 billion;
- Issuance of the Bank's 18,539,541 shares of common stock in consideration for various real property with total appraised value of P218,025,000; and
- Conversion of 26,700,000 common shares of stock of Dao Heng Bank, Inc. (DHB) into 171,841,747 shares of common stock of the Bank (see Note 22). The premium over par on this conversion amounted to P319,441,474.

In 2001, the conversion of 334,963,570 preferred shares of the Bank to 284,832,968 common shares was likewise effected.

The application for the increase in authorized capital stock was approved by the BSP on February 14, 2001 and by the SEC on June 15, 2001.

The BOD and the Bank's stockholders approved the following additional amendment to the Bank's Articles of Incorporation, on March 25, 2000 and March 31, 2000, respectively, which provided that preferred shares shall now be classified as follows:

- Preferred shares series A - shall consist of the preferred stock issued and outstanding as of March 25, 2000 and which has a vested right to receive dividend of 12% per annum payable out of the surplus profits before any dividends on the common stock of the Bank.
- Preferred shares series B - shall consist of all other preferred stock which shall be issued subsequent to March 25, 2000 and which shall also be entitled to dividends before any dividends are declared on the common stock of the Bank as the BOD may determine.

The additional amendment to the Bank's Articles of Incorporation was approved by the BSP on December 15, 2000 and by the SEC on June 15, 2001.

Unimpaired Capital

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent of its risk assets. The unimpaired capital of the Bank for purposes of determining the capital-to-risk assets ratio is total equity excluding:

- unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- total outstanding unsecured credit accommodations to related interests (DOSRI);
- deferred income tax asset or liability;
- accumulated equity in earnings of investee where the Bank holds 50% or less but where the equity method of accounting has been applied; and,
- appraisal increment on property and equipment other than those allowed to be recognized in connection with a merger or acquisition.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out or on 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 MB of the BSP.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

Minimum Capital Requirement

Under an existing BSP circular, expanded commercial banks are required to comply with the following minimum capital requirements:

- P4.95 billion on or before December 31, 1999; and
- P5.40 billion on or before December 31, 2000.

However, on August 21, 2000, the MB suspended the required level of capitalization prescribed for banks on or before December 31, 2000, such that the 1999 minimum capitalization requirement still prevails.

As of the dates of the consolidated statements of condition, the Bank has complied with the above capitalization requirement.

Surplus Free

On March 10, 2003, the Bank declared cash dividends amounting to P227 million to its stockholders on record as of June 4, 2003. The dividends were paid subsequently on July 1, 2003.

In 2003, the Bank recognized equity share in reserve for foreign exchange fluctuation of GPHI amounting to P4,417,576 (see Note 9).

17. MISCELLANEOUS INCOME AND OTHER OPERATING EXPENSES

Miscellaneous Income is composed of the following:

	2003	2002	2001
Income from assets acquired	P 45,502,491	P 4,366,747	P 65,602
Foreign exchange profit - net	-	165,031,386	292,262,686
Miscellaneous - net	154,533,920	261,290,392	48,203,217
	P 200,036,411	P 430,688,525	P 340,531,505

Other Operating Expenses consist of the following:

	2003	2002	2001
Insurance	P 211,247,599	P 131,404,908	P 101,439,082
Security, clerical and janitorial	162,437,183	116,260,210	96,012,232
Representation and entertainment	130,782,567	100,038,094	74,225,088
Amortization of deferred charges (see Note 11)	95,351,660	109,460,862	65,248,480
Issuance of senior notes (see Note 13)	89,540,714	-	-
Repairs and maintenance	88,514,299	59,249,737	50,088,031
Management and other professional fees	78,927,963	76,394,637	22,046,272
Traveling	77,140,865	62,828,891	49,827,361
Banking fees	63,100,000	43,000,000	30,130,941
Power, light and water	62,358,279	40,936,346	36,336,717
Information technology	60,336,585	41,397,938	29,110,352
Miscellaneous	172,031,857	189,107,643	167,352,378
	P 1,291,769,571	P 970,079,266	P 721,816,934

18. RETIREMENT PLAN

The Bank has a funded, noncontributory retirement plan covering substantially all of its qualified employees. The retirement fund is administered by the Bank's Trust Department, which acts as a trustee under the plan. The benefits are based on the years of service and percentage of final monthly basic salary. The total retirement cost contribution charged to expense (included under Compensation and Employee Benefits account in the consolidated statements of income) amounted to P59,600,000 in 2003, P124,200,000 in 2002 and P49,200,000 in 2001.

As of March 31, 2002, the date of the latest actuarial valuation, the fair value of the plan assets amounting to P182,715,874 is lower than the actuarial present value of retirement benefits amounting to P261,788,873, resulting to an unfunded past service liability of P79,072,999 being amortized over 10 years. As of December 31, 2003, the unfunded past service liability had been paid in full by the Bank. The principal assumptions used in determining the cost of retirement benefits include an annual discount rate of 12% and a salary increase of 10% per annum compounded annually.

19. LEASE CONTRACTS

The Bank leases the premises for its head office and most of its branch offices for periods ranging from 1 to 15 years from the date of the contracts and renewable upon the mutual agreement of the parties. Rent expense amounted to P256,127,707 in 2003, P207,637,538 in 2002, and P200,805,243 in 2001 (included under Occupancy account in the consolidated statements of income).

The estimated minimum future annual rentals for the next five years follow:

2004	P 193,442,004
2005	224,786,204
2006	253,264,825
2007	284,591,308
2008	319,050,438

20. TAXATION

Income Tax

The current income tax expense substantially represents the 10% final tax on the Foreign Currency Deposit Unit's onshore income. The Bank is liable for regular corporate income tax (RCIT) of P7,378,239 in 2003 and P5,181,663 in 2002. It is also liable for minimum corporate income tax (MCIT) of P23,282,844 in 2003 and P4,032,573 in 2002, which are included as part of Others under the Other Resources account in the consolidated statements of condition (see Note 11). The MCIT can be applied against the Bank's RCIT in the next three years or until 2006 and 2005, respectively.

The components of the Bank's deferred income tax assets (shown under Other Resources account) as of December 31, 2003 and 2002 are as follows:

	2003	2002
Allowance for probable losses on:		
Receivables from customers	P 836,136,473	P 554,816,220
ROPOA	240,012,955	93,864,320
IBODI	141,329,920	141,329,920
Other resources	157,111,590	157,026,875
Sub total	1,374,590,938	947,037,335
Net operating loss carryover (NOLCO)	558,005,992	378,955,727
Unamortized past service cost	50,652,614	40,606,246
Accrual of expenses	24,476,670	39,394,028
Impairment loss (see Note 11)	21,120,000	-
Unrealized loss on asset conversion	13,316,992	-
Unrealized trading gain	(224,865)	-
Total	2,041,938,341	1,405,993,336
Valuation allowance	(770,670,729)	(570,500,464)
	P 1,271,267,612	P 835,492,872

As of December 31, 2003, the Bank has a NOLCO amounting to P1,743,768,725 that can be claimed as deduction against taxable income for the next three consecutive years after the NOLCO was incurred. The deferred income tax asset arising from the 2000 NOLCO amounting to P44,272,290 was written off in the consolidated financial statements since it already expired in 2003.

The breakdown of NOLCO with their corresponding validity periods follow:

Year	Amount	Valid Until
2003	P 644,552,130	2006
2002	598,813,835	2005
2001	500,402,760	2004
	P 1,743,768,725	

Based on management's assessment, the Bank will not realize the income tax benefit arising from NOLCO within the availment period. Accordingly, a valuation allowance of P558,005,992 is provided for the portion of deferred tax assets which is not expected to be realized in the future. The remaining valuation allowance of P212,664,737 represents P191,544,737 and P21,120,000 valuation allowance acquired from DHBH and valuation allowance on impairment loss on SISPI's exchange membership seat, respectively.

Among the significant provisions of the National Internal Revenue Code (NIRC) that apply to the Bank are the following:

- Corporate income tax of 32% is imposed on taxable income net of applicable deductions;
- Fringe benefits tax (same rate as the 32% corporate income tax) is imposed on the grossed-up value of the benefits given by employers to their managerial and supervisory employees (this is a final tax to be paid by the employer);
- MCIT of 2% based on gross income, as defined under the Tax Code, is required to be paid at the end of the year starting on the fourth year from the date of registration with the Bureau of Internal Revenue whenever the RCIT is lower than the MCIT;
- NOLCO is made universally available to all taxpayers engaged in trade or business or practice of profession, subject to certain limitations;
- The amount of interest expense allowed as income tax deduction is reduced by an amount equal to 38% in 2000 and onwards of the interest income subjected to final tax;
- Foreign currency transactions with non-residents of the Philippines and other offshore banking units (offshore income) are tax-exempt;
- Foreign currency transactions with foreign currency deposit units, local commercial banks, and branches of foreign banks are subject to 10% withholding tax;
- Withholding tax of 7.5% is imposed on interest earned by residents under the expanded foreign currency deposit system.

Gross Receipts Tax (GRT)/Value Added Tax (VAT)

In 2002 and prior years, the Bank is subject to tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

- On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:
 - Short-term maturity (not in excess of two years) 5%
 - Medium-term maturity (over two years but not exceeding four years) 3%
 - Long-term maturity -
 - 1. Over four years but not exceeding seven years 1%
 - 2. Over seven years 0%
- On dividends 0%
- On royalties, rentals of property, real or personal, profits from exchange and all other items treated as gross income under Section 32 of the NIRC 5%

Provided, however, that in case the maturity period referred to in paragraph (a) is shortened thru pretermination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction as short, medium or long-term and the correct rate of tax shall be applied accordingly.

Beginning January 1, 2003, the imposition of VAT on banks and financial institutions became effective pursuant to the provisions of Republic Act 9010. The Bank became subject to the VAT of 10% based on its gross receipts, in lieu of the GRT under Sections 121 and 122 of the Tax Code which was imposed on banks, non-banks financial intermediaries and finance companies in prior years.

On January 29, 2004, Republic Act 9238 reverts the imposition of GRT on banks and financial institutions. This law is retroactive on January 1, 2004.

The Bank will adhere to the transitional guidelines to be provided by the Bureau of Internal Revenue (BIR) on the final disposition of the uncollected Output VAT as of December 31, 2003.

Documentary Stamp Tax (DST)

Documentary stamp taxes (at varying rates) are imposed on the following:

- Bank checks, drafts, or certificate of deposit not bearing interest, and other instruments;
- Bonds, loan agreements, promissory notes, bills of exchange, drafts, instruments and securities issued by the Government or any of its instrumentalities, deposit substitute debt instruments, certificates of deposits bearing interest and other not payable on sight or demand;
- Acceptance of bills of exchange and letters of credit; and
- Bills of lading or receipt.

On February 7, 2004, RA 9243 was passed amending the rates of DST, the significant provisions of which are summarized below:

- On every issue of debt instruments, there shall be collected a DST of P1.00 on each P200 or fractional part thereof of the issue price of any such debt instrument. Provided, that for such debt instruments with terms of less than one year, the DST to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days. Provided further, that only one DST shall be imposed on either loan agreement or promissory notes to secure such loan.
- On all sales or transfer of shares or certificates of stock in any corporation, there shall be collected a DST of P.75 on each P200, or fractional part thereof, of the par value of such stock.
- On all bills of exchange or drafts, there shall be collected a DST of P.30 on each P200, or fractional part thereof, of the face value of any such bill of exchange or draft.
- The following instruments, documents and papers shall be exempt from DST:
 - Borrowings and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority,
 - Loan agreements or promissory notes, the aggregate of which does not exceed P250,000 or any such amount as may be determined by the Secretary of Finance, executed by an individual for his purchase on installment for his personal use
 - Sale, barter or exchange of shares of stock listed and traded through the local stock exchange for a period of five years from the effectivity of this act
 - Fixed income and other securities traded in the secondary market or through an exchange
 - Derivatives including repurchase agreements and reverse repurchase agreements
 - Bank deposit accounts without a fixed term or maturity
 - Interbank call loans with maturity of not more than seven days to cover deficiency in reserve against deposit liabilities

21. TRUST OPERATIONS

The following securities and other properties held by the Bank in fiduciary or agency capacity for its customers are not included in the accompanying consolidated statements of condition since these are not properties of the Bank (see Note 26):

	2003	2002
Investments	P 44,135,250,108	P 35,731,258,407
Others	22,735,748,607	10,641,804,860
	P 66,870,998,715	P 46,373,063,267

In compliance with the requirements of the General Banking Act relative to the Bank's trust functions: a) investment in government securities with a total face value of P617 million in 2003 and P366 million in 2002 are deposited with BSP as security for the Bank's faithful compliance with its fiduciary obligations; and b) a certain percentage of the Bank's trust income is transferred to surplus reserve. This yearly transfer is required until the surplus reserve for trust function is equivalent to 20% of the Bank's authorized capital stock.

Income from trust operations are reported net of the related expenses.

22. MERGERS AND ACQUISITIONS

BSPI and SISPI

On July 14, 2003, the Bank acquired 100% of the shares of stock of BSPI from Santander Central Hispano, S.A. (BSCH) and certain minority shareholders at P2.6 billion representing BSPI's adjusted net book value as of July 31, 2003. The total assets and total liabilities of BSPI as of July 31, 2003 amounted to P5,038,599,377 and P2,459,139,279, respectively.

Simultaneous with the acquisition, the Bank executed an Escrow Agreement with BSCH whereby 10% of the purchase price and 10% of BSPI's shares were held by the escrow agent to be acquired by the Bank on a date mutually agreed upon by and between the Bank and BSCH which shall not exceed a period of six months from the first closing date. The 10% purchase price held under escrow amounting to P257,946,010 is presented as part of the Other Resources account in the 2003 consolidated statement of condition (see Note 11). This amount and the 10% BSPI shares were subsequently released from escrow on February 26, 2004.

Also, on July 14, 2003, BDO Capital acquired 100% of the shares of stock of SISPI at P28.5 million representing SISPI's adjusted net book value as of July 31, 2003 at P32.746 per share. The total assets and liabilities of SISPI as of July 31, 2003 amounted to P31,921,190 and P3,419,036, respectively.

On February 27, 2004, BSPI changed its name to BDO Private Bank, Inc. as approved by the SEC. Subsequently, on March 1, 2004, the SEC approved the amended articles of incorporation of SISPI which provides for the change in corporate name of SISPI to BDO Securities Corporation.

FIRST e-BANK

In a Memorandum of Agreement (MOA) dated October 22, 2002, the Bank assumed the deposit and other liabilities of First e-Bank Corporation (1st e-Bank), up to a maximum of P10 billion effective October 23, 2002. The breakdown of these liabilities (amounts in millions) follows:

Deposit liabilities	P 9,010
Bills payable	203
Overnight clearing line	779
Other liabilities	8
	P 10,000

In consideration for the assumption of 1st e-Bank's deposit and other liabilities, the Bank obtained P10 billion in October 2002, P2.9 billion of which remains in escrow as of December 31, 2003 pending compliance with certain terms and conditions as stipulated in the MOA (see Note 11).

DHBI

On September 30, 2000 and August 9, 2000, the stockholders of the Bank and DHBI, respectively, approved the "Plan of Merger" of the two banks. As a result of the Plan of Merger, the following were effected:

- The Bank became the surviving corporation and the separate corporate existence of DHBI ceased;
- The Bank acquired all the rights, privileges, properties, branches, offices, and franchises of DHBI, and all property, real or personal, and all receivables due on whatever account, including subscriptions to shares and all and every other interest of, or belonging to, or due to DHBI, shall be taken by and deemed transferred to and vested in the Bank by operation of law and by virtue of and as provided in Section 80 (4) of the Corporation Code, without further act or deed;
- The Bank became responsible and liable for all the liabilities and obligations of DHBI in the same manner as if the Bank had itself incurred such liabilities or obligations, and any pending claim, action or proceeding brought by or against DHBI may be prosecuted by or against the Bank; and,
- The BOD of the Bank and DHBI approved the exchange ratio of 6.4360205:1, or 6.4360205 common shares of the Bank for every one DHBI common share. As of October 30, 2000, the date of Plan of Merger, the Bank had an outstanding capital stock consisting of 1,050,000 common shares all with a par value of P100 per share and 33,496,357 preferred shares all with par value of P100 per share. On the same date, DHBI had an outstanding capital stock consisting of 26,700,000 common shares all with par value of P100 per share. Accordingly, the Bank issued 171,841,747 common shares to the owners of DHBI.

On February 27, 2001 and June 15, 2001, the BSP and SEC, respectively, approved the above merger. Consequently, DHBI's total assets of about P3.907 billion and total liabilities of about P1.869 billion were absorbed by the Bank.

23. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has loan transactions with its affiliates and with certain directors, officers, stockholders and related interests (DOSRI). Under existing policies of the Bank, these loans are made on substantially the same terms as loans granted to other individuals and businesses of comparable risks. The General Banking Act and BSP regulations limit the amount of the loans granted by a Bank to each affiliate to 25% of capital funds. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the deposit and book value of their investment in the Bank. In the aggregate, loans to DOSRI generally should not exceed the total capital funds or 15% of the total loan portfolio of the Bank, whichever is lower.

The following additional information is also presented relative to the DOSRI loans (amounts in thousands of pesos):

	2003	2002
Total outstanding DOSRI loans	P 8,096,587	P 7,565,990
% to total loan portfolio	13.5%	13.8%
% of unsecured DOSRI loans to total DOSRI loans	0.6%	3.0%

In 2003, the Bank has a past due DOSRI loan amounting to about P4.5 million (P5 million in 2002) which represents .06% of the total DOSRI loans as of December 31, 2003.

24. EARNINGS PER SHARE

Earnings per share were computed as follows:

	2003	2002	2001
Net income	P 1,511,093,464	P 1,057,404,726	P 488,834,907
Divided by the weighted average number of outstanding common shares	908,189,550	866,731,007	516,953,057
Earnings per share	P 1.66	P 1.22	P 0.95

25. SELECTED FINANCIAL PERFORMANCE INDICATORS

- The following are some measures of the Bank's financial performance:

	2003	2002
Return on average equity = Net income / Average total capital accounts	10.7%	8.3%
Return on average assets = Net income / Average total assets	1.2%	1.2%
Net interest margin = Net interest income / Average interest earning assets	3.3%	3.1%
Capital to risk assets ratio = Total capital / Risk assets	17.9%	19.6%

- Secured Liabilities and Assets Pledged as Security

Aggregate amount of secured liabilities	P 480,530,161	P -
Aggregate amount of assets pledged as security	P 2,908,423,459	P 2,936,423,459

26. COMMITMENTS AND CONTINGENT LIABILITIES

Agreement with Social Security System (SSS)

The Bank signed a letter agreement dated December 30, 2003 with SSS regarding the sale of the latter's 187,847,891 common shares of stock in Equitable PCI Bank, Inc. with a par value of P10 per share constituting approximately 25.8% ownership in Equitable PCI Bank, Inc. The stated consideration consists of (a) 6 1/2 year, zero-coupon, non-amortizing note issued by the Bank with a face value of P12,935,842,156 and (b) a cash payment of P1 billion. The market value of Equitable PCI Bank, Inc.'s shares as of December 31, 2003 amounted to P33.5 per share.

The note shall be secured by any combination of the following: (a) cash, (b) Philippine Government Securities, (c) mutually accepted securities of highly-rated Philippine corporates, (d) shares at 90% valuation at market, and (e) any other mutually accepted securities.

The Bank will issue the note and remit the cash payment and SSS will transfer all the rights, title and interest in and to the shares to the Bank on closing date, which shall be on or before June 30, 2004.

As of December 31, 2003, the Bank has not issued a note nor remitted cash payment to SSS.

Others

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying consolidated financial statements. The Bank recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. Management believes that, as of

December 31, 2003, no additional material losses or liabilities are required to be recognized in the accompanying consolidated financial statements as a result of the above commitments and transactions.

Following is a summary of the Bank's commitments and contingent accounts:

	2003	2002
Trust department accounts (see Note 21)	P 66,870,998,715	P 46,373,063,267
Forward exchange sold	11,908,024,258	8,027,463,858
Forward exchange bought	11,121,826,773	8,760,021,969
Unused commercial letters of credit	5,033,291,365	4,391,951,132
Interest rate swap payable	2,004,297,485	-
Interest rate swap receivable	2,009,210,343	-
Outstanding guarantees issued	3,191,834,743	734,483,912
Bills for collection	672,668,194	321,376,665
Late deposits/payments received	541,269,309	234,724,765
Spot exchange bought	413,259,930	781,584,736
Spot exchange sold	273,697,864	232,707,086
Others	5,190,647	5,682,753

The Bank is a defendant in various cases pending in courts for alleged claims against the Bank, the outcome of which are not fully determinable at present. As of December 31, 2003, management believes that, liabilities or losses, if any, arising from these claims would not have a material effect on the financial position and results of operations of the Bank.



^
Henry Sy, Sr.
Chairman Emeritus



^
Teresita T. Sy
Chairman

Jesus A. Jacinto, Jr. >



< Nestor V. Tan



Randolph G. Sullivan >



Board of Directors

Violeta O. LuYm >



Senen T. Mendiola ^

Josefina N. Tan v



Jimmy T. Tang ^



Christopher Bell-Knight ^

Ismael M. Estella v



MANAGEMENT DIRECTORY

As of Dec. 31, 2003

BOARD OF DIRECTORS

Chairman Emeritus
HENRY SY, SR.

Chairman
TERESITA T. SY

Vice-Chairman
JESUS A. JACINTO, JR

President
NESTOR V. TAN

Members

Ismael M. Estella
(Acting Corporate Secretary)
Violeta O. LuYm

Senen T. Mendiola
Randolph G. Sullivan
Josefina N. Tan

Nestor V. Tan
Jimmy T. Tang

IFC Designated Observer
Christopher Bell-Knight

Asst. Corporate Secretary
Irene C. Ishiwata

LIST OF OFFICERS

AGSD & Human Resource Management

Senior Vice President
Perla F. Toledo

AGSD

Senior Asst. Vice President
Aurea Imelda S. Montejo

Asst. Vice President
Eugenio D. Chua

Human Resource Management

Senior Asst. Vice Presidents
Rosemarie M. Espinosa
Yolanda M. Go

Branch Banking Group

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Geronimo D. Diaz
Ramon T. Militar

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Ruby G. Lim
Lorna A. Tan

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Iris Susan F. De Guzman
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Cezar G. Domingo
Crispin G. Domingo
Emmanuel Antonio R. Gomez
Gaudencio Mendoza
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Rita Y. Poa
Ester A. Recio
Teresita C. Siy
Dandy T. Yap

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Ernesto T. Uy

Vice President
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Cristina G. Ngo
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Alvin Victor L. Ortiz

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Asst. Vice Presidents
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Ronald M. Manalastas
Raul N. Natividad

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Lilia B. Palines

Asst. Vice President
Rolando S. San Diego

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Senior Asst. Vice President
Anthony R. Milan

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Irene C. Ishiwata

Marketing Communications Group

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Edith D. Dychiao

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Asst. Vice President
Mary C. Go

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Lilian T. Khu

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Geneva T. Gloria
Eduardo C. Ramos
Jonathan L. Ravelas
Marylou D. Sonkengpo
Edna R. Tarroza
Alice O. Teh

Trust Banking

Senior Vice President
Ador A. Abrogena

First Vice President
Ma. Lourdes T. De Vera

Vice President
Noel L. Andrada

Asst. Vice President
Proceso Z. Mendoza, Jr.

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BDO Private Bank

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Vice Presidents
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Ronald Benito
Stella L. Cabalatangan
Martin B. Ordoñez
Lynette V. Ortiz
Agnes B. Santos
Reynaldo Tanjangco

Asst. Vice Presidents
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Rowena R. Kapunan
Ma. Remedios B. Lapuz
Mary Grace O. Lojo
Ma. Ramona T. Torres
Michelle Yap

BDO Capital & Investment Corp.

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Senior Vice President
Eduardo V. Francisco

Vice President
Lazaro Jerome C. Guevarra

Senior Asst. Vice President
Elmer B. Serrano

BDO Securities Corp.

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Vice President
Jose Noel M. Mendoza

Asst. Vice President
Jonathan T. Cua

BDO Insurance Brokers, Inc.

President
Jesus A. Jacinto, Jr.

Senior Vice President
Peter Roy R. Locsin

Asst. Vice Presidents
Laarni C. Santos
Helen L. Gochuico

BDO Realty Corporation

President
Danilo A. Antonio

Vice President
Daisy A. Manio

Asst. Vice Presidents
Antonio M. Cruz
Mary Ann C. Guerra

BDO Card Corp.

President
Josefina N. Tan

Vice President
Maria Nannette R. Regala

Senior Asst. Vice President
Myla S. Resurreccion

Asst. Vice President
Dennis Anthony B. Zamora

BDO Financial Services, Inc.

President
Virginia A. Yap

SALCEDO
3 Salcedo Place, Tordesillas St.
Salcedo Village, Makati City
751-6087; 887-7734

SM CITY BICUTAN
LGF SM City Bicutan
Dona Soledad Ave. cor. West
Service Road, Parañaque City
777-9262; 777-9263

VALERO
G/F Pearl Center 146 Valero St.
Salcedo Village, Makati City
817-9675; 817-9586

MAKATI CENTRAL

MAKATI AVE.
Unit 191 Shangri-la Hotel Manila
Ayala Center, Makati City
813-5004 up to 07

PASAY ROAD
845 One Corporate Plaza Bldg.
Pasay Road, Makati City
894-1732; 817-6113

PASEO DE ROXAS
G/F Philcom Bldg. Paseo de
Roxas Makati City
843-4421; 843-5464

PASEO DE ROXAS 2
8737 Paseo de Roxas St.
Makati City
892-5703; 892-7333

CAINTA AREA

ANTIPOLO MASINAG
Tripolee Bldg. Marcos Highway
near cor. Sumulong Highway
Mayamot, Antipolo
645-6041; 682-4654

ANTIPOLO PLAZA
Gatsby Bldg.
Il M.L. Quezon St. Antipolo
650-8233; 644-2348

CAINTA
Hipolito Bldg.
Ortigas Ave. Ext., Cainta Junction
Cainta, Rizal
655-8022; 240-3145

MANGGAHAN
Amang Rodriguez Ave.
Manggahan, Pasig City
646-3177; 681-1842

MARCOS HIGHWAY
Town & Country Commercial
Arcade Marcos Highway cor.
Narra St. Cainta Rizal
668-1197; 668-1199

MARIKINA
17 Bayan-Bayanan Ave.
Concepcion, Marikina
933-6395; 941-1888

SUMULONG HIGHWAY
39 Sumulong Highway, Markina
948-4200; 941-3044

SOUTHERN LUZON

LEGASPI
Rizal cor. Gov. Imperial Sts.
Legaspi City
(052) 481-4481

LIPA
Casa Esperanza Bldg.
Pres. JP Laurel Highway
Brgy. Mataas na Lupa, Lipa City
(043) 757-3981 to 83, 520-6227

LUCENA
Merchan St. cor.
San Fernando St. Lucena
(042) 710-8935; 373-4979

SM CITY LUCENA
G/F SM City Lucena
Pagbilao Nat'l Road, Lucena City
(042) 710-6723; 710-5297

LUZON

BAGUIO
Luneta Hill cor. Gov. Pack Road
Session Road, Baguio City
(074) 442-8250; 442-8525

BAGUIO-SESSION ROAD
Puso ng Baguio Bldg.
Session Road Baguio City
(074) 442-4063; 443-8720

DAGUPAN
G/F Sarmiento-Bauzon Bldg.
Perez Blvd., Dagupan City
(075) 523-2055; 523-5240

LAOAG
Rizal St. cor. Abadilla St, Laoag City
(077) 771-4032

LA UNION
Rizal Ave., cor. Ortega St.
San Fernando, La Union
(072) 888-3316; 242-3965

MALOLOS
570 Paseo del Congreso St.
Liang, Malolos, Bulacan
(044) 791-3125; 791-3123

SM CITY BAGUIO
UGF SM City Baguio, Upper
Session Road, Baguio City
(074) 619-7625 to 28

TARLAC
F. Tanedo St. Tarlac, Tarlac
(045) 982-0405

TACLOBAN
Zamora St. Tacloban City, Leyte
(053) 321-2881; 325-9967

VIGAN
Quezon Ave., Vigan, Ilocos Sur
(077) 772-2057

ILOILO-BACOLOD

BACOLOD ARANETA
Cineplex Complex
Araneta St., Bacolod City
(034) 433-5754; 433-5610

BACOLOD GONZAGA
Gonzaga-Lopez Ent. Bldg.
Gonzaga St., Bacolod City
(034) 434-4964; 433-7910

ILOILO
La Sallette Bldg.
122 Valeria St., Iloilo City
(033) 337-8973; 337-0854

ILOILO- JM BASA
J.M. Basa St. Iloilo City
(033) 335-0967

ILOILO-LEDESMA
G/F Esther Bldg., Ledesma St. Iloilo
(033) 337-8382; 335-0866

IZNART-ILOILO
John A. Tan Bldg., Iznart St.
Iloilo City
(033) 337-5584; 337-5585

JARO
NB Bldg. Lopez Jaena St.
Jaro, Iloilo
(033) 329-2132; 329-6971

MOLO
Escoto-Natividad Bldg.
M.H. del Pilar St. cor.
Lopez Jaena St. Molo, Iloilo
(033) 336-8950; 336-8951

SM CITY ILOILO
UGF SM City Iloilo Benigno
Aquino Ave., Mandurriao City, Iloilo
(033) 320-9465; 320-9470

CEBU

CEBU CUENCO
NSLC Bldg. M. J. Cuenco Ave.
Cebu City
(032) 256-2474; 256-2469

CEBU ELIZABETH MALL
GF Elizabeth Mall, Leon Kilat, cor.
South Express Way, Cebu City
(032) 255-9769; 255-9971

CEBU ESCARIO
Escario St. Cebu City
(032) 254-0482; 254-0408

CEBU GULLAS
Magallanes cor. Gullas Sts.
Cebu City
(032) 254-6723; 254-5601

CEBU LEGASPI
Legaspi cor. Zamora St. Cebu City
(032) 256-2709; 256-2507

CEBU MAGALLANES
Plaridel St. cor.
Magallanes St. Cebu City
(032) 255-6792; 256-1200

CEBU MANDAUE
Dayzon Bldg., PSO 246 (490)
Lopez Jaena St., Mandaue City
(032) 343-6531; 343-6535

CEBU OSMEÑA
Osmena Blvd. cor. Urgello St.
Cebu City
(032) 253-5277; 253-8052

CEBU TABUNOK
PBS Bldg. 2688 Nat'l Highway
Tabunok, Talisay, Cebu City
(032) 273-6643; 273-6644

SM CITY CEBU
SM City Cebu, North
Reclamation Area, Cebu City
(032) 232-0774; 231-2082

MINDANAO

CAGAYAN DE ORO-XAVIER
Library Annex Bldg., Corrales Ave.
Cagayan de Oro City
(08822) 724-526; 857-3700

DAVAO-JP LAUREL
Landco-PDCP Corporate Center
JP Laurel Ave., Bajada, Davao City
(082) 221-4556; 221-4557

DAVAO MAGSAYSAY
R. Magsaysay Ave., Davao City
(082) 221-6964

DAVAO-MONTEVERDE
GF Sequiao Inn, Monteverde St.
Davao City
(082) 225-4345; 225-4346

GEN. SANTOS
Santiago Bldg. cor. JP Laurel St.
Gen. Santos City
(083) 553-3874; 553-3875

ILIGAN
Quezon Ave., Iligan City
(063) 221-2781; 221-5108

SM CITY CAGAYAN DE ORO
G/F SM City Cagayan de Oro
Pueblo de Oro Business Park
Upper Canituan, Cagayan de
Oro Misamis Oriental
(088) 859-2633; 859-2634

SM CITY DAVAO
UGF SM City Davao
Brgy. Matina, Davao City
(082) 297-4371; 299-2618

ZAMBOANGA
Gov. Lim Ave. cor.
Saavedra St., Zamboanga City
(062) 991-1542; 991-1543

SUBSIDIARIES

BDO CAPITAL & INVESTMENT CORP.
12 ADB Ave., Ortigas Center
Mandaluyong City
638-6298

BDO CARD CORP.
12 ADB Ave., Ortigas Center
Mandaluyong City
687-7339

BDO FINANCIAL SERVICES, INC.
12 ADB Ave., Ortigas Center
Mandaluyong City
636-6060

BDO INSURANCE BROKERS, INC.
8th floor, JMT Corp.
Condominium
27 ADB Ave., Ortigas Center
Pasig City
688-1201

BDO REALTY CORP.
24th floor, JMT Corp. Condominium
27 ADB Ave., Ortigas Center
Pasig City
636-5703

BDO PRIVATE BANK INC.
27th Floor, Tower One
Ayala Triangle, Ayala Ave.
Makati City
848-6300

BDO SECURITIES INC.
27th Floor, Tower One
Ayala Triangle, Ayala Ave.
Makati City
848-6300

PRODUCTS & SERVICES

1. **Peso Deposits:**
Regular Checking Accounts
Checking Accounts with ATF
Smart Checking
Super Check
Regular Savings Accounts
Mega Savings Accounts
Junior Savers Club Accounts
Power Teen Club Accounts
Club 60 Accounts
Time Deposit Accounts
Gintong Yaman Savings Club
Gintong Yaman Time Deposit
2. **Foreign Currency Deposits:**
Dollar Savings Accounts
Dollar Time Deposits
Third Currency Deposits
3. **Deposit-Related Services:**
Manager's Checks
Gift Checks
Customized Checks
Demand Drafts
Interbranch Deposits
Deposit Pick-Up Service
Night Depository Service
Payroll Services
Safe Deposit Box
Telegraphic Transfer
Deposit Gift Package
4. **Trust Services:**
Investment Services:
Smart Money Fund
Smart Money Dollar Fund
Smart Money Dollar Fund Gold
Smart Money Investment Funds
Premium Income Fund
Premium Growth Fund
Agency Services:
Custodianship
Escrow
Loan Agency
Property Administration
Investment Management Agreements
Transfer & Paying Agency
Collection Services
Trusteeship:
Retirement Funds
Pre-Need Trust Funds
Institutional Trust Funds
Mortgage Trust Indentures
Living Trust (Wealthplanner)
Life Insurance Trust
5. **Treasury Dealership Services:**
Treasury Bills
Treasury Bonds
Peso LTCPs
Dollar LTCPs
Dollar Bonds
6. **Transaction Banking:**
Cash Management
Integrated Collection Solutions–
Bills Payment
eBanking Bills Payment
Corporate Collections
Statement Presentation
Postdated Check Warehousing
Integrated Disbursement Solutions–
Direct Credits
Check Printing
Payables Warehousing
Payroll
Liquidity Management –
Account Sweeping Facility
Supply Chain Financing
Account Services –
Automated Customer Payments
Deposit Pickup
- Information Services–
Balance and Transaction Requests
Reconciliation
Infolink
Retail Market Products–
POS Services
Electronic Banking
(Phone Banking, Internet Banking,
BDO eBanking, BDO eStatements)
7. **Card Products:**
Smarteller ATM Card
Guarantor Money Maker Accounts
American Express Card
BDO Cash Cards
BDO Gift Cards
Smart Money
SM Gift Cards
8. **Consumer Loans:**
BDO Housing Loans
Real Estate Development Loans
Car Financing
Smart Credit - Back to Back
Smart Credit - Committed Credit Line
Smart Credit - Non-Risk Loan
9. **Commercial & Industrial Loans:**
Credit Lines
Bills Purchase Lines
Check Discounting Lines
Term Loans
Trust Loans
US Dollar Denominated Loans
LC/TR Financing
Export Bills Purchase
Export Packing Credit
10. **Special Loans and Guarantee Facilities:**
Countryside Loan Fund (CLF)
Agricultural Loan Fund (ALF)
Industrial Guarantee and Loan Fund (IGLF)
Export - Import Bank of Japan Untied Loans
to DBP (JEXIM)
Japan Bank for International Cooperation
(JBIC 5)
Industrial & Support Services Expansion
Program (ISSEP)
Domestic Shipping Modernization Program
(DSMP)
Environmental Infrastructure Support Credit
Program (EISCP)
SSS - GSIS Special Financing Facility
SSS Hospital Financing Program
SSS Financing Program for Educational
Institutions
SSS Special Financing Program for
Vocational & Technical Schools
SSS Financing Program for Tourism Projects
(KASAPI 4)
SSS Dormitory / Apartment Program
Small Business Guarantee and Finance
Corporation (SBGFC)
Trade and Investment Corporation of the
Philippines (TIDCORP) Guarantee
Programs for Exporters.
11. **Foreign Exchange:**
Over-the-Counter Purchase / Sale of FX
Purchase / Sale of Traveller's Checks
FX Forwards and Swaps
12. **International Banking:**
Import / Export Letters of Credit
Domestic Letters of Credit
Standby Letters of Credit
Documents against Payment
Documents against Acceptance
Open Account Arrangements
Export Negotiations
Shipping Guarantee
Trust Receipt
Inward Remittance
Outward Remittance
13. **BDO Capital & Investment Corp.:**
Corporate Finance
Equity Underwriting / Syndication
Debt Underwriting / Syndication
Financial Brokering
Financial Packaging
Financial Advisory – (Capital Restructuring
Capital Raising, Mergers & Acquisitions
Project Financing - Trading, Portfolio
Management)
14. **BDO Insurance Brokers Inc.:**
Whole / Group Life Insurance/
Mortgage Redemption Insurance
Personal / Group Accident Insurance
Industrial / Commercial All Risks Insurance
Bonds / Surety (Construction Bonds, Heirs
Bond, etc.)
Fire and Lightning with Allied Perils
(Residential / Commercial)
Motor Vehicle Insurance – Electronic
Equipment Insurance
Business Interruption Insurance
Marine Cargo Insurance / Marine Hull
Liability Insurance (Personal /
Comprehensive / General Product)
Hospitalization / HMO
Aviation
Money Insurance (Fidelity Guarantee,
MSPR, BBB)
15. **BDO Private Bank:**
Private Banking
Loan Origination
Deposits
Custodianship
16. **BDO Securities Corp.:**
Stockbrokerage services
17. **Miscellaneous Services:**
Collections:
BIR
PLDT, Meralco, AIG, AMEX, HSBC,
Standard Chartered, Globe, Smart, Innove,
Generali Pilipinas Insurance, Philam,
Prudentiallife, EDSA Mail, SM Bills Payment,
Pacific Internet, Citibank, San Bruno, Bankard,
Bayantel, Phil Home Cable Holdings, Inc.,
Central CATV, Pilipino Cable,
Davao Cableworld Network, Inc.,
Pacific CATV, Inc. Tri-Isys Internet, Asianlife
Financial Assurance Corp, Asianlife General &
Assurance Corp., Cebu Cable TV., Inc,
Moonsat Cable TV, Inc., Mactan Cable TV., Inc.,
Bisaya Cable TV, Inc., Tagaytay Highlands
International Golf Club, Inc., Tagaytay
Midlands Golf Club Inc., Tagaytay Country
Club at Tagaytay Highlands,
BDO Credit Card, PDIC,
San Fernando Electric Light & Power Corp.,
Fort Bonifacio Devt. Corp.,
Bonifacio CableSun Cable,
Systems Davao, Inc.

Payments:

- Remittances –
- eBusiness-Western Union
- Uniteller
- ABS CBN Global Money or eMoney plus
- Polyphase
- Swift Cash
- Chartered Forex
- BTI Courier Express, Inc.
- Hatid Yaman



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