Building firmly on strategic investments Focusing on market niches **Thinking local acting global** Exemplifying good corporate governance **Actively practicing corporate social responsibility** Chinatrust

ANNUAL REPORT 2005

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Reporting on its 10th year of operations in the country, Chinatrust Philippines releases this "white book" – a thorough and comprehensive disclosure on its acomplishments for the year, accompanied by Financial Statements that are fully compliant with the new International Accounting Standards. The cover sums up the business strategies that enabled Chinatrust to navigate through the complex challenges of 2005: strengths that will keep it focused and well-positioned for the future.

Awarded one of the Top 10 Best Annual Reports in 2004 by the Management Association of the Philippines

FINANCIAL HIGHLIGHTS

	2005 in Million Pesos	2004 (as restated) in Million Pesos
Total Assets	22,989,339	20,199,315
Loans and Discounts (Net)	13,254,182	11,982,224
Deposits	14,861,476	12,204,439
Capital Accounts	4,361,045	4,126,496
Net Income	417,316	336,291
Return on Average Equity	9.41%	8.74%
Return on Average Assets	1.84%	1.84%
NPL Ratio	3.02%	4.65%
NPL Cover	106%	81%
Earnings Per Share	2.23	1.79

A Message from the Chairman

In 2005, the world carefully sought the delicate balance between growth and stability to sustain the fragile recovery of the major economies. To be sure, the major anxieties were not all economic but had to do also with hostile weather and incipient risks of avian flu. In Taiwan where our parent bank is based, government leaders focused on maintaining macroeconomic stability, improving the government's fiscal situation, continuing tax reform, and promoting major public and private construction projects to spur private investment. Increased attention was also directed towards boosting exports to reach the country's growth forecast.

In terms of global competitiveness, Taiwan showed healthy improvement in 2005. The World Competitiveness Yearbook listed Taiwan at 11th in overall competitiveness and 18th in economic performance. The World Economic Forum's Global Competitiveness Report placed Taiwan's global ranking in growth competitiveness at 4th. These findings, issued by independent international entities, confirm the continued strides that the island nation has made in its thrust to become one of the most robust economies in the world.

The global Chinatrust organization continued to pursue international competitiveness. In its home base, Chinatrust surpassed industry standards for asset quality and other measures that show how far we have come toward achieving sustainable earnings while pushing for even more growth. We emerged from the challenges of 2005 as the most profitable financial institution in Taiwan, with US$530 Million in consolidated pre-tax profits for the year.

We were also honored with various awards for our outstanding performance in 2005. We were named Best Foreign Exchange Bank in Taiwan by *Global Finance;* Taiwan's Best Domestic Private Bank by *Euromoney;* Best Bank Capital Deal by *FinanceAsia;* Best Cash Management Bank in Taiwan and Best Trade Finance Bank in Taiwan by *The Asset.*

We share these awards with our overseas offices and subsidiaries, including Chinatrust Philippines, which celebrated its 10th anniversary last year. While it remains modestly sized, Chinatrust Philippines has done its share of fully cultivating the opportunities brought about by the improving conditions in its host country. The continued growth in its revenues and profits reinforces our confidence in its chosen business model and business strategy. We are particularly proud of Chinatrust Philippines' adherence to the highest standards of corporate governance and transparency even as it aggressively builds market share in its niches. At the same time, we are gratified to know that Chinatrust Philippines has enthusiastically participated in the Gawad Kalinga movement, a highly credible and successful project that supports disadvantaged communities by providing them with housing, livelihood, education, and value formation.

As the global community endeavors to bring its economic growth to a soft landing and as the Philippines nurtures its fiscal reform while building on its competitive advantages, we shall continue to seek opportunities to translate the fruits of stable economic growth into meaningful financial services that create more value in this market. This is our commitment to our stakeholders.

I am thankful to our shareholders and to my colleagues in the Board for totally supporting me in my work as Chairman. I am likewise grateful to our customers, our regulators, our business partners, and the officers and staff of the Bank for keeping faith with us.

STEVE R.S. CHOU
Chairman of the Board

JOEY A. BERMUDEZ

Q: What were the biggest challenges that you faced in 2005?

A: There were many challenges but two of them stood out for their significance. The first one was external. It had to do with the wave of reforms that swept the global business community in the post-Enron era. The move towards better governance and greater transparency among business organizations picked up speed. In the Philippines, this move translated into wide-ranging governance reforms, major changes in banking rules, and the adoption of new accounting standards. The second outstanding challenge was the need to resolutely execute the new business strategy that we formulated in 2004. We had to stay the course despite the apparent short-term sacrifices that it entailed.

Q: Let us talk about the external challenge. How did you respond to it?

A: We stepped up to the plate and took the opportunity to be counted as a worthy global player. If you recall, we were among the earliest to comply with the Bangko Sentral's requirement that directors undergo training in good governance. Since then, we have enthusiastically supported all public and private sector initiatives in pursuit of governance reforms. Last year, Philippine companies were required to adopt the new International Accounting Standards in their year-end financial statements. While many large institutions lobbied to defer the implementation of these new standards because of the latter's potential impact on capital, we spent our time learning and fully appreciating them. Thus, within a few weeks after year-end, our financial statements were fully compliant. This is not to say that we fell in love with the new standards. Rather, we felt that it was a wasteful exercise to try to postpone what was inevitable. The global village is getting smaller because of technology. The sooner we embrace international standards for doing business, the faster we will be assimilated into the global village.

Q: What about the internal challenge? How did you hurdle it?

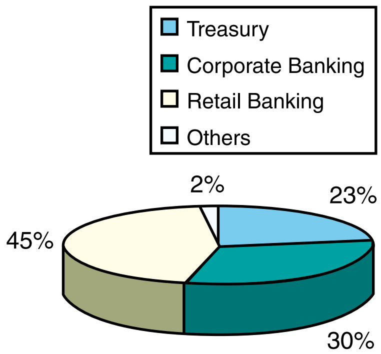
A: Who hasn't heard of the statement "The essence of strategy is denial"? In implementing a new business strategy, one must stay focused. He must not allow short-term pain to distract him. We are not an exception. When we decided to be a niche player instead of a financial supermarket, we had to make major adjustments in our organizational structure, our business processes, our product array, and our brand positioning. At the same time, we had to re-tool the organization by equipping our people with the skills set required by the new business strategy. Lastly, we had to make the financial investments necessary to make this business strategy succeed. When you do all of these things, you sacrifice short-term profits. Of course we anticipated this short-term pain but we readily absorbed it because we firmly believed that it was our ticket to a meaningful franchise in the Philippines. When you look at our financial statements in the last three years, you will see modest growth in our bottomline but robust growth in our revenues. This only means that our investments have created a momentary drag in profits but have started creating a more sustainable revenue stream. Not so observable from the revenue growth numbers is the radical shift in income sources brought about by the new strategic focus.

2005	Growth
Net Income	24.09 %
Gross Revenues	34.65 %

Q: Would you like to explain this new business strategy?

A: Our new business strategy focuses on niches where we possess the core competencies needed to become the leader or, at the very least, a very strong contender. This is diametrically opposed to the financial supermarket strategy. Some banks in the Philippines position themselves as financial supermarkets offering a complete range of products and services to every conceivable segment of the market. We chose not to be a financial supermarket because that would have required us to be a player in many businesses and to spread our capital over an extremely wide array of risks. The most powerful global banks operate in the Philippines but they do not act like financial supermarkets. Instead, they cherry pick the market and specialize in a few segments. Every segment of the market today is served by at least one or two global banking giants. Therefore, a financial supermarket is bound to run into world-class competition in each of its many businesses. This can put tremendous pressure on its capital. Is there enough capital to allocate to all these Olympic battles? I don't think so. The largest Philippine banks are not even among the 500 biggest banks in the world. This says a lot about the wisdom of a financial supermarket strategy for any Philippine bank. In contrast, our business strategy forces us to allocate whatever financial and human capital we have to risks inherent only in our core businesses: consumer finance, trading of fixed-income instruments, selective corporate lending (Taiwanese and local), and cash management. We believe

Income Per Segment



that this business strategy will not only make us a high-growth, high-return bank but will also help us contribute better to the country's economic growth.

Q: In the past, a number of foreign bank subsidiaries have either disengaged from the market or scaled down their local business. Why have you chosen to expand yours?

A: We have expanded our business in the Philippines because we see great promise and we know how we can help make this promise come true so we can eventually partake of its fruits. We see no reason to disengage because we have localized ourselves in the market quite successfully. Localizing an international bank requires an intricate balance between the flexible local mindset on one hand and the rigid discipline of an international company on the other hand. You have heard the oft-repeated advice to global companies: "Think global but act local." When trying to localize itself, a multinational bank should do the exact reverse: "Think local and act global." Local thinking is needed to craft the business strategy because imported business models seldom capture the peculiar trip switches and land mines in a specific market. On the other hand, when executing the business strategy, a multinational bank can derive substantial competitive advantage from applying the discipline of an international player and importing best practices in such areas as risk management, process design, human resource development and training, information management, and product development. In the case of Chinatrust Philippines, the mindset needed to localize the business strategy was supplied by the Filipino senior management team. We are one of the few multinational banks that fully utilize Filipino talent at the most senior levels. The international flavor needed to execute the business strategy like clockwork was supplied by our working Board and our parent bank.

Q: How committed are you to the Philippine market? You have spent 10 years in this market but that is nothing compared to the century-long tenure of some of the branches of foreign banks here.

A: Commitment has absolutely nothing to do with tenure. A man who has been married to his wife for the last 50 years but continuously holds back his love and affection for her cannot be said to be committed to her. Commitment is measured by the extent to which one has given of himself throughout the relationship. Therefore, it will not be out of place to mathematically measure a bank's "commitment" to a particular market by dividing the risks that it has taken by the number of years that it has operated in such market. Apply this same formula to Chinatrust Philippines. In the 10 years that we have been in this market, we have invested in a local branch network, built up significant credit exposure to local companies, taken substantial credit risk on the Philippine government, placed our local business in the hands of a Filipino senior management team, aggressively entered the high-risk treasury and consumer finance businesses, and faithfully complied with all local rules and regulations. That is commitment with a capital "C".

Q: We hear a lot of talk on corporate citizenship and corporate social responsibility. What is your take on these issues?

A: These issues are germane to our business. We cannot execute our business strategy without affecting the community and society in a major way. Therefore, corporate citizenship and corporate social responsibility are major columns in our scorecard. To gain the respect of the community and society, we must commit to good governance. If we do not run our affairs in a responsible, transparent, and ethical manner, we not only damage our business; we also become a drag to the rest of the economy. It goes without saying that we need to pay the correct taxes, compensate our employees equitably, give our customers a fair deal, and treat our vendors, suppliers, and business partners honestly. Lastly, we must practice corporate social responsibility because state institutions do not have all the resources to eliminate inequitable social conditions. A dysfunctional society is inimical to the long-term interest of any business enterprise.

Q: How does Chinatrust Philippines practice corporate social responsibility?

A: We actively support Gawad Kalinga (GK). We chose GK as our mainstream undertaking because it is a credible, sustainable and integrated program. Specifically, we are involved in GK Sison, a community of informal settlers in Muntinlupa, just outside the National Penitentiary. To us, GK is not a public relations project or a photo-op affair. We do not bring our employees to the site to be photographed shedding tears or carrying hollow blocks and cement bags, only to disappear later, never to be seen again. GK is an undertaking to which every Chinatrust employee has committed himself. Through the weekly activities that we conducted last year, our employees developed a strong bond with the children of the Chinatrust Sibol School, a unique learning center that we helped fund, build, and furnish. The transformation of GK Sison is a source of inspiration for our people. It is not an exaggeration to say that our involvement in GK Sison has transformed the Chinatrust psyche as much as it has transformed the poor families in the community. I've heard many people talk about integrating corporate social responsibility into a company's core business. I believe that the only way to do this would be to look at corporate social responsibility in a broader context. It is not just a project or an undertaking but a behavior, a way of life, and a management discipline borne of one's unique experience in transforming other people's lives.

Our net income for the year jumped to P417 Million, topping 2004 net income by 24%.

Gross revenues reached P1.55 Billion, 35% better than last year, as both net interest income and fee-based income registered substantial improvements. Net interest income rose by 32% from P0.92 Billion to P1.2 Billion due to the sustained growth of the highly profitable consumer finance portfolio, the continued expansion of low-cost deposits, and the acquisition of new corporate relationships. Moreover, non-interest income, which includes trading gains, service charges, and fees, grew by 45% year-on-year, contributing significantly to the Bank's solid revenue growth.

Total assets stood at P22.99 Billion, 14% higher than the previous year's total assets of P20.20 Billion. Gross loan portfolio grew by 10% to P13.99 Billion from P12.66 Billion a year ago. The total deposit level as of end of December 2005 was P14.86 Billion, 22% higher than its level for the same period last year.

The NPL Ratio of the Bank was at 3.02% at year-end 2005, better than the previous year's 4.65%; it is significantly lower than the industry's 8.51% and is probably the lowest among all publicly listed banks. NPL cover as of year-end 2005 was 106%. Our excellent portfolio quality has made it totally unnecessary to avail ourselves of the remedies and benefits under the Special Purpose Vehicle Act. Years of consistent and disciplined adherence to risk management standards and processes before, during, and after the Asian financial crisis have enabled us to keep our balance sheet healthy.

In implementing the new accounting standards, we recognized adjustments totaling P202 Million, representing the transitional effect of adopting PAS 32 and 39. Notwithstanding these adjustments, our capital adequacy ratio stood at 30.78% as of December 2005, more than thrice the regulatory requirement of 10%. Thus, we are completely free and immune from capital adequacy problems that typically necessitate expensive capital-raising initiatives such as Tier 2 issuances. In fact, we declared a hefty 15% stock dividend out of the surplus that had accumulated from consistent profitable operations since our inception.

With our strong capitalization, we continue to heavily invest in our new business strategy, which focuses on core markets where we are well-positioned to build industry-leading franchises.

Retail Banking

Sales of personal loans, our flagship consumer product, grew 59% during the year. To-date, this product already contributes 26% of our revenues. After only four years in this business, we have established ourselves as an undisputed leader in the industry – with our success anchored on correct market segmentation, smart product selection, adequate infrastructure, and astute risk management. With charge-off ratios being kept well under control, the personal loan business has enabled

High standards of excellence apply as much to Chinatrust's retail banking initiatives as to the Bank's enforcement of audit and compliance regulations. Leading in these endeavors are Anthony Robles (seated), EVP and Head of the Retail Banking Group; (from left) Josefina Natividad, SVP and Head of Corporate Personal Loans; Jimmy Arsenio Samonte, FVP and Head of Internal Audit; and Leo Austin Mongaya, AVP and Head of Compliance.

us to transit comfortably from a predominantly corporate bank to a consumer bank with particular strength in the mass market.

Three initiatives stood out from among the projects we undertook last year. One is the introduction of a Visa debit card product and the conversion of all our ATM cards to Visa cards. In one stroke, our cardholders acquired electronic purchasing power through their access to over 900,000 Visa-linked ATMs worldwide and over 24 million Visa-accredited retail outlets nationwide.

The second initiative is the introduction of the Cashback Mortgage Product, the only one of its kind in the country. The product enables our mortgage borrowers to substantially cut the interest rate on their loans as they maintain their savings and current accounts with us.

The third initiative is the introduction of the franchise look in our branches and the transfer of some branches to better locations. Our Main Office, Cebu, Carmona, Imus, and Sucat branches now sport the brand image of our parent bank. Our Cebu, Imus, and Sucat branches were earlier relocated to areas that were more accessible to our customers.

Corporate Banking, Treasury, and Trust

In an environment marked by global and local uncertainties, major changes in government regulations for fixed-income securities, radical shifts in financial reporting standards, new tax regulations, spiraling oil prices, and unfavorable weather, conservatism became the underlying theme of our trading business. Growth was modest as the trading desk cautiously maneuvered within prudent trading limits and risk parameters, but its operation remained profitable.

Keen and prompt attention to client requirements is a common strength of the respective divisions of Rolando Avante, EVP and Head of Treasury, and Francia Lina Marcelo, VP and Head of Branch Operations.

The corporate loan portfolio was almost flat, mirroring the measured pace of industrial growth in the country, but the exposure to top-tier corporations expanded by 14%. Despite the flat portfolio, net interest revenue still improved by 21%. The slack in corporate demand enabled us to put a lot of attention to working out the remaining non-performing accounts in the books.

Our trust resources ended the year 51% higher, confirming the no. 1 ranking we received in the Watson Wyatt Survey on Investment Performance in the second quarter, besting other Investment Managers handling less than five funds.

Technology-driven innovations to achieve greater efficiency are major areas of focus for Huntley Uy, SVP and Head of Information Technology, and Marichu Daisy Jimenea, FVP and Head of Credit Cycle.

Knowing that a highly trained professional organization will always be vital to the Bank's strong performance, Rogerio Panlasigui, SVP and Head of Credit Risk Management, and Evie Abraham, VP and Head of Human Resource and Administrative Services, see to the continued development of their personnel.

Human Resource Development

The quantum growth in our consumer banking business imposed heavy demands on our recruitment and training capabilities. Nonetheless, we measured up by investing generously in skills training and management development. The most notable programs undertaken were the Financial Services Officers Program and the Management Development Program. Activities to reinforce our core values and to propagate our corporate vision and mission continued at full steam.

Possibly the most rewarding and fulfilling employee activity we undertook was the Gawad Kalinga (GK) immersion project where our people took turns in visiting our GK site every weekend to attend to the pre-school children of the Chinatrust Sibol School. Typical activities during the weekend visits included training in personal and dental hygiene, feeding, birthday socials, physical fitness regimens, and wholesome entertainment.

The Bank draws on the dynamism and expertise of its personnel in the divisions led by (from left) Jose Nerio Salamillas, FVP and Head of Controllership; Martin Lee, EVP and Head of Corporate Banking; and Antonio Owen Maramag, FVP and Head of Marketing.

Going Forward

We intend to sustain the vigorous performance of our personal loan business and resume the marketing campaign for our mortgage and housing receivables. In addition, we plan to strengthen the marketing and product support for our corporate deposit business and to maximize tactical trading opportunities amid a moderately volatile environment.

We have obtained approval from the Bangko Sentral to open five new branches in downtown Cebu, Mandaue, Cainta, Angeles City, and Davao City. Economically fertile, these locations will provide us a broader playing field in which to execute our unique business strategy and contribute meaningfully to development outside Metro Manila.

Corporate Citizenship

An accurate review of our performance in 2005 would not be complete without an equally thorough report on our initiatives and accomplishments in Corporate Social Responsibility and Corporate Governance.

Intrinsic in a corporate culture that actively champions the values of responsibility, concern for the community, trust, transparency, and integrity, these comprise our Bank's continuing investment in the future – one that enables our nation to enjoy the returns of long-term stability, dynamic growth, and global connectedness.

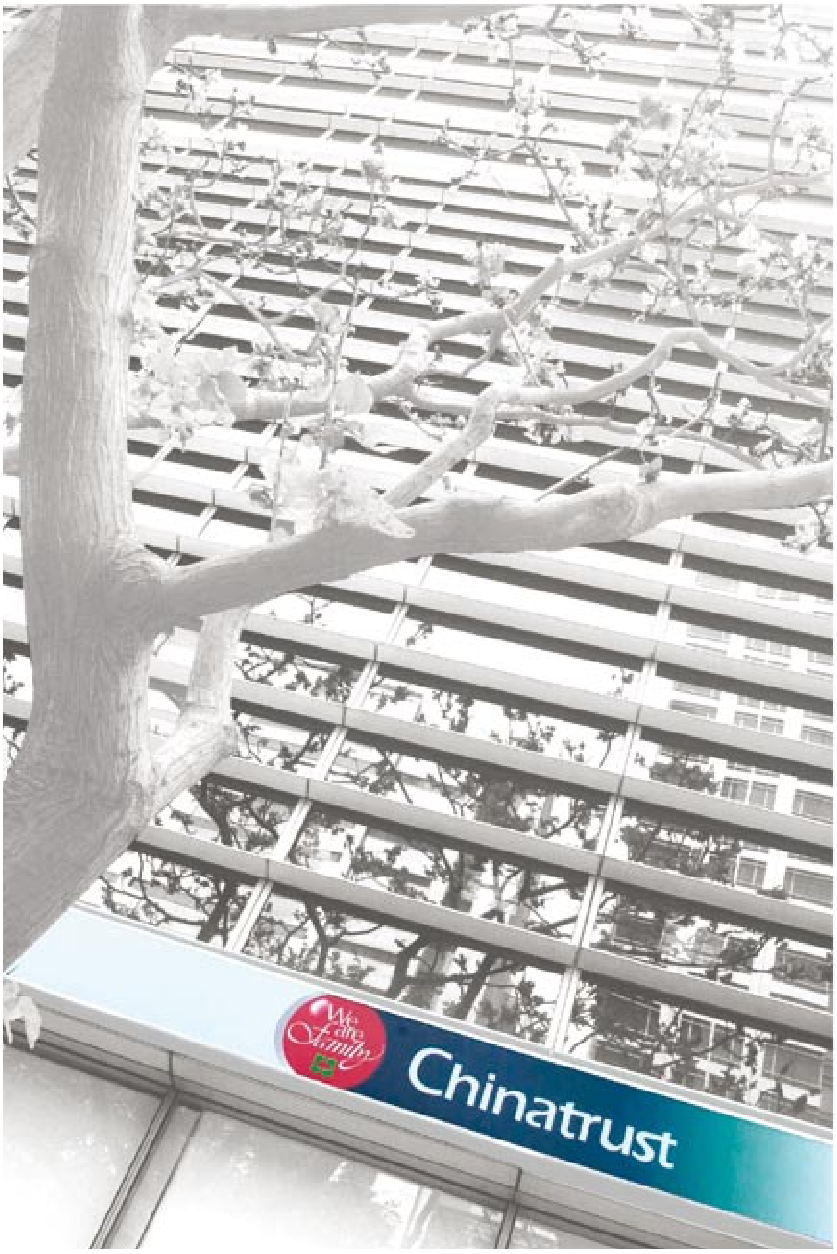


Photo courtesy of BusinessWorld (J.Celdona)

Sometimes, the practice of social responsibility succeeds not only in extending the business enterprise's presence – hence sharing its resources as well – to otherwise isolated territory; when truly committed and participative, the program succeeds in transforming even the proponents themselves, in the way they live their values and relate to their environment. The most effective corporate social responsibility programs result in a self-sustaining partnership built on mutual trust, learning, and respect: the corporate sponsor links hands with the community, and each one opens up a life of richer, deeper meaning for the other. Such is the case with Chinatrust Philippines and the Gawad Kalinga (GK) movement.

GK is a private sector-led development coalition that seeks to bring the benefits of shelter, education, health, and livelihood support to marginalized communities. It resonated with the Bank and its employees perhaps because of commonly held values and a shared culture of positive action. From the start of the partnership in 2004, Chinatrust approached its GK involvement with the same focus and creativity that it brought to its business initiatives. The Bank concentrated on a community of 65 families in Muntinlupa City called GK Sison, where it complemented the initial housing and feeding programs with sustained support toward youth development and education.

In 2005, the Chinatrust-GK dynamic proved to be as vibrant and inspired as ever. This was apparent at the Chinatrust Sibol School – the site of learning for the GK Sison children – which was built on the efforts and donations of the Bank, its clients, and employees. Beyond contributing books, educational toys, equipment, and supplies, Bank officers and staff devoted their weekends to GK Sison, sharing in the development programs to provide continued support to the community. Many of them took turns helping to teach classes or carry out feeding and nutrition sessions for the children.

Towards the end of the year, the GK Sison children showed the community's appreciation through a Christmas serenade for the Bank and its partners. It was a timely season for singing the message of joy after a year well-spent, and for heralding the promise and hope of a society that comes together to uplift and take care of its own.

While remaining discrete from our banking operations, Chinatrust's GK experience nevertheless continues to move employees and clients toward greater interaction on another level: learning to integrate social responsibility into one's personal mission, realizing that there is lifelong fulfillment in contributing to the greater good.

Much more than complying with laws and regulations, good corporate governance is a rigid discipline, an operating style, and a management passion to which any decent organization must commit if it hopes to help build a resilient economy and a healthy society. Corporations must conduct their business in a transparent and responsible way, fully cognizant of their accountability to their various publics. Well-governed banks make a sound financial system. A sound financial system is a sine qua non to sustainable economic growth.

In 2005, corporate governance took on greater complexity when the new International Accounting Standards came into effect. The standards changed the framework of financial reporting, and Chinatrust Philippines stood among the few that promptly rose to the challenge. It managed the delicate balance between adhering to stringent reporting standards and creatively pursuing legitimate business opportunities in a responsible way.

Good governance principles underlie the systems and practices of the Bank. This is made possible by a vigilant, participative, and well-informed Board that supports the efforts of Management.

The Board of Chinatrust Philippines is a working Board, made up of seven members who meet every two months. Between meetings, the members of the Board receive regular reports on the Bank's performance as well as updates on major policy issues. It approves the Bank's business strategy, business plans, financial and operating budget, and policies. In addition, the Board exercises sole prerogative to approve DOSRI transactions. Matters beyond the explicit authority of Management are approved by the Board either directly or through the Board Committees.

Our Board Committees:

The Nomination and Review Committee is responsible for ascertaining that the Board seats, including those of Independent Directors, as well as other positions that necessitate Board appointment are filled by members who meet the required qualifications as set forth in the by-laws of the Bank. This Committee monitors not only the Board's performance, effectiveness, and observance of corporate governance principles, but also those of the various other Committees and the Executive Management of the Bank. Further, it adopts guidelines for directors serving on multiple boards and recommends plans pertaining to Board assignments, succession, and remuneration. It also approves the hiring and promotion of the Group Heads. Likewise, it is involved in HR matters such as the amendment and revision of the Performance Management System, Benefits Policy, Salary Structure review, Merit Increase, and Performance Bonus distribution. This Committee is headed by William Hon as Chairman, with William B. Go, Edwin B. Villanueva, and Yung Fang Yang as Members.

The Audit Committee, tasked with a support role to the Board in undertaking oversight responsibilities, comprises members with accounting, auditing, or related financial management expertise and experience. It monitors the Bank's compliance with approved internal policies and controls, as well as statutory regulations, emphasizing an accounting system that is 100% compliant with International Accounting Standards. Further, it performs oversight functions covering financial management, internal and external audit, and compliance. This Committee is headed by Edwin B. Villanueva as Chairman, with Eric Wu and Yung Fang Yang as Members.

The Trust Committee reviews and approves the quality and movement of the Bank's trust assets, including the opening and closing of trust and other fiduciary accounts; the investment, reinvestment, and disposal of funds; and the acceptable fixed income and equity investments, including the investment outlets. It reports to the Board any changes in regulations, market conditions, and other factors that may affect the trust business. This Committee is headed by Larry Hsu as Chairman, with William Hon, Joey A. Bermudez, and William B. Go as Members and Edlyn L. Quiroz as Trust Officer.

The Executive Committee handles urgent matters on behalf of the Board. It also reviews and approves the credit facilities beyond the President's approval limits. Moreover, it obtains from the Bank's management a timely assessment of the potential effect of any instability or crisis in the economic and political environment. This Committee is headed by William B. Go as Chairman, with William Hon and Joey A. Bermudez as Members.

The Risk Management Committee fulfills the critical role of identifying and evaluating the Bank's risk exposures, ensuring that the appropriate risk management strategies and plans are in place and ready to be executed as necessary. It performs oversight functions in managing credit, market, liquidity, operational, and legal risks. This Committee is headed by William Hon as Chairman, with Eric Wu, Joey A. Bermudez, and Larry Hsu as Members.

Our Directors:

ERIC CHEN, Taiwanese, served as Chairman of the Board from May 2004 to October 14, 2005. He obtained his Master's degree in Business Administration from the University of Missouri in 1980. Prior to his resignation in October 2005, he was President of Chinatrust Financial Holding Company and of Chinatrust Commercial Bank, Ltd. (Taiwan). He had also worked with Citigroup (Taiwan) as Country Officer from 2001 to 2003, CFO Asia Pacific in 1998, and Capital Market Head in 1989. He is 51 years old.

STEVE R.S. CHOU, Taiwanese, was Chairman of the Board from October 21, 2005 to April 18, 2006. He obtained his Bachelor's Degree from TanKang University in 1976. He is currently the President of Chinatrust USA; Commissioner of P.T. Bank Chinatrust Indonesia; and Director of International Credit Card Center of CTCB. Before April 1, 2006, he was the President of Retail Banking of CTCB. Prior to joining Chinatrust Commercial Bank, Ltd., he worked with Wespac Bank-Taipei Branch as Vice-President from 1989 to 1994; Ford Credit (Taiwan) as General Manager from 1986 to 1989; Dimerco Investment Group as Senior Vice-President, Marketing Department, from 1982 to 1985; Shin Kong Leasing Company as Assistant Vice-President, Financial Management Department, from 1981 to 1982; Cathay Leasing Company as Specialist, Treasury Department from 1979 to 1981; and Taiwan R.C.A. as Programmer of Technology Department from 1978 to 1979. He is 52 years old.

WILLIAM TAI-YUEN HON, Canadian citizen, assumed the position of Chairman of the Board on April 28, 2006. He was initially elected to the Board on October 21, 2005. He obtained his Master's degree in Business Administration from Concordia University in 1982 and his Bachelor's degree from L'Ecole des Hautes Etudes Commerciales in 1976. He is currently the Managing Director, Corporate Banking Division International of CTCB. He is also the Chief Country Officer of CTCB Hong Kong, and the Chief Representative of CTCB Representative Office in the Philippines. In 2005, he was the President and CEO of Chinatrust Bank, USA. Prior to this, he worked with DBS Bank (Singapore/Hong Kong) as Managing Director and joint CEO in 2002, and with Bank of Montreal as General Manager and Country Head in 1993. He is 50 years old.

WILLIAM B. GO, Filipino, has been the Vice-Chairman of the Board since October 15, 2001. A Certified Public Accountant, he earned his Bachelor of Science degree from the University of the East and a Master of Science in Business Administration degree from the University of Missouri. He is Chairman of Investors Securities, Inc. and Gama Enteprises, Inc.; Chairman and President of Big Blue Realty Corporation; and President of Serico, Inc. He also holds directorships in State Investment House and Sunvar Realty Development Corporation. He served as the President of Philippine Bank of Communication from 1985 to 1995. Mr. Go has been with Chinatrust since 1995. He was President and a member of the Board of Directors until October 15, 2001 when he resigned as President and was elected as Vice-Chairman. He is 66 years old.

JOEY A. BERMUDEZ, Filipino, is the President of the Bank. He assumed his functions as President and member of the Board of Directors on October 15, 2001. A Certified Public Accountant, he obtained his Bachelor's degree in Commerce (Major in Accountancy) from the University of Santo Tomas and his Master of Business Economics from the University of Asia and the Pacific. Before joining Chinatrust, he was Senior Executive Vice-President, Director, and Chief Operating Officer of the Philippine

Savings Bank (PSBank), the retail and consumer banking arm of the Metrobank Group. He had previously worked with Standard Chartered Bank as Country Consumer Banking Head for the Philippines and with the Philippine Commercial International Bank (now Equitable PCI Bank) where he spent 14 years doing consumer banking and middle market lending. He is 50 years old.

ERIC WU, a.k.a Hsin-Hao Wu, Taiwanese, is a member of the Board. He graduated with a Bachelor's degree in Business Administration from the National Taiwan University in 1986. He is currently a Senior Vice-President of Chinatrust Commercial Bank, Ltd. (Taiwan). He was Senior Vice President of McDonalds Restaurants, Taiwan from 1991 to 2003. He is 43 years old.

PAO-CHUAN LIN, a.k.a. BC Lin, Taiwanese, was a member of the Board from June 2005 to April 28, 2006. He obtained his Bachelor's Degree in Industrial Management from National Taiwan University in 1988 and his Master's degree in Business Administration from the same school in 1990. Before joining Chinatrust (Philippines) Commercial Bank as Vice- President and Head of Taiwan Division in February 2003, he was Assistant Vice-President in Chinatrust Commercial Bank, Ltd. He is 43 years old.

LARRY HSU, a.k.a Hsu Chun-Jen, Taiwanese, is the newest member of the Board, having been elected last April 28, 2006. He graduated with a Bachelor's degree in Business from the National Taiwan University. He is currently the Head of Capital Markets of Chinatrust Commercial Bank, Ltd. (Taiwan), and previously the parent bank's Director of Debt Capital Market Division. He was also the Head of Trading of Citibank, Taipei Branch from 1998 to 2003, and Trader of Fixed Income and Derivatives Trading from 1992 to 1998. He is 44 years old.

YUNG FANG YANG, Taiwanese, is an Independent Director. He joined Chinatrust Philippines in 1999 and has been a member of the Board of Directors since then. He obtained a Bachelor of Science degree in Physics/ Mathematics from Tung-Hai University, Taiwan in 1979. He is the President of KK Converter Phils. Inc. Prior to that, he held various positions in KK Converter in Taiwan and Thailand. He also served as a Production Manager of CITC in Penang, Malaysia from 1995 to 1998. He is 50 years old.

EDWIN B. VILLANUEVA, Filipino, has been an Independent Director of Chinatrust Philippines since 2002. He received his Bachelor of Science degree in Management Engineering (cum laude) from Ateneo de Manila University and Master's degree in Business Administration from Wharton School at the University of Pennsylvania. He is the Chairman of VFL Advisors, Inc.; Senior Partner of Argosy Advisers; and President of ABV Inc., a real estate holding company. He is Chairman of the Audit Committee of Chinatrust (Philippines) Commercial Bank, Diversified Financial Network Inc. (DFNN), and the Philippine Dealing Systems Group. He also holds directorships in the Makati Supermart Group, Testech Inc., Datapax (Phil), and PhilRatings Inc. He is 56 years old.

Our Management Team:

The Management Team is headed by the President, who is assisted in his work by several committees. The Asset and Liability Committee (ALCO) meets every Monday to assess the market situation and to formulate the asset-liability strategy for the coming week. The President chairs the committee, whose members include the Treasurer, the Heads of the liquidity and trading desks, the Chief Finance Officer, the Chief Credit Officer, the Head of Market Risk Management, and the Heads of Institutional Banking, Retail Banking, and Trust. The Credit Committee meets every Thursday to take up credit proposals for approval. Chaired by the President, the committee counts among its members the Chief Credit Officer as well as the Heads of Treasury, Institutional Banking, and Retail Banking. The Management Committee (Mancom) meets twice a month to tackle major management issues. It is also chaired by the President and is made up of all Group Heads plus some other senior officers depending on the discussion agenda. Specific Mancom meetings are allocated for discussions of the financial performance, operations risks, human resource issues, marketing/product issues, and information technology issues.

Our Executive Officers:

ROLANDO R. AVANTE, Filipino, received a Bachelor of Science degree in Commerce, major in Marketing Management, from De La Salle University. He is Executive Vice-President and Head of the Bank's Treasury Group. Prior to joining Chinatrust, he was First Vice-President of Domestic Funds Management of Philippine Commercial International Bank (now Equitable PCI Bank) from 1995 to 1999; Senior Vice-President/Treasurer of Urban Bank in 1994; Vice-President, Local Currency Head of Citytrust Banking Corporation from 1988 to 1994; and Senior Manager of Philippine Commercial Capital, Inc. (Investment House owned by Manila Electric Company) from 1983 to 1988. He has been with the Bank since December 1999. He is 47 years old.

MARTIN T. LEE, Filipino, obtained a Bachelor of Science degree in Business Administration, major in Economics and Finance, at the Ateneo de Manila and a Master's degree in Business Administration at the Ateneo Graduate School of Business. He attended the Strategic Business Economics Program, leading to a Master's degree in Business Economics, at the University of Asia and the Pacific. He is Executive Vice-President and Head of the Bank's Institutional Banking Group. Before joining Chinatrust in 2002, he worked with Global Bank as Head of Account Management Group as well as the Special Account and Remedial Management Group with the rank of First Vice-President. Prior to that, he was connected with Asian Bank, PCIBank, and Insular Bank of Asia and America. He is 54 years old.

JOSEFINA R. NATIVIDAD, Filipino, received her Economics degree from the University of Santo Tomas and Master's in Business Administration from De La Salle University. She is Senior Vice-President and Head of Personal Loans. Prior to joining Chinatrust, she was Vice-President at ABN AMRO from 2000 to 2002; Vice-President at SolidBank Corporation from 1997 to 2000; and Senior Manager at Asian Bank from 1991 to 1993. She is 47 years old.

ROGERIO B. PANLASIGUI, Filipino, obtained his Bachelor's degree in Economics from the Ateneo de Manila University and Master's degree in Business Economics from the University of Asia and the Pacific. He is Senior Vice-President and the Bank's Chief Credit Officer. Prior to joining the Bank in 2005, he was Senior Vice-President of Asiatrust from 2002 to 2004; Executive Vice-President and Chief Operating Officer of Active Bank from 1994 to 2002; Vice-President of Pilipinas Bank from 1984 to 1994; and Manager of Rizal Commercial Banking Corporation from 1980 to 1984. He is 49 years old.

ANTHONY T. ROBLES, Filipino, a Certified Public Accountant, obtained his Bachelor's degree in Commerce, Major in Accountancy, from the University of Santo Tomas and his Master's degree in Business Administration from the Ateneo Graduate School of Business. He is Executive Vice-President and Head of the Bank's Retail Banking Group. Prior to joining Chinatrust in October 2004, he was Executive Vice-President at Planters Development Bank in September 2004 and Head of Wealth Management at Standard Chartered Bank in 2003. At Union Bank of the Philippines, he was Senior Vice President-Retail Banking Group from 1996 to 1999; First VP-Retail Finance from 1992 to 1995; and VP-Special Accounts Management Group from 1988 to 1992. Before then, he was AVP-Special Accounts at PCI Bank from 1986 to 1988. He is 51 years old.

HUNTLEY S. UY, Filipino, received a Bachelor of Science degree in Mathematics from the Ateneo De Manila University. He is Senior Vice-President and Head of Information Technology. Prior to joining the Bank in 2003, he was Vice-President of Standard Chartered Bank from 1998 to 2003; Assistant Vice-President of Security Bank from 1997 to 1998; Assistant Vice-President of Citytrust Banking Corporation from 1991 to 1997; Systems Analyst of Development Bank of the Philippines from 1989 to 1991; and Assistant Manager of Citibank from 1988 to 1989. He is 41 years old.

For a better understanding of the Bank's performance, the following discussion and analysis should be read in conjunction with the Financial Statements and the accompanying notes as of December 31, 2005 and in the light of the new accounting standards.

Accounting Changes

In late 2004, the Accounting Standards Council (ASC) approved a series of new accounting standards that were adopted from the revised International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Philippine standards adopted from the IAS and IFRS are named "Philippine Accounting Standards" (PAS) and "Philippine Financial Reporting Standards" (PFRS), respectively.

There are 26 PAS and PFRS that are effective in 2005. Of these pronouncements, the standards that are more relevant to the Bank are the following:

IFRS 1:	First-time Adoption of International Financial Reporting Standards
IAS 12:	Income Taxes
IAS 17:	Leases
IAS 19:	Employee Benefits
IAS 30:	Disclosures in the Financial Statements of Banks and Similar Financial Institutions
IAS 32:	Financial Instruments: Disclosures and Presentation
IAS 36:	Impairment of Assets
IAS 39:	Financial Instruments: Recognition and Measurement

These new standards aim to bring about greater transparency in financial reporting, making the financial statements more reliable. Basically, the standards require greater use of fair value accounting, more risk-based loss provisioning, less off-balance sheet transactions, and more disclosures on risk management policies.

The adoption of the new standards is also aimed at harmonizing accounting practices globally to provide a uniform accounting language.

Among these standards, the most complex one is the PAS 39, which deals with the recognition and measurement of financial instruments. A major feature of this PAS is the required greater use of fair value accounting, also known as mark-to-market valuation of financial assets and liabilities. For example, financial assets held for trading (HFT) and those designated at fair value through profit and loss (FVPL), financial derivatives, and available for sale (AFS) securities are required to be carried at fair value. However, unlike HFT and FVPL where the change in the fair value is taken up as profit or loss, movement in the fair value of AFS are generally carried in the equity section of the balance sheet.

PAS 39 also requires that held-to-maturity investments (HTM) be carried at cost or amortized cost. While this prescribed treatment forestalls more volatility and thus may be preferable, the classification is subject to a strict tainting rule. This means that if a certain instrument classified as an HTM were sold, pre-terminated or reclassified, the rest of the HTM portfolio would likewise be tainted. Consequently, the bank will be forced to reclassify all the HTM portfolios to AFS, which will then be measured at fair value and will be prohibited from using HTM classifications for two years after the year when the tainting happened. The tainting even extends to the consolidated financial statements of the parent bank.

This new accounting standard is also expected to result in higher impairment loss amount for some institutions. Adjustments resulting from impairment of financial assets are expected to be very significant and could lead to huge capital erosion.

Unlike in the past when banks followed BSP-prescribed rules on determining loan loss provisions, the new standards require a risk-based approach in computing the required loan impairment loss provision for financial reporting. In particular, the standards require the assessment of objective evidence of impairment through, first, assessing individually significant accounts (usually corporate loans) and second, by performing a collective assessment of impairment for the individually insignificant accounts. The carrying value of the loan accounts will then be reduced to the present value of expected future cash flows, discounted at the loan's original effective interest rate.

Another feature of PAS 39 is the deferment of the transaction costs and upfront fees, which will now form part of the amortized cost of the related financial assets/liabilities and are considered with the discount or premium in determining the effective interest rate and amortization.

While PAS 39 sets the guidelines in using fair value accounting and risk-based provisioning, the disclosure requirements are covered by a separate standard, i.e. PAS 32. PAS 32 basically requires full disclosure of all monetary transactions and the risks that come with the use of such financial instruments. These required disclosures are intended to promote greater transparency and will thus empower the stakeholders in making relevant decisions.

Chinatrust Philippines deemed it prudent to embrace the new accounting standards early and adopt them in its year-end 2005 financial statements despite a clamor from many financial institutions for the deferment of their implementation. By adopting these standards, the Bank will be able to provide its depositors, borrowers, customers, regulators, and the public-at-large a fair and transparent accounting of its financial affairs.

As a result of the adoption of the new standards, Chinatrust reflected a P201.6 Million adjustment in the balance of surplus on January 1, 2005. See Note 4 of Notes to the Financial Statements

Regulatory Changes

TAX LAWS

In 2005, the Congress enacted Republic Act No. 9337 otherwise known as Revised Value Added Tax Law (RVAT). After a long debate on its Constitutionality, the Supreme Court eventually upheld it and the law finally took effect on November 1, 2005.

While banks remain exempted from the VAT, the same law, however, introduced some amendments in the provisions on the Gross Receipts Tax (GRT) and Corporate Income Tax. Under the amended provisions, net trading gains on foreign currency, debt securities, derivatives and other financial instruments, royalties, rentals of property, profits from exchange, and all other items treated as gross income shall be subject to the 7% GRT. Nevertheless, interest, commissions, and discounts from lending activities are still subject to 5% or 1% GRT depending on the remaining maturities of the debt instruments.

On the other hand, the Regular Corporate Tax Rate has been increased to 35%. This will, however, go down to 30% effective January 1, 2009.

BASEL II

One of the reforms being gradually implemented by the banking industry is the new capital measurement framework based on the BASEL II accord. BASEL II or the International Convergence of Capital Measurement and Capital Standards aims to replace BASEL I, which was introduced in 1988. BASEL I provides a simple capital measurement system that assesses a bank's capital adequacy, taking into account the bank's credit risks. This means that in computing the capital adequacy ratio (CAR), the bank should consider the risk assets in its books. CAR refers to a bank's level of unimpaired capital as a percentage of the risky assets it carries on its books. The BSP currently requires at least 10% CAR.

CAR is computed by dividing the qualifying capital with the risk-weighted assets. Risk-weighted assets for credit risk purposes are computed by assigning a risk weight of 0% to 100% to all the assets and then multiplying these risk weights with the corresponding assets. The risk-weighted assets are added together and compared with the Bank's capital.

In 1996, BASEL I was amended to include market risk as a capital charge. With the implementation of the BASEL II framework, operational risks would also be taken into account in determining the bank's capital adequacy vis-a-vis its risk-taking activities.

In addition to the more risk-based capital measurement, the BASEL II framework also introduced risk-based supervisory framework with three mutually reinforcing "pillars".

Pillar 1 deals with the calculation of minimum capital requirements appropriate for risk-taking activities. The framework prescribes various approaches in determining the credit risk, market risk, and operational risk depending on the bank's level of sophistication.

Pillar 2 tackles the supervisory review process. Under Pillar 2, banks should be able to properly assess capital adequacy in relation to the risk they are taking, and the regulators should be able to evaluate the soundness of their assessments. In this aspect, the BASEL II framework effectively promotes improved corporate governance among the banks.

Pillar 3, on the other hand, requires banks to disclose pertinent information necessary to enable market mechanism to complement the supervisory oversight function of the regulators.

The BSP has issued a Memorandum to All Banks dated December 2004 (per MB Res. No. 1516 dated October 14, 2004) requiring the gradual implementation of the BASEL II Framework. By 2007, universal and commercial banks are required to adopt the standardized approach for credit risk and basic indicator or standardized approach for operational risk, plus the existing market risk framework. Thereafter, more advanced approaches will be implemented until 2010, such as the Foundation Internal Ratings-Base (IRB) and Advanced IRB for credit risk and Advanced Measurement Approaches for operational risk.

The implementation of BASEL II is expected to generally result in lower CARs for the banks because of the low credit rating of the Philippine borrowers and the additional operational risk charge. To cushion the impact of BASEL II, several banks have been augmenting their capital base by issuing Tier 2 and Hybrid Tier 1 capital.

Tier 2 is the bank's secondary capital consisting of notes that can be converted into equity after a certain period of time, usually five years. On the other hand, Hybrid Tier 1 capital instruments have equity-like features, which may be in the form of unsecured subordinated debt or preferred shares with a step-up feature.

Some banks are even considering the issuance of Tier 1 capital even if this would result in possible dilution of control by the present owners. Other options that the banks may explore are reduction of business volume, concentrating in specific niche markets, increasing margins, reducing costs, and absorbing the increased capital charge out of the existing capital surplus.

While the adoption of the BASEL II framework might result in lower CAR, it will not be necessary for Chinatrust Philippines to undertake capital-raising activities, since its CAR is more than three times the required level.

Statement of Management's Responsibility for Financial Statements

The Board of Directors and Stockholders

The management of Chinatrust (Philippines) Commercial Bank Corporation is responsible for all information and representations contained in the financial statements for the year ended December 31, 2005. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

Laya Mananghaya & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and Stockholders.

WILLIAM B. GO
Vice-Chairman

JOEY A. BERMUDEZ
President

ATTY. JOSE NERIO A. SALAMILLAS
First Vice-President
Chief Financial Comptroller/Principal Accounting Officer

Report of Independent Auditors

The Board of Directors and Stockholders
Chinatrust (Philippines) Commercial Bank Corporation

We have audited the accompanying statements of condition of Chinatrust (Philippines) Commercial Bank Corporation as of December 31, 2005 and 2004, and the related statements of income, changes in capital funds and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chinatrust (Philippines) Commercial Bank Corporation as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Philippines.

Laya Mananghaya & Co.

February 23, 2006
Makati City, Metro Manila
Philippines

Statements of Condition

		December 31		
				2004 (As restated -
		2005		Note 4)
Assets				
Cash and Other Cash Items	**P**	**100,938,813**	P	121,590,003
Due from Bangko Sentral ng Pilipinas		**1,120,338,910**		716,808,358
Due from Other Banks		**1,021,195,874**		491,311,769
Interbank Loans Receivable		**1,048,014,350**		1,007,877,839
Trading Securities (Notes 5 and 6)		**193,041,319**		270,324,231
Loans and Advances to Customers - net (Notes 4, 5, 7 and 8)		**13,254,182,375**		11,982,223,616
Investment Securities (Notes 4, 5 and 9)		**4,628,517,695**		4,008,678,017
Property and Equipment - net (Note 10)		**210,971,584**		171,209,460
Equity Investments		**36,719,546**		36,719,546
Deferred Income Tax (Note 15)		**261,987,827**		339,304,450
Other Assets - net (Note 11)		**1,113,430,995**		1,053,267,986
	P	**22,989,339,288**	P	20,199,315,275
Liabilities and Capital Funds				
Deposit Liabilities (Note 5)				
Demand	**P**	**2,009,502,685**	P	1,643,903,363
Savings		**5,002,362,278**		2,135,842,731
Time		**7,849,611,125**		8,424,693,346
		14,861,476,088		12,204,439,440
Bills Payable (Note 5)		**3,035,288,757**		3,158,291,585
Outstanding Acceptances (Note 5)		**120,318,773**		198,474,299
Manager's Checks		**34,062,671**		30,359,770
Accrued Interest, Taxes and Other Expenses		**288,397,762**		174,140,301
Other Liabilities (Note 12)		**288,750,217**		307,113,630
		18,628,294,268		16,054,836,214
Capital Funds (Note 13)		**4,361,045,020**		4,126,496,250
	P	**22,989,339,288**	P	20,199,315,275

See Notes to Financial Statements.

	Years Ended December 31 2005	2004 (As restated - Note 4)
Interest Income		
Loans and advances to customers	**P 1,534,741,025**	P 1,127,047,788
Trading and investment securities	**391,049,218**	367,016,216
Due from banks	**62,885,900**	32,398,425
	1,988,676,143	1,526,462,429
Interest Expense		
Deposit liabilities	**597,032,373**	477,880,808
Bills payable and other borrowings	**173,513,245**	126,455,828
	770,545,618	604,336,636
Net Interest Income	**1,218,130,525**	922,125,793
Recovery Of Allowance For Probable Losses (Note 8)	**(97,043,679)**	(22,084,513)
Net Interest Income After Recovery Of Allowance For Probable Losses	**1,315,174,204**	944,210,306
Other Income		
Trading and securities gain - net	**220,313,436**	123,297,834
Service charges, fees and commissions	**70,356,934**	59,426,255
Foreign exchange gain - net	**21,032,124**	23,175,864
Income from assets acquired	**1,247,390**	15,968,157
Miscellaneous - net	**23,246,869**	10,356,738
	336,196,753	232,224,848
Other Expenses		
Compensation and fringe benefits (Note 18)	**457,672,651**	364,133,982
Occupancy and equipment-related expenses (Note 7)	**234,868,167**	198,610,096
Taxes and licenses (Note 15)	**93,389,251**	65,761,252
Insurance	**27,580,922**	24,232,091
Miscellaneous	**163,860,918**	122,441,933
	977,371,909	775,179,354
Income Before Income Tax	**673,999,048**	401,255,800
Provision For Income Tax (Note 15)	**256,683,337**	64,964,897
Net Income	**P 417,315,711**	P 336,290,903
Earnings Per Share (Note 17)	**P 2.23**	P 1.79

See Notes to Financial Statements.

Statements of Changes in Capital Funds

	Years Ended December 31	
	2005	2004 (As restated - Note 4)
Capital Stock - P10 par value (Note 13)		
Authorized – 300,000,000 shares		
Issued and outstanding - 187,500,000 shares	**P 1,875,000,000**	P 1,875,000,000
Additional Paid-in Capital	**53,513,675**	53,513,675
Surplus (Note 13)		
Balance at beginning of year		
As previously reported	**2,218,856,660**	1,861,691,672
Transitional effect of adopting PAS 19 (Note 4)	**(20,874,085)**	-
As restated	**2,197,982,575**	1,861,691,762
Transitional effect of adopting PAS 32 and PAS 39 (Note 4)	**(201,613,759)**	-
As adjusted	**1,996,368,816**	1,861,691,762
Net income for the year	**417,315,711**	336,290,903
Balance at end of year	**2,413,684,527**	2,197,982,575
Net Unrealized Gain On Available For Sale Securities	**18,846,818**	-
	P 4,361,045,020	P 4,126,496,250

See Notes to Financial Statements

Statements of Cash Flows

	Years Ended December 31	
	2005	2004 (As restated - Note 4)
Cash Flows From Operating Activities		
Income before income tax	**P 673,999,048**	P 401,255,800
Adjustments for:		
Interest income	**(1,988,676,143)**	(1,526,462,429)
Interest expense	**770,545,618**	604,336,636
Recovery of allowance for probable losses	**(97,043,679)**	(22,084,513)
Depreciation and amortization	**50,227,876**	43,839,323
Amortization of software license	**21,650,637**	22,538,619
Equity in net losses of an associated company	**-**	(489,229)
Operating losses before working capital changes	**(569,296,643)**	(477,065,792)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Interbank loans receivable	**71,709,489**	58,826,161
Trading securities	**78,250,179**	546,371,638
Loans and advances to customers	**(1,389,638,254)**	(1,162,282,425)
Other assets	**(39,858,626)**	129,452,523

Forward

	Years Ended December 31	
	2005	2004 (As restated - Note 4)
Increase (decrease) in:		
Deposit liabilities	**2,657,036,648**	(606,674,185)
Manager's checks	**3,702,901**	2,549,064
Margin deposits	**-**	(1,575,517)
Accrued interest, taxes and other expenses	**57,076,746**	(23,901,601)
Other liabilities	**(380,603)**	162,209,191
Cash provided by (used in) operations	**868,601,837**	(1,372,090,945)
Interest received	**1,948,003,347**	1,478,870,435
Interest paid	**(717,173,598)**	(661,449,138)
Income taxes paid	**(91,099,891)**	(62,004,734)
Net cash provided by (used in) operating activities	**2,008,331,695**	(616,674,382)
Cash Flows From Investing Activities		
Decrease (increase) in investment securities	**(692,573,874)**	175,668,328
Net additions to property and equipment	**(89,990,000)**	(39,168,657)
Net cash provided by (used in) investing activities	**(782,563,874)**	136,499,671
Cash Flows From Financing Activities		
Increase (decrease) in:		
Bills payable	**(123,002,828)**	457,013,834
Outstanding acceptances	**(78,155,526)**	35,512,687
Net cash provided by (used in) financing activities	**(201,158,354)**	492,526,521
Net Increase in Cash and Cash Equivalents	**P 1,024,609,467**	P 12,351,810
Cash and Cash Equivalents at Beginning of Year		
Cash and other cash items	**121,590,003**	112,960,234
Due from Bangko Sentral ng Pilipinas	**716,808,358**	742,698,271
Due from other banks	**491,311,769**	249,925,815
Interbank loans receivable	**788,744,000**	1,000,548,000
	2,118,484,130	2,106,132,320
Cash and Cash Equivalents at End of Year		
Cash and other cash items	**100,938,813**	121,590,003
Due from Bangko Sentral ng Pilipinas	**1,120,338,910**	716,808,358
Due from other banks	**1,021,195,874**	491,311,769
Interbank loans receivable	**900,620,000**	778,774,000
	P 3,143,093,597	P 2,118,484,130

See Notes to Financial Statements.

1. Organization

Chinatrust (Philippines) Commercial Bank Corporation (the "Bank") is a 99.41%-owned entity of Chinatrust Commercial Bank Ltd., Taipei (Chinatrust Taipei), a Taiwan-based commercial bank. The Bank was incorporated as a domestic commercial bank on September 7, 1995 under the name Access Banking Corporation and started business operations on September 26, 1995. It was renamed as Chinatrust (Philippines) Commercial Bank Corporation in January 1996, then later, was listed in the Philippine Stock Exchange (PSE) in June 1999. The Bank was organized to provide commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange, and trust services. In addition, the Bank is licensed to engage in regular financial derivatives as a means of reducing and managing the Bank's and its customers' foreign exchange exposure.

The Bank's principal place of business is located at the 3rd Floor, Tower I, Ayala Triangle, Ayala Avenue corner Paseo de Roxas, Makati City. As of December 31, 2005 and 2004, the Bank had 505 and 482 employees, respectively.

2. Summary of Significant Accounting Policies

The following summary explains the significant accounting policies which have been adopted in the preparation of the Bank's financial statements:

Statement of Compliance

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines. These are the Bank's first financial statements where Philippine Financial Reporting Standards (PFRS) 1, First-time Adoption of Philippine Financial Reporting Standards, has been applied.

An explanation of how the transition to PFRSs has affected the reported financial position, financial performance, and cash flows of the Bank is provided in Note 4 to the financial statements.

Basis of Preparation and Presentation

The accompanying financial statements are presented in Philippine Pesos, which is the presentation and functional currency of the Bank. They have been prepared under the historical cost convention, except for the following assets and liabilities which are stated at their fair values: derivative financial instruments, financial instruments held for trading, financial instruments classified as available-for-sale, and investment property.

The financial statements of the Bank reflect the accounts of the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU) maintained in their respective books after eliminating significant inter-unit accounts.

As allowed by the Notice of Amendments to Securities Regulation Code Rules 68 and 68.1 issued by the Securities and Exchange Commission on October 25, 2005 for public companies, which include listed companies, for the year ending December 31, 2005, the Bank is presenting a comparative format of only two (2) years for the statements of income, changes in capital funds, and cash flows for the year to give temporary relief for the first time adoption of the more complex PFRSs. The requirement for three-year comparative presentation will resume for year-end reports beginning the year ending December 31, 2006 and onwards.

The books of accounts of the Bank are maintained in Philippine Pesos and various foreign currencies. For financial reporting purposes, foreign currency denominated assets and liabilities and income and expenses are translated into their equivalents in Philippine pesos based on the Philippine Dealing System weighted average rates (PDSWAR) at the exchange rates prevailing on transaction date. Outstanding assets and liabilities in foreign currencies at the reporting date are translated into Philippine pesos at the exchange rates prevailing on reporting date. Translation gains or losses of assets and liabilities are reflected in the statements of income.

The preparation of financial statements in conformity with PFRSs requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of PFRSs that have significant effect on the financial statements and estimates with significant risk of material adjustment in the future periods are discussed in Note 3 to the financial statements.

Except for those relating to the classification and measurement of financial instruments, the accounting policies set out below have been applied consistently to all periods presented in the financial statements and in preparing an opening PFRS balance sheet at January 1, 2004 for the purposes of the transition to PFRSs. The Bank has made use of the exemption available under PFRS 1 and as allowed by the SEC to only apply PAS 32 and PAS 39 from January 1, 2005.

Adoption of New and Revised Accounting Standards

The Accounting Standards Council (ASC) approved in 2004 the issuance of revised and new accounting standards which are based on new International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and revised International Accounting Standards arising from the improvements project of the IASB. The new and revised standards are effective for annual periods beginning on or after January 1, 2005.

Accordingly, effective January 1, 2005, the Bank adopted the following PFRSs and Philippine Accounting Standards (PAS) which are relevant to its operations:

Philippine Financial Reporting Standards

- PFRS 1, First-time Adoption of Philippine Financial Reporting Standards; and
- PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations.

Philippine Accounting Standards

- PAS 1, Presentation of Financial Statements;
- PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors;
- PAS 10, Events After the Balance Sheet Date;
- PAS 16, Property, Plant and Equipment;
- PAS 17, Leases;
- PAS 19, Employee Benefits;
- PAS 21, The Effects of Changes in Foreign Exchange Rates;
- PAS 24, Related Party Disclosures;
- PAS 27, Consolidated and Separate Financial Statements;
- PAS 28, Investments in Associates;
- PAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions;
- PAS 32, Financial Instruments: Disclosure and Presentation;
- PAS 36, Impairment of Assets;
- PAS 38, Intangible Assets;
- PAS 39, Financial Instruments: Recognition and Measurement, and
- PAS 40, Investment Property.

Except for PAS 32 and PAS 39, the adoption of the above new and revised standards, did not result in substantial changes to the Bank's accounting policies.

Income Recognition

Interest income and fees which are considered an integral part of the effective yield of a financial asset are recognized using the effective interest method, unless collectibility is in doubt. When the financial asset becomes impaired, the recognition of interest income is suspended and/or limited up to the extent of cash collections received.

Service charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectibility. Dividend income on available for sale equity securities are recognized in profit and loss when the right to receive payment is established.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from Bangko Sentral ng Pilipinas (BSP) and other banks and interbank loans receivable with maturities of three months or less from dates of placements that are subject to insignificant risk of change in value.

Financial Instruments

Starting January 1, 2005, financial assets are accounted for as follows:

a. Classification and Measurement

Financial assets are classified as follows:

- Financial assets at fair value through profit and loss (FVPL) has two categories – financial assets held for trading and those designated at fair value through profit and loss at inception. Held for trading securities (HFT) consist of government and private debt securities purchased and held principally with the intention of selling them in the near term.

Derivative financial instruments are also categorized as held for trading unless they are designated as hedges. HFTs are presented as Trading Securities in the statements of condition.

These securities are carried at fair market value, based primarily on quoted market prices, or if quoted market prices are not available, discounted cash flows using rates that commensurate with the credit quality and maturity of the investments; realized and unrealized gains and losses on these instruments are recognized as Trading and Securities Gain or Loss in the statements of income.

- Financial assets are classified as available for sale (AFS) when purchased and held indefinitely, but which the Bank anticipates to sell in response to liquidity requirements or in anticipation of changes in interest rates or other factors. AFS are carried at fair market value. The effective yield component of available for sale debt securities are reported in earnings. AFSs are presented as part of Investment Securities in the statements of condition.

Unrealized gains and losses arising from marking-to-fair value of AFS securities are reported as Net Unrealized Gain/Loss on Available for Sale Securities, in the statements of changes in capital funds, until such financial asset is derecognized or impaired at which time the cumulative gains or losses previously recognized in capital funds should be recognized in profit and loss.

- Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which the Bank has no intention of trading. They are stated at amortized cost using the effective interest method and reduced by allowance for probable losses if there is impairment in value.
- Held to maturity (HTM) investments are debt securities where the Bank has the positive intent and ability to hold to maturity. These securities are carried at cost adjusted for amortization of premiums and accretion of discounts and reduced by allowance for probable losses if there is impairment in value. HTMs are presented as part of Investment Securities in the statements of condition.

b. Recognition and Derecognition

The Bank applies trade date accounting in recognizing regular way purchases and sales of trading and investment securities. Trade date is the date when the Bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognized when cash is advanced to the borrowers. Financial assets not carried at fair value through profit and loss are initially recognized at fair value plus transaction costs.

Derecognition of financial instruments takes place when the Bank has either (a) transferred substantially all the risks and rewards of ownership, or (b) when it has neither transferred or retained substantially all the risks and rewards but it no longer has control over the asset or a proportion of the asset.

c. Impairment

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset is impaired. If such evidence exists, any impairment loss is recognized in the statements of income.

For financial assets carried at fair value, impairment is the difference between book value and current fair value. For AFS investments, reversals of impairment losses are recorded as increases in cumulative changes in fair value through equity.

For financial assets carried at amortized costs such as loans and advances to customers and held to maturity investments, impairment is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. If the financial asset carried at amortized cost has a variable interest rate, the discount rate used for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient for loans and advances to customers, the Bank uses the observable market price of the loan or the fair value of the collateral if the loan is collateral dependent, in determining impairment losses. The carrying amounts of the assets are reduced through the use of an allowance account. The amount of loss shall be recognized in the statements of income.

When a loan is uncollectible, it is written off against the related allowance for probable losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off is recognized in the statements of income with a corresponding increase in the carrying amount of the underlying asset.

The impairment losses for financial assets is inherently subjective because it requires material estimates, including the amount and timing of expected recoverable future cash flows. These estimates may change significantly from time to time, depending on available information.

Prior to January 1, 2005, financial assets include trading account securities, investment in bonds and other debt instruments, receivables from customers and other investments in companies other than subsidiaries and associates. Trading account securities are valued at fair market value, while investment in bonds and other debt instruments are valued at amortized cost, with premium or discount accreted using effective interest method. Loans and discounts are stated at outstanding balance net of allowance for probable losses and unearned discount. Other investments are carried at cost, net of allowance for probable losses.

Derivative Financial Instruments

The Bank is a party to foreign exchange contracts with off-balance sheet risk. These contracts are entered into as a service to customers and as a means of reducing and managing the Bank's foreign exchange exposures, as well as for trading purposes. The derivative instruments include forward exchange contracts and cross-currency swaps. These derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at their fair values through profit and loss. At the balance sheet date, all derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Embedded derivatives that are bifurcated from host financial and non-financial contracts are accounted for at fair value. Resulting profit or loss is included in the statements of income.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation, amortization and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Bank. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated useful life of the improvements of the term of the lease, whichever is shorter. The estimated useful lives are as follows:

	Number of Years
Bank premises	30
Computer equipment	3-5
Transportation equipment	5
Furniture, fixtures and equipment	5

The useful lives and depreciation and amortization method are reviewed at each balance sheet date to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is reflected in current operations.

Investment Property

Investment property consists of assets acquired in settlement of loans which are recorded at the lower of the balance of total loan exposure or bid price. Nonrefundable capital gains tax and documentary stamp tax incurred in connection with foreclosure are capitalized as part of the carrying values of the foreclosed properties, provided that such carrying values do not exceed the appraised values. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation. Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gains and losses on the derecognition of investment properties are recognized in the profit and loss in the year of derecognition. Investment property is presented as part of Other Assets in the statement of condition for 2005.

Holding costs subsequent to the foreclosure or acquisition of the properties are charged to operations as incurred.

Condominium units acquired in settlement of loans are classified as real and other properties owned or acquired under Other Assets in the statement of condition as of December 31, 2004.

Equity Investments

The Bank follows the equity method of accounting for its investment in an associated company engaged in allied undertaking where the Bank exercises control. Under this method, the Bank recognizes in its statements of income (as miscellaneous income) its share in the earnings or losses of an investee. The cost of investment is increased or decreased by the Bank's equity in net earnings or losses and reduced by cash dividends received from the investee since date of acquisition. Other equity investments where the Bank has no significant influence are carried at cost.

Impairment of Noncurrent Assets

For other noncurrent assets, the Bank makes formal estimate of recoverable amount when an indicator of impairment exists. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount through profit and loss.

Income Taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the statements of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the balance sheet liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes, and the carryforward tax benefits of the net operating loss carryover (NOLCO) and the minimum corporate income tax (MCIT) over the regular corporate income tax. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related benefit will be realized. The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced, if appropriate.

Retirement Cost

Retirement cost is determined using the projected unit credit method. Under this method, the cost of employees' benefits is evenly allocated over the full period of employment. Current service cost is charged to current operations. There are no actuarial gains and losses at the time of transition.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statements of income on a straight-line basis over the lease term.

Borrowing Costs

Borrowing costs are expensed when incurred.

Provision and Contingent Liabilities

A provision is a liability of uncertain timing or amount. It is recognized when the Bank has a legal or constructive obligation as a result of a past event; and, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as contingent liability unless the probability of outflow of economic benefits is remote.

Earnings Per Share

Basic earnings per share is determined by dividing net income for the year by the weighted average numbers of shares outstanding during the year after giving retroactive effect to stock dividends declared during the year, if any.

3. Accounting Estimates and Judgments

The following are the critical judgments and key estimates and assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year and/or in future periods:

Retirement Obligation

The principal actuarial assumptions used to determine retirement benefits were 10% salary increases and 11% return on plan assets, both compounded annually. Present values of the retirement obligation amounted to P62 million as of December 31, 2004, the date of the last actuarial valuation.

Impairment Losses on Loans and Advances to Customers

The Bank reviews its loan portfolios to assess impairment at least on a semiannual basis, or as the need arises due to significant movements on certain accounts. Loan and advances that are individually significant are assessed to determine whether objective evidence of impairment exists on an individual basis, while those that are not individually significant are assessed for objective evidence of impairment either on an individual or on collective basis. In determining whether an impairment loss should be recorded in the statements of income, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include indications of adverse changes in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Fair Value Estimation

The fair value of financial instruments traded in active markets (such as trading and available for sale securities) is based on quoted market prices at the balance sheet date. If the financial instrument is not traded in an active market, the fair value is determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. To the extent practical, valuation models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

Impairment of AFS investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. Carrying values of AFS as of December 31, 2005 and 2004 are P3.58 billion and P1.87 billion, respectively.

Held-to-maturity investments

The Bank follows the guidance of PAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value, not at amortized cost. Carrying values of held-to-maturity investments as of December 31, 2005 and December 31, 2004 are P1.05 billion and P2.14 billion, respectively.

4. Explanation of Transition to PFRS

As stated in Note 2, these are the Bank's first financial statements prepared in accordance with PFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended December 31, 2005, the comparative information presented in these financial statements for the year ended December 31, 2004 and in the preparation of an opening PFRS balance sheet at January 1, 2004 (the Bank's date of transition).

In preparing its opening PFRS balance sheet, the Bank has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). However, the Bank has applied the mandatory exceptions and certain optional exemptions from full retrospective application of PFRS as discussed below:

Exemptions from full retrospective application elected by the Bank

a. Exemption from restatement of comparative PAS 32 and PAS 39

The Bank elected to apply this exemption. It applies previous GAAP rules on derivatives, financial assets and financial liabilities for the 2004 comparative information. The adjustments required for differences between previous GAAP and PAS 32 and PAS 39 are determined and recognized at January 1, 2005 as an adjustment to the beginning balance of surplus.

b. Designation of financial assets and financial liabilities exemption

The Bank reclassified various securities as available for sale securities and as financial assets at fair value through profit and loss.

Exceptions from full retrospective application followed by the Bank

a. Derecognition of financial assets and liabilities exception

Financial assets and liabilities derecognized before January 1, 2004 are not re-recognized under PFRS. The application of the exemption from restating comparatives for PAS 32 and PAS 39 means that the Bank recognized from January 1, 2005 any financial asset and financial liabilities derecognized since January 1, 2004 that do not meet the PAS 39 derecognition criteria. Management did not choose to apply the PAS 39 derecognition criteria to an earlier date.

b. Estimates exception

Estimates under PFRS at January 1, 2004 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error.

Summarized below is the discussion of the Bank's transition from previous GAAP to PFRSs has affected the financial position and financial performance as of January 1, 2004 and December 31, 2004:

a. Reconciliation of capital funds and net income (amounts in thousands)

	Capital Funds		**Net income for 2004**
	January 1, 2004	December 31, 2004	
As previously reported	P 3,790,206	P 4,147,370	P 357,165
Transitional effect of adoption of PFRS (PAS 19)	(20,874)	(20,874)	(20,874)
As restated	P 3,769,332	P 4,126,496	P 336,291

The above adjustment pertains to the P20.9 million additional accrual for unused sick leaves that has accumulated as of December 31, 2004. The Bank expects to pay such amount as a result of the adoption of PAS 19.

b. As mentioned above, the Bank elected the exemption on PFRS 1 that allowed the application of PAS 32 and PAS 39 from January 1, 2005 only. Accordingly, the following adjustments, representing the transitional effects of adopting PAS 32 and PAS 39, were reflected as adjustment to the balance of surplus on January 1, 2005 (amounts in thousands):

Description	Amount
I. Recognition of the mark-to-market gain on Dollar Linked Peso Notes for 2004.	P967
II. Additional provision for probable losses as a result of individual and collective evaluation of impairment of loans and advances to customers.	(363,663)
III. Reversal of general loan loss provision on loans and advances to customers.	148,940
IV. Embedded put option reclassified from Investment Securities account to Other Assets account.	(2,382)
V. Mark-to-market valuation of certain clubshares owned by the Bank classified as available for sale.	(P2,564)
VI. Mark-to-market loss on embedded put option on bond investments as of December 31, 2004.	(5,620)
VII. Adjustment resulting from amortization of premium/discount on Land Bank bonds and other securities using the effective interest rate method.	(83,397)
VIII. The increase in deferred income tax is attributed to the timing difference effect of the additional impairment losses recognized by the RBU.	84,458
IX. Market valuation of embedded put option and non-financial derivatives identified by the Bank consistent with the new GAAP effective January 1, 2004.	3,664
X. Recognition of market value of foreign exchange forward contracts.	17,983
Adjustment to Surplus, January 1, 2005	P201,614

5. Financial Risk Management

The Bank's activities are exposed to a variety of financial risks – market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and interest rate risk. The Bank's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

a. *Market risk* consists of foreign exchange risk and price risk.

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank uses forward exchange contracts to manage its foreign exchange risk arising from future commercial transactions and recognized assets and liabilities.

The Bank had the following net exposures denominated in foreign currency as of December 31, 2005 and 2004 (amount in thousands):

	December 31, 2005			
	PHP	USD	Other	Total
Assets				
Cash and other cash items	P 100,939	P -	P -	P 100,939
Due from BSP	890,635	-	229,704	1,120,339
Due from other banks	3,970	1,008,778	8,448	1,021,196
Interbank loans receivable	370,000	678,014	-	1,048,014
Trading securities	193,041	-	-	193,041
Loans and advances to customers (gross)	10,164,481	3,161,486	660,427	13,986,395
Investment securities	4,435,319	291,474	-	4,726,793
Property and equipment (gross)	346,301	-	-	346,301
Equity investments	36,720	-	-	36,720
Deferred income tax	261,988	-	-	261,988
Other assets (gross)	1,099,971	85,131	7,941	1,193,043
	17,903,365	5,224,884	906,519	24,034,768
Unearned discount/income	(131,964)	(4)	-	(131,968)
Allowance for probable losses	(747,638)	(30,493)	-	(778,132)
Accumulated depreciation	(135,329)	-	-	(135,329)
	P 16,888,433	P 5,194,387	P 906,519	P 22,989,339
Liabilities				
Deposit liabilities	P 9,508,940	P 5,352,490	P 46	P 14,861,476
Bills payable	1,915,689	732,256	387,344	3,035,289
Outstanding acceptances	-	20,280	100,039	120,319
Manager's checks	34,063	-	-	34,063
Accrued taxes, interest and other expenses	270,478	17,004	916	288,398
Other liabilities	246,011	42,609	131	288,750
	P 11,975,180	P 6,164,638	P 488,476	P 18,628,294
Net on-balance sheet position	P 4,913,253	(P970,251)	P 418,043	P 4,361,045
Off-balance sheet net notional position	(P909,708)	P 157,896	(P462,099)	(P1,213,910)

	December 31, 2004			
	PHP	USD	Other	Total
Assets				
Cash and other cash items	P 121,590	P -	P -	P 121,590
Due from BSP	469,533	-	247,275	716,808
Due from other banks	10,395	468,938	11,979	491,312
Interbank loans receivable	-	1,007,878	-	1,007,878
Trading securities	222,889	47,435	-	270,324
Loans and advances to customers (gross)	8,464,643	2,863,971	1,332,245	12,660,860
Investment securities	2,244,521	1,764,157	-	4,008,678
Property and equipment (gross)	303,292	-	-	303,292
Equity investments	36,720	-	-	36,720
Deferred income tax	339,304	-	-	339,304
Other assets (gross)	1,020,450	119,753	10,096	1,150,299
	13,233,339	6,272,131	1,601,595	21,107,065
Unearned discount/income	(16,165)	(13)	-	(16,179)
Allowance for probable losses	(564,070)	(195,418)	-	(759,488)
Accumulated depreciation	(132,083)	-	-	(132,083)
	P 12,521,021	P 6,076,700	P 1,601,959	P 20,199,315
Liabilities				
Deposit liabilities	P 5,995,202	P 6,206,480	P 2,757	P 12,204,439
Bills payable	1,194,076	1,436,696	527,520	3,158,292
Outstanding acceptances	-	106,038	92,437	198,474
Manager's checks	30,360	-	-	30,360
Accrued taxes, interest and other expenses	156,827	16,322	992	174,141
Other liabilities	173,257	133,493	363	307,114
	P 7,549,722	P 7,899,028	P 624,068	P 16,072,819
Net on-balance sheet position	P 4,971,299	(P1,822,328)	P 977,527	P 4,126,496
Off-balance sheet net notional position	(P540,454)	P 331,364	(P995,786)	(P1,204,875)

Furthermore, the Bank is exposed to debt and equity securities price risk because of various investments held and classified as either available for sale or at fair value through profit and loss.

b. The Bank manages its credit risk by setting limits for individual borrowers and groups of borrowers and for geographical and industry segments. It also monitors credit exposures, and continually assesses the creditworthiness of counterparties. In addition, the Bank obtains security where appropriate, enters into collateral arrangements with counterparties and limits the duration of the exposures.

The summary of concentration of credit risk is presented in Note 7 to the financial statements.

c. *Liquidity risk* is the risk that the Bank will be unable to meet its obligations as they fall due. To effectively manage liquidity risk, the Bank has arranged diversified funding sources. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The table below summarizes the maturity profile of the Bank's assets and liabilities based on contractual repayment arrangements (amounts in thousands):

December 31, 2005						
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and other cash items	P 100,939	P -	P -	P -	P -	P 100,939
Due from BSP	917,659	99,088	103,592	-	-	1,120,339
Due from other banks	1,021,196	-	-	-	-	1,021,196
Interbank loans receivable	900,620	-	-	147,394	-	1,048,014
Trading securities	189,675	516	2,416	434		193,041
Loans and advances to customers	1,844,985	1,467,540	2,374,326	6,751,780	1,547,763	13,986,395
Investment securities	187,530	347,446	869,298	1,101,787	2,220,253	4,726,313
	P 5,162,604	P 1,914,590	P 3,349,632	P 8,001,395	P 3,768,016	P 22,196,237
Liabilities						
Deposit liabilities	P12,036,415	P 1,845,138	P 452,383	P 503,650	P 23,890	P 14,861,476
Bills payable	1,586,270	-	-	1,349,019	100,000	3,035,289
Outstanding acceptances	31,873	28,711	59,735	-	-	120,319
Manager's checks	34,063	-	-	-	-	34,063
	P13,688,621	P 1,873,849	P 512,118	P 1,852,669	P 123,890	P18,051,147
Net liquidity gap	(P8,526,017)	P40,741	P 2,837,514	P 6,148,726	P 3,644,126	P 4,145,090

December 31, 2004						
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Assets						
Cash and other cash items	P 121,590	P -	P -	P -	P -	P 121,590
Due from BSP	469,533	120,890	129,385	-	-	716,808
Due from other banks	491,312	-	-		-	491,312
Interbank loans receivable	788,774	-	-	219,104	-	1,007,878
Trading securities	-	269	58,729	168,672	42,654	270,324
Loans and advances to customers	1,333,597	1,379,530	2,261,220	6,297,518	1,388,996	12,660,860
Investment securities	89,721	546,992	1,177	679,235	2,691,552	4,008,678
	P 3,294,527	P 2,047,681	P 2,447,511	P 7,364,529	P 4,123,202	P19,277,450
Liabilities						
Deposit liabilities	P 9,610,763	P 1,775,875	P 522,614	P 294,167	P 1,020	P12,204,439
Bills payable	1,845,193	-	169,023	1,044,076	100,000	3,158,292
Outstanding acceptances	102,872	24,954	70,648	-	-	198,474
Manager's checks	30,360	-	-	-	-	30,360
	P11,589,188	P 1,800,829	P 762,285	P 1,338,243	P 101,020	P15,591,565
Net liquidity gap	(P8,294,661)	P 246,852	P 1,685,226	P 6,026,286	P 4,022,182	P 3,685,885

d. *Cash flow and fair value interest rate risks* arise from the possibility that changes in interest rates will affect future cash flows and fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. Accordingly, limits on interest rate gaps for stipulated periods have been established by Management.

A summary of the interest sensitivity position (amounts in thousands) based on contractual repricing arrangements or maturity for 2005 and 2004 is presented below.

The expected repricing and maturity dates may differ significantly from the contractual dates particularly with regard to the maturity of customer demand deposits amounting to P2.01 billion and P1.64 billion as of December 31, 2005 and 2004, respectively, and savings deposits amounting to P5 billion and P2.14 billion as of December 31, 2005 and 2004, respectively.

December 31, 2005						
	1 year or less	More than 1 year but not more than 2 years	More than 2 years but not more than 3 years	More than 3 years but not more than 4 years	More than 4 years but not more than 5 years	More than 5 years
Assets						
Due from BSP	P 1,120,339	P -	P -	P -	P -	P -
Due from other banks	1,021,196	-	-	-	-	-
Interbank loans receivable	900,620	147,394	-	-	-	-
Trading securities	192,629	412	-	-	-	-
Loans and advances to customers	13,819,432	36,588	20,778	5,001	-	104,596
Investment securities	1,406,041	224,665	600,603	238,942	37,599	2,218,462
	P 18,460,257	P 409,060	P 621,381	P 243,943	P 37,599	P 2,323,059
Liabilities						
Deposit liabilities	P 14,333,936	P 445,857	P -	P 57,793	P -	P 23,890
Bills payable	1,586,270	223,600	328,455	666,964	130,000	100,000
	P 15,920,206	P 669,457	P 328,455	P 724,757	P 130,000	P 123,890
On balance sheet gap	P 2,540,051	(P260,397)	P 292,926	(P480,814)	(P92,401)	P 2,199,169

December 31, 2004						
	1 year or less	More than 1 year but not more than 2 years	M ore than 2 years but not more than 3 years	More than 3 years but not more than 4 years	More than 4 years but not more than 5 years	More than 5 years
Assets						
Due from BSP	P 716,808	P -	P -	P -	P -	P -
Due from other banks	491,312	-	-	-	-	-
Interbank loans receivable	788,774	219,104	-	-	-	-
Trading securities	58,998	163,167	3,075	5,474	1,146	38,465
Loans and advances to customers	12,553,904	13,370	44,355	36,305	1,085	11,841
Investment securities	637,891	10,592	208,713	281,705	205,746	2,664,031
	P 15,247,687	P 406,233	P 256,143	P 323,484	P 207,977	P 2,714,336
Liabilities						
Deposit liabilities	P 11,909,253	P -	P -	P -	P 294,167	P 1,020
Bills payable	2,014,215	-	233,200	259,553	216,285	435,037
	P 13,923,468	P -	P 233,200	P 259,553	P 510,453	P 436,057
On balance sheet gap	P 1,324,219	P 406,233	P 22,943	P 63,931	(P302,476)	P 2,278,279

Effective interest rates for 2005 and 2004 are as follows:

	2005	2004
Assets		
Due from BSP	**1.80%**	1.68%
Due from other banks	**2.33%**	1.08%
Interbank loans receivable	**4.68%**	3.38%
Loans and advances to customers	**11.42%**	9.70%
Trading and investment securities	**7.25%**	8.36%
Liabilities		
Deposit liabilities	**4.15%**	3.85%
Bills payable	**5.53%**	4.20%

6. Trading Securities

This account consists of:

	2005	2004
At fair value through profit and loss – HFT		
Dollar-linked peso notes	**P 183,342,775**	P 215,250,000
Treasury bills	**2,932,565**	190,000
Fixed-rate treasury notes	**434,031**	54,884,231
	186,709,371	270,324,231
Derivative financial instruments	**3,842,412**	-
Embedded derivatives	**2,489,319**	-
	P 193,041,319	P 270,324,231

7. Loans and Advances to Customers

This account consists of:

	2005	2004
Loans and discounts	**P 12,587,893,073**	P 11,546,859,991
Bills purchased	**1,229,540,170**	866,882,630
Customer's liabilities under acceptances	**168,961,355**	247,116,881
	13,986,394,598	12,660,859,502
Unearned interest and discount	**(33,692,184)**	(16,178,592)
Allowance for probable losses (see Note 8)	**(698,520,039)**	(662,457,294)
	P 13,254,182,375	P 11,982,223,616

The following table shows the breakdown of loans as to secured and unsecured and the breakdown of secured loans as to type of security as of December 31, 2005 and 2004:

	2005		2004	
	Amount	**%**	Amount	%
Secured				
Government guarantee	**P 1,835,892,141**	**13.13**	P 1,014,993,742	8.02
Real estate	**1,632,794,653**	**11.67**	2,018,953,837	15.95
Mortgage trust indenture	**1,078,084,034**	**7.71**	1,010,938,867	7.98
Shares of stock	**606,848,788**	**4.34**	650,063,840	5.13
Hold-out on deposit	**325,069,707**	**2.32**	398,215,761	3.15
Assigned investment	**106,124,000**	**0.76**	-	-
Chattel	**60,034,119**	**0.43**	89,620,704	0.71
Unsecured	**8,341,547,155**	**59.64**	7,478,072,750	59.06
	P 13,986,394,598	**100.00**	P 12,660,859,502	100.00

On September 19, 2002, the BSP issued Circular 351 which allows banks to exclude from nonperforming classification loans and advances classified as Loss in the latest examination of the BSP which are fully covered by allowance for probable losses, provided that interest on said loans and advances shall not be accrued and that such receivables shall be deducted from total receivables portfolio for purposes of computing the NPL ratio. As of December 31, 2005 and 2004, the non-performing loans (NPL) of the Bank are as follows:

	2005	2004
Total NPLs	**P 669,977,284**	P 783,702,095
Less NPLs fully covered by allowance for probable losses	**221,868,779**	154,033,992
	P 448,108,506	P 629,668,103

As of December 31, 2005 and 2004, information on the concentration of credit as to industry follows:

	2005		2004	
	Amount	**%**	Amount	%
Manufacturing (various industries)	**P 2,672,023,098**	**19.10**	P 2,541,593,103	20.07
Financial intermediation	**1,930,312,918**	**13.80**	1,119,886,700	8.85
Electricity, gas and water	**1,802,581,502**	**12.89**	1,826,776,950	14.43
Wholesale and retail trade	**1,111,667,215**	**7.95**	1,509,274,991	11.92
Transportation, storage and communications	**785,139,511**	**5.61**	594,476,537	4.70
Real estate, renting and business services	**644,450,090**	**4.61**	2,163,431,363	17.09
Public administration and defense	**375,418,524**	**2.68**	831,634,000	6.57
Agriculture	**31,766,334**	**0.23**	36,100,000	0.29
Construction	**26,881,215**	**0.19**	31,046,564	0.25
Others	**4,606,154,190**	**32.94**	2,006,639,293	15.85
	P 13,986,394,598	**100.00**	P 12,660,859,502	100.00

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30% of total loan portfolio. As of December 31, 2005 and 2004, the Bank does not have credit concentration in any particular industry.

As of December 31, 2005 and 2004, the Bank has restructured loans amounting to P638.43 million and P548.46 million, respectively. There are no losses incurred in relation to restructuring because the loans were restructured through modification of terms.

8. Allowance for Probable Losses

Changes in the allowance for probable losses are as follows:

	2005	2004
Balance at beginning of year		
Loans and advances to customers	**P 662,457,294**	P 671,789,920
Other assets	**97,031,026**	163,053,257
	759,488,320	834,843,177
Provisions charged to operations (recovery of allowance for probable losses) during the year		
Loans and advances to customers	**(101,005,108)**	(19,795,484)
Other assets	**3,961,429**	(2,289,029)
	(97,043,679)	(22,084,513)

Forward

	2005	2004
Transitional effects of adopting PAS 32 and PAS 39 (see Note 4)		
Loans and advances to customers	**214,723,174**	-
	214,723,174	-
Accounts written off for realization, reclassification and revaluation and others		
Loans and advances to customers	**(23,247,033)**	10,462,858
Other assets	**(413,281)**	(30,199,539)
	(23,660,314)	(19,736,681)
Accounts sold during the period		
Loans and advances to customers	**(54,408,288)**	-
Other assets	**(20,967,522)**	(33,533,663)
	(75,375,810)	(33,533,663)
	(196,079,803)	(75,354,857)
Balance at end of year		
Loans and advances to customers	**698,520,039**	662,457,294
Other assets	**79,611,652**	97,031,026
	P 778,131,691	P 759,488,320

There are no allowance for probable losses provided for loans and advances to related parties.

9. Investment Securities

This account consists of:

	2005	2004
AFS		
Corporate bonds	**P 1,928,462,976**	P 1,873,315,980
Fixed – rate treasury notes	**1,254,399,786**	-
Treasury bills	**397,115,354**	-
Others	**480,000**	-
	3,580,458,116	1,873,315,980
HTM		
Treasury bills	**1,030,223,668**	636,713,492
Fixed – rate treasury notes	**17,835,911**	1,498,648,545
	1,048,059,579	2,135,362,037
	P 4,628,517,695	P 4,008,678,017

As of December 31, 2005 and December 31, 2004, the market value of the Bank's HTM amounted to P1.07 billion and P2.1 billion, respectively.

10. Property and Equipment

This account consists of:

For the Year Ended December 31, 2005						
	Bank Premises	Computer Equipment	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Total
Costs:						
Balance at beginning of year	P 96,334,975	P 91,593,112	P 51,771,159	P 18,229,897	P 45,363,126	P 303,292,269
Additions during the year	1,704,521	35,953,076	36,081,007	49,539,836	9,854,496	133,133,386
Disposals during the year	-	(31,187,064)	(27,931,372)	(27,331,150)	(3,674,718)	(90,124,304)
Balance at end of year	98,039,496	96,359,124	59,920,794	40,438,583	51,543,354	346,301,351
Accumulated depreciation and amortization:						
Balance at beginning of year	9,506,422	69,435,353	19,622,003	-	33,519,031	132,082,809
Depreciation during the year	3,906,259	15,927,937	11,047,917	-	5,157,230	36,039,343
Disposals/write-off during the year	-	(23,451,441)	(7,066,006)	-	(2,274,938)	(32,792,385)
Balance at end of year	13,412,681	61,911,849	23,603,914	-	36,401,323	135,329,767
Carrying amount:						
Balance at beginning of year	P 86,828,553	P 22,157,759	P 32,149,156	P 18,229,897	P 11,844,095	P171,209,460
Balance at end of year	P 84,626,815	P 34,447,275	P 36,316,880	P 40,438,583	P 15,142,031	P210,971,584

For the Year Ended December 31, 2004						
	Bank Premises	Computer Equipment	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Total
Costs:						
Balance at beginning of year	P96,026,975	P78,292,432	P44,292,444	P19,572,415	P42,801,564	P280,985,830
Additions during the year	308,000	17,876,647	28,871,159	13,900,256	4,379,685	65,335,747
Disposals during the year	-	(4,575,968)	(21,392,444)	(15,242,774)	(1,818,123)	(43,029,309)
Balance at end of year	96,334,975	91,593,112	51,771,159	18,229,897	45,363,126	303,292,269

Forward

For the Year Ended December 31, 2004						
	Bank Premises	Computer Equipment	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Total
Accumulated depreciation and amortization:						
Balance at beginning of year	5,680,872	53,839,594	17,300,443	-	28,284,794	105,105,704
Depreciation during the year	3,825,550	16,565,619	9,710,517	-	5,763,695	35,865,381
Disposals/write-off during the year	-	(969,860)	(7,388,958)	-	(529,459)	(8,888,726)
Balance at end of year	9,506,422	69,435,353	19,622,002	-	33,519,031	132,082,808
Carrying amount:						
Balance at beginning of year	P90,346,103	P24,452,838	P26,992,001	P19,572,415	P14,516,770	P175,880,126
Balance at end of year	P86,828,553	P22,157,759	P32,149,156	P18,229,897	P11,844,096	P171,209,460

Depreciation expense amounting to P36.04 Million and P35.87 Million and amortization of leasehold improvements amounting to P14.19 Million and P7.97 Million for the years ended December 31, 2005 and 2004, respectively are included in the Occupancy and equipment-related expenses account in the statements of income.

11. Other Assets

This account consists of:

	2005	2004
Accounts receivable	**P 676,031,307**	P 677,845,004
Accrued interest receivable	**321,553,850**	282,024,882
Computer software – net	**68,807,303**	51,125,406
Foreign currency coins and notes on hand	**34,746,300**	22,710,087
Prepaid expenses and other deferred charges	**20,252,942**	21,270,261
Investment property – net	**8,331,767**	-
Real and other properties owned or acquired	**-**	53,470,636
Miscellaneous	**63,319,178**	41,852,736
	1,193,042,647	1,150,299,012
Less allowance for probable losses (see Note 8)	**79,611,652**	97,031,026
	P 1,113,430,995	P 1,053,267,986

Investment property pertains to condominium units acquired in settlement of loans. These condominium units are rented out in the previous years, however, there was no rental income generated in 2005 and 2004. The condominium units were classified as real and other properties owned or acquired in 2004.

12. Other Liabilities

This account consists of:

	2005	2004
Accounts payable	**P 70,354,381**	P 65,402,286
Payment orders payable	**28,393,842**	107,641,420
Withholding tax payable	**24,047,948**	17,776,228
Derivative financial instruments	**23,138,257**	-
Miscellaneous	**142,815,789**	116,293,696
	P 288,750,217	P 307,113,630

13. Capital Funds

The Monetary Board (MB) of the BSP in its Resolution No. 1340 dated November 22, 1995 has required the Bank to list in the PSE not later than 4 years after the start of the Bank's operations. The Bank was listed in the PSE on June 2, 1999 through an initial public offering (IPO) of 37,500,000 common shares from its unissued common stock. The application for the IPO of the Bank was approved by the PSE on April 19, 1999. Since the date of the Bank's IPO, the number of shares outstanding has remained at 187,500,000.

In December 2000, Chinatrust Taipei substantially increased its equity in the Bank through the acquisition of shares held by a minority group. Relative to this acquisition, Chinatrust Taipei controls approximately 91% of the Bank's capital stock compared to 57% prior to the acquisition. The General Banking Law of 2000 allows foreign banks to own up to 100% of Philippine incorporated banks, compared to 60% under the previous law. A further acquisition of shares held by the public representing approximately 4% of the Bank's equity was made by Chinatrust Taipei in January 2001 through a tender offer at a price of P19 per share, the same price at which the shares from the minority group was acquired. In May 2001, Chinatrust Taipei purchased another 4.38% of the outstanding shares at a price of P18.25 per share. Under the rules of the PSE, the Bank, being a stock exchange-listed entity, is required, among others, to maintain a minimum ownership reserved to the public equivalent to at least 20% of its outstanding capital stock. However, the continuing listing requirement on minimum public ownership has been suspended by the PSE until December 31, 2005.

Under current banking regulations, the combined capital accounts of each commercial bank should not be less than an amount equal to ten percent (10%) of its risk assets. As of December 31, 2005 and 2004, the Bank complied with the minimum capital-to-risk assets ratio. The capital-to-risk assets ratio of the Bank as of December 31, 2005 and 2004 is 30.78% and 31.55%, respectively.

In its August 25, 2005 meeting, the Board of Directors declared as stock dividends 28,125,000 common shares representing 15% of 187,500,000 common shares issued and outstanding. Said stock dividend declaration was approved by the shareholders on December 22, 2005.

The stock dividend declaration is pending approval with the BSP. Once approved, the Bank will be issuing the stock dividends to its shareholders as of a record date to be determined by the Board or by the President.

14. Leases

The Bank leases a portion of the equipment and premises of its head office and branches. The terms of the lease contracts range from 1 to 7 years subject to future increases. Rent expense included in Occupancy and equipment-related expenses amounted to P77.89 million and P68.2 million for the years ended December 31, 2005 and 2004, respectively.

Non-cancellable operating lease rentals are payable as follows (amounts in millions):

	2005	2004
Less than one year	**P 54**	P 61
Between one and five years	**119**	69
More than five years	**4**	6

15. Income Taxes

Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented as Taxes and Licenses in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes. Income taxes paid consist of corporate income tax and a final withholding tax of 20% on gross interest income from government securities and other deposit substitutes. These income taxes are presented in the statements of income as Provision for Income Tax.

The corporate income tax rate for the RBU is 32% until October 31, 2005. Starting November 1, 2005, by virtue of the effectivity of Republic Act (RA) No. 9337 which was passed into law on May 24, 2005, the corporate income tax rate was changed to 35%, which will be the rate until December 31, 2008. Afterwards, the corporate income tax rate will be 30%. Interest allowed as a deductible expense is reduced by an amount equivalent to 38% of interest income subjected to final tax until October 31, 2005, and 42% from November 1, 2005 until December 31, 2008. Afterwards, the rate will be reduced to 33%. The regulations also provide for MCIT of 2% of gross income and three-year NOLCO. The MCIT and NOLCO maybe applied against the Bank's income tax liability and taxable income, respectively, over a three-year period from the year of incurrence.

Pursuant to Revenue Regulation No. 12-2003 issued on March 12, 2003, a 10% Value-Added Tax (VAT) was imposed on services of banks, non-bank financial intermediaries and finance companies effective January 1, 2003. Accordingly, the Bank has been subjected to a 10% VAT on its gross receipts in lieu of the GRT starting January 1, 2003. However, Republic Act No. 9238 reverting the services of banks and non-bank financial intermediaries to GRT was approved on February 5, 2004 with retroactive effect from January 1, 2004.

FCDU offshore income (income from nonresidents) is tax-exempt. Onshore income (income from residents) is subject to 10% gross income tax.

The Comprehensive Tax Reform Bill (which became R.A. 8424 otherwise known as the Tax Reform Act of 1997) amended the Tax Code provision governing taxation of income derived under the Expanded Foreign Currency Deposit System which included the FCDUs and OBUs. As amended, the items previously classified as exempt from all taxes have become subject to 10% final income tax, namely, income derived from transactions with local commercial banks, including branches of foreign banks that may be authorized by the BSP to transact business with foreign currency deposit system units; and other depository banks under the expanded foreign currency deposit system.

On April 28, 2004, Republic Act No. 9294 (R.A. 9294) was enacted into law. R.A. 9294 is the Act restoring the tax exemption of OBUs and FCDUs. Under this law, income derived by FCDUs from foreign currency transactions with nonresidents, OBUs in the Philippines, local commercial banks including branches of foreign banks that may be authorized by the BSP to transact business with foreign currency deposit system units and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the Monetary Board to be subject to the regular income tax payable by banks. Provided, however, that interest income from foreign currency loans granted by other FCDUs to residents under the offshore units in the Philippines or other depository banks under the expanded system shall be subject to a final tax at a rate of 10%.

Subsequent to April 28, 2004, the banking industry with FCDU and OBU operations in the Philippines received Letter Notices, Preliminary Assessment Notice and/or Formal Assessment Notice from the Bureau of Internal Revenue (BIR) assessing the FCDUs and OBUs for alleged deficiency gross receipts, branch profit remittance, value-added and documentary stamp taxes for taxable years covering the intervening years to the date of restoration. The Bankers Association of the Philippines (BAP) and the tax counsel of the banks had been in discussion with the BIR to come up with a final resolution of the issue. However, up to this date, nothing has yet been agreed.

In relation to this, the Bank received Letter Notices and Preliminary Assessment Notice for its FCDU for taxable years 1998, 2000 and 2002 on various dates after April 28, 2004. The Bank also received a Formal Assessment Notice for its FCDU for taxable year 2001 and has, through its tax counsel, filed a motion with the Court of Tax Appeals contesting the said assessment. A trial has been scheduled for this motion. The Bank management, through their tax counsel and the support of the BAP, is contesting the assessments on certain grounds which, if considered, will not give rise to material tax deficiencies.

Income tax provisions for the years ended December 31, 2005 and 2004 consist of:

	2005	2004
Current	**P 95,055,269**	P 66,343,585
Deferred	**161,628,068**	(1,378,689)
	P 256,683,337	P 64,964,896

The provision for income tax – current includes the regular corporate income tax, MCIT, income tax of the Bank's FCDU and the final taxes paid on interest and other income.

The reconciliation between the statutory income tax and effective income tax follows for the years ended December 31, 2005 and 2004:

	2005	2004 (As restated)
Statutory income tax	**P 219,049,691**	P 128,401,856
Tax effects of:		
FCDU income	**(82,960,701)**	(72,405,481)
Expired NOLCO	**54,652,469**	30,470,575
Tax paid and tax exempt income	**(44,763,160)**	(30,638,035)
Writedown of tax losses carryforward	**36,173,329**	-
Non-deductible portion of interest expense	**34,001,684**	19,792,021
Writedown of MCIT	**17,812,957**	-
Expired MCIT	**2,530,621**	1,925,326
Adjustments resulting from PAS 19 implementation	**-**	6,679,707
Others	**20,186,447**	(19,261,072)
Effective income tax	**P 256,683,337**	P 64,964,897

Deferred tax assets have not been recognized on NOLCO and MCIT because management believes that it is not probable that the carryforward benefits will be realized prior to expiration.

The components of the Bank's deferred tax assets are as follows:

	2005	2004
Tax effects of:		
Allowance for probable losses	**P 257,739,120**	P 226,412,811
Unamortized past service cost	**4,248,707**	1,722,263
NOLCO	**-**	90,825,798
Excess of MCIT over regular corporate income tax	**-**	20,343,578
	P 261,987,827	P 339,304,450

Details of the Bank's NOLCO are as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2002	P 170,788,966	(P170,788,966)	P -	2005
2003	81,063,425	-	81,063,425	2006
2004	31,978,227	-	31,978,227	2007
2005	49,240,719	-	49,240,719	2008
	P 333,071,337	(P170,788,966)	P 162,282,371	

Details of the Bank's excess MCIT over regular corporate income tax are as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2002	P 2,530,621	(P2,530,621)	P -	2005
2003	7,426,937	-	7,426,937	2006
2004	10,386,020	-	10,386,020	2007
2005	14,282,394	-	14,282,394	2008
	P 34,625,972	(P2,530,621)	P 32,095,351	

16. Trust Assets

Securities and properties held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying statements of condition. These items are not assets of the Bank. Total assets held by the Bank's Trust Department amounted to about P1.11 billion and P732.45 million as of December 31, 2005 and 2004, respectively (see Note 23).

In compliance with current banking regulations relative to the Bank's trust functions, government securities owned by the Bank with face value amounting to P8 million and P5 million as of December 31, 2005 and 2004, are deposited with the BSP.

17. Earnings Per Share

Earnings per share amounts were computed as follows:

	2005	2004 (As restated - Note 4)
Net income	**P 417,315,711**	P 336,290,903
Weighted average number of outstanding common shares	**187,500,000**	187,500,000
Earnings per share	**P 2.23**	P 1.79

18. Retirement Cost

The Bank has a funded non-contributory retirement plan covering all regular employees.

As of December 31, 2004, the date of last actuarial valuation, the actuarial present value of pension benefits amounted to about P61.92 million and the estimated fair market value of plan assets amounted to about P48.99 million. Below are pertinent information relative to the Bank's retirement plan as of December 31, 2005:

Present value of obligations	P 70,555,367
Fair value of plan assets	(68,428,013)
Present value of net obligations	2,127,354
Unamortized transitional liability	(2,127,354)
Net liability (asset)	P -

The expense recognized in the statements of income for 2005 are as follows:

Current service cost	P 11,294,583
Interest cost	8,668,802
Expected return on plan assets	(5,389,001)
Transition (asset) liability recognized	10,801,746
Net pension expense	P 25,376,130
Actual return on plan assets	P 5,418,310

The expense is included in Compensation and Fringe Benefits account in the statements of income.

Movements in the defined benefit obligations are as follows:

Pension (asset) liability at beginning of year	P -
Expense recognized in the statements of income	(25,376,130)
Actual contributions	25,376,130
	P -

Principal actuarial assumptions used are as follows:

Annual rates	
Discount rate	14%
Expected rate of return on plan assets	11%
Future salary increases	10%

19. Related Party Transactions

In the ordinary course of business, the Bank enters into transactions with its directors, officers, stockholders and related interests (DOSRI), provided that these transactions are made substantially on the same terms and conditions as transactions with third parties. Under current banking laws and regulations, the aggregate amount of loans to DOSRI should not exceed the total capital funds or 15% of the total loan portfolio of the Bank, whichever is lower. In addition, the amount of direct credit accommodations to DOSRI, of which 70% must be secured, should not exceed the amount of their respective regular and/or quasi-deposits and book value of their respective investments in the Bank. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations. However, BSP Circular 423 clarifies that loans granted to officers and employees under an approved fringe benefit program is excluded from an individual ceiling but subject to 5% aggregate ceiling. The Bank is in compliance with such regulations as of December 31, 2005 and 2004.

The following table shows information relating to DOSRI loans as of December 31, 2005 and 2004:

	2005	2004
Total outstanding DOSRI loans	**P 126,719,286**	P 190,846,953
Percent of DOSRI loans to total loans	**0.90%**	1.51%
Percent of unsecured DOSRI loans to total DOSRI loans	**2.16%**	0.39%

Secured DOSRI loans include those for which the underlying mortgages are pending registration.

The following are the significant transactions with related parties (amounts in thousands):

	2005				2004			
	Parent Bank	**Directors and Key Manage-ment Personnel**	**Others**	**Total**	Parent Bank	Directors and Key Manage-ment Personnel	Others	Total
Interest income	**P 67**	**P 7,449**	**P 2,148**	**P 9,664**	P 12	P 5,388	P 2,319	P 7,719
Interest expense	**-**	**(46)**	**(893)**	**(939)**	-	(248)	(2,948)	(3,196)
Other income	**-**	**2,249**	**-**	**2,249**	-	2,465	-	2,465
Other expenses	**-**	**-**	**(148)**	**(148)**	-	(833)	(659)	(1,492)
Total	**P 67**	**P 9,652**	**P 1,107**	**P 10,826**	P 12	P 6,772	(P1,288)	P 5,496

The following are the outstanding balances with related parties (amounts in thousands):

	2005				2004			
	Parent Bank	**Directors and Key Manage-ment Personnel**	**Others**	**Total**	Parent Bank	Directors and Key Manage-ment Personnel	Others	Total
Assets								
Cash and other cash items	**P -**	**P -**	**P -**	**P -**	P 6,569	P -	P 14,925	P 21,495
Due from other banks	**10,776**	**-**	**18,272**	**29,048**	-	-	-	-
Loans and advances to customers	**-**	**96,104**	**30,615**	**126,719**	-	157,346	33,501	190,847
Equity investments	**-**	**-**	**24,279**	**24,279**	-	-	24,279	24,279
Total	**P 10,776**	**P 96,104**	**P 73,166**	**P 180,046**	P 6,569	P 157,346	P 72,705	P 236,620
Liabilities								
Deposit liabilities	**P -**	**P 4,679**	**P 15,734**	**P 20,413**	P -	P 42,947	P 66,594	P 109,541
Bills payable	**-**	**-**	**649,696**	**649,696**	-	-	1,007,183	1,007,183
Accrued taxes, interest and other expenses	**-**	**-**	**686**	**686**	-	-	1,992	1,992
Total	**P -**	**P 4,679**	**P 666,116**	**P 670,795**	P -	P 42,947	P1,075,768	P1,118,716

Compensation of key management personnel of the Bank:

	2005	2004
Short-term employee benefits	**P 63,258,721**	P 63,258,721
Post-employment benefits	**2,246,967**	2,246,967
Other long-term benefits	**7,473,531**	8,299,616
	P 72,979,219	P 72,499,681

In addition to the above, the Bank has made contributions to its retirement plan amounting to P25.38 million and P19.65 million for 2005 and 2004, respectively, and made payments to resigned employees amounting to P10.87 million in 2005 and P4.50 million in 2004.

20. Derivative Financial Instruments

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor the credit risk.

December 31, 2005 (amounts in thousands):							
				Notional amounts by term to maturity			
	Positive fair value	Negative fair value	Notional amount Total	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years
Derivatives held for trading:							
Currency swaps	P945,565	P483,772	P1,443,675	P1,443,675	P -	P -	P -
Forward foreign exchange contracts	63,674	-	64,708	64,708	-	-	-
Embedded derivatives:	-	8,568	11,057	-	-	11,057	-
	P1,009,239	P492,340	P1,519,440	P1,508,383	P -	P 11,057	P -

December 31, 2004 (amounts in thousands):							
				Notional amounts by term to maturity			
	Positive fair value	Negative fair value	Notional amount Total	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years
Derivatives held for trading:							
Currency swaps	P 1,407,467	P 974,624	P 2,382,091	P 2,382,091	P -	P -	P -
Forward foreign exchange contracts	219,730	-	219,730	101,414	118,316	-	-
Embedded derivatives:	-	11,712	14,166	-	-	14,166	-
	P 1,627,197	P 986,336	P 2,615,978	P 2,483,505	P 118,316	P 14,166	P -

21. Segment Information

The Bank is organized based on the products and services that it offers and operates three principal areas namely: Treasury and Financial Institution Group, Corporate Banking Group and Retail Banking Group.

The information presented in the table below is derived from the internal management reporting system used by management to measure the performance of the segments and the Bank in the overall. The management reporting system assigns statement of condition and statement of income items to each segment based on internal funds transfer pricing system, which assigns a cost of funds or a credit for funds to resources and liabilities based on their type, maturity or repricing characteristics. Non-interest income and expense directly attributable to a segment are assigned to that business based on the profit/cost center concept. Economic capital is attributed to each business unit using a Risk Adjusted Return on Capital (RAROC) methodology, which seeks to allocate capital to each business unit consistent with the level of credit risk they assume. Any excess is allocated proportionately to each business segment.

Segment information for the years ended December 31, 2005 and 2004 are as follows (amounts in millions):

	Treasury and Financial Institution		Corporate Banking		Retail Banking	
	2005	2004	**2005**	2004	**2005**	2004
Results of operations (in millions)						
Net interest income	**P 137**	P 135	**P 419**	P 347	**P 641**	P 421
Noninterest income	**226**	147	**47**	42	**61**	41
Total revenue	**363**	282	**465**	389	**702**	462
Noninterest expense	**102**	95	**(77)**	25	**460**	278
Income (loss) before income tax	**261**	187	**543**	363	**242**	184
Income tax provision (benefit)	**57**	46	**81**	14	**(15)**	2
Net income (loss)	**P204**	P 141	**P 462**	P 350	**P 257**	P 182
YTD Average (in millions)						
Total resources	**P 3,804**	P 4,937	**P 11,185**	P 9,202	**P 6,576**	P 3,987
Total liabilities	**P 4,999**	P10,395	**P 6,281**	P 933	**P 6,393**	P 3,331

	Others		Total	
	2005	2004	**2005**	2004
Results of operations (in millions)				
Net interest income	**P 22**	P 19	**P 1,218**	P 922
Noninterest income	**3**	2	**336**	232
Total revenue	**24**	22	**1,554**	1,154
Noninterest expense	**396**	355	**880**	753
Income (loss) before income tax	**(372)**	(333)	**674**	401
Income tax provision (benefit)	**134**	3	**257**	65
Net income (loss)	**(P506)**	(P336)	**P417**	P336
YTD Average (in millions)				
Total resources	**P 762**	P 799	**P 22,328**	P 18,925
Total liabilities	**P 499**	P 476	**P 18,173**	P 15,135

22. Financial Performance

The following basic ratios measure the financial performance of the Bank for the year ended December 31, 2005 and 2004:

	2005	2004
Return on average equity	**9.41%**	8.74%
Return on average assets	**1.84%**	1.84%
Net interest margin	**6.05%**	5.56%

23. Commitments and Contingent Liabilities

In the normal course of the operations of the Bank there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. The Bank does not anticipate material unreserved losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts as of December 31, 2005 and 2004 (amounts in thousands):

	2005	2004
Trust department accounts	**P 1,108,680**	P 732,448
Forward exchange bought	**1,025,624**	1,627,197
Unused commercial letters of credit	**543,387**	1,037,587
Forward exchange sold	**493,816**	988,790
Inward bills for collection	**65,854**	6,039
Outstanding guarantees	**18,316**	18,382
Outward bills for collection	**9,171**	50,308
Traveller's checks unsold	**982**	1,583
Spot exchange bought	**-**	185,925
Spot exchange sold	**-**	174,657
Others	**12,486**	12,654

24. Approval of Financial Statements

In its meeting on February 23, 2006, the Board of Directors authorized the issuance of the Bank's financial statements as of and for the year ended December 31, 2005.

25. Reclassification

Certain accounts in the 2004 financial statements have been reclassified to conform with the 2005 financial statements presentation.

Honorary Chairman

Dr. JEFFREY L. S. KOO

Board of Directors

STEVE R.S. CHOU
Chairman

WILLIAM B. GO
Vice-Chairman

JOEY A. BERMUDEZ
President

WILLIAM HON
Director
(Elected Chairman as of April 2006)

ERIC WU
Director

PAO-CHUAN LIN
Director

YUNG FANG YANG
Independent Director

EDWIN B. VILLANUEVA
Independent Director

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Fax: (04) 23145878

Gongyi Branch
1F., No. 53, Sec. 2, Gongyi Rd., Nantun District
Taichung City 408, Taiwan, R.O.C.
Tel.: (04) 23291111
Fax: (04) 23209470

Nantun Branch
1F., No. 234, Sec. 2,
Wucyyuan W. Rd., Nantun District
Taichung City 408, Taiwan, R.O.C.
Tel.: (04) 24712268
Fax: (04) 24721708

North Taichung Branch
1F., No. 77, Yucai N. Rd., North District
Taichung City 404, Taiwan, R.O.C.
Tel.: (04) 22231666
Fax: (04) 22232999

Shueinan Branch
1F., No. 361, Sec. 3, Wunsin Rd., Situn District
Taichung City 407, Taiwan, R.O.C.
Tel.: (04) 22960988
Fax: (04) 22932345

Situn Mini Branch
1F., No. 111, Sec. 3,
Taichung Port Rd., Situn District
Taichung City 407, Taiwan, R.O.C.
Tel.: (04) 23551000
Fax: (04) 23552000

Taichung Branch
1F., No. 50, Minzu Rd., Central District
Taichung City 400, Taiwan (R.O.C.)
Tel.: (04) 22292161
Fax: (04) 22261861

Wunsin Branch
1F., No. 875, Sec. 4,
Wunsin Rd., Beltun District
Taichung City 406, Taiwan, R.O.C.
Tel.: (04) 22469988
Fax: (04) 22469968

TAICHUNG COUNTY

Dali Branch
1F., No. 267, Sec. 1, Jhongsing Rd., Dali City
Taichung County 412, Taiwan, R.O.C.
Tel.: (04) 24923222
Fax: (04) 24930331

Fongyuan Branch
1F., No. 341, Jhongshan Rd., Fongyuan City
Taichung County 420, Taiwan, R.O.C.
Tel.: (04) 25201010
Fax: (04) 25209010

Taiping Mini Branch
1F., No. 312, Jhongsing E. Rd., Taiping City
Taichung County 411, Taiwan, R.O.C.
Tel.: (04) 22789988
Fax: (04) 22731818

TAINAN CITY

Central Tainan Branch
1F., No. 167, Sec. 1,
Minsheng Rd., Central District
Tainan City 700, Taiwan, R.O.C.
Tel.: (06) 2412318
Fax: (06) 2412317

East Tainan Branch
1F., No. 290, Sec. 2,
Changrong Rd., East District
Tainan City 701, Taiwan, R.O.C.
Tel.: (06) 2085522
Fax: (06) 2084522

Jhonghua Branch
1F., No. 195, Sec. 2,
Jhonghua E. Rd., East District
Tainan City 701, Taiwan, R.O.C.
Tel.: (06) 3353535
Fax: (06) 3353061

South Tainan Mini Branch
1F., No. 236, Sec. 2,
Jiankang Rd., South District
Tainan City 702, Taiwan, R.O.C.
Tel.: (06) 2919999
Fax: (06) 2912788

Tainan Branch
1F., No. 31, Jhongjheng Rd., Central District
Tainan City 700, Taiwan (R.O.C.)
Tel.: (06) 2295151
Fax: (06) 2284275

West Tainan Branch
1F., N. 212, Sec. 4, Jinhua Rd., West District
Tainan City 703, Taiwan, R.O.C.
Tel.: (06) 2263636
Fax: (06) 2111896

TAINAN COUNTY

Yongkang Branch
1F., No. 425, Jhonghua Rd., Yongkang City
Tainan County 710, Taiwan, R.O.C.
Tel.: (06) 2025787
Fax: (06) 3025922

TAITUNG COUNTY

Taitung Branch
1F., No. 279, Jhongshan Rd., Taitung City,
Taitung County 950, Taiwan, R.O.C.
Tel.: (089) 339898
Fax: (089) 320250

TAOYUAN COUNTY

Bade Mini Branch
1F., No. 965, Sec. 1, Jieshou Rd., Bade City
Taoyuan County 334, Taiwan, R.O.C.
Tel.: (03) 3716565
Fax: (03) 3672255

Jhongli Branch
1F., No. 500, Yanping Rd., Jhongli City
Taoyuan County 320, Taiwan, R.O.C.
Tel.: (03) 4223131
Fax: (03) 4257292

Linkou Mini Branch
1F. No. 38, Wunhua
2nd Rd., Gueishan Township
Taoyuan County 333, Taiwan, R.O.C.
Tel.: (03) 3962777
Fax: (03) 3963096

Nankan Branch
1F., No. 257, Jhongjheng Rd., Lujhu Township
Taoyuan County 338, Taiwan, R.O.C.
Tel.: (03) 3212211
Fax: (03) 3212442

Sinsheng Mini Branch
1F., No. 239, Sinsheng Rd., Jhongli City
Taoyuan County 320, Taiwan, R.O.C.
Tel.: (03) 4662211
Fax: (03) 4365522

South Taoyuan Branch
1F., No. 389, Fusing Rd., Raoyuan City
Taoyuan County 330, Taiwan, R.O.C.
Tel.: (03) 3388866
Fax: (03) 33390077

Taoyuan Branch
1F., No. 32, Sec. 1,
Chenggong Rd., Taoyuan City
Taoyuan County 330, Taiwan, R.O.C.
Tel.: (03) 3373266
Fax: (03) 3354297

Yanping Branch
1F., No. 326, Yanping Rd., Jhongli City
Taoyuan County 320, Taiwan, R.O.C.
Tel.: (03) 4271122
Fax: (03) 4250303

TUCHENG CITY

Jincheng Mini Branch
1F., No. 14, Sec. 3, Jincheng Rd.
Tucheng City, Taipei County 236, Taiwan, R.O.C.
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YONGHE CITY

Yonghe Mini Branch
1F., No. 215, Sec. 1,
Jhongshan Rd.Yonghe City,
Taipei City 408, Taiwan, R.O.C.
Tel.: (02) 82315696
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YUNLIN COUNTY

Douliou Branch
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CHINATRUST OVERSEAS UNIT

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Makati City, Philippines
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Fax: 1-604-6833723

Branches

Burnaby Branch
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Ho Chi Minh City Branch
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37 Ton Due Thang St., District 1,
Ho Chi Minh City, Vietnam
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Hong Kong Branch
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8 Finance St., Central, Hong Kong
Tel.: 852-29161888
Fax: 852-28109742

Kowloon Branch
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Fax: 62-21-5206278 / 5206378 /
5206767 (Marketing)

Head Office – Customer Service
Tel.: 62-21-5206856 / 5206781

Bandung Branch
Wisma Lippo, 7th Fl., Gatot Subroto
No. 2, Bandung 40262
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Fax: 62-22-7308878 / 7316888

Cikarang Sub-branch
Komplek Ruko Union
Blok A No. 2, Jl. M.H. Thamrin
Lippo Cikarang, Bekasi-Jawa Barat
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Fax: 62-21-89906868

Kelapa Gading Sub-Branch
Ruko Inkopal Blok B No. 10,
Jl. Boulevard Barat Raya
Kelapa Gading
Tel.: 62-21-45851088
Fax: 62-21-45851077

Mangga Dua Sub-Branch
Komplek Ruko Texile, Ji. Mangga Dua Raya
Blok E4 No. 2, Jakarta Utara 14230
Tel.: 62-21-6125058
Fax: 62-21-6125056

Surabaya Branch
Wisma Dharmala Surabaya, 6th Fl., J1.
Panglima Sudirman 101-103, Surabaya 60271
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Fax: 62-31-5348007

Tangerang Sub-Branch
Karawaci Office Park
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Fax: (626) 821-8908

Cerritos Branch
18512 Gridley Road, Artesia, CA 9170
Tel.: (562) 809-7500
Fax: (562) 809-8728

City of Industry Branch
18645 Gale Avenue
#150 City of Industry, CA 91748
Tel.: (626) 839-3300
Fax: (626) 839-3308

Cupertino Branch
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Cupertino, CA 95015
Tel.: 873-3288
Fax: 873-3286

Edison Branch
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New Jersey 08817
Tel.: (732) 650-1160
Fax: (732) 650-1161

Fremont Branch
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Tel.: (408) 873-3288
Fax: (408) 873-3286

Irvine Branch
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Fax: (949) 262-7162

Milpitas Branch
258 Barber Court, Milpitas, CA 95035
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Fax: (408) 955-7286

Monterey Park Branch
2095 S. Atlantic Boulevard,
Monterey Park, CA 91754
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Fax: (323) 260-8058

Rowland Heights Branch
17851 Colima Rd., City of Industry CA 91748
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Fax: (626) 839-7706

San Diego Loan Production Office
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Escondido, CA 92025
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Fax: (760) 839-2398

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San Gabriel, CA 91776
Tel.: (626) 299-5000
Fax: (626) 821-5008

San Marino Branch
2956 Huntington Drive,
San Marino, CA 91108
Tel.: (626) 287-0716
Fax: (626) 287-2706

Seattle Branch
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#1H3, Bellevue, Washington 98004
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Fax: (425) 289-6688

Torrance Branch
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Torrance, CA 90505
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Fax: (310) 791-2878

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Fax: (714) 531-2173

Chinatrust New York

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Fax: (718) 854-2245

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Fax: (212) 385-9611

Elmhurst Branch
83-09 Broadway, Elmhurst, New York 11373
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Fax: (718) 760-4847

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Ayala Branch
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Fax: 759-4982 / 88 / 90

Alabang Branch
Ground Floor, Page I Building
Acacia Ave., Madrigal Business Park, Alabang
Tel.: 842-9653 to 55
Fax: 842-9649

Binondo Branch*
Ground Floor State Centre Building,
Juan Luna St. Binondo, Manila
Tel.: 245-7753 / 55, 244-0414 / 22
Fax: 245-7754

Buendia-Pasong Tamo Branch
Ground Floor, Burgundy Corporate Tower
252 Sen. Gil Puyat Ave., Makati City
Tel.: 889-0026 / 27 / 36
Fax: 889-0036

Greenhills Branch
Ground Floor, LGI Building, Ortigas Ave.,
San Juan, Metro Manila
Tel.: 744-2227 / 28, 744-4868
Fax: 744-2228

Kalookan Branch
1358-1360 Rizal Ave. Extension, Kalookan City
Tel.: 366-6315 / 16
Fax: 366-6216

Leviste Branch
Ground Floor, Athenaeum Building
160 LP Leviste Street,
Salcedo Village, Makati City
Tel.: 840-2508 / 2509 / 2507
Fax: 840-2510

Mabini Branch
Ground Floor, Unit B Echelon Tower,
A. Mabini St., Malate, Manila
Tel.: 400-8035 to 37, 522-9950
Fax: 400-8034

Marikina Branch
J.P. Rizal cor. E. dela Paz St.,
San Roque, Marikina City
Tel.: 646 4325 / 51 / 61
Fax: 681-0337

Ortigas Branch
Ground Floor, Unit 101 Prestige Tower,
Emerald Ave., Ortigas Centre, Pasig City
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Fax: 635-3833 / 34

Rada Branch
SEDCCO 1 Building
Ground Floor, Legaspi corner
Rada Streets, Makati City
Tel.: 893-9837 / 7657 / 7500
Fax: 893-9415

Sucat Branch
Units N & O Columbia Airfreight Complex
Ninoy Aquino Ave., Parañaque City
Tel.: 854-8110 / 12 / 13
Fax: 854-8115

Valenzuela Branch
253-A McArthur Highway,
Karuhatan, Valenzuela City
Tel.: 294-0640 / 41, 445-6753 / 58
Fax: 293-1924

West Avenue Branch
94 West Ave., Quezon City
Tel.: 925-1547 / 48
Fax: 925-1908, 415-8822

Provincial Branches

Carmona Branch
National Highway, Barrio Maduya
Carmona, Cavite
Tel.: (046) 430-3291 to 93
Fax: 699-2297

Cebu Branch
Ground Floor, The Forum,
Archbishop Reyes Ave., Cebu City
Tel.: (032) 233 3800 / 18
Fax: (032) 233-3808

Imus Branch
Ground Floor, PRB Building,
Gen. Aguinaldo Highway
Palico, Imus, Cavite
Tel.: (046) 471-9884 to 89
Fax: (046) 471-9888

Subic Branch
SBDMC Park, Rizal cor., Argonaut Highway,
Subic, Olongapo City
Tel.: (047) 252-1381 / 90
Fax: (047) 252-1382

**Sta. Elena and Arranque branches have merged with Binondo branch as of June 5 and June 23, 2006, respectively.*

Chinatrust Philippines Officers

Office of the President

Joey A. Bermudez
President

Compliance

Leo Austin M. Mongaya
Assistant Vice President

Controllership

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First Vice President

Andre P. Payawal
Vice President

Caezar O. Gutierrez
Assistant Vice President

Corporate Service Delivery

Reynaldo R. Jimenez
Assistant Vice President

Credit Risk Management

Rogerio B. Panlasigui
Senior Vice President

Deogracias P. Canilao
Robert H. Chen
Roel S. Costuna
Vice Presidents

Antonio D. Sy
Carlos Francisco P. Roa
Assistant Vice Presidents

Human Resource and Administrative Services

Evie B. Abraham
Vice President

Juanito M. Ocampo
Assistant Vice President

Information Technology

Huntley S. Uy
Senior Vice President

Renato I. Manalang
Assistant Vice President

Institutional Banking

Martin T. Lee
Executive Vice President

Diana T. Gue
First Vice President

Pao Chuan Lin
Vice President

James Lee
Ma. Carmela Y. Rillo
Assistant Vice Presidents

Internal Audit

Jimmy Arsenio Y. Samonte
First Vice President

Ma. Cristina C. Talastas
Assistant Vice President

Retail Banking

Anthony T. Robles
Executive Vice President

Josefina R. Natividad
Senior Vice President

Antonio Owen S. Maramag
Beatriz S. Salgado
Leslie Y. Cham
Marichu Daisy S. Jimenea
First Vice Presidents

Carlos Simon T. Casas
Felix S. Glorioso
Francia Lina E. Marcelo
Kathryn Y.C. See
Lolito Ramon A. Cerrer, Jr.
Ma. Lourdes V. Borromeo
Mandrake P. Medina
Nestor J. Sunico
Robert Andrew M. Llaguno
Rodel P. Geneblazo
Vice Presidents

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Cita M. Chan
Derlou D. Garcia
Glennmore G. dela Cruz
Jelynda L. Algarme
Ma. Arlene Mae G. Lazaro
Racquel B. Mañago
Susan P. Go
Assistant Vice Presidents

Treasury and Financial Institutions

Rolando R. Avante
Executive Vice President

Helen S. Go
Oliver D. Jimeno
Suzanne S. Aquino
Vice Presidents

German Jeremy E. Pampolina III
Giselle P. Precilla
Ma. Iraida C. Bernardo
Assistant Vice Presidents

Trust and Investment Services

Edlyn L. Quiroz
Assistant Vice President

Controllership

General Accounting	Tel.: 811-8905

Human Resources

General Services	Tel.: 811-8969
Recruitment	Tel.: 811-8965

Information Technology

I.T. Helpdesk	Tel.: 811-8515

Institutional Banking

Corporate Banking	Tel.: 811-8522 / 811-8524
Taiwan Business	Tel.: 811-8525

Retail Banking

Cash Management	Tel.: 811-8542
Marketing Services	Tel.: 811-8579
Mortgage	Tel.: 817-3265
Personal Loans – Corporate	Tel.: 811-8968 / 811-8988
Personal Loans – Public	Tel.: 811-8999

Treasury and Financial Institutions

Financial Institutions	Tel.: 759-4192
Wholesale Deposit Sales	Tel.: 848-6818 / 759-4161

Trust and Investment Services

Trust	Tel.: 811-8530

Chinatrust Customer Care:	(632) 840-1243 Domestic toll-free (1800-10) 840-1234

www.chinatrust.com.ph

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BUSINESS BANKING SERVICES

- Bills Payment
- Deposit Pick-Up
- Payroll Partner
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- Salary Stretch Loan

CORPORATE LENDING

- Business/Term Loan
- Check Discounting
- FCDU Loan
- Lease Term Discounting
- Specialized Lending Project Loan
- Trade Finance

FOREIGN CURRENCY DEPOSITS

- Savings Account
- Time Deposit

INTERNATIONAL TRADE

- Documents Against Payment/Acceptance
- Export Bills
- Import/Export Letters of Credit
- Standby Letters of Credit
- Trust Receipts

PESO DEPOSITS

- Chinatrust Innov8
- Regular Savings Account
- Time Deposit
- Ultimate Deposit Account
- Ultimate Earner

REMITTANCES

- Telegraphic Transfer

TREASURY PRODUCTS

- Buying and Selling of Notes
- Demand Draft
- Telegraphic Transfer
- Travellers' Cheques

TRUST PRODUCTS

- Custodianship
- Escrow Agency
- Investment Management Account
- Personal Trusteeship Accounts

WE GIVE

To our customers,
wealth with
a rewarding experience

To our team,
a source of pride and growth

To our shareholders,
value and confidence

To our peers,
a challenge to follow
our standards

And to our community,
a better life!

Chinatrust