Chinatrust

Rising to the Challenge

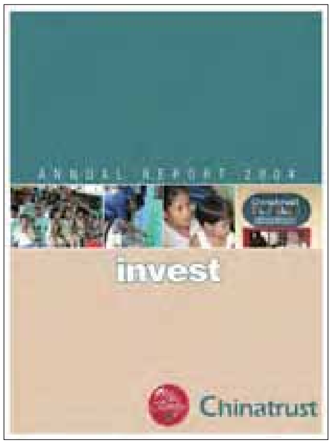
2007
Annual Report

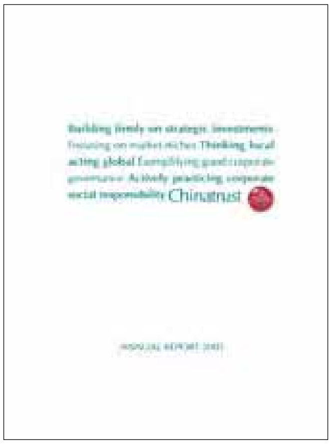
FINANCIAL HIGHLIGHTS

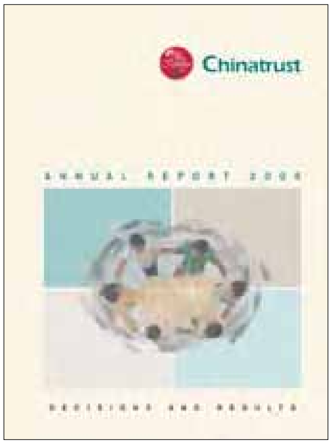
	2007
Total Assets	19,897,257
Loans and Receivables (Net)	12,756,999
Deposits	12,838,089
Capital Accounts	4,966,499
Net Income	113,874
Return on Average Equity	2.33%
Return on Average Assets	0.44%
NPL Ratio	6.28%
NPL Cover	57%
Earnings per share	0.46

All numbers except earnings per share and those shown in % are in thousands.

Chinatrust Philippines is a three-time finalist in the Management Association of the Philippines' Awards for Best Annual Reports, for the years 2004, 2005, and 2006.







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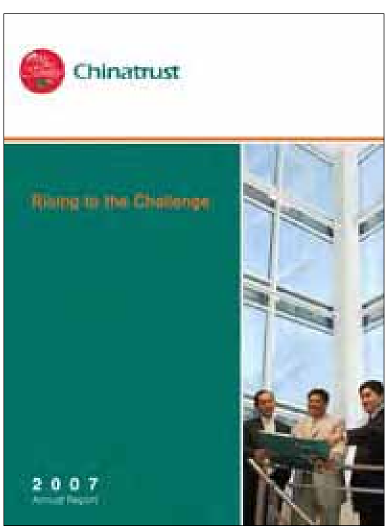
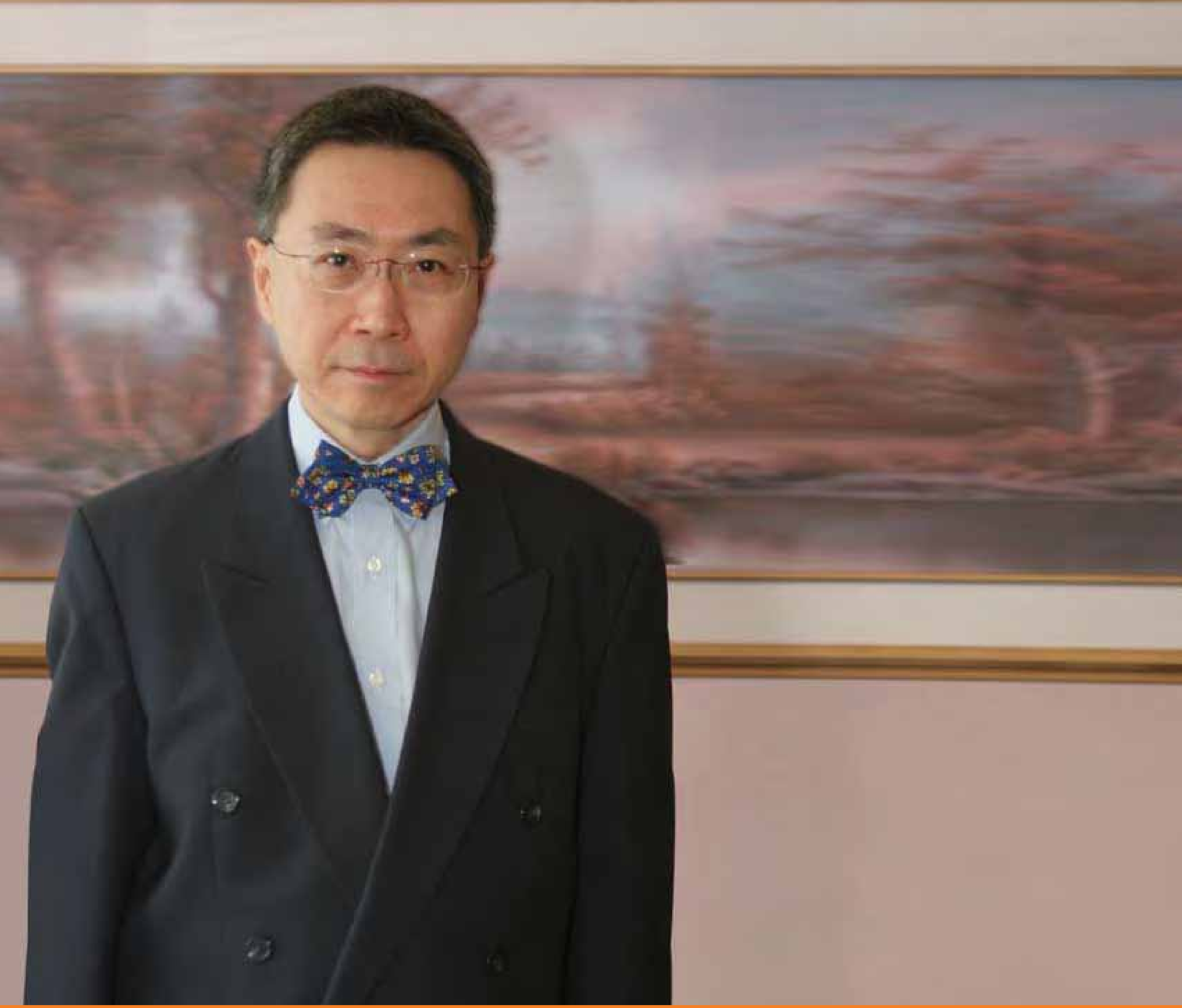
COVER STORY



RISING TO THE CHALLENGE

The year 2007 proved to be an intense and eventful one in the global financial industry. For Chinatrust Philippines, it was a year marked by unfavorable market conditions and increased competition. Yet the Bank also viewed 2007 as a year of opportunity - to prove its resilience and to respond positively - by rising to the challenge. Having focused its strengths and resources on facing the difficulties of 2007, the Bank now looks up with confidence to higher goals ahead.



MESSAGE FROM THE CHAIRMAN

Amid increasing concern over a global economic slowdown, Asian economies' resilience provided some measure of comfort in 2007. Notwithstanding reduced exports to the United States and Europe, there is optimism that the increasing trade between China, India and other emerging markets will cushion Asia against the full impact of the volatility attributed to the US-led slump. Taiwan, where our parent institution is based, posted a GDP growth of 4.62%, topping the forecast.

In the Philippines, economic indicators showed resilience as well as expansion. 2007 GDP was reported at 7.3%, the country's highest in three decades, while GNP broke previous records at 7.8% for the year. The country's strong performance drew strength from the continued dollar inflows from Overseas Filipino Workers, vigorous consumer spending, and steady growth in investments particularly in real estate, tourism and business process outsourcing ventures.

Looking at 2008, while the global economic growth is still threatened by a looming U.S. recession and the rising oil prices, Asia's emerging economies are forecast to outpace the more US-dependent nations. High hopes for mid-year growth particularly in tourism are pinned on China's hosting of the Olympic Games. Taiwan remains confident of its income surplus in light of expected higher repatriated profits and dividends from the country's expanding stock of overseas investments. The Philippines is expected to post a softer economic growth on account of a potential U.S. recession as well as rising inflation due to higher food and fuel costs. However, the national government is confident that the country could weather a global economic slowdown on the back of its improving economic fundamentals, steady growth in investments, and strong OFW remittances which continue to fuel robust consumer spending.

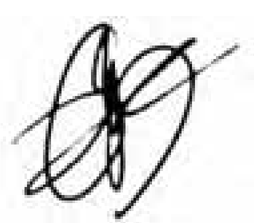
For Chinatrust Commercial Bank Ltd., the parent organization of Chinatrust (Philippines) Commercial Bank, 2007 was the year for reaping the benefits of our early implementation of corporate governance initiatives. Our Parent institution ended 2007 with a sterling performance posting a NT$ 22.8 billion growth in net income. While maintaining emphasis on asset quality, its loans and receivables expanded by a hefty NT$ 23 billion from NT$ 906 billion to NT$ 929 billion.

Moreover, our Parent institution reaffirmed its market leadership in product innovation, business market shares, and customer services. In cash management, it dominated market share in ATM, credit card, government purchasing card, corporate ACH payment, dividend payment, and mass collection.

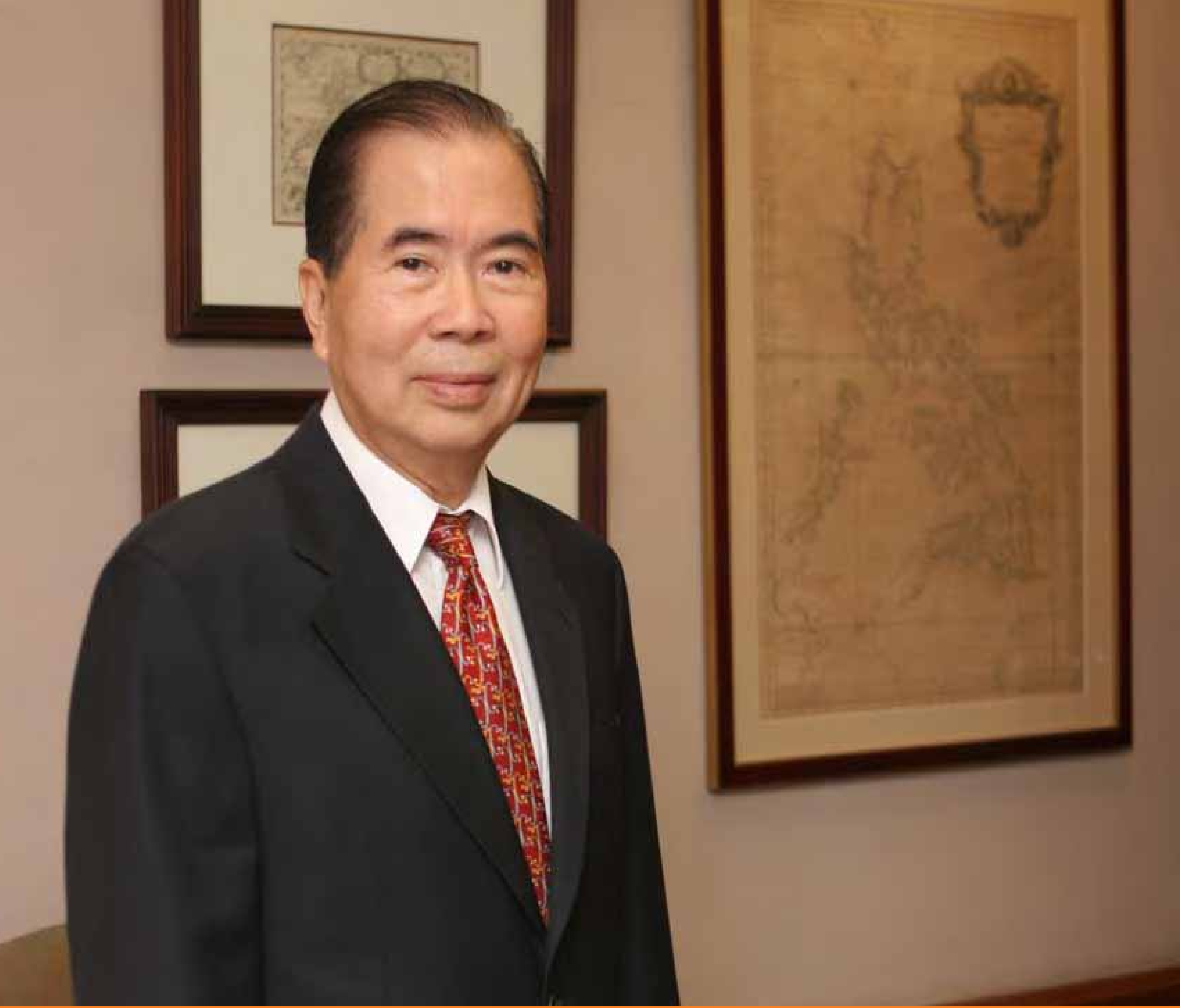
Capping these excellent results for the year was the recognition that our Parent institution continued to receive from several independent and international publications in the financial industry. The Bank won numerous global and domestic awards in 2007: among these were the awards for Best Bank in Taiwan, from Euromoney and FinanceAsia; Best Domestic Bank and Best Local Cash Management Bank in Taiwan as voted by Corporates, from AsiaMoney; Best Foreign Exchange Bank, Best Trade Finance Bank, and Best Internet Bank in Taiwan, from Global Finance; Best Domestic Bank, Best Investment Bank, Best Cash Management Bank, Best Trade Finance Bank, and Best Transaction Bank in Taiwan, from The Asset; and Taiwan Retail Bank of the Year, from Asian Banking and Finance.

These accomplishments encourage us to look forward to 2008 with increased confidence. We thank the former president, Joey A. Bermudez, for his contributions towards establishing our Bank's presence in our identified target businesses in the Philippines over the past six and a half years. We also appreciate the continued support and guidance of our shareholders and directors, including our Vice Chairman William Go who shall serve concurrently as our President from April 3 onwards. We are likewise grateful to our customers for their loyalty and patronage, as well as to our regulators for their guidance.

We are fortunate to have the proven stability and unwavering support provided by our Parent institution. Combined with the teamwork, focus, and dedication of our Philippine organization, living by our guiding principle "We are Family", we see the strong fundamentals in place for Chinatrust's competitiveness and success in the future.



WILLIAM T.Y. HON
Chairman of the Board

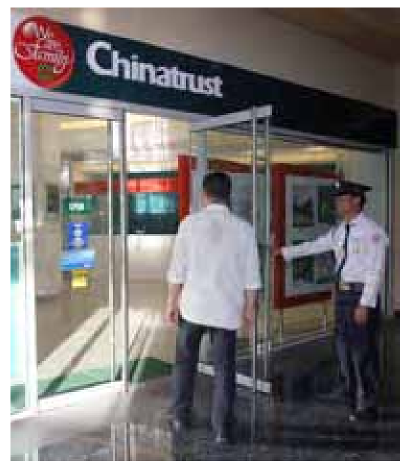


MESSAGE FROM THE PRESIDENT

The year 2007 proved to be a tough year for the global financial environment and for Chinatrust Philippines as well. As the subprime crisis triggered unfavorable market conditions, notably risk aversion and volatility in the financial market, the Bank's businesses were affected. The Bank's net income thus declined from ₱493 million in 2006 to ₱114 million in 2007. Also, our revenue from the fixed-income business hit a low of ₱85 million for the year, from ₱548 million posted the previous year. On the other hand, foreign exchange trading gained ₱65 million in revenues, representing a 55% growth from ₱42 million recorded in the previous year.

Meanwhile, the corporate loan portfolio suffered from paydowns by large corporations, which accessed the capital markets for cheaper funding. As a result, net interest income of the Bank showed minimal growth of 3.36%. The growth in net interest income was mainly on account of lower interest expense as average cost of funds went down to 4.14% from previous year's 5%. On a positive note, the Bank's service fees and miscellaneous income climbed by 37.48% on the back of a ₱26 million increase in trust fees, as cash resources and non-cash resources managed by the Trust Department posted an unprecedented growth of 700% and 108%, respectively.

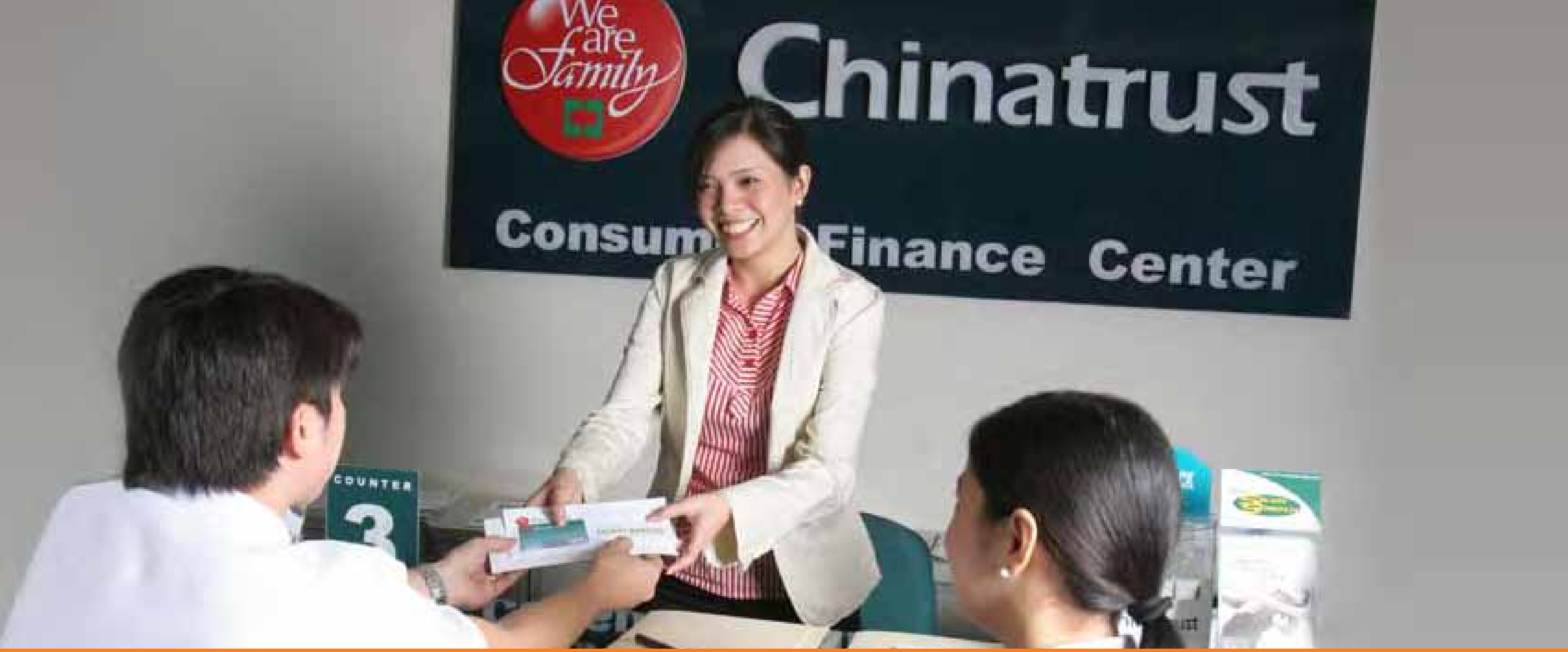
The Bank's capital adequacy ratio remained high in the industry at 27.31% as of December 31, 2007, which put it well above the regulatory requirement of 10%. Chinatrust Philippines remains in a favorable position to engage in new businesses or to expand existing products and services.



We had to struggle against many challenges in 2007. As we brace ourselves for what lies ahead in 2008, we need to work even harder and carry out our plans with focus and consistency amid intensifying competition and a difficult environment. We will rationalize our processes to guard cost judiciously, improve efficiency, and optimize utilization of resources. To generate a steady source of income, we will continue to aggressively build our retail loan portfolio without compromising asset quality, as well as cultivate trade finance opportunities in the middle market. In corporate banking, we will rebuild our loan portfolio and actively participate in corporate finance activities to improve our performance in this business. At the same time, we will continue to seek opportunities in the capital markets through effective trading and investment strategies. We are positioning our Treasury group to take on more diversified products for its trading and investment activities to further boost revenues.

Daunting as the future may seem, we look forward with optimism. We went through a turbulent year, and we are prepared to rise to the challenges in order to improve profitability and shareholder value. Through all the difficulties, we thank our clients for their trust and patronage, our Board for their zealous involvement and guidance, our hardworking and dedicated employees for their sense of commitment, and our shareholders for their untiring support.

WILLIAM B. GO
President



PERFORMANCE REVIEW

Chinatrust Philippines faced several challenges in 2007. We met intensifying competition in our core businesses as well as volatility in the global financial markets. Against these forces, the steadying platform of solid management, good governance, and consistent focus helped the Bank rally the organization towards the goals set for the year. Our performance, besides measuring our response to the challenges, also renewed our determination to succeed. Having dealt with the tests of 2007, Chinatrust Philippines prepares for even tougher challenges in the future.

RETAIL BANKING

We strengthened our Bank's position for sustained growth by reinforcing our leadership in Personal Loans, our flagship consumer product. Of our incremental volume of ₱2.05 billion for the year, some ₱1.64 billion came from Public Loans. Moreover, with the set-up of three additional directly managed sales teams, we saw our in-house volume ratio climbing to 85%. We are committed to building on our advantages in this business, as reflected in our measures to implement a new credit scoring system, rationalize cost and resources, and consistently maintain our fast processing time.

Meanwhile, Retail Banking also exerted greater efforts to preserve deposit levels amid the competitive environment that predominated during the year. Low-Cost Peso Deposits surged 52% to ₱2.77 billion; however, High-Cost Peso Deposits declined 35% to ₱2.69 billion as market preferences shifted to higher-yielding Special Deposit Accounts (SDAs). Low-Cost US Dollar Deposits reached ₱423.7 million. On the other hand, with a weakened US Dollar, our High-Cost US Dollar Deposits dipped to ₱1.40 billion. Total deposits reached ₱7.29 billion by year-end.

Cash Management likewise performed favorably in 2007. Cash Management CASA this year accounted for 45% of the whole RBG CASA, posting a 54% growth as a result of cash management bookings. With cash cards gaining acceptance as the medium of disbursement for OFW remittance, cash card issuances dramatically increased by 95% as compared to the previous year. In a span of only two years, we have issued more than 600,000 cards to our target business segments.

We foresee continued growth in these products as new and innovative solutions are fashioned to cater to our chosen market niches. More recent initiatives such as the introduction of the SSS VISA cash card, which enables SSS pensioners to experience the convenience of an ATM and a debit card, is fast gaining recognition among the pensioners. Within three months from inception, actual figures already surpassed projections.

Another product that has steadily developed a thriving business is our Cashback Mortgage, the only one of its kind in the country. Now offered through our branch network, it contributes over 40% of total bookings. In mid-2007, we also began offering loans to OFWs and the foreign market; new bookings by year-end amounted to ₱8 million. These innovations as well as the continued growth of our key retail products validate the investments we had made earlier as we began building a sustainable local franchise.

TRUST

Drawing mainly on the robust investment management accounts, Trust had a banner year as it managed cash resources totaling ₱7.78 billion – an unprecedented growth of 700% from 2006 levels. It maintained its focus on traditional trust services, which served the needs of institutional investors, foreign companies, local businesses, and sole proprietors; at the same time, when the Bangko Sentral made the SDA product available to trust institutions, our Bank immediately mobilized our distribution network to capture the business. Consequently, we welcomed 400 new customers into the Bank.

Parallel to the increase in Trust cash assets, our non-cash assets rose by 108% to ₱5.2 billion for the year.

The industry-leading position of the Bank's Trust Department was highlighted once again in the Watson Wyatt Survey on Investment Performance. In the third quarter of 2007, Chinatrust Philippines ranked No. 1 in the list of fund managers handling at least five funds in the survey for Trusteed funds managed with full discretion; the Bank placed No. 2 for all Trusteed funds. In the fourth quarter of the year, the Bank ranked No. 2 among investment managers handling at least five funds in the survey in both categories for Trusteed funds managed with full discretion as well as for all Trusteed funds. These results reinforce the Bank's consistency as a top performer in the Trust arena.

TREASURY

The Foreign Exchange desk began the year with a positive performance, riding on the country's sound fundamentals, vigorous remittances from OFWs, and a stronger peso. Meanwhile, global markets were challenged by the subprime issues that led to risk aversion, thus limiting Treasury's fixed-income business in spite of the group's effective portfolio management and cautious trading.

Towards the latter part of 2007, Treasury repositioned itself for diversification by focusing on the US Treasury business. It will continue to seek opportunities in the capital markets, including expansion into derivatives and other structured financial assets, to effectively implement its trading and investment strategies.

INSTITUTIONAL BANKING

Global market forces also produced daunting challenges for Institutional Banking in 2007. The corporate loan portfolio declined due to paydowns by the large corporations, which accessed the capital market for cheaper funding sources. Nevertheless, the division has shifted gears accordingly with its reorganization into the Corporate Banking and Taiwan Business Groups; finetuning the Bank's expertise in these segments will pave the way for more aggressive participation in the growing local market.

Prospects are positive in light of the enhanced investment climate expected in 2008. With the development of the local market for bonds and derivatives and the improved risk management standards following the Basel II accord, banks and other financial institutions are poised to show increased appetite for asset growth. Greater transparency will in turn lead to more vigorous capital-raising initiatives. Chinatrust Philippines is prepared to be at the forefront of these corporate finance activities with the end-view of emerging as a major player in the market.

SUPPORT SERVICES

The Bank also invested in system and technology upgrades to fulfill its goals of increased productivity, efficiency, and customer satisfaction. Branch Banking Operations upgraded the tellering platform in mid-2007, paving the way for simplified, smoother, and faster work processes through automation. Information Technology spearheaded the branch re-engineering project and implemented the host-to-host system for Cash Management's remittance clients.

Investments in a stronger technology infrastructure for the personal loans business reached ₱15 million in 2007. The Bank installed an application scorecard that helped to predict the viability of loan applications through data derived from statistical models. This tool improved the Bank's operational efficiency and asset performance, thus reducing the overall NPLs and loss provisions. Coupled with this initiative was a data management software called "Power OLAP," which expanded the Bank's capability to assess opportunities and threats. It reinforced the Bank's resource management expertise and reiterated a culture of solid discipline in risk management.

The Bank also embarked on several investments to improve processing efficiency by acquiring a PDC inventory system, automating offsite payment centers, and upgrading the Loans Originating and Collection Management Systems to respond to a growing portfolio base. In addition, strengthened credit policies and enhanced credit process systems provided a balance between risk and volume – thus helping to propel the public loan business to overshoot the yearend volume target by 20% and reducing loss provisioning vis-a-vis budget by more than 30%.

The Bank has likewise established the foundation for initiatives to achieve quality and continuous improvement in the service delivery of the Bank's Personal and Mortgage loan products. Proponents developed a quality policy formalizing management's commitment to quality, compiled and refined existing standard operating procedures into an organized system of documents, established policies and procedures for quality management, and conducted awareness and skills training of all parties involved for the QMS implementation. These preparations laid the groundwork for the Bank's Consumer Lending business to pursue ISO 9001:2000 certification.

HUMAN RESOURCE

Maneuvering judiciously through the challenges that the Bank encountered in 2007 meant relying on a well-trained, competent, and motivated employee force. Our Human Resource Group helped to assure this with a thoroughly planned cascading of the Bank's new Vision and Mission among all employees. Through our employee recognition program, we also rewarded those who exceeded customer expectation and consistently exemplified our Bank's values. Officer ranks were aligned with industry standards and employee job levels were evaluated.

Throughout the year, we strengthened the organization's team spirit as well as promoted employee well-being in our traditional Bank-wide activities, programs, and celebrations. Further, we continued to involve our officers and staff in our Gawad Kalinga (GK) mission – and we were heartened by the sincere and voluntary response that they showed. The Bank enters its fifth year of commitment to the GK Sison community in Muntinlupa City, particularly in the schooling of the 26 Sibol children by way of sponsorship of their teacher's salary. The employees were also hands-on in the transformation of the community. The twice-a-month visits to GK Sison were always anticipated by the children since our employees conducted values-laden activities mixed with games, stories, and music. We have come to appreciate the positive transformation that has taken place in our corporate culture, as much as the genuine improvement that we have helped to attain in the lives of our GK beneficiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

The Bank's audited net income this year declined to ₱114 million from ₱493 million in the previous year. This was largely due to lower revenues from fixed-income trading as the Bank went through a difficult and volatile market environment resulting from global risk aversion. Thus, trading gain was reduced to ₱85 million in 2007 from ₱548 million in 2006. Nevertheless, revenues from foreign exchange trading went up to ₱65 million this year from previous year's ₱42 million. Likewise, net interest income slightly improved on account of lower cost of funds as low-cost deposits' average daily balance expanded by 23% from ₱4.51 billion in 2006 to ₱5.54 billion in 2007. Further, interest income on inter-bank loans surged by 214% due to the increase in the average volume and yield of inter-bank call loans and the 56% growth in interest income from deposits with other banks on account of higher average volume. However, interest income on loans and receivables declined by 13%, due to lower average volume of earning loans on account of maturities and paydowns by large corporation, which opted to directly access the capital markets for cheaper funding. The Bank's service fees and commission income was trimmed down by 5% while miscellaneous income rose by 322% as trust fees increased by ₱26 million on account of a rapid expansion in the cash and non-cash resources managed by the Trust Department.

Chinatrust Philippines has heavily invested in its business strategy which focuses on its core businesses.

Operating expense grew by 15.52% on account of the Bank's continued investment in its core businesses. Over the years, Chinatrust Philippines has heavily invested in its business strategy which focuses on its core businesses, i.e., the consumer finance business, the trading of fixed-income instruments and foreign exchange, the delivery of financial services to the Taiwanese business, and selective corporate lending. Part of its investments went to the expansion of the Bank's distribution channels including the establishment of five new branches, the upgrading of its core system for loans and deposits and the continuous improvement of its cash management capabilities. While they may cause a short-term drag on profits, these investments coupled with the Bank's continued focus on its niche businesses are expected to provide a good platform for sustainable growth in the long run. The Bank set aside ₱338.5 million as provisions for impairment and credit losses for the year, maintaining its conservative stance on loan loss provisioning.

Total assets of the Bank stood at ₱19.9 billion with gross loan portfolio level at ₱12.76 billion. The Bank's Personal Loans-Public and Mortgage loans sustained expansion while corporate loan portfolio was reduced due to maturities and paydowns of large corporate loan accounts. Total deposit level of the Bank as of December 31, 2007 stood at ₱12.84 billion. Low-cost deposits posted a healthy growth in 2007, but time deposits declined due to migration to higher-yielding special deposit accounts. The Bank's capital remained strong at ₱4.97 billion and its capital adequacy ratio as of December 31, 2007 stood at 27.31%, well above the regulatory requirement of 10%.

INTERNATIONAL ACCOUNTING STANDARDS:
The Continuing Challenge

by Atty. Jose Nerio Salamillas

Two years after the adoption of what was thought to be a more stable and adequate set of accounting standards, it is now clear that the Philippine Financial Reporting Standards (PFRS) is not a finished product but a work-in-progress. Thus, the year 2007 saw the issuance of several reporting standards and approved interpretations of existing standards. Some of these issuances became effective in 2007 while others will take effect only in subsequent years.

The PFRS is not a finished product but a work-in-progress.

Foremost among these new standards is PFRS 7 Financial Instruments: Disclosures, which was adopted by the Bank in 2007. PFRS 7 requires an extensive disclosure of information on the Bank's exposure to risks relating to financial instruments. This gave rise to an expanded Note 5 of the Notes to the 2007 FS, making it the longest item in the Notes. The significant additional disclosure requirements of PFRS 7 include exhaustive discussions on the qualitative risk disclosures relative to the processes that the Bank uses to manage and measure its risks, quantitative data about the exposure to each type of risk arising from financial instruments, information about the credit quality of financial assets, and market risk sensitivity analysis. With the foregoing information, users of the FS would be able to evaluate the significance of financial instruments, the nature and extent of the risks taken on these instruments, and how the Bank manages such risks.

Another noteworthy development in the disclosure requirements is the amendment of Philippine Accounting Standards (PAS) 1: Presentation of Financial Statements: Capital Disclosures. Incidentally, this amended capital disclosure requirement has come about as a result of the issuance of PFRS 7 and is also presented in Note 5 of the Notes to FS. Under this revised disclosure standard, the Bank is required to provide information that covers the objectives, procedures, and policies in managing capital, quantitative information about what is being managed as capital, and compliance with regulatory capital requirements.

The above changes may be less contentious but are definitely not easy to implement. The adoption of the foregoing standards entailed reassessment of the policies, processes, and systems to ensure that all the required information are available on a timely basis. Despite these overwhelming tasks, however, the Bank stayed faithful to its commitment to provide its stakeholders with a fair and transparent accounting of its affairs based on globally accepted standards in financial reporting.

THE CHINATRUST APPROACH TO MARKET RISK MANAGEMENT

by Enrico P. Villanueva

Chinatrust Philippines derives a significant part of its income from trading and investment. Critical to the success and stability of this business is the management of market risk. Market risk is the possibility of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of financial instruments held by the Bank may fluctuate as a result of changes in interest rates, foreign currency exchanges rates, commodity prices, equity prices and other market changes.

Critical to the success and stability of this business is the management of market risk.

The Bank manages its market risk through a system of policies and limits, setting market risk limits by considering market predictions, capital, and annual budgets, as well as the experience of its risk-taking units and its risk appetite. It takes into account the correlation among different market risk factors to estimate potential loss using Value-at-Risk approach, and determines if this potential loss is appropriate in light of the size of its annual budget. Calculating market risk factor sensitivities, the Bank measures the effect of a one unit increase in current interest rates, foreign exchange rates, and equity prices or volatilities upon various product types.

Interest rate risk arises 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 in the interest rate repricing of assets and liabilities. Accordingly, limits on interest rate gaps for stipulated periods have been established by management and approved by the Board of Directors. It is also Bank policy to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

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.

In 2007, the Bank made a deliberate effort to align more closely its local market risk practices with those of the Parent Bank, Chinatrust Commercial Bank (Taiwan). This is part of the joint initiative of the Philippine subsidiary and the Parent Bank to standardize policies, procedures, and reports as well as adopt global best practices in market risk management. The initiative started with the local adoption of Chinatrust group policies on market and liquidity risk management. Reporting formats and standards were also reviewed and aligned.

CREDIT RISK MANAGEMENT: Demystifying the Subprime Crisis

by Rogerio B. Panlasigui

Despite the global subprime crisis, Chinatrust Philippines' loan portfolio remains unperturbed due to its unrelenting implementation of fundamentally sound credit risk management principles.

So much has been written about the "subprime crisis" and how it has led to the severe erosion of profits and shareholder value of banks, financial institutions, and hedge funds. The International Monetary Fund (IMF) has warned that potential writedowns and losses from this credit crunch may reach US$945 billion as of March 2008. The resulting need for capital build-up has led many bank chairmen and presidents to step down as these banks and financial institutions reassess their market strategies and risk management structures to mitigate the damage. Foreclosures have risen dramatically and property prices have dropped as borrowers defaulted on their loans. Consequently, the ill effects have spilled-over to other sectors in the economy; many pundits deem that this crisis has contributed largely to the threat of a US economic recession.

Simply put, the subprime crisis is a failure of credit risk management. While banks and other financial institutions are in the business of taking and managing risks, the constant pressure to hike profits and increase shareholder value has led to the expansion of existing portfolios by penetrating marginal markets. As initial yields proved to be rewarding and attractive, the flaws in addressing a fundamentally weak market were masked by complex and innovative financial products like Collateralized Debt Obligations (CDOs) and Mortgage Backed Securities (MBS). Lenders seeking riskier opportunities to bolster returns on their investments blindsided the tenet "higher returns reflect higher risks."

Unfortunately, while these portfolios skyrocketed, they were vulnerable to minor shakes in the financial system. Economic downturns caused the bulk of these marginal accounts, not deserving of credit accommodations in the first place, to default on their obligations. As foreclosures rose, real property prices declined, discouraging banks and financial institutions from refinancing loans secured by properties that have substantially declined in values. Consequently, non-performing loans then increased beyond prudent levels resulting in additional loan loss reserves to be provided which eroded both bank profits and capital base.

Despite the global subprime crisis, Chinatrust Philippines' loan portfolio remains unperturbed due to its unrelenting implementation of fundamentally sound credit risk management principles. While this crisis inevitably caused risk aversion and unfavorable market condition, we have no exposure in the subprime market. We have a comprehensive risk evaluation structure aligned with global standards which prudently evaluates each borrower's credit worthiness in terms of financial performance, management quality, product standing, and industry prospects. A fundamental strength of Chinatrust is our "four-eyes approach" to credit evaluation patterned after that of our parent-bank in Taipei where all credits initiated by the marketing units are separately reviewed by the Credit Risk Management Group (CRMG). All "eyes" should concur on the viability of the credit before it is passed-on for approval. We also have a robust Obligor Risk Rating System (ORR) that classifies each loan account within a range of 17 grades; approval authorities are based on the obligor's rating. Depending on the client's condition, this rating is downgraded or upgraded promptly to reflect its actual credit worthiness.

In addition, lower-graded accounts are monitored via an Account Planning System whereby both Relationship Manager and Credit Review Officer jointly conduct client calls and plant visits to discuss financial and operating performance. The information is reported to the Bank's senior management via monthly Classified and Pastdue accounts meetings to evaluate their current credit standing; deteriorating credits are incrementally provided with reserves in accordance with globally accepted International Accounting Standards (IAS). Accounts deemed to have exhibited major weaknesses are transferred to the Special Accounts Management Department (SAMD) for proactive remedial account management action to preclude further deterioration and to protect the interest of the Bank.

Moreover, a semi-annual Loan Review keeps the Bank abreast of all developments concerning each account. In cooperation with our parent-bank, Chinatrust Philippines is now completing an exhaustive study to arrive at the Probability of Default (PoD) ratio for each classification rating using seven-year data. The PoD ratio will further enhance our risk assessment process and will segue into the determination of our Loss Given Default (LGD) and Exposure at Default (EAD) Ratios, which will be required when we implement Basel II's Foundation Internal Ratings Based (FIRB) model of assessing and calculating the bank's credit risk in 2010.

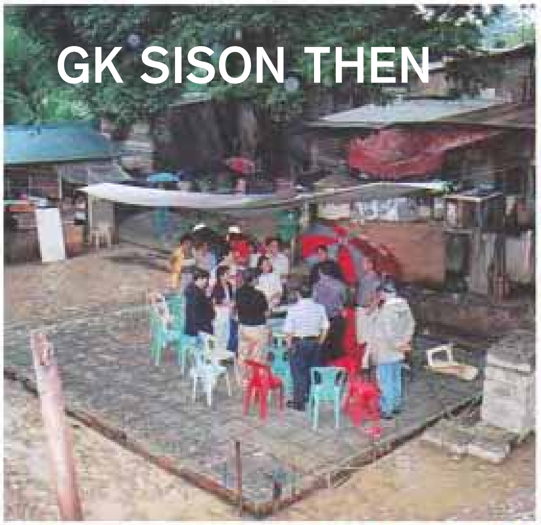
Overseeing the Bank's robust credit risk management structure is the Board's Risk Management Committee (RMC), which also actively supervises all other risk-taking activities of the Bank. While credit risk pertains to the risk of losses resulting from the inability of a borrower to pay his obligations on time, market risk relates to losses from the movement of market prices, interest rates and foreign exchange. On the other hand, operating risk denotes the risk of losses resulting from inadequate or failed internal process, people and systems including external events. These risk factors can be computed using various accredited models depending on the bank's level of sophistication.

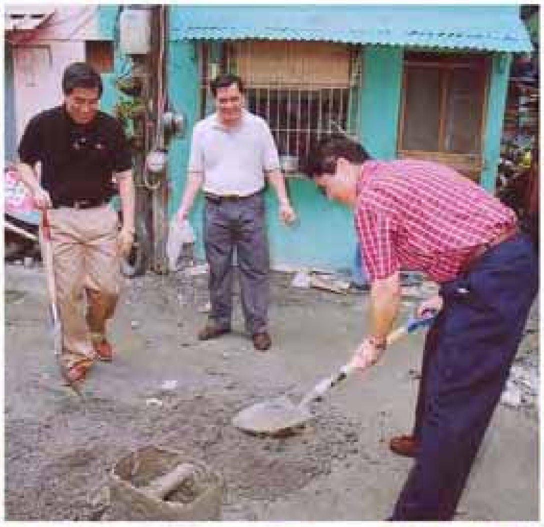
The Bank manages its market risk through the Risk Management Department, which correlates all different market risk factors to estimate potential losses using the Value-at-Risk (VAR) model and determines whether the risk is appropriate relative to its portfolio and budget. Adequate market limits are periodically set and Management Action Triggers (MATs) are established to provide additional guidance to all treasury activities.

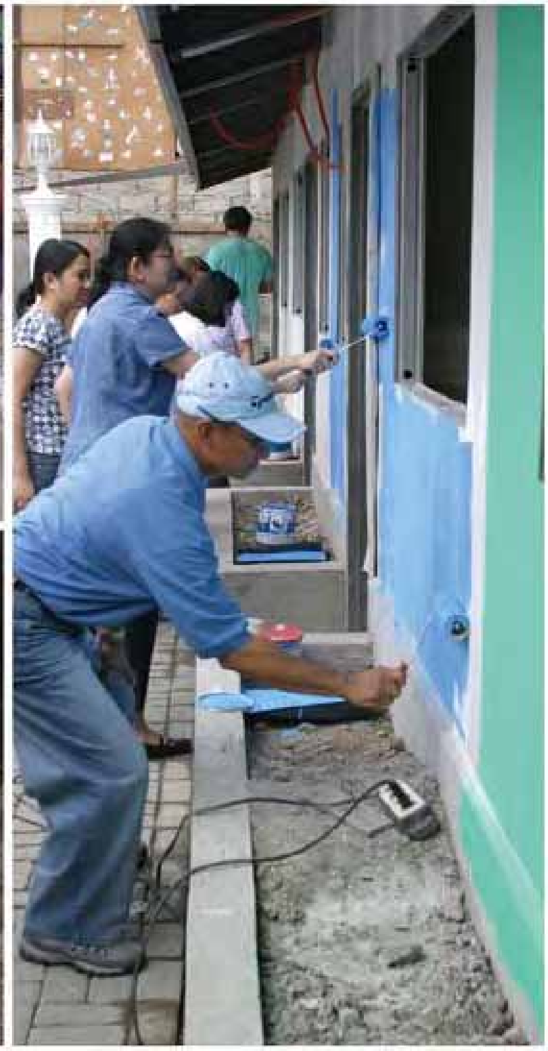
On the other hand, operating risk is dimensioned via a Risk Team that evaluates all monthly operating risk reports of all Bank units. The Risk Team is composed of senior officers with different areas of expertise that prove invaluable in operating risk assessment. Chaired by the Chief Credit Officer, the team's members include the Chief Financial Officer, Chief Auditor, Compliance Officer, Head of Legal, Head of Market Risk Management, and Head of Consumer Credit. All operating risks rated within a benchmark are then reported to the Operations Committee, which reviews the risk and approves the mitigants recommended by the Risk Team.

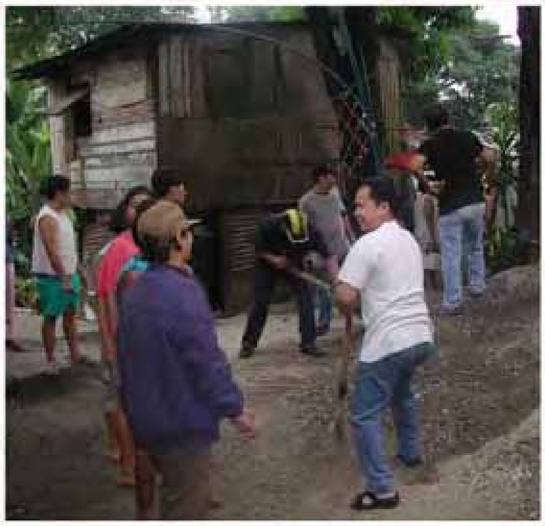
By focusing on our market niches, vigilantly implementing our prudent risk acceptance criteria, constantly improving on our core competencies, and exemplifying good governance, Chinatrust Philippines continues to build a robust asset portfolio, thereby delivering on our commitment to deliver value to our stakeholders.

GK SISON THEN









CORPORATE SOCIAL RESPONSIBILITY

Chinatrust Philippines has always desired to pursue corporate citizenship activities that project the institution as a socially responsible and involved entity. This thrust is consistent with our parent bank's own image in Taiwan as a company that excels in community involvement. As a foreign bank, we exert great effort to actively support not only the economic development of the country but also the social upliftment of the communities in which we operate.

We believe that 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.

Four years ago, the 2000-square meter lot in Magdaong Drive, Barangay Poblacion, Muntinlupa City was a dismal sight, with shanties and other makeshift structures serving as living space for about a hundred families. Many children were undernourished and unschooled, their parents barely making enough to feed them everyday. It was amid this state that GK and Chinatrust found them, and decided to take action to help them change their future.

The Bank saw GK as an effective partner in fulfilling its corporate social responsibility philosophy, which emphasizes a deep commitment to genuine development. Since GK was a private sector-led development coalition that works to deliver shelter, education, health, and livelihood support to marginalized communities, it was a logical choice for initiating education and feeding programs in the community that came to be known as GK Sison. From that starting point in 2004, the project has grown with the community, which received sustained support particularly in youth

GK SISON NOW

development and education. The Chinatrust Sibol School was built on the shared contributions of the Bank, officers and employees, as well as clients. It is also the site of training and nutrition programs carried out by volunteers for the GK Sison beneficiaries.

This photo narrative best depicts how the Bank has become a part of the GK Sison family – or, perhaps more accurately, how GK Sison has become a part of the Chinatrust family. Together in celebrating life's best moments – weddings, birthdays, baptisms, Christmas holidays – everyone who has participated in this longstanding commitment has experienced as much transformation in their lives as they have helped to bring about in the lives of the GK Sison residents. The history and ties established in this community continue to manifest the compelling power of integrating social responsibility into the corporate culture.

CORPORATE GOVERNANCE

Consistent with our Parent Bank's emphasis on a corporate culture that values accountability, transparency, and integrity, the management of Chinatrust Philippines likewise takes the lead in ensuring that good corporate governance principles are followed faithfully in the way the Bank pursues its goals and business operations. This Annual Report reflects many of the initiatives and activities that the Bank spearheaded in 2007 as part of the continuing effort to align systems and processes with international governance standards. For 2008 and beyond, the challenge continues. Under the leadership of the Board of Directors and the various Board Committees, the Bank reinforces its commitment to contribute to a future that is firmly supported by a healthy, dynamic, and globally competitive financial system.

BOARD COMMITTEES

As a part of the permanent executive organization of the Bank, the Executive Committee is authorized to act on behalf of the full Board, as to matters arising between its regular meetings. It may review and coordinate information from other committees as well as oversee bank operations. Its functions include the review and approval of credit facilities that are beyond the President's approval limits; the review of DOSRI transactions for final approval by the Board; and the review and approval of the bank's budget and business plans. The Committee may also initiate as needed an analysis of the impact of any crisis or economic/political instability on the Bank. The President of the bank must be a member of this Committee. No member of the Executive Committee shall concurrently be designated as a member of the Audit Committee of the Board. Further, a record of the decision and action taken by the Committee must be kept and submitted to the next Board meeting for notation, except the approval of individual credit application. *(William B. Go, Chairman; William T.Y. Hon and Joey A. Bermudez, Members)*

The Nomination and Review Committee (NRC) reviews and evaluates the qualifications of all Board nominees, including independent directors, as well as all Board-appointed nominees. It also conducts a regular performance review of these officers. Serving also as the Bank's Corporate Governance Committee, the NRC helps to ensure the Board's effectiveness and observance of corporate governance principles and guidelines. It oversees the periodic performance evaluation of the Board, its Committees, and the Bank's Executive Management, as well as conducts an annual self-evaluation of its performance. In its assessment of a director's performance, it considers competence, candor, attendance, preparedness, and participation. The NRC also makes recommendations to the Board on the continuing education of directors, their assignment to Board committees, succession plans, and remuneration. *(William T.Y. Hon, Chairman; William B. Go, Edwin B. Villanueva, and Ng Meng Tam, Members)*

Tasked primarily with assisting the Board in fulfilling its oversight responsibilities, the Audit Committee reviews the Bank's financial information, its systems of internal controls and risk management, the audit process, and compliance with significant applicable legal, ethical, and regulatory requirements, including the Parent-Bank's Code of Ethics. The Committee paves a free and open avenue of communication among Management, Compliance Officer, Risk Manager, Internal Audit, the external auditors, BSP examiners, and the Committee. It enjoys sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations. It is also empowered, among others, to appoint, compensate and oversee external audit engagements; review and comment on internal and external audit reports; and resolve financial reporting disputes between management and the auditor. *(Edwin B. Villanueva, Chairman; Eric Wu and Ng Meng Tam, Members)*

The Trust Committee reviews and approves the investment and divestment of the Bank's trust assets. Its powers include the acceptance and closing of trust and other fiduciary accounts; the initial review of assets placed under the trustee's or fiduciary's custody; the investment, reinvestment and disposition of funds or property; the review and approval of transactions between trust and/or fiduciary accounts. Further, it reviews trust and other fiduciary accounts at least once yearly to determine the advisability of retaining or disposing of the trust or fiduciary assets, and/or whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship. *(Larry Hsu, Chairman; William T.Y. Hon, William B. Go, and Joey A. Bermudez, Members; Edlyn L. Quiroz, Trust Officer)*

Responsible for the development and oversight of the Bank's Risk Management Program, the Risk Management Committee oversees the system of limits to discretionary authority that the Board delegates to management. It must ensure that the system remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached. To achieve this, the Committee takes the lead in identifying and evaluating risk exposures, in developing the appropriate and practical risk management strategies, in communicating and implementing the risk management plan, and in evaluating this plan to ensure its continued relevance, comprehensiveness, and effectiveness. *(William T.Y. Hon, Chairman; Larry Hsu, Joey A. Bermudez, and Eric Wu, Members)*

DIRECTORS:

WILLIAM T.Y. 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 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 Executive Vice President of Chinatrust Financial Holdings Co., Ltd. In 2005, he was the President and CEO of Chinatrust Bank, USA. Prior to this, he worked with DBS Bank in Singapore as Managing Director and in Hong Kong as Managing Director and joint CEO of DBS-Kwong On Bank. Before that, he was with Bank of Montreal as General Manager and Country Head. He is 52 years old.

WILLIAM B. GO, Filipino, has been the Vice Chairman of the Board since October 15, 2001. A Certified Public Accountant and 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 Enterprises, Inc.; Chairman and President of Big Blue Realty Corporation; and President of Serico, Inc. He also holds directorship 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 68 years old.

JOEY A. BERMUDEZ, Filipino, was the President of the Bank until April 2, 2008. 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 SolidBank Corporation (the Philippine subsidiary of Scotiabank of Canada) as Head of Retail and Branch Banking Group, with Standard Chartered Bank as Country Consumer Banking Head for the Philippines and with the Philippine Commercial International Bank (now BDO Unibank) where he spent 14 years doing retail banking, commercial banking, and agribusiness lending. Currently, he is Vice President and Member of the Board of Governors of the Management Association of the Philippines and is a fellow of the Institute of Corporate Directors. He is 52 years old.

LARRY HSU, a.k.a Hsu Chun-Jen, Taiwanese, is a member of the Board. He graduated with a Bachelor's degree in Business from the National Taiwan University. He is currently the Head of Investment Banking of Chinatrust Commercial Bank, Ltd. (Taiwan), and previously 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 45 years old.

ERIC WU a.k.a Wu Hsin-Hao, Taiwanese, is a member of the Board. He graduated with a Master's degree in Business Administration from the National Taiwan University. He is currently Executive Vice President of Chinatrust Commercial Bank, Ltd. (Taiwan). He was Senior Vice President of McDonalds Restaurants, Taiwan from 1991 to 2003. He is 44 years old.

INDEPENDENT DIRECTORS:

NG MENG TAM, Filipino, is an Independent Director of Chinatrust Philippines, having been re-elected last October 25, 2008. Being one of the incorporators of Access Banking Corporation, the predecessor of Chinatrust Philippines, he served as Director of the Bank from 1995 to 2001. He holds a Bachelor of Science degree in Physics from the Mapua Institute of Technology. Over the past several years, he has been President of Cinema 2000, Inc., and the President of N & M Land Development, Inc. He is 62 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.; Partner of Argosy Advisers; and President of ABV Inc., a real estate holding company. He is Chairman of the Audit Committee of Chinatrust Philippines and the Philippine Dealing Systems Group. He also holds directorships in the Makati Supermart Group, Testech Inc., DFNN Inc., and Petrolift Inc. He is 57 years old.

MANAGEMENT COMMITTEES

The Bank President heads the Management Team as well as the following Committees, each of which is tasked with specific responsibilities in line with the execution of the Bank's business strategies. The Asset and Liability Committee (ALCO), which meets every Tuesday to evaluate the market situation and to devise the asset-liability strategy for the coming week, also includes as its members the Treasurer, the Chief Financial Officer, the Chief Credit Officer, the Heads of Corporate Banking, Retail Banking, Taiwan Business, Corporate Service Delivery, Trust, and the Liquidity and Trading desks of Treasury Department, and the Treasury Product Manager. The Credit Committee, which meets every Friday to review credit proposals, is composed of the Chief Credit Officer as well as the Heads of Corporate Banking, Taiwan Business, and Corporate Credit Risk. The Management Committee (Mancom), which meets on the second and fourth Thursday of each month to tackle major management issues, is made up of all Group Heads and other senior officers depending on the specific agenda for the meeting. The first Mancom meeting focuses on marketing, product, and human resource issues, while the other is used for discussing operations risks and information technology issues. The Mancom also meets on the third Tuesday of each month right after the ALCO, concentrating specifically on the Bank's financial performance for the previous month.

SENIOR OFFICERS:

ROLANDO R. AVANTE, Filipino, received a Bachelor of Science 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 Trends Management of Philippine Commercial International Bank (now BDO Unibank) 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 48 years old.

LESLIE Y. CHAM, Filipino, graduated from De La Salle University with a Bachelor of Science in Commerce Major in Marketing Management. He is Senior Vice President and Head of Sales and Distribution. Before joining the Bank, he was the Value Center Head and First Vice President of Standard Chartered Bank for Bancassurance and International Banking from 2004 to 2005 and for Wealth Management from 2003 to 2004; Vice President and Head of Sales for Trust and Investment Services from 2002 to 2003; and a District Branch Manager from 1991 to 2001. He also worked at Philippine Commercial International Bank from 1997 to 1999 as Vice President and Area Manager, at Vickers Ballas Asset Management Ltd. PTE. from 1995 to 1997 as Vice President, and at Citytrust Banking Corporation as Assistant Vice President from 1987 to 1995. He is 42 years old.

RAYMUNDO MARTIN M. ESCALONA, Filipino, earned his Bachelor of Science in Commerce degree, Major in Management of Financial Institutions, at the De La Salle University. He joined Chinatrust Philippines on January 2, 2008 as Executive Vice President and Head of Corporate Banking Group. Prior to this, he was Executive Vice President and Corporate and Institutional Bank Head of Australia and New Zealand Bank, Manila Branch. He has also served as First Vice President and Unit Head of Corporate Banking and Financial Institutions in BDO; Vice President and Head of Large Local Corporates Unit and Deputy Corporate Banking Head in Deutsche Bank AG, Manila Branch; and Assistant Vice President of Relationship Management Unit in Citytrust. He is 47 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 a Senior Vice President and Head of Product Banking. Prior to joining Chinatrust, she was Vice President and Sales Head of Personal Loans at ABN AMRO from 2000 to 2002; Vice President and Business Unit Head for Personal and Auto Loans at SolidBank Corporation from 1997 to 2000, and was also assigned in Corporate Banking at SolidBank from 1993 to 1995. She is 49 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 the Financial Reengineering Group of Asiatrust Bank from September 2002; Executive Vice President and Chief Operating Officer of Active Bank from October 1994. Mr. Panlasigui also served as Head of Account Management Division, Branch Banking Division and Management Information System Division in other banks. In 2003, he was named Executive of the Year by the Philippine Association of Secretaries and Administrative Professionals (PAS). He is 51 years old.

ANTHONY T. ROBLES, Filipino, a Certified Public Accountant, obtained his Bachelor's degree in Commerce, Major in Accountancy, (cum laude), from the University of Santo Tomas and a Master's degree in Business Administration from Ateneo de Manila University. He also completed the Pacific Rim Banker's Program at the University of Washington, USA. He is Executive Vice President and Head of the Bank's Retail Banking Group. Prior to joining Chinatrust, he was Executive Vice President at Planter's Development Bank in September 2004; Head of Wealth Management and Banking Services at Standard Chartered Bank in 2003 and Senior Vice President and Group Head of Retail Banking of Union Bank of the Philippines in 1999. He is 53 years old.

HUNTLEY S. UY, Filipino, received a Bachelor of Science degree in Mathematics from the Ateneo De Manila University. He is a Senior Vice President and Head of Information Technology Group. Prior to joining the Bank in 2003, he was Vice President of Standard Chartered Bank from 1998; Assistant Vice President of Security Bank from 1997; Assistant Vice President of Citytrust Banking Corporation from 1991; Systems Analyst of Development Bank of the Philippines in 1989; and Assistant Manager of Citibank in 1988. He is 43 years old.

1 DR. JEFFREY L.S. KOO
Honorary Chairman

2 WILLIAM T.Y. HON
Chairman

3 WILLIAM B. GO
Vice Chairman
Concurrently President effective April 3, 2008

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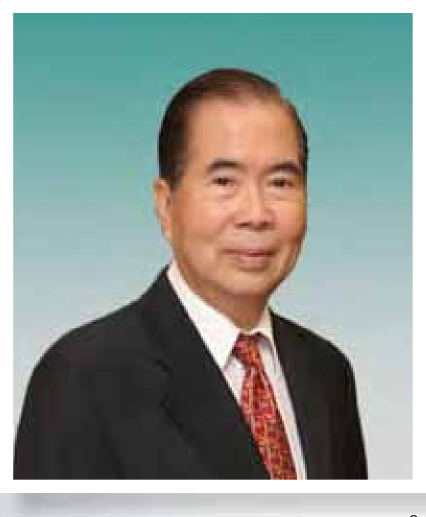

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HONORARY CHAIRMAN AND BOARD OF DIRECTORS

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4 JOEY A. BERMUDEZ
President
Retired effective April 2, 2008

5 LARRY HSU
Director

6 ERIC WU
Director

7 NG MENG TAM
Independent Director

8 EDWIN B. VILLANUEVA
Independent Director

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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, 2007. 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.

Sycip Gorres Velayo & 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 T.Y. HON
Chairman

WILLIAM B. GO
President

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Chinatrust (Philippines) Commercial Bank Corporation, which comprise the balance sheets as at December 31, 2007 and 2006, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of the Bank for the year ended December 31, 2005, which are presented for comparative purposes, were audited by other auditors whose report dated February 23, 2006, expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Chinatrust (Philippines) Commercial Bank Corporation as of December 31, 2007 and 2006, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Wilson P. Tan

Wilson P. Tan
Partner
CPA Certificate No. 76737
SEC Accreditation No. 0100-AR-1
Tax Identification No. 102-098-469
PTR No.0017630, January 3, 2008, Makati City

April 9, 2008

BALANCE SHEETS

	December 31	
	2007	2006 (As restated – See Note 2)
ASSETS		
Cash and Other Cash Items (Note 12)	**₱188,751,714**	₱199,372,111
Due from Bangko Sentral ng Pilipinas (Notes 4 and 12)	**3,443,045,304**	2,572,550,941
Due from Other Banks	**341,006,935**	383,167,668
Interbank Loans Receivable (Note 28)	**247,680,000**	3,415,976,536
Financial Assets at Fair Value through Profit or Loss (Note 6)	**721,751,402**	2,163,238,970
Available-for-Sale Investments (Note 6)	**1,268,906,359**	3,446,794,928
Held-to-Maturity Investments (Note 6)	**106,446,504**	15,864,886
Loans and Receivables (Notes 7 and 25)	**12,756,998,605**	15,388,333,301
Property and Equipment (Note 8)	**229,915,401**	216,447,083
Investment Properties (Note 9)	**26,167,367**	25,691,007
Deferred Tax Assets (Note 20)	**438,885,149**	402,655,755
Other Assets (Note 10)	**127,702,587**	120,347,862
	₱19,897,257,327	₱28,350,441,048

LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities (Note 12)		
Demand	**₱4,121,600,514**	₱3,323,618,738
Savings	**1,740,705,462**	1,840,362,462
Time	**6,975,782,555**	13,588,906,775
	12,838,088,531	18,752,887,975
Bills Payable (Note 13)	**675,568,028**	3,542,814,745
Outstanding Acceptances	**16,225,536**	70,002,083
Manager's Checks	**55,920,445**	21,120,084
Accrued Interest, Taxes and Other Expenses (Note 14)	**372,343,825**	363,026,970
Other Liabilities (Note 15)	**972,612,341**	705,676,638
	14,930,758,706	23,455,528,495
EQUITY		
Common Stock (Note 17)	**2,479,687,310**	2,156,249,970
Additional Paid-in Capital (Note 17)	**53,513,675**	53,513,675
Surplus (Note 17)	**2,415,456,295**	2,625,019,750
Net Unrealized Gain on Available-for-Sale Investments (Note 6)	**17,841,341**	60,129,158
	4,966,498,621	4,894,912,553
	₱19,897,257,327	₱28,350,441,048

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (WITH COMPARATIVE FIGURES FOR 2005)

	2007	2006	2005
INTEREST INCOME			
Loans and receivables (Notes 7 and 25)	**₱1,655,080,538**	₱1,897,847,656	₱1,679,387,714
Interbank loans receivable	**285,565,447**	90,819,102	37,065,572
Trading and investment securities (Note 6)	**246,062,849**	287,613,011	246,402,529
Deposits with other banks and others	**81,539,633**	52,275,398	25,820,328
	2,268,248,467	2,328,555,167	1,988,676,143
INTEREST EXPENSE			
Deposit liabilities (Note 12)	**749,407,580**	770,846,665	597,032,373
Bills payable and other borrowings (Note 13)	**83,922,100**	169,383,062	173,513,245
	833,329,680	940,229,727	770,545,618
NET INTEREST INCOME	**1,434,918,787**	1,388,325,440	1,218,130,525
Service fees and commission income (Note 21)	**119,917,619**	126,116,900	72,653,077
Trading and securities gain - net (Note 6)	**85,099,709**	547,743,518	214,693,329
Foreign exchange gain - net	**64,591,106**	41,642,908	26,652,230
Miscellaneous - net (Note 21)	**79,278,164**	18,772,943	22,198,117
TOTAL OPERATING INCOME	**1,783,805,385**	2,122,601,709	1,554,327,278
Provision for (recovery from) impairment and credit losses (Note 11)	**338,529,832**	494,491,320	(97,043,679)
Compensation and fringe benefits (Notes 18 and 25)	**477,948,575**	402,839,942	459,932,658
Occupancy and other equipment-related costs (Note 19)	**319,365,071**	254,651,708	177,616,151
Taxes and licenses (Note 20)	**188,732,558**	189,572,890	132,540,296
Depreciation and amortization (Notes 8 and 9)	**66,582,030**	63,276,183	51,153,627
Insurance	**39,159,677**	39,338,177	32,722,736
Amortization of software license (Note 10)	**30,922,873**	27,491,205	21,234,720
Miscellaneous (Note 21)	**164,810,425**	137,360,300	102,171,721
TOTAL OPERATING EXPENSES	**1,626,051,041**	1,609,021,725	880,328,230
INCOME BEFORE INCOME TAX	**157,754,344**	513,579,984	673,999,048
PROVISION FOR INCOME TAX (Note 20)	**43,880,312**	20,994,761	256,683,337
NET INCOME	**₱113,874,032**	₱492,585,223	₱417,315,711
Basic/Diluted Earnings Per Share (Note 27)	**₱0.46**	₱1.99	₱1.68

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(WITH COMPARATIVE FIGURES FOR 2005)

	Common Stock (Note 17)	Additional Paid-in Capital (Note 17)	Surplus (Notes 17 and 22)	Net Unrealized Gain on Available-for-Sale Investments (Note 6)	Total
Balance at December 31, 2006	**₱2,156,249,970**	**₱53,513,675**	**₱2,625,019,750**	**₱60,129,158**	**₱4,894,912,553**
Net income for the year	–	–	113,874,032	–	113,874,032
Unrealized gain recognized in equity	–	–	–	26,951,497	26,951,497
Realized gain recognized in profit and loss	–	–	–	(69,239,314)	(69,239,314)
Total income and expense for the year	–	–	113,874,032	(42,287,817)	71,586,215
Stock dividends (Notes 17 and 27)	323,437,340	–	(323,437,487)	–	(147)
	323,437,340	–	(209,563,455)	(42,287,817)	71,586,068
Balance at December 31, 2007	**₱2,479,687,310**	**₱53,513,675**	**₱2,415,456,295**	**₱17,841,341**	**₱4,966,498,621**
Balance at December 31, 2005	**₱1,875,000,000**	**₱53,513,675**	**₱2,413,684,527**	**₱18,846,818**	**₱4,361,045,020**
Net income for the year	–	–	492,585,223	–	492,585,223
Unrealized gain recognized in equity	–	–	–	296,958,048	296,958,048
Realized gain recognized in profit and loss	–	–	–	(255,675,708)	(255,675,708)
Total income and expense for the year	–	–	492,585,223	41,282,340	533,867,563
Stock dividends (Notes 17 and 27)	281,249,970	–	(281,250,000)	–	(30)
	281,249,970	–	211,335,223	41,282,340	533,867,533
Balance at December 31, 2006	**₱2,156,249,970**	**₱53,513,675**	**₱2,625,019,750**	**₱60,129,158**	**₱4,894,912,553**
Balance at December 31, 2004	**₱1,875,000,000**	**₱53,513,675**	**₱1,996,368,816**	**₱ –**	**₱3,924,882,491**
Net income for the year	–	–	417,315,711	–	417,315,711
Unrealized gain recognized in equity	–	–	–	189,851,335	189,851,335
Realized gain recognized in profit and loss	–	–	–	(171,004,517)	(171,004,517)
Total income and expense for the year	–	–	417,315,711	18,846,818	436,162,529
Balance at December 31, 2005	**₱1,875,000,000**	**₱53,513,675**	**₱2,413,684,527**	**₱18,846,818**	**₱4,361,045,020**

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (WITH COMPARATIVE FIGURES FOR 2005)

	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱157,754,344**	₱513,579,984	₱673,999,048
Adjustments for:			
Provision for (recovery from) impairment and credit losses (Note 11)	**336,680,192**	494,491,320	(97,043,679)
Amortization of premium (discount)	**85,823,337**	(262,629,994)	(350,980,454)
Foreign exchange revaluation on bills payable	**(338,370,000)**	(88,751,600)	(178,750,500)
Depreciation and amortization (Notes 8 and 9)	**66,582,030**	63,276,183	51,153,627
Mark-to-market gain on trading securities	**(5,268,107)**	(41,694,533)	(26,754,698)
Amortization of computer software license (Note 10)	**30,922,873**	27,491,205	21,234,720
Foreign exchange revaluation on trading and investment securities	**262,433,921**	18,298,963	–
Amortization of deferred charges	**(953,218)**	280,229	415,918
Loss (gain) on sale of assets	**(14,098,852)**	170,303	1,517
Gain on foreclosure of investment properties	**(4,346,705)**	(6,812,270)	–
Loss (gain) on sale of foreclosed investment properties	**(666,755)**	9,880,118	(1,247,390)
Dividend income	**(512,850)**	(525,250)	(522,200)
Changes in operating assets and liabilities:			
Decrease (increase) in amounts of:			
Financial assets at fair value through profit or loss	**1,441,487,568**	(1,970,197,651)	78,250,180
Loans and receivables	**2,280,560,060**	237,385,593	(1,718,321,739)
Interbank loans receivable (Note 28)	**81,716,536**	65,677,814	71,709,489
Outstanding acceptances	**(53,776,547)**	(50,316,690)	(78,155,526)
Other assets	**(26,233,419)**	(8,681,780)	(27,083,148)
Increase (decrease) in amounts of:			
Deposit liabilities	**(5,914,799,444)**	3,891,411,887	2,657,036,647
Manager's checks	**34,800,361**	(12,942,587)	3,702,901
Accrued interest, taxes and other expenses	**22,323,665**	69,816,995	110,448,765
Other liabilities	**379,885,622**	(6,827,923)	(1,855,111)
Net cash generated from (used in) operations	**(1,178,055,388)**	2,942,380,316	1,187,238,367
Income taxes paid	**(93,116,517)**	(156,850,477)	(91,246,574)
Net cash provided by (used in) operating activities	**(1,271,171,905)**	2,785,529,839	1,095,991,793

(Forward)

	2007	2006	2005
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Available-for-sale investments	**(₱7,459,478,067)**	(₱33,898,336,793)	(₱29,983,789,208)
Held-to-maturity investments	**(106,066,578)**	(2,306,817,831)	(3,049,994,513)
Property and equipment (Note 8)	**(86,145,820)**	(72,432,347)	(119,990,769)
Proceeds from disposals of:			
Available-for-sale investments	**9,133,831,077**	32,837,935,734	28,530,158,483
Property and equipment (Note 8)	**21,456,707**	5,041,870	29,999,252
Investment properties (Note 9)	**12,571,685**	–	3,195,000
Redemption of Held-to-maturity investments	**14,500,000**	3,363,787,513	4,474,805,770
Dividends received	**512,850**	525,250	522,200
Net cash provided by (used in) investing activities	**1,531,181,854**	(70,296,604)	(115,093,785)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of bills payable	**25,098,793,414**	38,173,450,950	83,861,893,486
Settlement of bills payable	**(27,627,670,130)**	(37,577,173,362)	(83,806,145,814)
Net cash provided by (used in) financing activities	**(2,528,876,716)**	596,277,588	55,747,672
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(2,268,866,767)**	3,311,510,823	1,036,645,680
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	**199,372,111**	135,685,113	144,300,090
Due from Bangko Sentral ng Pilipinas	**2,572,550,941**	1,120,338,910	716,808,358
Due from other banks	**383,167,668**	1,021,195,874	491,311,769
Interbank loans receivable (Note 28)	**3,334,260,000**	900,620,000	788,774,000
	6,489,350,720	3,177,839,897	2,141,194,217
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	**188,751,714**	199,372,111	135,685,113
Due from Bangko Sentral ng Pilipinas	**3,443,045,304**	2,572,550,941	1,120,338,910
Due from other banks	**341,006,935**	383,167,668	1,021,195,874
Interbank loans receivable (Note 28)	**247,680,000**	3,334,260,000	900,620,000
	₱4,220,483,953	₱6,489,350,720	₱3,177,839,897

OPERATIONAL CASH FLOWS FROM INTEREST			
Interest received	**₱2,356,789,398**	₱2,225,241,420	₱1,949,147,176
Interest paid	**(814,511,378)**	(869,351,161)	(717,173,599)

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
(WITH COMPARATIVE FIGURES FOR 2005)

1. GENERAL INFORMATION

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, and then was later 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 ultimate parent of the Bank is Chinatrust Financial Holding Company Ltd., which is incorporated in Taiwan.

The Bank's principal place of business is located at 3rd Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue corner Paseo de Roxas, Makati City.

The accompanying financial statements of the Bank were authorized for issue by the board of directors (BOD) of the Bank on April 9, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying financial statements have been prepared based on a historical cost basis except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) investments that have been measured at fair value. The financial statements are presented in Philippine pesos, the Bank's functional currency.

The financial statements of the Bank include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine pesos. The financial statements of these units are combined after eliminating inter-unit accounts.

Statement of Compliance

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Bank opted to account for its regular way purchases and sales of financial assets on the trade date basis effective January 1, 2007 as allowed under Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement*. Prior to January 1, 2007, the Bank used settlement date accounting. In accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, the corresponding amounts for 2006 balance sheet were restated for comparability, increasing AFS investments, Accrued interest receivable, and Other liabilities by ₱419.4 million, ₱11.7 million, and ₱418.0 million, respectively, while decreasing Prepaid expenses and other charges by ₱13.2 million.

The Bank has adopted the following PFRS and Philippine Interpretations which became effective beginning January 1, 2007.

PFRS 7, *Financial Instruments: Disclosures,* and the complementary amendment to PAS 1, *Presentation of Financial Statements: Capital Disclosures*
PFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, as well as sensitivity analysis to market risk. It replaces PAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial*

Institutions, and the disclosure requirements in PAS 32, *Financial Instruments: Disclosure and Presentation*. It is applicable to all entities that report under PFRS. The amendment to PAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The required new disclosures are reflected in the financial statements of the Bank where applicable.

The Bank adopted the amendment to the transition provisions of PFRS 7, as approved by the Financial Reporting Standards Council, which gives transition relief with respect to the presentation of comparative information for new risk disclosures about the nature and extent of risks arising from the financial instruments. Accordingly, the Bank did not present comparative information for the disclosures required by paragraphs 31-42 of PFRS 7, unless the disclosure was previously required under PAS 30 and 32.

Philippine Interpretation IFRIC-10, *Interim Financial Reporting and Impairment*
This Interpretation prohibits the reversal of impairment losses on goodwill and AFS equity investments recognized in the interim financial reports even if impairment is no longer present at the annual balance sheet date. This Interpretation has no significant impact on the financial statements.

Philippine Interpretation IFRIC-11, *PFRS 2 Group and Treasury Share Transactions*
This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if (a) the entity chooses or is required to buy those equity instruments (e.g., treasury shares) from another party, or (b) the shareholder(s) of the entity provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to the equity instruments of the parent. The Bank currently does not have any stock option plan and therefore, does not expect this interpretation to have significant impact to its financial statements.

Foreign Currency Translation
The books of accounts of the RBU are maintained in Philippine pesos, while those of the FCDU are maintained in United States (US) dollars. For financial reporting purposes, the monetary assets and liabilities of the FCDU and the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine pesos based on the Philippine Dealing System (PDS) closing rate prevailing at end of the year and foreign currency-denominated income and expenses, at the PDS weighted average rate for the year. Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities are credited to or charged against operations in the year in which the rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace and derivative instruments are both recognized on the trade date (i.e., the date that the Bank commits to purchase or sell the asset). Deposits, amounts due to banks and customers and loans are recognized when cash is received by the Bank or advanced to the borrowers.

Initial recognition of financial instruments
All financial assets, including trading and investment securities and loans and receivables, are initially recognized at fair value. Except for financial assets at FVPL, the initial measurement of financial assets includes transaction costs. The Bank classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, reevaluates such designation at every reporting date.

Determination of fair value

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include discounted cash flow methodologies, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

'Day 1 profit'

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Bank recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in 'Trading and securities gain - net' in the statement of income. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the Day 1 profit amount.

Derivatives recorded at FVPL

The Bank is a counterparty to derivative contracts, such as foreign exchange contracts and cross currency swaps. These derivatives are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange exposures, as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the statement of income and are included in 'Trading and securities gain - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified primarily as either: a) a hedge of the fair value of an asset, liability or a firm commitment (fair value hedge); or b) a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecasted transaction (cash flow hedge). In 2007 and 2006, the Bank did not apply hedge accounting treatment for its derivatives transactions.

Other financial assets or financial liabilities held for trading

FVPL includes other financial assets or financial liabilities that are held for trading and are recorded in the balance sheet at fair value. Changes in fair value relating to the held-for-trading positions are recognized in 'Trading and securities gain - net'. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded in 'Miscellaneous income' when the right to receive payment has been established.

Included in this classification are debt securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

Financial assets or financial liabilities designated at FVPL

Financial assets or financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the balance sheet at fair value. Changes in fair value on financial assets and liabilities designated as FVPL are recorded in 'Trading and securities gain - net'. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded in 'Miscellaneous income' according to the terms of the contract, or when the right of payment has been established.

HTM investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Bank's management has the positive intention and ability to hold to maturity. Where the Bank sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. After initial measurement, HTM investments are subsequently measured at amortized cost using the effective interest rate method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in Interest income in the statement of income. Gains and losses are recognized in income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of income under 'Provision for impairment and credit losses.' The effects of restatement of foreign currency-denominated HTM investments are recognized in the statement of income.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL.

After initial measurement, 'Loans and receivables', 'Due from Bangko Sentral ng Pilipinas', and 'Due from other banks' are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment and credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'Interest income' in the statement of income. The losses arising from impairment of such loans and receivables are recognized in 'Provision for impairment and credit losses' in the statement of income.

AFS investments
AFS investments are those investments which are designated as such or do not qualify to be classified as designated as FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in earnings. The unrealized gains and losses arising from the fair valuation of AFS investments are reported as Net unrealized gain or loss on AFS investments (net of tax where applicable) in the equity section of the balance sheet.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized as 'Trading and securities gain - net' in the statement of income. Where the Bank holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS investments are reported as 'Interest income' using the effective interest rate. Dividends earned on holding AFS investments are recognized in the statement of income as 'Miscellaneous income' when the right of payment has been established. The losses arising from impairment of such investments are recognized as 'Provisions on impairment and credit losses' in the statement of income.

Bills payable and other borrowed funds

Issued financial instruments or their components, which are not designated at FVPL, are classified as liabilities under 'Bills payable' or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, bills payable and similar financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the balance sheet. The corresponding cash received, including accrued interest, is recognized on the balance sheet as a loan to the Bank, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized on the balance sheet. The corresponding cash paid, including accrued interest, is recognized on the balance sheet and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest rate method.

Impairment of Financial Assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For loans and receivables carried at amortized cost, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics as industry, collateral type, and past-due status.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in property prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a write-off is later recovered, any amounts formerly charged are credited to the 'Provision for impairment and credit losses' account.

Restructured loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and agreement on new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in 'Provisions for impairment and credit losses' in the statement of income.

AFS investments

For AFS investments, the Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity investments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest income' in the statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

Financial Guarantees

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, letters of guarantees, and acceptances. Financial guarantees are initially recognized in 'Other liabilities' in the balance sheet at fair value. Subsequent to initial recognition, the Bank's liabilities under such guarantees are each measured at the higher of the initial fair value less, when appropriate, cumulative amortization calculated to recognize the fee in the statement of income in 'Service charges, fees and commissions', over the term of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of income in 'Provision for impairment and credit losses'. Any financial guarantee liability remaining is recognized in the statement of income in 'Service fees and commission income', when the guarantee is discharged, cancelled or expires.

Revenue Recognition

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

Interest income

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as AFS investments, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate. The change in carrying amount is recorded as interest income.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Interest income on non-accruing loans is recognized only to the extent of actual cash collections.

Service fees and commissions

The Bank earns fee and commission income from diverse range of services it provides to its customers. Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees include corporate finance fees. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Bank retains no part of the loans for itself or retains part at the same effective interest rate as for the other participants. Service charges and penalties relating to loan receivable and deposit transactions are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectibility.

Dividends

Dividend income on AFS equity investments is recognized when the right to receive payment is established.

Trading and securities gain - net

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities held for trading and disposals of AFS investments.

Cash and Cash Equivalents

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

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value.

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

Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the depreciable assets. The estimated useful lives of the depreciable assets are as follows:

Bank premises	30 years
Computer equipment	3 - 5 years
Transportation equipment	5 years
Furniture, fixtures and equipment	5 years
Leasehold rights and improvements	3 - 5 years or the terms of the related leases, whichever is shorter

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Fair value has been determined based on the valuations performed by experienced and competent appraisers as of the balance sheet date. Foreclosed properties are classified under investment properties from foreclosure date.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and impairment in value. Transaction costs including nonrefundable taxes such as capital gains tax and documentary stamp tax that were paid by the Bank are capitalized as part of cost. Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance, are normally charged against current operations in the year in which the costs are incurred.

Depreciation is calculated on a straight-line basis over the estimated remaining useful life from the time of acquisition of the investment properties. The estimated useful lives of the condominium units range from 10 to 50 years.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the derecognition of an investment property is recognized in the statement of income in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Computer Software Costs

Computer software costs (included under 'Other assets' in the balance sheet) include costs incurred relative to the development of the Bank's software. Costs are amortized on a straight-line basis over 5 to 8 years.

Costs associated with maintaining the computer software programs are recognized as expense when incurred.

Impairment of Nonfinancial Assets

At each reporting date, the Bank assesses whether there is any indication that its property and equipment and investment properties may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash generating unit).

An impairment loss is charged against current operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Bank as lessee

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 statement of income on a straight-line basis over the lease term.

Retirement Cost

The Bank's personnel are covered by a noncontributory defined benefit retirement plan.

The retirement cost of the Bank is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against current operations when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These excess or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service costs, if any, are recognized immediately in the statement of income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognized and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any actuarial losses and past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Provisions

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

Contingent Liabilities and Contingent Assets

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

Income Taxes

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

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

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

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Bank does not have any dilutive potential common shares.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the shareholders of the Bank. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

Subsequent Events

Any post-year-end event that provide additional information about the Bank's position at the balance sheet date (adjusting events) is reflected in the accompanying financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Segment Reporting

The Bank's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 23. The Bank's assets producing revenues are located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

Fiduciary Activities

Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Bank acts in a fiduciary capacity such as nominee, trustee or agent.

Future Changes in Accounting Policies

The Bank has not applied the following PFRS and Philippine Interpretations which are not yet effective for the year ended December 31, 2007:

PFRS 8, *Operating Segments (effective for annual periods beginning on or after January 1, 2009)*

This PFRS adopts a management approach to reporting segment information. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the balance sheet and statement of income and companies will need to provide explanations and reconciliations of the differences. PFRS 8 will replace PAS 14, *Segment Reporting* and is required to be adopted only by entities whose debt or equity instruments are publicly traded, or are in the process of filing with the SEC for purposes of issuing any class of instruments in a public market. The Group will assess the impact of the standard on its current manner of reporting segment information.

Philippine Interpretation IFRIC-12, *Service Concession Arrangements, (effective for annual periods beginning on or after January 1, 2008)*

This Interpretation covers contractual arrangements arising from private entities providing public services and is not relevant to the Bank's current operations.

Philippine Interpretation IFRIC-13, *Customer Loyalty Programmes (effective for annual periods beginning on or after July 1, 2008)*

This Interpretation addresses the accounting by an entity that grants award credits to its customers. The Bank will assess the impact of adoption when it applies this Interpretation in 2008.

Philippine Interpretation IFRIC-14, PAS 19, *Limit on Defined Benefit Asset, Minimum Funding Requirement and their Interaction*

This Interpretation provides guidance on how to assess the limit in PAS 19, *Employee Benefits*, on the amount of the surplus that can be recognized as an asset, and how the pension assets or liability may be affected when there is a statutory or contractual minimum funding requirement. The Bank will assess the impact of adoption when it applies this Interpretation in 2008.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with PFRS requires the Bank to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances as of the date of the financial statements. While the Bank believes that the assumptions are reasonable and appropriate, actual results could differ from such estimates.

Judgments

(a) *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in estimating fair values. The evaluation includes considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

(b) *HTM investments*

The classification to HTM investment 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 in certain specific circumstances - for example, selling a more than insignificant amount close to maturity - it will be required to reclassify the entire portfolio as AFS investments. The investments would therefore be measured at fair value and not at amortized cost.

As of December 31, 2007 and 2006, HTM investments are carried at ₱106.4 million and ₱15.9 million, respectively (see Note 6).

(c) *Financial assets not quoted in an active market*

The Bank classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Estimates

(a) *Credit losses of loans and receivables*

The Bank reviews its impaired loans and receivables at least semiannually to assess whether additional provision for credit losses should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the loan or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

As of December 31, 2007 and 2006, allowance for impairment and credit losses on loans and receivables of the Bank amounted to ₱1.4 billion and ₱1.3 billion, respectively. Loans and receivables, net of allowance for impairment and credit losses, are carried at ₱12.8 billion and ₱15.4 billion as of December 31, 2007 and 2006, respectively (see Note 7).

(b) *Fair value of derivatives*

The fair value of derivatives that are not quoted in active markets is determined using appropriate valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, 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 value of financial instruments. Refer to Notes 6 and 26 for the information on the carrying amounts of these instruments.

(c) *Impairment of AFS investments*

The Bank treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Bank treats 'significant' generally as 20% more of the original cost of investment, and 'prolonged', greater than 6 months. In addition, the Bank evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

As of December 31, 2007 and 2006, AFS investments are carried at ₱1.3 billion and ₱3.4 billion, respectively (see Note 6).

(d) *Recognition of deferred income taxes*

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Bank has been in a tax loss position over the past several years. However, estimates of future taxable income indicate that certain temporary differences will be realized in the future. Recognized deferred tax assets as of December 31, 2007 and 2006 amounted to ₱438.9 million and ₱402.7 million, respectively. Deferred tax assets on MCIT amounting to ₱31.5 million and ₱43.7 million as of December 31, 2007 and 2006, respectively, and other temporary differences amounting to ₱144.2 million as of December 31, 2006, were not recognized (see Note 20).

(e) *Present value of retirement obligation*

The cost of defined benefit pension plan and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

The expected rate of return on plan assets of 13% and 10% in 2007 and 2006, respectively, was based on the average historical premium of the fund assets. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of balance sheet dates. The present value of the retirement obligation of the Bank as of December 31, 2007 and 2006 amounted to ₱103.2 million and ₱127.1 million, respectively (see Note 18).

The net retirement asset balance as of December 31, 2007 and 2006 amounted to ₱5.2 million and ₱10.0 million, respectively (see Note 18).

(f) *Impairment on property and equipment and investment properties*

The Bank assesses impairment on property and equipment and investment properties whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount used is the value in use.

As of December 31, 2007, the net carrying value of property and equipment and investment properties amounted to ₱229.9 million and ₱26.2 million, respectively (see Notes 8 and 9). As of December 31, 2006, the net carrying value of property and equipment and investment properties amounted to ₱216.4 million and ₱25.7 million, respectively (see Notes 8 and 9).

4. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

Shown below are the Bank's assets and liabilities as they appear on the balance sheet, which are divided into financial and non-financial items, with the financial items being mapped to the categories of financial instruments under PAS 39 (in thousand pesos).

	2007						
	Financial instruments						
	FVPL	HTM	Loans and Receivables	AFS	Other Financial Liabilities	Other Non–financial Items	Total
ASSETS							
Cash and other cash items	₱–	₱–	₱188,752	₱–	₱–	₱–	₱188,752
Due from BSP	–	–	3,443,045	–	–	–	3,443,045
Due from other banks	–	–	341,007	–	–	–	341,007
Interbank loans receivable	–	–	247,680	–	–	–	247,680
Financial assets at FVPL	721,751	–	–	–	–	–	721,751
AFS investments	–	–	–	1,268,906	–	–	1,268,906
HTM investments	–	106,447		–	–	–	106,447
Loans and receivables	–	–	12,756,999	–	–	–	12,756,999
Property and equipment	–	–	–	–	–	229,915	229,915
Investment property	–	–	–	–	–	26,167	26,167
Deferred tax assets	–	–	–	–	–	438,885	438,885
Other assets	–	–	2,364	378	–	124,961	127,703
Total Assets	₱721,751	₱106,447	₱16,979,847	₱1,269,284	₱–	₱819,928	₱19,897,257
LIABILITIES							
Deposit liabilities	₱–	₱–	₱–	₱–	₱12,838,089	₱–	₱12,838,089
Bills payable	–	–	–	–	675,568	–	675,568
Outstanding acceptances	–	–	–	–	16,226	–	16,226
Manager's checks	–	–	–	–	55,920	–	55,920
Accrued interest and other expenses	–	–	–	–	355,782	16,562	372,344
Other liabilities	39,756	–	–	–	903,211	29,645	972,612
Total Liabilities	₱39,756	₱–	₱–	₱–	₱14,844,796	₱46,207	₱14,930,759

	2006						
	Financial instruments						
	FVPL	HTM	Loans and Receivables	AFS	Other Financial Liabilities	Other Non–financial Items	Total
ASSETS							
Cash and other cash items	₱–	₱–	₱199,372	₱–	₱–	₱–	₱199,372
Due from BSP	–	–	2,572,551	–	–	–	2,572,551
Due from other banks	–	–	383,168	–	–	–	383,168
Interbank loans receivable	–	–	3,415,976	–	–	–	3,415,976
Financial assets at FVPL	2,163,239	–	–	–	–	–	2,163,239
AFS investments	–	–	–	3,446,795	–	–	3,446,795
HTM investments	–	15,865		–	–	–	15,865
Loans and receivables	–	–	15,388,333	–	–	–	15,388,333
Property and equipment	–	–	–	–	–	216,447	216,447
Investment property	–	–	–	–	–	25,691	25,691
Deferred tax assets	–	–	–	–	–	402,656	402,656
Other assets	–	–	2,080	378	–	117,890	120,348
Total Assets	₱2,163,239	₱15,865	₱21,961,480	₱3,447,173	₱–	₱762,684	₱28,350,441
LIABILITIES							
Deposit liabilities	₱–	₱–	₱–	₱–	₱ 18,752,888	₱–	₱18,752,888
Bills payable	–	–	–	–	3,542,815	–	3,542,815
Outstanding acceptances	–	–	–	–	70,002	–	70,002
Manager's checks	–	–	–	–	21,120	–	21,120
Accrued interest and other expenses	–	–	–	–	324,694	38,333	363,027
Other liabilities	1,017	–	–	–	632,953	71,706	705,676
Total Liabilities	₱1,017	₱–	₱–	₱–	₱23,344,472	₱110,039	₱23,455,528

Due from BSP includes lending to the central bank under reverse repurchase agreement amounting to ₱1.4 billion as of December 31, 2007.

Financial instruments recorded at cost or amortized cost

The methods and assumptions used by the Bank in estimating the fair value of financial instruments that are recorded at cost or amortized cost are as follows:

Financial instruments for which fair value approximates amortized cost

For financial instruments that are liquid or which have relatively short-term maturities (less than three months), the Bank assumes that the carrying amounts approximate their fair value. This applies to cash and cash equivalents, liquid and/or short-term receivables from BSP and other banks, demand deposits, short-term time deposits, and savings accounts without specified maturities. This assumption also applies to floating-rate financial instruments (e.g., loans and receivables, government debt investments, deposit liabilities, bills payable) with repricing frequencies of every three months or less.

Quoted fixed-rate and floating rate financial instruments

The fair values of quoted fixed-rate and floating rate financial instruments (e.g., government debt investments in HTM) are based on quoted market prices.

Unquoted fixed-rate and floating rate financial instruments

The fair values of fixed-rate financial assets (e.g., loans and receivables, government debt investments) are estimated using the discounted cash flow methodology, based on prevailing market rates for similar financial assets, taking into account the remaining maturities and applicable credit spreads of the counterparties and customers. The fair values of fixed-rate financial liabilities (e.g., deposit liabilities, bills payable) are based on discounted cash flows using prevailing market rates that consider the remaining maturities and the Bank's applicable credit spread. Discounted cash flow methodology is likewise applied for floating-rate financial instruments with repricing frequencies beyond three months.

The following table summarizes the carrying amounts and fair values by class of the Bank's financial assets and liabilities as of December 31, 2007 and 2006 not presented on the balance sheets at their fair value.

	2007		2006	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FINANCIAL ASSETS				
Cash and other cash items	**₱188,751,714**	**₱188,751,714**	₱199,372,111	₱199,372,111
Loans and Receivables				
Due from BSP	**3,443,045,304**	**3,443,045,304**	2,572,550,941	2,572,550,941
Due from other banks	**341,006,935**	**341,006,935**	383,167,668	383,167,668
Interbank loans receivable	**247,680,000**	**247,680,000**	3,415,976,536	3,415,976,536
Unquoted debt securities	**1,764,240,763**	**1,737,805,679**	1,877,680,348	1,831,510,811
Loans and receivables				
Institutional banking	**5,354,260,647**	**5,354,260,647**	7,585,428,338	7,585,428,338
Retail banking	**2,857,671,898**	**2,360,861,280**	3,062,128,561	2,566,710,391
Mortgage banking	**1,618,220,138**	**1,604,567,606**	1,651,650,581	1,619,483,742
Small business loans	**265,772,973**	**265,772,973**	140,343,348	140,343,348
Other receivables	**896,832,186**	**896,832,186**	1,071,102,125	1,071,102,125
HTM investments				
Government debt	**106,446,504**	**107,074,742**	15,864,886	16,333,897
Other assets	**2,741,973**	**2,741,973**	2,458,513	2,458,513
FINANCIAL LIABILITIES				
Deposit liabilities				
Demand	**4,121,600,514**	**4,121,600,514**	3,323,618,738	3,323,618,738
Savings	**1,740,705,462**	**1,740,705,462**	1,840,362,462	1,840,362,462
Time	**6,975,782,555**	**6,816,739,082**	13,588,906,775	13,396,302,986
Bills payable	**675,568,028**	**675,568,028**	3,542,814,745	3,542,814,745
Outstanding acceptances	**16,225,536**	**16,225,536**	70,002,083	70,002,083
Manager's checks	**55,920,445**	**55,920,445**	21,120,084	21,120,084
Accrued interest and other expense	**355,782,199**	**355,782,199**	324,694,439	324,694,439
Other liabilities	**942,967,689**	**942,967,689**	633,970,397	633,970,397

The following ranges of discount rates were used in estimating the fair values of unquoted fixed-rate and floating-rate debt instruments:

	2007		2006	
	High	**Low**	High	Low
Unquoted debt securities	**5.69%**	**5.37%**	7.88%	6.76%
Loans and receivables				
Retail banking	**41.70%**	**20.14%**	40.80%	19.24%
Mortgage banking	**16.00%**	**8.25%**	16.36%	7.50%
Deposit liabilities - Time	**8.50%**	**5.04%**	8.20%	6.72%

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market, and those where the valuation techniques involve the use of non-market observable inputs.

	2007				2006			
	Quoted Market Price	**Valuation Techniques (Market Observable)**	**Valuation Techniques (Market Non-Observable)**	**Total**	Quoted Market Price	Valuation Techniques (Market Observable)	Valuation Techniques (Market Non-Observable)	Total
	(in Thousand Pesos)							
Financial Assets at FVPL								
Government debt	**₱685,256**	**₱–**	**₱–**	**₱685,256**	₱2,157,795	₱–	₱–	₱2,157,795
Derivative assets	**–**	**36,495**	**–**	**36,495**	–	5,444	–	5,444
AFS Investment								
Government debt	**1,256,121**	**–**	**–**	**1,256,121**	3,433,938	–	–	3,433,938
Equity	**12,785**	**–**	**–**	**12,785**	12,857	–	–	12,857
	₱1,954,162	**₱36,495**	**₱–**	**₱1,990,657**	₱5,604,590	₱5,444	₱–	₱5,610,034
Financial Liabilities								
Other liabilities	**₱–**	**₱39,756**	**₱–**	**₱39,756**	₱–	₱1,017	₱–	₱1,017

5. FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

Framework, Organization, and Processes

The Bank is in the business of creating value out of taking risks.

In offering financial products and services - whether deposits, loans, securities, or investments - the Bank exposes itself to a myriad of risks, particularly financial risks arising from the use of financial instruments. Consequently, it has put in place the appropriate risk management structures, policies, and processes to address each type of risk.

The Bank faces both financial and non-financial risks. Financial risks arise primarily from the use of financial instruments and include credit risk, market risk, interest rate risk, and liquidity risk.

The succeeding sections will discuss the Bank's risk management structure, the definition and sources of key financial risks, and the processes and methodologies applied in identifying, monitoring, and managing these key financial risks.

The following principles summarize the Bank's overall approach to risk management:

- The BOD provide the overall direction and supervision of the Bank's risk management;
- The key risks faced by the Bank – both financial and non-financial – are managed by appropriate functional levels within the Bank;
- The risk management functions are independent of the businesses (also referred to as Front office) that take and assume risks; and
- Risk management involves managing the balance between risk and reward, to enable the Bank to fulfill its commitment to protect shareholder interest, as well as deliver value to the banking public, and comply with relevant regulations.

Risk management structure
The BOD is ultimately responsible for oversight of the Bank's risk management process which involves identifying, measuring, analyzing, monitoring and controlling risks. It created the Risk Management Committee, a board-level independent committee with explicit authority and responsibility for managing and monitoring risks. It has oversight role over the independent risk functions of Credit Risk Management Group (CRMG) (credit risk), Risk Management Division (market risk) and the Risk Team (operational risk). The Risk Team is a multi-disciplinary group composed of the Chief Credit Risk Officer, Chief Financial Officer, Internal Audit Head, Compliance Officer, and Market Risk Manager. It conducts a regular Management Committee meeting that is devoted to a discussion of operational risk issues. These issues are identified by the business units through a self-assessment system which the team subsequently provides input and advice to the President in the conduct of the Operations Committee meetings.

Internal Audit's role is to assist the Bank's management, the Audit Committee and Risk Management Committee by examining, evaluating, reporting and recommending improvements on the adequacy and effectiveness of the organization's risk management and control processes. Internal Audit, acting in a consulting role, can assist an organization in identifying, evaluating and implementing risk management methodologies and controls to address those risks.

<u>Credit Risk</u>
Credit risk is the risk that one party to a financial transaction will fail to honor an obligation and cause the Bank to incur a financial loss. Credit risk arises primarily from the Bank's corporate and consumer loans (customer credit risk) and investment securities (counterparty credit risk).

With respect to customer credit risk, CRMG is mainly responsible for the following:
a) safeguard the quality of the Bank's corporate loan portfolio, and
b) provide support services to the lending units of the Bank.

To safeguard the quality of the loan portfolio of the Bank, CRMG performs the following functions:
a) conduct pre-approval review of Credit proposals of lending units;
b) provide policy guidelines to the lending units in order to standardize the credit process;
c) coordinate with the lending units on the required post-approval requirements (i.e., Loan Review Report, Account Planning, etc.) in the management of existing accounts;
d) conduct regular meetings to discuss problem accounts;
e) handle problem accounts and disposal of foreclosed assets; and
f) provide senior management with reports pertaining to the quality of the loan portfolio.

CRMG also performs support activities, such as appraisal of collaterals, credit investigation, custodianship of credit and collateral folders, monitoring of facility utilization, among others.

The Bank manages customer credit risk on corporate loans by setting limits for individual borrowers and groups of borrowers, and for geographical and industry segments. It has in place a comprehensive risk evaluation system that continually assesses the creditworthiness of corporate loans in terms of financial performance, market standing, management quality, product and industry position. The Obligor Risk Rating System (ORR) objectively rates the credit quality of all applicable borrowing accounts within the range of 17 grades. This is patterned after parent company's ORR but is tailor-fit to consider local market conditions. The ORR is prepared for all new corporate accounts and renewal of existing credit exposures.

The Bank also performs post-approval Portfolio Reviews which are undertaken annually to evaluate accounts individually and on a per portfolio basis. This entails reviewing the accounts against bank policies on the basis of market definition, credit initiation, administration and documentation, disbursement and risk asset management. Thus, the credit quality of specific portfolios is assessed in addition to the individual account rating.

The Bank conducts a monthly Past Due/Classified Accounts meeting where problematic accounts are presented to senior management. This includes accounts adversely classified following internal and BSP guidelines on account classification, categorized as Especially mentioned (IA), Substandard (II) and Doubtful (III), and past due accounts following BSP definition. During the review, if there are signs of weaknesses or deterioration in the credit, the account is adversely classified; however, in cases of positive developments, the classification is upgraded. Further, lending officers prepare monthly reports covering all watch listed and adversely classified accounts and submit these to senior management. Loan loss provisions are established depending on management's assessment of the nature and extent of deterioration in the credit quality - such provisions are determined based on the impairment assessment and measurements rule of PAS 39. In addition, the Bank obtains collateral where appropriate.

On the consumer finance side, risk is managed through rigorous screening and credit evaluation processes for individual loan applications and stringent accreditation criteria for companies availing of the corporate salary loan product. For individual borrowers, application information enters into a scorecard that evaluates their creditworthiness. Accredited companies, on the other hand, are assessed for financial stability, credit experience, market potential and industry standing. The credit process is supported by standard procedures that ensure identification and mitigation of risk.

The dynamic nature of consumer loans requires thorough monitoring of asset quality, performance, and behavior. The periodic review of portfolio performance and identification of risk groups and subsequent creation of credit policies hedge the Bank from possible losses due to weak policies that are needed for enhancement or creation of new sets of policies to ensure that risks are identified and managed. The Bank, on a regular basis, amends its rules and guidelines in the granting of credit as it sees fit using internal and external data or through the use of independent firms and consultants with expertise in research and development, statistical analysis, and database management.

A periodic assessment of the portfolio's health is conducted to recommend action points or risk mitigants as needed. Timely and accurate reports facilitate the decision-making process of management with regard to this matter. Review items included in this periodic release include delinquency indicators, segmentation, volume tracking, scorecard monitoring, and computation of caps applicable to certain programs. Extensive exchanges of recommendations are regularly conducted to achieve a strong synergy among the groups within the consumer banking business.

All these measures are implemented in order to maintain a diversified and sound loan portfolio and to detect signs of weaknesses early on in order to protect the interests of the Bank. The Bank monitors its nonperforming loan ratio, and compares these ratios against the banking industry average.

Counterparty credit risk

Credit risk with respect to investment securities, including derivative financial instruments, is generally limited to the carrying values (positive fair values for derivatives) reported in the balance sheet. Counterparty credit risk could arise as a result of counterparties defaulting on their obligations to pay the principal and coupon (positive fair value at maturity for derivatives).

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the balance sheet, including derivatives. The maximum exposure is gross, before the effect of mitigation through the use of master netting and collateral agreements.

	2007	2006
Cash and cash equivalents	**₱188,751,714**	₱199,372,111
Due from BSP and other banks	**3,784,052,239**	2,955,718,609
Interbank loans receivables	**247,680,000**	3,415,976,536
Financial assets at fair value through profit or loss		
Government debt	**685,256,267**	2,157,794,636
Derivatives	**36,495,135**	5,444,334
Available-for-sale investments		
Government debt	**1,256,121,542**	3,433,938,111
Equity	**12,784,817**	12,856,817
Held-to-maturity investments		
Government debt	**106,446,504**	15,864,886
Unquoted debt securities	**1,764,240,763**	1,877,680,348
Loans and receivables		
Institutional banking	**5,354,260,647**	7,585,428,338
Retail banking	**2,857,671,898**	3,062,128,561
Mortgage banking	**1,618,220,138**	1,651,650,581
Small business loans	**265,772,973**	140,343,348
Other receivables	**896,832,186**	1,071,102,125
Other assets	**2,741,973**	2,458,513
Total	**19,077,328,796**	27,587,757,854
Contingent liabilities	**137,384,963**	509,008,391
Commitments	**4,057,827,468**	4,973,432,748
Total	**4,195,212,431**	5,482,441,139
Total credit risk exposure	**₱23,272,541,227**	₱33,070,198,993

Other receivables include loans granted to employees, as well as interest and other receivables.

Contingent liabilities consist primarily of standby letters of credit, while commitments pertain to undrawn loan commitments for which the Bank is contractually obliged to extend once the borrowers draw on such commitments.

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum credit risk that could arise in the future as a result of changes in values.

Credit-related commitments risks

The Bank extends guarantees, commitment facilities, letters of credit and other off-balance sheet credit-related commitments that may require the Bank to make payments on their behalf. Such transactions expose the Bank to credit risks similar to loans and receivables and are monitored and managed by the Bank using the same credit risk control and management processes and policies. Some consumer asset products under this nature are covered by documentations and drafts that are reviewed and prepared by its lawyers and compliance officers to ensure that it is within acceptable risk and standards. Guaranties carry clauses that are all with reference to applicable laws, regulations, and approved guidelines and policies with some carrying expiry periods or validity to ensure that it is time bound and flexible enough to control losses from changes in external environment to include, among others, changing market conditions such as interest rates or pricing, and monetary policies. See Note 24 for further details of these commitments.

Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or

other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location.

Concentrations of risk are managed by counterparty and by industry sector.

An industry sector analysis of both the on- and off-balance sheet exposures, before taking into account collateral held or other credit enhancements, is as follows (in thousand pesos):

	2007						
	Loans and Receivables		Other Financial Assets		Off-Balance Sheet Exposures		
	Amount	%	Amount	%	Amount	%	Total
Manufacturing	₱3,103,212	24.33	₱–	–	₱862,671	20.56	₱3,965,883
Financial intermediaries	2,611,801	20.47	6,095,084	99.40	1,344,743	32.05	10,051,628
Wholesale and retail	971,299	7.61	–	–	12,809	0.31	984,108
Real estate, renting and business activities	730,388	5.73	–	–	–	–	730,388
Transport, storage and communications	370,312	2.90	–	–	1,340,033	31.94	1,710,345
Construction	84,249	0.66	–	–	415,119	9.90	499,368
Electricity, gas and water	80,537	0.63	–	–	206,400	4.92	286,937
Agriculture, hunting and forestry	60,161	0.47	–	–	3,000	0.07	63,161
Public administration and defense	–	–	–	–	8,336	0.20	8,336
Others*	6,302,058	49.40	36,495	0.60	2,101	0.05	6,340,654
Total	14,314,017	112.20	6,131,579	100.00	4,195,212	100.00	24,640,808
Allowance for impairment and credit losses	(1,426,438)	(11.18)	–	–	–	–	(1,426,438)
Unearned interest discount	(130,580)	(1.02)	–	–	–	–	(130,580)
	₱12,756,999	100.00	₱6,131,579	100.00	₱4,195,212	100.00	₱23,083,790

** Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work*

	2006						
	Loans and Receivables		Other Financial Assets		Off-Balance Sheet Exposures		
	Amount	%	Amount	%	Amount	%	Total
Financial intermediation	₱3,213,532	20.88	₱11,994,609	99.95	₱513,596	9.37	₱15,721,737
Manufacturing (various industries)	3,020,833	19.63	–	–	2,281,412	41.61	5,302,245
Electricity, gas and water	1,416,721	9.21	–	–	88,254	1.61	1,504,975
Wholesale and retail	997,098	6.48	–	–	1,338,375	24.41	2,335,473
Real estate and business activities	944,716	6.14	–	–	603,773	11.01	1,548,489
Transportation, storage and communications	669,670	4.35	–	–	318,060	5.80	987,730
Public administration and defense	385,987	2.51	–	–	14,013	0.26	400,000
Agriculture, hunting and forestry	53,698	0.35	–	–	80,600	1.47	134,298
Construction	8,853	0.05	–	–	190,000	3.47	198,853
Others*	6,070,567	39.45	5,444	0.05	54,358	0.99	6,130,369
Total	16,781,675	109.05	12,000,053	100.00	5,482,441	100.00	34,264,169
Allowance for impairment and credit losses	(1,257,498)	(8.17)	–	–	–	–	(1,257,498)
Unearned interest discount	(135,844)	(0.88)	–	–	–	–	(135,844)
	₱15,388,333	100.00	₱12,000,053	100.00	₱5,482,441	100.00	₱32,870,827

** Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work*

The Bank generally considers concentration risk as excessive when the ratio of a particular segment's exposure (e.g., this may be an industry demographic attribute, or a program) to the total portfolio exceeds predetermined limits.

The Bank considers concentration risk to be present in its loans and receivables when the total exposure to a particular industry or sector exceeds 25% of the total loan portfolio. The BSP considers that credit concentration risk exists when the total loan exposure to a particular industry or economic sector exceeds 30% of the total loan portfolio. As of December 31, 2007 and 2006, following both the Bank's policy and BSP regulations, the Bank does not have loan concentration risk to any particular industry.

The Bank manages concentration risk by gearing policies towards regular monitoring and periodic review of the set limits per predetermined segments. Annual updates to the policy include a review of the industry concentration limits and other segmental concentrations within the portfolio Business intelligence reports sourced from internal and external parties are used as guide in setting up the limits yearly. Industries covered under the industry concentration limits are similarly reviewed to update classifications and coverage.

Credit quality per class of financial assets

The credit quality of financial assets is monitored and managed using external and internal ratings. The credit quality of investment securities is generally monitored by reference to the external ratings provided by accredited external credit assessment rating institutions, as follows:

- Moody's
- Standard and Poor's

In cognizance of the requirements of the BSP, the ORR was implemented to all applicable borrowing accounts (i.e., Corporate accounts of institutional banking group, small business loans excluding sole proprietorships, and mortgage banking loans-CTS financing on a with recourse facility) of the Bank. The objectives of the system are the following:

a) to have a standard system of credit rating,
b) to be able to objectively quantify the credit quality of an account,
c) to have a "benchmark" for credit/loan review, and
d) to train and instill discipline in assessing credit risk among account officers and credit officers.

The rating system is an amalgamation of quantitative and qualitative factors. The quantitative factors include, among others, financial indicators on liquidity, leverage, and cash flows. The qualitative factors include among others the quality of management, length of establishment, market standing, reliability of financial statements, etc.

The ORR of each account shall be recorded together with other information such as the date the ORR was conducted, and the account officer who conducted the ORR. These data combined with other historical and future ORR data on the loan portfolio will be used to estimate the loan default rates associated with each rating grade.

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management to major potential risk and the comparison of credit exposures across all lines of business, demographic and products.

The table below shows the credit risk rating comprising each category of credit quality and the equivalent external grades for each internal credit risk rating applied only for comparison purposes.

	ORR Internal Credit Risk Ratings (Institutional Banking)	Internal Scoring and Ratings (Retail Banking)	Moody's Equivalent Grades
High grade	1	Low Risk	Aa3
	2		Baa2
	3		Baa3
	4		
	5		
Standard grade	6	Medium Risk	B1
	7		B2
	8		Ba1
	9		Ba2
	10		Ba3
	11		Ba3-
	12		Baa3-
Substandard grade	13	High Risk	B3
	14		*
	15		*
	16		*
	17		*

* already equivalent to substandard status

High grade receivables are those which have high probability of collection, as evidenced by counterparties having the ability to satisfy their obligations and that the collaterals used to secure the loans/receivables are readily enforceable. Standard grade receivables, on the other hand, are receivables where collections are probable due to the reputation and the financial ability to pay the counterparty but have been outstanding for a considerable length of time. Lastly, substandard grade receivables are those where the counterparties are not capable of honoring their financial obligations.

For consumer banking, the Personal Loans (PL) portfolio is comprised of two products: Public and Corporate. Each product needs to have its different set of risk rating. Each PL portfolio's individual borrowers are segmented and each segment is ranked according to low, medium, and high risk ratings. The risk rating of each segment is based on the asset quality contribution on intrinsic delinquency on a certain attribute that makes its classified under a certain risk grade. This is based initially on the borrowers' employer's gross ranking in revenue, the classification of the account based on performance, and adherence to the Bank's risk acceptance standards.

The table below shows the credit quality by class of the Bank's debt financial assets, loans and receivables, and debt securities (gross of unearned discount and allowance for impairment and credit losses) as of December 31, 2007:

	Neither Past Due nor Specifically Impaired						
	High Grade	Standard Grade	Substandard Grade	Others	Past Due but not Specifically Impaired	Specifically Impaired	Total
			(In Thousand Pesos)				
Due from BSP	₱3,443,045	₱–	₱–	₱–	₱–	₱–	₱3,443,045
Due from other banks	341,007	–	–	–	–	–	341,007
Interbank loans receivable	247,680	–	–	–	–	–	247,680
Financial assets at FVPL							
Derivatives	–	36,495	–	–	–	–	36,495
Government securities	459,294	225,962	–	–	–	–	685,256
AFS investments							
Government debt	51,703	1,204,418	–	–	–	–	1,256,121
Equity	12,785	–	–	–	–	–	12,785
HTM investments							
Government	106,447	–	–	–	–	–	106,447
Unquoted debt securities	1,856,696	–	–	–	–	–	1,856,696
Loan receivables							
Institutional banking	1,157,699	3,529,369	503,822	–	12,116	685,583	5,888,589
Retail banking	2,121,557	348,673	37,550	–	214,603	908,126	3,630,509
Mortgage banking	–	46,795	86,522	1,481,184	–	21,619	1,636,120
Small business loans	–	–	260,336	–	500	21,169	282,005
Others	–	–	380,669	485,347	–	154,082	1,020,098
Total	₱9,797,913	₱5,391,712	₱1,268,899	₱1,966,531	₱227,219	₱1,790,579	₱20,442,853

The portion of mortgage banking receivables and other receivables classified as 'Others' in the 'Neither Past Due nor Specifically Impaired' section have no credit quality information due to the absence of a formalized internal rating system.

The table below shows the aging analysis of past due but not specifically impaired financial assets by class as of December 31, 2007.

	Less than 30 days	31 to 90 days	91 to 180 days	Total
		(In Thousand Pesos)		
Loans Receivables				
Institutional banking	₱12,116	₱–	₱–	₱12,116
Small business loans	500	–	–	500
Retail banking	125,110	89,493	–	214,603
Total	₱137,726	₱89,493	₱–	₱227,219

The above aging analysis already excludes accounts that have been assessed to be specifically impaired. Further, the definition of past due follows that of PFRS 7, which states that a financial asset is past due when the counterparty has failed to make a principal or interest payments when due.

See Note 11 for the detailed information with respect to the Bank's allowance for impairment and credit losses on loans and receivables.

Included in specifically impaired financial assets are the Bank's restructured loan receivables. The table below shows the carrying amounts of restructured loan receivables by class as of December 31, 2007 and 2006:

	2007	2006
	(In Thousand Pesos)	
Institutional Banking		
Performing	₱269,889	₱387,344
Non-performing	241,100	227,071
	₱510,989	₱614,415

Restructured performing and non-performing loans (NPL) of the Bank, net of specific impairment allowances as determined by PAS 39, as of December 31, 2007 and 2006, amounted to ₱252.4 million and ₱372.1 million, respectively.

Nonperforming loans

The Bank monitors its NPLs ratio as part of its credit risk monitoring and reporting to the BSP. Shown below are the Bank's NPL:

	2007	2006
Secured	₱442,848,875	₱429,582,711
Unsecured	1,193,648,800	1,127,037,971
	₱1,636,497,675	₱1,556,620,682

NPLs refer to loans whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of receivables that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three or more installments are in arrears.

In the case of receivables that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches ten percent (10%) of the total receivable balance.

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

Collateral and credit risk mitigation techniques
The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty. The Bank follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained for loans and receivables are as follows:

- For corporate lending - cash, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); as a general rule, commercial, industrial and residential lots are preferred
- For consumer and mortgage lending - mortgages on residential properties and vehicles financed

Management regularly monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of collateral is considered during the review of the adequacy of the allowance for impairment and credit losses. For unsecured lending, the Bank performs comprehensive credit evaluation process before each loan is approved.

The following table shows information relating to loan receivables (at gross amounts) broken down into secured and unsecured, with types of collateral being shown for the secured portion:

	2007		2006	
	Amount	**%**	Amount	%
Secured by:				
Real estate	**₱2,271,765,563**	**18.24**	₱2,240,579,577	15.13
Mortgage trust indenture	**992,400,477**	**7.97**	1,151,311,697	7.78
Hold-out on deposits	**300,424,699**	**2.41**	336,465,413	2.27
Shares of stock	**107,657,834**	**0.86**	580,755,131	3.92
Chattel	**82,435,066**	**0.66**	71,537,371	0.48
Standby letter of credit	**42,000,000**	**0.34**	25,000,000	0.17
Government guarantee	**39,516,029**	**0.32**	1,349,771,753	9.12
Assigned investment	**–**	**–**	69,352,935	0.47
	3,836,199,668	**30.79**	5,824,773,877	39.34
Unsecured	**8,621,121,807**	**69.21**	8,981,561,198	60.66
	₱12,457,321,475	**100.00**	₱14,806,335,075	100.00

For past due and impaired financial assets, the fair values of collaterals held as of the year ended December 31, 2007 are as follows:

Type of collateral	Fair Value
Loans and receivables	
Mortgage trust indenture	₱385,056,389
Real Estate	125,000,389
Chattel	115,153,056
Hold-out on deposits	87,603

Fair values were determined by the Bank's internal appraisers, or by accredited external appraisers. Normally, there are three approaches available to the Bank in arriving at the fair value of a collateral (i.e., real estate, and chattel). These are the Cost approach, Market Data approach, and the Income approach.

The Cost approach takes into consideration the current cost of reproducing a property less depreciation from all sources (i.e., deterioration, functional and economic obsolescence). On the other hand, the Market Data approach takes into consideration the value indicated by recent sales of comparable properties in the market. Lastly, the Income approach takes into consideration the value which the property's net earning power will support based upon a capitalization of net income.

In most cases, the Bank utilizes all three approaches. However, it may believe that the value indication from one approach will be more significant than from the other two, yet it will use all three as a check against each other, and to test its own judgment.

The fair value of collaterals subjected to repurchase and reverse repurchase agreements with BSP as of the year ended December 31, 2007 amounted to ₱1.4 billion.

Liquidity Risk and Funding Management

Liquidity risk is the risk of loss to earnings or capital due to the inability to meet funding requirements within a reasonable period of time at a reasonable price.

The Bank applies a liquidity risk management strategy of maintaining sufficient cash and marketable securities, ensuring the availability of funding through an adequate amount of committed credit facilities and having the ability to close out market positions.

The table below shows the maturity profile of the Bank's financial liabilities, based on undiscounted contractual cash flows (in million pesos):

	2007*				
	On demand	**1 to 3 months**	**6 to 12 months**	**Greater than 5 years**	**Total**
Deposit liabilities					
Demand	**₱4,122**	**₱–**	**₱–**	**₱–**	**₱4,122**
Savings	**1,741**	**–**	**–**	**–**	**1,741**
Time	**–**	**5,901**	**328**	**747**	**6,976**
Bills and acceptances payable	**50**	**179**	**27**	**436**	**692**
Manager's checks	**56**	**–**	**–**	**–**	**56**
Accrued interest and other expenses	**356**	**–**	**–**	**–**	**356**
Other liabilities	**943**	**–**	**–**	**–**	**943**
	7,268	**6,080**	**355**	**1,183**	**14,886**
Future interest payment	**279**	**287**	**17**	**56**	**639**
	₱7,547	**₱6,367**	**₱372**	**₱1,239**	**₱15,525**

	2006**				
	On demand	1 to 3 months	6 to 12 months	Greater than 5 years	Total
Deposit liabilities					
Demand	₱3,323	₱–	₱–	₱–	₱3,323
Savings	1,840	–	–	–	1,840
Time	–	11,218	1,423	948	13,589
Bills and acceptances payable	38	2,332	171	1,072	3,613
Manager's checks	21	–	–	–	21
Accrued interest and other expenses	325	–	–	–	325
Other liabilities	634	–	–	–	634
Total liabilities	₱6,181	₱13,550	₱1,594	₱2,020	₱23,345

* includes future coupon payments

** does not include future coupon payments

The maturity table shows the undiscounted cash flows whose expected maturities are not the same as the asset-liability gap. The Bank does not expect all depositors to require repayment on the earliest date the Bank could be required to pay. Further, the maturity table does not reflect expected cash flows based on deposit behavior and historical retention rate.

The table below further shows the contractual expiry by maturity of the Bank's off-balance sheet commitments.

	2007					
	Up to 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Beyond 1 year**	**Total**
			(In Thousand Pesos)			
Contingent liabilities	**₱52,847**	**₱27,634**	**₱5,440**	**₱3,606**	**₱47,858**	**₱137,385**
Commitments	**3,029,595**	**370,549**	**253,535**	**81,140**	**323,008**	**4,057,827**
Total	**₱3,082,442**	**₱398,183**	**₱258,975**	**₱84,746**	**₱370,866**	**₱4,195,212**

	2006					
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
			(In Thousand Pesos)			
Contingent liabilities	₱146,697	₱108,193	₱–	₱236,260	₱17,858	₱509,008
Commitments	3,782,150	863,764	89,885	146,319	91,315	4,973,433
Total	₱3,928,847	₱971,957	₱89,885	₱382,579	₱109,173	₱5,482,441

To ensure that adequate liquidity is maintained at all times, the Bank's Liquidity and Balance Sheet Management Unit diversifies funding sources and evaluates cash flows and future funding needs on a daily basis. This involves projecting the bank's liquidity position under current market conditions and stress scenarios. In addition to its core deposit base, the bank maintains a portfolio of marketable assets that can be readily liquidated in the event of an unforeseen interruption of cash flows. Additional funding may be secured from the interbank market by tapping the Bank's credit facilities. Further, the Bank maintains with the BSP liquidity reserves (11% starting July 15, 2005 under BSP Circular No. 491) and statutory reserves (10%) of its non-FCDU deposits.

Liquidity risk control entails primarily the setting of risk limits, which define management's tolerance for liquidity risk. Specifically, limits are set on the maximum cumulative outflow (MCO) and ratio of interbank borrowing to loans. Liquidity risk is also monitored through the use of liquidity ratios. One of the more important liquidity ratios is the ratio of net liquid assets to total deposits. Net liquid assets consist of cash, due from banks, interbank loans, securities held for trade and available for sale less interbank borrowings. The ratios for the year 2006 and 2007 were as follows:

	2007	2006
31 December	**42%**	43%
Average during the period	**52%**	28%
Highest	**64%**	43%
Lowest	**42%**	15%

Further, the Bank performs a funding gap analysis using estimated cash flows (amounts in thousands). Shown below is the Bank's asset-liability gap as of December 31, 2007 and 2006:

	2007								
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	2 years	3 years	4 years	Greater than 5 years	Total
Assets									
Cash and other cash items	₱188,752	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱188,752
Due from BSP	2,746,590	696,455	–	–	–	–	–	–	3,443,045
Due from other banks	341,007	–	–	–	–	–	–	–	341,007
Interbank loans receivable	247,680	–	–	–	–	–	–	–	247,680
Financial assets at FVPL	36,495	6	16	–		299,638	108,309	277,287	721,751
AFS investments	12,785	–	–	–	17	–	–	1,256,104	1,268,906
HTM investments	1,000	–	60,374	2,023	5,301	37,749	–	–	106,447
Loans and receivables - gross	2,705,981	863,428	742,674	1,070,332	2,088,455	1,505,629	3,368,868	1,968,650	14,314,017
Other assets	2,742	–	–	–	–	–	–	–	2,742
Total financial assets	6,283,032	1,559,889	803,064	1,072,355	2,093,773	1,843,016	3,477,177	3,502,041	20,634,347
Liabilities									
Deposit liabilities	9,747,593	2,013,663	243,827	80,650	235,704	257,190	145,957	113,505	12,838,089
Bills payable	180,354	5,330	22,000	5,333	462,551	–	–	–	675,568
Outstanding acceptances	16,226	–	–	–	–	–	–	–	16,226
Manager's checks	55,920	–	–	–	–	–	–	–	55,920
Accrued interest and other expenses	355,782	–	–	–	–	–	–	–	355,782
Other liabilities	942,967	–	–	–	–	–	–	–	942,967
Total financial liabilities	11,298,842	2,018,993	265,827	85,983	698,255	257,190	145,957	113,505	14,884,552
Asset-liability gap	(₱5,015,810)	(₱459,104)	₱537,237	₱986,372	₱1,395,518	₱1,585,826	₱3,331,220	₱3,388,536	₱5,749,795

	2006								
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	2 years	3 years	4 years	Greater than 5 years	Total
Assets									
Cash and other cash items	₱199,372	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱199,372
Due from BSP	1,606,796	780,000	185,755	–	–	–	–	–	2,572,551
Due from other banks	383,168	–	–	–	–	–	–	–	383,168
Interbank loans receivable	3,334,260	–	–	–	–	–	–	81,717	3,415,977
Financial assets at FVPL	5,444	–	53	–	50,738	304,807	133,952	1,668,245	2,163,239
AFS investments	432,282	–	5,254	3,159	2,141	33,961	–	2,969,998	3,446,795
HTM investments	–	–	5,516	1,010	8,374	–	965	–	15,865
Loans and receivables - gross	2,753,319	1,543,378	1,258,808	1,162,984	2,299,484	3,018,631	2,542,642	2,202,429	16,781,675
Other assets	2,458	–	–	–	–	–	–	–	2,458
Total financial assets	8,717,099	2,323,378	1,455,386	1,167,153	2,360,737	3,357,399	2,677,559	6,922,389	28,981,100
Liabilities									
Deposit liabilities	13,179,490	3,506,989	1,090,082	331,987	4,902	232,981	258,850	147,607	18,752,888
Bills payable	2,295,604	–	–	290,415	–	–	–	956,796	3,542,815
Outstanding acceptances	17,955	35,652	16,395	–	–	–	–	–	70,002
Manager's checks	21,120	–	–	–	–	–	–	–	21,120
Accrued interest and other expenses	324,694	–	–	–	–	–	–	–	324,694
Other liabilities	633,970	–	–	–	–	–	–	–	633,970
Total financial liabilities	16,472,833	3,542,641	1,106,477	622,402	4,902	232,981	258,850	1,104,403	23,345,489
Asset-liability gap	(₱7,755,734)	(₱1,219,263)	₱ 348,909	₱544,751	₱2,355,835	₱3,124,418	₱2,418,709	₱5,817,986	₱5,635,611

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates, equity prices and other market changes. The Bank's market risk originates from its holdings in its foreign exchange instruments, debt securities, equities and derivatives.

The Bank classifies exposures to market risk into either trading or non-trading portfolios. It is exposed to the potential loss in its trading portfolio because the values of its trading positions are sensitive to changes in the market prices and rates. Similarly, it is also exposed to market risk in its non-trading portfolio.

The Bank sets its market risk limits by considering market predictions, capital and annual budgets. It takes into account the correlation among different market risk factors to estimate potential loss using Value-at-Risk (VaR) approach and also determines if this potential loss is appropriate in light of the size of its annual budget. The Bank also determines its market risk limits by considering the experience of its risk-taking units and its risk appetite.

The Bank utilizes market risk factor sensitivities as a tool to manage market risk. Market risk factor sensitivities of a position are defined as a change in the value of a position caused by a unit shift in a given market factor. Market risk factor sensitivities include interest rate, foreign exchange and equity factor sensitivities. The calculation of the factor sensitivities is obtained by measuring the effect of a one (1) unit increase in current interest rates, current foreign exchange rates and equity process or volatilities upon various product types.

The Bank uses the VaR methodology in managing probable losses arising from potential changes in the market price of underlying assets. In deriving the VaR, the Bank employs the historical simulation approach which estimates potential losses by assuming that future price movements will mimic historical trends.

Objectives of the VaR methodology

The VaR is a statistical estimate based on a historical simulation approach and generated from a historical database. It is important to note that VaR is only a forecast of probable loss. It is usually based on historical data which may not necessarily replicate itself in the future. As such, VaR cannot predict losses with 100% confidence.

The model's validity is assessed daily via back-testing. This involves determining whether the VaR figure actually represents the "maximum" potential loss for a given confidence level (e.g., 99%). If the VaR is a valid estimate of maximum potential loss, then the actual loss from holding on to the currency position for one day should be less than the VaR 99% of the time. Another way of stating this is that the actual loss would be greater than VaR for at most one day for every 100 days.

Market risk positions are also subject to daily stress tests to ensure the bank could withstand an extreme event. Historical events considered for stress testing represent crises - political or economic - which impacted greatly and adversely the financial markets.

VaR assumptions/parameters

The VaR will be based on a 1-day holding period, a level of confidence of 99% and a time series equivalent to 500 days (or 2 years). The level of confidence can be adjusted in response to heightened volatility in the market. The following are the VaR statistics for December 31, 2007 and 2006:

	Foreign Exchange	**Peso Fixed Income**	**Dollar Fixed Income**	**Total VaR**
		(In Million Pesos)		
2007	**₱3.4**	**₱2.1**	**₱3.0**	**₱6.8**
2007-Average Daily	**3.2**	**10.3**	**12.3**	**17.3**
2007-Highest	**9.9**	**62.7**	**20.4**	**59.2**
2007-Lowest	**0.2**	**–**	**0.9**	**2.0**

	Foreign Exchange	Peso Fixed Income	Dollar Fixed Income	Total VaR
		(In Million Pesos)		
2006	₱8.4	₱9.6	₱7.0	₱15.2
2006-Average Daily	1.9	3.7	4.7	7.1
2006-Highest	8.4	14.3	11.1	16.1
2006-Lowest	–	0.3	–	0.8

The highs and lows of the total portfolio may not equal the sum of the individual components as the highs and lows of the individual portfolios may have occurred on different trading days. The VaR for foreign exchange is the foreign exchange risk throughout the Bank. The Bank, when aggregating the foreign exchange VaR and interest VaR does not consider the correlation effects between the two risks.

There is no instance for the year ended December 31, 2007 that the daily losses were greater than the VaR.

Annually, the BOD sets the VaR limit for the trading books to which compliance is reviewed daily by local and foreign management.

Foreign Exchange Risk

The table below summarizes the Bank's exposure to foreign exchange risk as of December 31, 2007 and 2006. Included in the tables are the Bank's assets and liabilities at carrying amounts, categorized by currency (information relating to Bank's currency derivatives are contained in Note 26) (amounts in thousands):

	2007			2006		
	USD	**Others**	**Total**	USD	Others	Total
Assets						
Cash and other cash items	**₱30,971**	**₱–**	**₱30,971**	₱58,970	₱–	₱58,970
Due from BSP and other banks	**323,129**	**194,580**	**517,709**	370,230	216,671	586,901
Interbank loans receivable	**247,680**	**–**	**247,680**	2,140,977	–	2,140,977
Securities at FVPL	**225,963**	**–**	**225,963**	840,359	–	840,359
AFS investments	**1,204,418**	**–**	**1,204,418**	2,055,421	–	2,055,421
Loans and receivables - net	**2,708,357**	**13,129**	**2,721,486**	3,060,904	442,846	3,503,750
Other assets	**776**	**–**	**776**	422	–	422
Total assets	**4,741,294**	**207,709**	**4,949,003**	8,527,283	659,517	9,186,800
Liabilities						
Deposit liabilities	**4,455,661**	**36**	**4,455,697**	7,016,801	41	7,016,842
Bills payable	**–**	**177,182**	**177,182**	1,912,170	354,234	2,266,404
Outstanding acceptances	**3,096**	**13,129**	**16,225**	19,289	50,713	70,002
Accrued taxes, interest and other expenses	**–**	**–**	**–**	38,931	987	39,918
Other liabilities	**18,361**	**656**	**19,017**	26,518	192	26,710
Total liabilities	**4,477,118**	**191,003**	**4,668,121**	9,013,709	406,167	9,419,876
Net exposure	**₱264,176**	**₱16,706**	**₱280,882**	(₱486,426)	₱253,350	(₱233,076)

Information relating to the Bank's currency derivatives is contained in Note 26. The Bank has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱1.7 billion (sold) and ₱1.7 billion (bought) as of December 31, 2007 and ₱505.8 million (sold) and ₱506 million (bought) as of December 31, 2006.

Foreign exchange risk exposures in the banking book arising from market price fluctuations are transferred to the trading book on a monthly basis.

Foreign exchange factor sensitivities ("FX Delta") represent the change in the net present value of the foreign exchange portfolios caused by a unit shift of 1% of the underlying currency's exchange rate. The FX Delta risk comes from the FX exposure of derivatives, the hedging of foreign exchange positions and foreign currency cash positions.

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

Foreign currency liabilities generally consist of foreign currency deposits in the Bank's FCDU. Foreign currency deposits are generally used to fund the Bank's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. The BSP also requires a 30% liquidity reserve on all foreign currency liabilities held through FCDUs.

Outside the FCDU, the Bank has additional foreign currency assets and liabilities in the RBU representing trade assets and corresponding foreign currency borrowings.

Interest Rate Risk

Interest rate risk is the risk to future earnings or equity arising from the movement of interest rates. Changes in interest rates affect (1) the bank's earnings by changing its net interest income and the level of other interest rate-sensitive income and operating expenses; and (2) the underlying economic value of the bank's assets, liabilities and off-balance sheet instruments by means of reducing the present value of future cash flows (and in some cases, the cash flows themselves).

As the primary interest rate risk management unit, the Liquidity and Balance Sheet Management Unit adjusts the repricing structure of assets and liabilities to ensure that interest rate risk exposure stays within a controllable range. Limits on the change in one-year earnings (delta NII) and economic value of equity (EVE) given a one basis point change in interest rates are also established.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows and fair values of financial instruments. Interest rate factor sensitivities (the present value of one basis point, or "PVBP") represent the change in the net present value of the interest rate portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting a portfolio. 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.

The tables below show the sensitivity of the Bank's one-year earnings and economic value of equity to possible changes in interest rates. The effect of the assumed interest rate changes on one-year earnings per currency is measured based on rate sensitive non-trading assets and liabilities as of December 31, 2006. The sensitivity of equity to interest rate movements is the present value of future cash flows discounted at the market rate.

2007

Currency	Increase in bps	Sensitivity of net interest income	Sensitivity of Equity								
			1 month	3 months	6 months	1 year	2 years	5 years	7 years	10 years up	Total
			(In Thousand Pesos)								
	15	₱4,327	(₱243)	(₱1,071)	₱1,970	(₱2,740)	(₱2,524)	₱2,289	(₱32)	(₱2,073)	(₱4,424)
PHP	20	5,770	(324)	(1,428)	2,625	(3,651)	(3,363)	3,048	(43)	(2,756)	(5,892)
(in 000s)	25	7,212	(405)	(1,784)	3,280	(4,562)	(4,200)	3,804	(53)	(3,435)	(7,355)
	15	(56)	4	(2)	6	41	–	(12)	(15)	(210)	(188)
USD	20	(75)	6	(3)	8	55	–	(15)	(20)	(279)	(248)
(in 000s)	25	(93)	7	(3)	9	69	–	(19)	(25)	(347)	(309)

Currency	Decrease in bps	Sensitivity of net interest income	Sensitivity of Equity								
			1 month	3 months	6 months	1 year	2 years	5 years	7 years	10 years up	Total
			(In Thousand Pesos)								
	-15	(₱4,327)	₱243	₱1,073	(₱1,974)	₱2,748	₱2,535	(₱2,308)	₱33	₱2,111	₱4,461
PHP	-20	(5,770)	324	1,431	(2,633)	3,665	3,382	(3,082)	43	2,823	5,953
(in 000s)	-25	(7,212)	405	1,789	(3,292)	4,584	4,230	(3,858)	54	3,540	7,452
	-15	56	(4)	2	(6)	(42)	–	12	15	217	194
USD	-20	75	(6)	3	(8)	(56)	–	16	20	291	260
(in 000s)	-25	93	(7)	3	(9)	(69)	–	20	26	365	329

2006

Currency	Increase in bps	Sensitivity of net interest income	Sensitivity of Equity								
			1 month	3 months	6 months	1 year	2 years	5 years	7 years	10 years up	Total
		(In Thousand Pesos)									
	15	₱860	₱206	(₱948)	(₱45)	(₱2,201)	(₱3,241)	₱4,371	(₱1,382)	(₱5,081)	(₱8,321)
PHP	20	1,147	274	(1,264)	(61)	(2,933)	(4,319)	5,819	(1,839)	(6,757)	(11,080)
(in 000s)	25	1,433	343	(1,579)	(76)	(3,664)	(5,394)	7,264	(2,294)	(8,425)	(13,826)
	15	(82)	4	1	29	7	–	(17)	(14)	(103)	(93)
USD	20	(109)	5	1	39	9	–	(22)	(19)	(136)	(123)
(in 000s)	25	(136)	6	1	49	11	–	(28)	(24)	(170)	(155)

Currency	Decrease in bps	Sensitivity of net interest income	Sensitivity of Equity								
			1 month	3 months	6 months	1 year	2 years	5 years	7 years	10 years up	Total
		(In Thousand Pesos)									
	-15	(₱860)	(₱206)	₱950	46	₱2,207	₱3,255	(₱4,408)	₱1,397	₱5,161	₱8,402
PHP	-20	(1,147)	(275)	1,267	61	2,944	4,343	(5,886)	1,867	6,899	11,220
(in 000s)	-25	(1,433)	(343)	1,584	76	3,682	5,433	(7,386)	2,338	8,646	14,030
	-15	82	(4)	(1)	(29)	(7)	–	17	15	104	95
USD	-20	109	(5)	(1)	(39)	(9)	–	22	20	139	127
(in 000s)	-25	136	(6)	(1)	(49)	(11)	–	28	25	174	160

The following table sets forth the repricing gap position of the Bank as of December 31, 2007 and 2006:

	2007					
	Up to 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Beyond 1 year**	**Total**
			(In Thousand Pesos)			
Financial Assets						
Cash and other cash items	₱188,752	₱–	₱–	₱–	₱–	₱188,752
Placements with the BSP and other banks	3,087,597	696,455	–	–	–	3,784,052
Interbank loans receivable	247,680	–	–	–	–	247,680
Financial assets at FVPL						
Derivatives	36,495	–	–	–	–	36,495
Government securities	–	6	16	–	685,234	685,256
AFS investments	12,784	–	–	–	1,256,122	1,268,906
HTM investments	1,000	–	60,374	2,023	43,050	106,447
Loans and receivables (gross)	9,136,523	1,705,995	2,399,785	879,317	192,397	14,314,017
Total financial assets	12,710,831	2,402,456	2,460,175	881,340	2,176,803	20,631,605
Financial Liabilities						
Deposit liabilities						
Demand	4,121,601	–	–	–	–	4,121,601
Savings	1,740,705	–	–	–	–	1,740,705
Time	3,780,398	2,014,333	244,250	81,062	855,740	6,975,783
Bills and acceptances payable	196,580	5,330	22,000	5,333	462,551	691,794
Manager's checks	55,920	–	–	–	–	55,920
Total financial liabilities	9,895,204	2,019,663	266,250	86,395	1,318,291	13,585,803
Repricing gap	₱2,815,627	₱382,793	₱2,193,925	₱794,945	₱858,512	₱7,045,802
Cumulative gap	₱2,815,627	₱3,198,420	₱5,392,345	₱6,187,290	₱7,045,802	₱–

	2006					
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
			(In Thousand Pesos)			
Financial Assets						
Cash and other cash items	₱199,372	₱–	₱–	₱–	₱–	₱199,372
Placements with the BSP and other banks	1,989,964	780,000	185,755	–	–	2,955,719
Interbank loans receivable	3,334,260	–	–	–	81,717	3,415,977
Financial assets at FVPL						
Derivatives	5,444	–	–	–	–	5,444
Government securities	–	–	53	–	2,157,742	2,157,795
AFS investments	432,282	–	5,254	3,159	3,006,100	3,446,795
HTM investments	–	–	5,516	1,010	9,339	15,865
Loans and receivables (gross)	10,645,091	2,877,640	2,292,943	580,977	385,024	16,781,675
Total financial assets	16,606,413	3,657,640	2,489,521	585,146	5,639,922	28,978,642
Financial Liabilities						
Deposit liabilities						
Demand	3,323,619	–	–	–	–	3,323,619
Savings	1,840,362	–	–	–	–	1,840,362
Time	7,950,636	3,507,288	1,098,382	332,287	700,314	13,588,907
Bills and acceptances payable	2,313,560	35,651	16,395	290,415	956,796	3,612,817
Manager's checks	21,120	–	–	–	–	21,120
Total financial liabilities	15,449,297	3,542,939	1,114,777	622,702	1,657,110	22,386,825
Repricing gap	₱1,157,116	₱114,701	₱1,374,744	(₱37,556)	₱3,982,811	₱6,591,816
Cumulative gap	₱1,157,116	₱1,271,817	₱2,646,561	₱2,609,005	₱6,591,816	₱–

The following table provides for the average effective interest rates by period of maturity or repricing of the Bank as of December 31, 2007 and 2006:

	2007		
	Less than 3 months	**3 months to 1 year**	**Greater than 1 year**
Peso			
Financial assets			
Due from BSP	2.5%	–	–
Due from other banks	7.0%	–	–
Financial assets at FVPL	–	5.8%	7.4%
AFS investments	–	–	10.4%
HTM investments	–	5.0%	6.3%
Loans and receivables	8.8%	9.2%	13.2%
Financial liabilities			
Deposit liabilities	2.7%	5.0%	6.8%
Bills payable	3.4%	–	7.7%
Foreign currency-denominated			
Financial assets			
Due from other banks	4.7%	–	–
Financial assets at FVPL	–	–	6.8%
AFS investments	–	–	6.4%
Loans and receivables	6.8%	6.0%	7.1%
Financial liabilities			
Deposit liabilities	1.8%	4.4%	4.9%
Bills payable	4.5%	–	–

	2006		
	Less than 3 months	3 months to 1 year	Greater than 1 year
Peso			
Financial assets			
Due from BSP	3.2%	–	–
Due from other banks	7.4%	–	–
Financial assets at FVPL	12.3%	8.2%	6.2%
AFS investments	–	10.5%	11.0%
HTM investments	–	5.0%	10.1%
Loans and receivables	10.6%	10.4%	14.0%
Financial liabilities			
Deposit liabilities	5.1%	5.7%	5.3%
Bills payable	6.0%	–	8.4%
Foreign currency-denominated			
Financial assets			
Due from other banks	4.9%	–	–
Financial assets at FVPL	–	–	6.9%
AFS investments	–	–	7.0%
Loans and receivables	6.6%	6.8%	7.5%
Financial liabilities			
Deposit liabilities	2.0%	4.3%	5.0%
Bills payable	4.3%	–	–

Prepayment risk

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall. The Bank has exposures in consumer, e.g., salary loans, mortgage loans. These activities generate market risk since these loan products are inherently sensitive to changes in the level of market interest rates.

The impact on the Bank's profitability of mortgage loan prepayment risk is deemed negligible as almost all of loan prepayments in 2006 and 2007 emanated from the Contract to Sell (CTS) portfolio, which accounts for only 16% of total outstanding mortgage loans (₱254 million outstanding volume or 305 accounts) as of December 2007, a significant drop from over 43% in 2006. Approximately 297 prepayments were recorded as of December 31, 2007, representing 19% of the total number of mortgage loan accounts and 34% of the total number of CTS accounts at the beginning of the year. Despite an increase from the 192 recorded prepayments in 2006, foregone one-year earnings based on the CTS prepayment rate of 34%, average CTS loan volume of ₱0.8 million and weighted average contract rate (less prepayment penalty of approximately 1%) of 10.49%, is estimated to be only ₱9 million. This amount is seen as immaterial as it is only 1% of the total YTD interest income from loans for 2007.

Equity Risk

Equity risk is the risk that the fair values of equity investments decrease as a result of changes in the levels of equity indices and the value of individual stocks (whether traded or not). The Bank has no significant equity risk.

Capital Management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains a strong credit standing and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Regulatory Qualifying Capital

The BSP, under BSP Circular 538 dated August 4, 2006 has prescribed guidelines in implementing the revised risk-based capital adequacy framework for the Philippine banking system to conform to Basel II Accord recommendations. The new BSP guidelines took effect on July 1, 2007.

The Bank's regulatory capital consists of Tier 1 (core) capital, which comprises share capital and retained earnings including current year profit less required deductions such as deferred income tax and unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI). Certain adjustments are made to PFRS – based results and reserves, as prescribed by the BSP. General loan loss provision is added back to Tier 2 supplementary capital, which is the other component of regulatory capital. The risk-based capital ratio of the Bank is expressed as a percentage of qualifying capital to risk-weighted assets, which are computed based on BSP regulations.

Risk-weighted assets are determined by assigning defined risk weights to amounts of on-balance sheet exposures and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0% to 150% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects. The combined capital accounts of the Bank should not be less than an amount equal to ten percent (10.0%) of its risk assets. As of December 31, 2007 and 2006, the capital adequacy ratio of the Bank, as reported to the BSP, is 27.3% and 30.3%, respectively.

Shown below are the Bank's minimum capital-to-risk assets ratio as reported to the BSP as of December 31, 2007 (based on Circular 538) and December 31, 2006 (based on previous guidelines).

	2007	2006
	(Amounts in million pesos)	
Tier 1 Capital	**₱4,519**	₱4,416
Tier 2 Capital	**144**	–
Gross Qualifying Capital	**4,663**	4,416
Less: Required deductions	**20**	–
Total qualifying capital	**₱4,643**	₱4,416
Risk weighted assets	**₱17,001**	₱14,600
Tier 1 capital ratio	**26.5%**	30.3%
Tier 2 capital ratio	**1.2%**	–
Risk-based capital adequacy ratio	**27.3%**	30.3%

6. TRADING AND INVESTMENT SECURITIES

Financial assets at FVPL consist of the following:

	2007	2006
Held-for-trading	**₱685,256,267**	₱2,157,794,636
Derivative assets (Note 26)	**36,495,135**	5,444,334
	₱721,751,402	₱2,163,238,970

Net unrealized gain (loss) for the years ended December 31, 2007, 2006 and 2005 on revaluation to market of financial assets at FVPL amounting to (₱32.6) million, ₱27.9 million and (₱6.9 million), respectively, are included under 'Trading and securities gain - net' in the statements of income.

AFS investments consist of the following:

	2007	2006
Government debt	**₱1,256,121,542**	₱3,433,938,111
Equity	**12,784,817**	12,856,817
	₱1,268,906,359	₱3,446,794,928

AFS investments of the Bank represent government debt instruments and include accumulated unrealized gains of ₱17.8 million and ₱60.1 million as of December 31, 2007 and 2006, respectively. The movement of net unrealized gains (losses) are as follows:

	2007	2006	2005
Balance at the beginning of the year	**₱60,129,158**	₱18,846,818	₱–
Unrealized gains recognized in equity	**26,951,497**	296,958,048	189,851,335
Realized gains	**(69,239,314)**	(255,675,708)	(171,004,517)
Balance at end of the year	**₱17,841,341**	₱60,129,158	₱18,846,818

For the years ended December 31, 2007 and 2006, the effective interest rates of government securities range from 5.7% to 10.0% and 5.3% to 8.3%, respectively.

Effective interest rates range from 5.3% to 11.4% and 6.0% to 6.8% for peso-denominated and foreign currency-denominated AFS investments, respectively, for the year ended December 31, 2007. Effective interest rates range from 6.1% to 15.7% and 6.2% to 7.8% for peso-denominated and foreign currency-denominated AFS investments, respectively, for the year ended December 31, 2006.

HTM investments consist of Treasury notes that bear nominal annual interest rates ranging from 10.4% to 11.5% and from 10.0% to 13.4% for the years ended December 31, 2007 and 2006, respectively.

Interest income on trading and investment securities consists of:

	2007	2006	2005
Financial assets at FVPL	**₱116,760,840**	₱143,903,832	₱30,220,939
AFS investments	**125,764,719**	90,493,165	142,003,737
HTM investments	**3,537,290**	53,216,014	74,177,853
	₱246,062,849	₱287,613,011	₱246,402,529

Trading gains - net consist of:

	2007	2006	2005
AFS investments	**₱69,239,314**	₱255,675,708	₱171,004,517
Securities at FVPL	**15,860,395**	280,652,105	43,223,856
Unquoted debt securities	**–**	11,415,705	464,956
	₱85,099,709	₱547,743,518	₱214,693,329

Net gain (loss) on derivative transactions amounting to (₱7.4 million), ₱23.2 million, and (₱8.9 million) for the years ended December 31, 2007, 2006, and 2005, respectively, are included under 'Foreign exchange gain (loss)' in the statement of income.

7. LOANS AND RECEIVABLES

This account consists of:

	2007	2006
Receivables from customers:		
Loans and discounts	**₱10,842,367,004**	₱13,095,933,603
Customers' liabilities under acceptances, letters of credit and trust receipts	**397,252,346**	557,989,675
Bills purchased	**251,671,545**	89,230,152
	11,491,290,895	13,743,153,430
Less unearned discount and capitalized interest	**(38,125,068)**	(38,183,972)
	11,453,165,827	13,704,969,458
Unquoted debt securities - net of unearned discount and capitalized interest of ₱92,455,090 in 2007 and ₱97,659,572 in 2006	**₱1,764,240,763**	₱1,877,680,348
Accounts receivable	**637,906,246**	622,280,557
Accrued interest receivable	**323,845,702**	436,622,458
Dividends receivable	**4,278,630**	4,278,630
	14,183,437,168	16,645,831,451
Less allowance for impairment and credit losses (Note 11)	**(1,426,438,563)**	(1,257,498,150)
	₱12,756,998,605	₱15,388,333,301

Accounts receivable includes amounts due from Integrated Credit and Corporate Services (ICCS) representing impaired loans secured by real properties transferred to ICCS. On July 27, 2006, the Monetary Board (MB) of the BSP in its Resolution No. 949 allowed the Bank to consider the value of the foreclosed properties in the valuation of such receivables.

Bills purchased include domestic bills purchased amounting to ₱247.3 million and ₱71.8 million as of December 31, 2007 and 2006, respectively (Note 15).

Unquoted debt securities represents corporate and government bonds. These investments are classified as loans and receivables in accordance with PAS 39.

Accounts receivable also includes sales contract receivables which bear fixed interest rate per annum of 9.0% to 14.8% for the year ended December 31, 2007 and 7.3% to 14.5% for the year ended December 31, 2006.

The effective interest rates of 'Loans and discounts', 'Unquoted debt instruments' and 'Sales contract receivables' range from 6.3% to 10.7% for the year ended December 31, 2007 and 6.4% to 8.1% for the year ended December 31, 2006 for foreign currency-denominated receivables, and from 12.3% to 14.6% for the year ended December 31, 2007 and from 12.8% to 14.8% for the year ended December 31, 2006 for peso-denominated receivables.

The Bank's loan portfolio includes nonrisk loans, as defined under BSP regulations, totaling ₱0.3 billion and ₱1.7 billion as of December 31, 2007 and 2006, respectively.

As of December 31, 2007 and 2006, 85.7% and 88.6%, respectively, of the total loans of the Bank are subject to periodic interest repricing. Remaining loans earn annual fixed interest rates ranging from 11.0% to 22.5% for peso-denominated loans and from 6.3% to 10.5% for foreign currencydenominated loans for the years ended December 31, 2007 and 2006.

Interest income accrued by the Bank includes unwinding of the allowance for impairment and credit losses amounting to ₱39.1 million and ₱51.8 million as of December 31, 2007 and 2006, respectively.

8. PROPERTY AND EQUIPMENT

The composition of and movements in this account as of and for the years ended December 31, 2007 and 2006 follow:

	2007					
	Bank Premises	Computer Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Cost						
Balance at beginning of year	₱98,178,614	₱105,636,889	₱67,358,455	₱57,989,557	₱148,722,629	₱477,886,144
Additions	352,022	9,516,475	21,743,438	8,601,789	45,932,096	86,145,820
Disposals	–	(3,773,871)	(18,124,745)	(1,872,071)	(747,113)	(24,517,800)
Balance at end of year	98,530,636	111,379,493	70,977,148	64,719,275	193,907,612	539,514,164
Accumulated Depreciation and Amortization						
Balance at beginning of year	17,371,616	80,462,839	25,442,700	41,143,971	97,017,935	261,439,061
Depreciation and amortization	3,930,926	17,806,060	13,322,659	7,038,838	23,221,164	65,319,647
Disposals	–	(3,764,236)	(11,532,640)	(1,859,718)	(3,351)	(17,159,945)
Balance at end of year	21,302,542	94,504,663	27,232,719	46,323,091	120,235,748	309,598,763
Net Book Value at end of year	₱77,228,094	₱16,874,830	₱43,744,429	₱18,396,184	₱73,671,864	₱229,915,401

	2006					
	Bank Premises	Computer Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold Rights and Improvements	Total
Cost						
Balance at beginning of year	₱98,039,496	₱96,359,124	₱59,920,794	₱51,543,354	₱117,074,397	₱422,937,165
Additions	139,118	9,495,557	22,980,204	7,836,022	31,981,446	72,432,347
Disposals	–	(217,792)	(15,542,543)	(1,389,819)	(333,214)	(17,483,368)
Balance at end of year	98,178,614	105,636,889	67,358,455	57,989,557	148,722,629	477,886,144
Accumulated Depreciation and Amortization						
Balance at beginning of year	13,412,681	61,911,849	23,603,914	36,401,323	76,635,814	211,965,581
Depreciation and amortization	3,958,935	18,751,242	12,544,862	6,076,578	20,413,058	61,744,675
Disposals	–	(200,252)	(10,706,076)	(1,333,930)	(30,937)	(12,271,195)
Balance at end of year	17,371,616	80,462,839	25,442,700	41,143,971	97,017,935	261,439,061
Net Book Value at end of year	₱80,806,998	₱25,174,050	₱41,915,755	₱16,845,586	₱51,704,694	₱216,447,083

9. INVESTMENT PROPERTIES

The Bank's investment properties consist of buildings and improvements. Movements in this account as of and for the years ended December 31, 2007 and 2006 follow:

	2007	2006
Cost		
Balance at beginning of year	**₱30,033,039**	₱9,257,519
Additions	**11,794,034**	20,775,520
Disposals/others	**(12,959,212)**	–
Balance at end of year	**28,867,861**	30,033,039
Accumulated Depreciation and Impairment Losses		
Balance at beginning of year	**₱4,342,032**	925,752
Depreciation	**1,262,383**	1,531,508
Provision for (reversal of) impairment losses	**(1,849,639)**	1,849,639
Reversals/others	**(1,054,282)**	35,133
Balance at end of year	**2,700,494**	4,342,032
Net Book Value at End of Year	**₱26,167,367**	₱25,691,007

The aggregate fair value of the investment properties of the Bank are ₱28.6 million and ₱27.4 million as of December 31, 2007 and 2006, respectively. The fair value of the Bank's investment properties has been arrived at on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made.

It is the Bank's policy to dispose assets acquired in an orderly fashion. The proceeds of the sale of the foreclosed assets (classified as 'Investment properties') are used to reduce or repay the outstanding claim. The Bank does not occupy repossessed properties for business use.

10. OTHER ASSETS

This account consists of:

	2007	2006
Computer software costs – net	**₱49,462,290**	₱65,803,889
Prepaid expenses and other charges	**25,458,008**	(30,010,807)
Rental deposit	**19,480,194**	25,903,721
Net retirement asset (Note 18)	**5,231,596**	10,032,417
Returned checks and other cash items	**2,363,641**	2,080,180
Miscellaneous	**25,706,858**	46,538,462
	₱127,702,587	₱120,347,862

The movements in computer software costs follow:

	2007	2006
Cost		
Balance at beginning of year	**₱178,750,077**	₱155,375,786
Additions	**14,810,144**	23,430,953
Disposals	**(472,027)**	(56,662)
Balance at end of year	**193,088,194**	178,750,077
Accumulated Amortization		
Balance at beginning of year	**112,946,188**	85,511,645
Amortization	**30,922,873**	27,491,205
Disposals	**(243,157)**	(56,662)
Balance at end of year	**143,625,904**	112,946,188
	₱49,462,290	₱65,803,889

11. ALLOWANCE FOR IMPAIRMENT AND CREDIT LOSSES

Changes in the allowance for impairment and credit losses follow:

	2007						
	Loans and Receivables						
	Institutional Banking	Mortgage Banking	Small Business Loans	Retail Banking	Other Receivables	Total	Investment Properties
Balance at beginning of year	₱595,911,479	₱3,139,071	₱29,726,604	₱566,012,008	₱62,708,988	₱1,257,498,150	₱1,849,639
Provisions for (recovery from) impairment and credit losses	79,353,323	(645,784)	(160,455)	206,824,899	53,157,849	338,529,832	–
Accounts charged off and others	(163,636,298)	(18,790)	(13,333,343)	–	7,399,012	(169,589,419)	(1,849,639)
Balance at end of year	₱511,628,504	₱2,474,497	₱16,232,806	₱772,836,907	₱123,265,849	₱1,426,438,563	₱–

	2006						
	Loans and Receivables						
	Institutional Banking	Mortgage Banking	Small Business Loans	Retail Banking	Other Receivables	Total	Investment Properties
Balance at beginning of year	₱463,173,372	₱181,085	₱31,207,168	₱203,958,414	₱79,297,676	₱777,817,715	₱313,977
Provisions for (recovery from) impairment and credit losses	137,793,441	2,981,473	(3,732,426)	370,326,632	(14,413,462)	492,955,658	1,535,662
Accounts charged off and others	(5,055,334)	(23,487)	2,251,862	(8,273,038)	(2,175,226)	(13,275,223)	–
Balance at end of year	₱595,911,479	₱3,139,071	₱29,726,604	₱566,012,008	₱62,708,988	₱1,257,498,150	₱1,849,639

Impairment Assessment

The Bank recognizes impairment losses based on the results of its specific (individual) and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, a significant credit rating downgrade takes place, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold (e.g., 90 days). These and other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Bank in assessing and measuring impairment include:

a. Specific (individual) assessment

The Bank assesses each individually significant credit exposure or advances for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment.

The Bank's process of specific impairment follows the incurred loss method when recognizing loss on impaired financial asset, consistent with the requirement of PAS 39. Impairment is identified when an objective evidence of a specific loss event has been observed. Observable data that will trigger an impairment may include any of the following: (a) significant financial difficulty of the issuer or obligor, (b) default or delinquency in interest or principal payments, (c) probability that the borrower may enter into bankruptcy or other financial reorganization, (d) disappearance of an active market for that asset because of financial difficulties, (e) and other factors that may result to losses. In general but not limited to, loans that are adversely classified, past due, items in litigation, and restructured, are also subjected to impairment. The impairment of the account is calculated by the comparison of the discounted estimated cash flow against the carrying value of the loan. If the sum of all estimated future cash flows is less than the carrying value of the asset, then the asset would be considered impaired and would have to be written down to its fair value. Nevertheless, if the impaired account is found to be not specifically impaired, then it will collectively be assessed for impairment according to its risk grouping.

The impairment allowances, if any, are evaluated semiannually or as the need arise in view of favorable or unfavorable developments.

b. Collective assessment

Impaired loans that are not individually assessed for impairment as well as loans, which are individually assessed for impairment not found to be impaired, shall be included in a relevant portfolio for collective impairment testing. The collective impairment is prepared using the historical loss rates approach for mortgage loans and corporate loans and the net flow rate (NFR) methodology for personal loans. Review of the portfolio is performed every month to determine its corresponding appropriate allowances.

For the mortgage and corporate loans, the historical loss rates are calculated by economic industry, which is the average ratio of the loss reserves applied against the outstanding loans with a minimum three-year period.

For the personal loans, NFR methodology estimates the percentage of accounts that will eventually flow to 181 days or more past due, which is considered the tipping point when the account becomes a total loss. The NFR is computed based on historical period of data observation, which is representative of the quality of the current portfolio of the Bank.

With the foregoing level of allowance for impairment and credit losses, management believes that the Bank has sufficient allowance to cover any losses that the Bank may incur from the noncollection or nonrealization of its loans and receivables and other risk assets.

Below is the breakdown of provision for credit losses by type of loans and receivable for the year ended December 31, 2007 and 2006:

	2007			2006		
	Specific Impairment	**Collective Impairment**	**Total**	Specific Impairment	Collective Impairment	Total
Loan receivables	**₱45,126,701**	**₱240,245,282**	**₱285,371,983**	₱261,517,735	₱245,851,385	₱507,369,120
Other receivables	**53,157,849**	**–**	**53,157,849**	(14,413,462)	–	(14,413,462)
Total	**₱98,284,550**	**₱240,245,282**	**₱338,529,832**	₱247,104,273	₱245,851,385	₱492,955,658

BSP Reporting

Loan provisioning under the BSP regulation hinges on the qualitative appraisal and classification of the loan. Aside from classifying loans to past due and current, these are also grouped as unclassified or classified.

These classified loans are further grouped depending on the likelihood of losses the Bank will incur. A specific percentage of outstanding balance of the loan based on its classification is set up as allowance for probable losses. The list of classifications and allowance for losses percentage include: (a) Especially mentioned (5%) , (b) Substandard - secured (10%) and unsecured (25%), (c) Doubtful (50%), (d) Loss (100%). Definitions of each classifications are as follows:

1. IA - Especially Mentioned - These are loans or portions thereof where there is an evidence of weakness in the borrower's financial condition or creditworthiness, or which are subject to an unrealistic repayment program or inadequate source of funds or where there is a lack of adequate collateral, credit, information or documentation.

2. II - Substandard - These are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the institution because of unfavorable record or unsatisfactory characteristics. The normal repayment of these loans may be in jeopardy by reason of severely adverse trends or development of a financial, managerial, economic or political nature or important weakness in collateral/security position. Prompt corrective action is required to strengthen the Bank's position or to reduce its exposure and to assure that adequate remedial measures are taken by the borrower.

3. III - Doubtful - These are loans or portions thereof the full liquidation of which, on basis of available information, appears questionable and suggest a degree of eventual loss may be incurred but not yet determinable as to the amount. Positive and vigorous action is required to avert or minimize loss. Non-accrual of interest is mandatory; however, memorandum tracking of interest due must be maintained. Reserves should be considered.

4. IV - Loss - These are loans or portions thereof which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted, notwithstanding the fact that the loans may have some recovery or salvage value. The amount of loan

recovery is difficult to measure and it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be obtained in the future.

In addition to the allowance for probable losses on classified loans, BSP rule requires general provision to be set up on unclassified loans considered as non risk under the existing laws, as follows: five percent (5%) allowance on the restructured loans that are unclassified and one percent (1%) general loan loss provision on all other unclassified loans.

Current bank regulations allow banks with no unbooked valuation reserves and capital adjustments required by the BSP to exclude from nonperforming classification those loans that are fully provided with allowance for credit losses, provided that interest on said loans shall not be accrued. Accordingly, NPLs not fully covered by allowance for impairment and credit losses as of December 31, 2007 and 2006 follow:

	2007	2006
NPLs	**₱1,636,497,675**	₱1,556,620,682
Less NPLs fully provided with allowance for impairment and credit losses	**866,160,944**	668,339,998
	₱770,336,731	₱888,280,684

12. DEPOSIT LIABILITIES

Of the total deposit liabilities of the Bank as of December 31, 2007 and 2006, 0.9% and 0.6%, respectively, are subject to periodic interest repricing, while 0.2% of the total deposits are noninterest-bearing. The remaining deposit liabilities earn annual fixed interest rates ranging from 0.5% to 6.3% and from 0.5% to 7.5% for the years ended December 31, 2007 and 2006, respectively.

Under existing BSP regulations, non-FCDU deposit liabilities of the Bank are subject to liquidity reserve equivalent to 11.0% (under BSP Circular No. 491) and statutory reserve equivalent to 10.0%. As of December 31, 2007 and 2006, the Bank is in compliance with such regulations.

The total liquidity and statutory reserves, as reported to BSP, are as follows:

	2007	2006
Cash	**₱178,570,221**	₱155,378,268
Due from BSP	**1,806,803,684**	2,347,518,390
	₱1,985,373,905	₱2,502,896,658

Interest expense on deposit liabilities consists of:

	2007	2006	2005
Time	**₱658,205,669**	₱649,165,039	₱462,069,483
Demand	**80,679,453**	80,216,987	32,267,226
Savings	**10,522,458**	41,464,639	102,695,664
	₱749,407,580	₱770,846,665	₱597,032,373

13. BILLS PAYABLE

This account consists of borrowings from:

	2007	2006
Banks and other financial institutions	**₱675,568,028**	₱3,513,614,745
BSP	–	29,200,000
	₱675,568,028	₱3,542,814,745

Peso-denominated interbank borrowings are subject to annual fixed interest rates ranging from 6.3% to 9.7% for the years ended December 31, 2007 and 2006, respectively.

The Bank is an accredited Participating Financial Institution (PFI), as a conduit bank for Official Development Assistance Wholesale Lending Facilities managed by various government or sovereign lending institutions. Borrowings are used for project financing as it carries fixed interest rates, with medium to long-term tenors.

Bills payable - BSP mainly represent term borrowings availed through normal open market transactions with the BSP and other local banks. These are collateralized by eligible receivables from customers.

Interest expense on bills payable and other borrowings consists of:

	2007	2006	2005
Bills payable	**₱83,922,100**	₱166,512,600	₱169,261,569
Others	–	2,870,462	4,251,676
	₱83,922,100	₱169,383,062	₱173,513,245

14. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

This account consists of:

	2007	2006
Accrued interest	**₱201,353,245**	₱182,534,943
Income tax payable	**6,001,228**	19,008,037
Accrued other expenses	**164,989,352**	161,483,990
	₱372,343,825	₱363,026,970

15. OTHER LIABILITIES

This account consists of:

	2007	2006
Accounts payable	**₱639,560,637**	₱545,468,707
Bills purchased - contra (Note 7)	**247,328,616**	71,821,027
Derivative liabilities (Note 26)	**39,756,167**	1,016,850
Withholding taxes payable	**21,112,730**	25,313,907
Payment order payable	**16,322,270**	15,663,813
Sundry credits	**257,703**	27,907,279
Miscellaneous	**8,274,218**	18,485,055
	₱972,612,341	₱705,676,638

16. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following tables present the assets and liabilities as of December 31, 2007 and 2006 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from balance sheet date (amounts in thousand pesos):

	2007			2006		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cash items	**₱188,752**	**₱–**	**₱188,752**	₱199,372	₱–	₱199,372
Due from BSP	**3,443,045**	**–**	**3,443,045**	2,572,551	–	2,572,551
Due from other banks	**341,007**	**–**	**341,007**	383,168	–	383,168
Interbank loans receivable	**247,680**	**–**	**247,680**	3,334,260	81,717	3,415,977
Financial assets at FVPL	**36,516**	**685,235**	**721,751**	5,444	2,157,795	2,163,239
AFS investments	**12,784**	**1,256,122**	**1,268,906**	440,695	3,006,100	3,446,795
HTM investments	**63,397**	**43,050**	**106,447**	6,526	9,339	15,865
Loans and receivables - gross (Note 7)	**5,382,415**	**8,931,602**	**14,314,017**	6,718,489	10,063,186	16,781,675
Other assets	**2,742**	**–**	**2,742**	2,458	–	2,458
	9,718,338	**10,916,009**	**20,634,347**	13,662,963	15,318,137	28,981,100
Nonfinancial Assets						
Property and equipment	**–**	**229,915**	**229,915**	–	216,447	216,447
Investment properties - gross (Note 9)	**–**	**26,167**	**26,167**	–	25,691	25,691
Deferred tax assets	**–**	**438,885**	**438,885**	–	402,656	402,656
Other assets	**124,961**	**–**	**124,961**	117,889	–	117,889
	124,961	**694,967**	**819,928**	117,889	644,794	762,683
	9,843,299	**11,610,976**	**21,454,275**	13,780,852	15,962,931	29,743,783
Less allowance for impairment and credit losses (Note 11)			**(1,426,438)**			(1,257,498)
Unearned discount and capitalized interest (Note 7)			**(130,580)**			(135,844)
	₱9,843,299	**₱11,610,976**	**₱19,897,257**	₱13,780,852	₱15,962,931	₱28,350,441

(Forward)

	2007			2006		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Liabilities						
Deposit liabilities	**₱12,095,733**	**₱742,356**	**₱12,838,089**	₱18,108,548	₱644,340	₱18,752,888
Bills payable	**213,017**	**462,551**	**675,568**	2,586,019	956,796	3,542,815
Outstanding acceptances	**16,226**	**–**	**16,226**	70,002	–	70,002
Manager's checks	**55,920**	**–**	**55,920**	21,120	–	21,120
Accrued interest and other expenses	**355,782**	**–**	**355,782**	324,694	–	324,694
Other liabilities	**942,967**	**–**	**942,967**	633,971	–	633,971
	13,679,645	**1,204,907**	**14,884,552**	21,744,354	1,601,136	23,345,490
Nonfinancial Liabilities						
Accrued income tax	**16,562**	**–**	**16,562**	38,332	–	38,332
Other liabilities	**29,645**	**–**	**29,645**	71,706	–	71,706
	46,207	**–**	**46,207**	110,038	–	110,038
	₱13,725,852	**₱1,204,907**	**₱14,930,759**	₱21,854,392	₱1,601,136	₱23,455,528

17. EQUITY

Capital stock as of December 31, 2007 and 2006 consists of (in thousand pesos and shares):

	2007		2006		2005	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Common stock - ₱10 par value						
Authorized	**300,000**		300,000		300,000	
Issued and outstanding						
Balance at beginning of the year	**215,625**	**₱2,156,250**	187,500	₱1,875,000	187,500	₱1,875,000
Stock dividends declared	**32,344**	**323,437**	28,125	281,250	–	–
Balance at end of the year	**247,969**	**₱2,479,687**	215,625	₱2,156,250	187,500	₱1,875,000

The shares of the Bank are listed in the PSE.

In December 2000, Chinatrust Taipei substantially increased its equity in the Bank through the acquisition of shares held by a minority group. As a result of this acquisition, Chinatrust Taipei controlled 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 a 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 ₱19 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 ₱18.25 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. In its meeting held in August 2005, the BOD of PSE approved the removal of the rule on minimum public ownership as a continuing listing requirement. However, the said amendment is not yet effective as it is still subject to approval by the Philippine SEC.

On August 25, 2005, the BOD of the Bank declared 15% stock dividends out of the Bank's unissued shares of stock. This was approved by the Bank's stockholders in a special stockholders' meeting held on December 22, 2005 and later by the BSP on February 20, 2006. With the authority of the BOD, the President set the record date of stock dividends as of March 10, 2006 and the payment date as of April 4, 2006.

Accordingly, the Bank applied for the listing of 28,125,000 common shares with par value of ₱10 per share to cover the 15% stock dividends declaration with the PSE. This was approved by the PSE on March 31, 2006. The Bank, however, subsequently issued the stock dividend up to 28,124,997 common shares only, with fractional shares to be paid in cash to the corresponding stockholders, in conformity with BSP approval.

On March 30, 2007, the BOD of the Bank declared 15% stock dividends out of the Bank's unissued shares of stock. This was approved by the Bank's stockholders in a special stockholders' meeting held on June 28, 2007 and later by the BSP on September 20, 2007. With the authority of the BOD, the President set the record date of stock dividends as of October 19, 2007 and the payment date as of November 15, 2007.

Accordingly, the Bank applied for the listing of 32,343,749 common shares with par value of ₱10 per share to cover the 15% stock dividends declaration with the PSE. This was approved by the PSE on November 06, 2007. The Bank, however, subsequently issued the stock dividend up to 32,343,734 common shares only, with fractional shares to be paid in cash to the corresponding stockholders, in conformity with BSP approval.

As discussed in Note 5, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory capital) as reported to the BSP, which is determined on the basis of regulatory accounting practices which differ from PFRS in some respects. Specifically, under existing 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.

18. RETIREMENT PLANS

The Bank has separate funded noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The date of the last actuarial valuation is December 31, 2007.

The principal actuarial assumptions used in determining retirement liability/asset for the Bank's retirement plan are shown below:

	January 1	
	2007	2006
Retirement age	**60 years**	60 years
Average remaining working life	**28.5 years**	28 years
Discount rate	**8.1%**	12.0%
Expected rate of return on assets	**13.0%**	10.0%
Future salary increases	**7.0%**	7.0%

Discount rate used to arrive at the present value of the obligation of the Bank as of December 31, 2007 and 2006 are 8.5% and 8.1%, respectively.

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date applicable to the period over which the obligation is to be settled.

The net retirement asset recognized in the Bank's balance sheet is as follows:

	2007	2006
Present value of funded obligation	₱103,232,036	₱127,051,172
Fair value of plan assets	(95,859,747)	(81,422,941)
	7,372,289	45,628,231
Unrecognized actuarial losses	(7,432,245)	(47,903,188)
Unamortized transition liability	(5,171,640)	(7,757,460)
Net retirement asset	(₱5,231,596)	(₱10,032,417)

The movements in the retirement asset recognized in the Bank's balance sheet follow:

	2007	2006
Balance at beginning of year	(₱10,032,417)	₱–
Retirement expense	19,499,686	3,951,583
Contribution paid	(14,698,865)	(13,984,000)
Balance at end of year	(₱5,231,596)	(₱10,032,417)

The actual return on plan assets amounted to ₱9.6 million, ₱10.2 million and ₱4.9 million for the years ended December 31, 2007, 2006 and 2005, respectively.

The movements in the present value of funded obligation recognized follow:

	2007	2006
Balance at beginning of year	₱127,051,172	₱70,555,367
Current service cost	15,950,629	9,815,363
Interest cost	10,291,145	6,840,462
Benefits paid	(9,896,092)	(11,188,466)
Actuarial losses (gains)	(40,164,818)	51,028,446
Balance at end of year	₱103,232,036	₱127,051,172

The movements in the fair value of plan assets recognized follow:

	2007	2006
Balance at beginning of year	₱81,422,941	₱68,428,013
Expected return on plan assets	10,584,982	6,842,801
Contributions paid	14,698,865	13,984,000
Benefits paid	(9,896,092)	(11,188,466)
Actuarial gains (losses)	(950,949)	3,356,593
Balance at end of year	₱95,859,747	₱81,422,941

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2007	2006
Debt instruments	**68.4%**	61.8%
Equity instruments	**12.9%**	18.7%
Other assets	**18.7%**	19.5%

The amounts included in 'Compensation and Fringe Benefits' in the Bank's statement of income are as follows:

	2007	2006
Current service cost	**₱15,950,629**	₱9,815,363
Interest cost	**10,291,145**	6,840,462
Expected return on plan assets	**(10,584,982)**	(6,842,801)
Amortization of transition liability	**2,585,820**	2,585,820
Past service cost	**1,257,074**	(8,447,261)
	₱19,499,686	₱3,951,583

Information on the Bank's retirement plan follows:

	2007	2006
Present value of funded obligation	**₱103,232,036**	₱127,051,172
Fair value of plan assets	**(95,859,747)**	(81,422,941)
Deficit	**7,372,289**	45,628,231
Experience adjustments on plan liabilities	**1,789,692**	(5,547,552)
Experience adjustments on plan assets	**(950,949)**	3,356,593

19. LEASES

The Bank leases a portion of the equipment and premises of its head office and branches. The lease contracts are for periods ranging from 1 to 10 years and are renewable at the Bank's option under certain terms and conditions. Various lease agreements include escalation clauses, most of which bear an annual rent increase of 5% to 10%. The lease agreements do not have contingent rent provisions.

Total rent expense (included under 'Occupancy and other equipment-related costs' in the statement of income) incurred by the Bank amounted to ₱82.4 million, ₱80.8 million, and ₱77.9 million in 2007, 2006 and 2005, respectively.

Future minimum lease rentals payable under non-cancelable operating leases follow:

	2007	2006
Within one year	**₱51,548,548**	₱38,089,863
After one year but not more than five years	**111,097,168**	117,749,538
After more than five years	**1,509,429**	3,636,353
	₱164,155,145	₱159,475,754

20. INCOME AND OTHER TAXES

Under Philippine tax laws, the RBU of the Bank is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statement of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes (DST). Income taxes include the corporate income tax, as discussed below, and final taxes paid at the rate of 20%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes. Taxes and licenses incurred by the Bank amounted to ₱188.7 million, ₱189.6 million, and ₱132.5 million in 2007, 2006 and 2005, respectively.

RA No. 9337, An Act Amending National Internal Revenue Code, provides that the RCIT rate shall be 35% until December 31, 2008. Starting January 1, 2009, the RCIT rate shall be 30%. Interest expense allowed as a deductible expense is reduced by 42% starting November 1, 2005 until December 31, 2008. Starting January 1, 2009, interest expense allowed as a deductible expense shall be reduced by 33.00% of interest income subjected to final tax.

In addition, current tax regulations provide for the ceiling on the amount of EAR that can be claimed as a deduction against taxable income. Under the regulation, EAR allowed as deductible expense for a service company like the Bank is limited to the actual EAR paid or incurred but not to exceed 1% of net revenue. EAR of the Bank amounted to ₱3.4 million, ₱3.4 million, and ₱2.9 million (included under 'Miscellaneous Expenses' in the statement of income) in 2007, 2006 and 2005, respectively (Note 20).

The regulations also provide for MCIT of 2% on modified gross income and allow a NOLCO. The Bank's MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 7.5%. RA No. 9294, which became effective in May 2004, provides that the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10% income tax.

Provision for income tax consists of:

	2007	2006	2005
MCIT	**₱22,142,337**	₱19,095,934	₱14,194,715
Final	**57,967,369**	142,566,756	80,860,554
	80,109,706	161,662,690	95,055,269
Deferred	**(36,229,394)**	(140,667,929)	161,628,068
	₱43,880,312	₱20,994,761	₱256,683,337

Components of the net deferred tax assets follow:

	2007	2006
Tax effects of:		
Allowance for impairment and credit losses	**₱433,616,352**	₱419,778,940
Accrued interest income from unwinding of impaired receivables	**(24,936,731)**	(15,613,559)
Unrealized mark-to-market loss (gain) on derivatives	**1,141,361**	(1,549,619)
Unamortized past service costs	**7,614,549**	4,248,707
Retirement benefit asset	**(1,948,118)**	(3,009,725)
Unrealized gain on initial measurement of investment properties	**(1,854,621)**	(2,466,812)
Accumulated depreciation of investment properties	**1,360,207**	1,267,823
MCIT	**23,892,150**	–
	₱438,885,149	₱402,655,755

The Bank did not recognize deferred tax assets on the following temporary differences:

	2007	2006
MCIT	**₱31,540,836**	₱43,674,819
NOLCO	**4,750,093**	81,218,946
Allowance for impairment and credit losses	**–**	63,013,579

Management believes that it is not likely that these temporary differences will be realized in the future.

A reconciliation between the statutory income tax to provision for income tax follows:

	2007	2006	2005
Statutory income tax	**35.00%**	35.00%	32.50%
Tax effects of:			
Tax-paid and tax-exempt income	**(26.80)**	(25.43)	(6.64)
FCDU income	**(10.85)**	(12.21)	(12.31)
Nondeductible interest expense	**17.16**	7.24	5.04
Net unrecognized tax asset	**14.04**	3.72	20.95
Others	**(0.73)**	(4.23)	(1.46)
Provision for income tax	**27.82%**	4.09%	38.08%

The details of the Bank's NOLCO and MCIT are as follows:

NOLCO:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2004	₱31,978,227	(₱31,978,227)	₱–	2007
2005	49,240,719	(44,490,626)	4,750,093	2008
	₱81,218,946	(₱76,468,853)	₱4,750,093	

MCIT:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2004	₱10,386,020	(₱10,386,020)	₱–	2007
2005	14,282,394	–	14,282,394	2008
2006	19,008,255	–	19,008,255	2009
2007	22,142,337	–	22,142,337	2010
	₱65,819,006	(₱10,386,020)	₱55,432,986	

21. INCOME AND EXPENSES

Service fees and commission income for the year ended December 31, 2007, 2006 and 2005 consist of:

	2007	2006	2005
Credit-related	**₱64,516,658**	₱62,062,427	₱33,582,035
Deposit-related	**15,490,038**	20,265,316	24,165,644
Miscellaneous	**39,910,923**	43,789,157	14,905,398
	₱119,917,619	₱126,116,900	₱72,653,077

Miscellaneous income for the year ended December 31, 2007, 2006 and 2005 consists of:

	2007	2006	2005
Income from trust division	**₱30,656,678**	₱5,089,575	₱4,085,010
Profit (loss) from asset sold/exchanged	**14,098,852**	(170,303)	(1,517)
Recovery on charged-off assets	**9,294,192**	1,540,584	1,742,775
Unrealized gain from nonfinancial assets	**4,346,705**	6,812,271	–
Income from assets acquired	**666,755**	(9,880,118)	1,247,390
Rent income - safety deposit box	**562,000**	391,010	355,180
Dividend income	**512,850**	525,250	522,200
Miscellaneous income	**19,140,132**	14,464,674	14,247,079
	₱79,278,164	₱18,772,943	₱22,198,117

Miscellaneous expenses for the year ended December 31, 2007, 2006 and 2005 consists of:

	2007	2006	2005
Advertising	**₱28,850,389**	₱24,746,881	₱10,125,229
Loss on foreclosure	**25,359,852**	–	–
Management and professional fees	**24,084,844**	29,166,531	12,163,046
Telecommunications	**17,005,669**	12,129,779	14,293,683
Litigation	**12,661,862**	9,625,101	13,253,536
Office supplies	**11,952,507**	10,181,994	8,012,313
Banking and supervision fees	**8,560,351**	7,266,288	8,311,213
Postage and cable	**6,486,643**	5,269,524	300,981
Travel and transportation	**5,651,396**	5,057,695	4,874,602
Entertainment, amusement and recreation (Note 20)	**3,367,263**	3,383,176	2,949,604
Fuel and lubricants	**2,146,434**	2,192,514	1,882,327
Freight	**1,979,754**	1,796,862	1,093,926
Membership dues	**1,919,322**	2,003,267	1,394,926
Bank charges	**1,731,467**	1,465,387	2,422,128
Miscellaneous	**13,052,672**	23,075,301	21,094,207
	₱164,810,425	₱137,360,300	₱102,171,721

22. TRUST OPERATIONS

Securities and other properties held by the Bank in fiduciary or agency capacity for its customers are not included in the accompanying balance sheet since these items are not assets of the Bank. As of December 31, 2007 and 2006, total assets held by the Bank's Trust Department amounted to ₱7.8 billion and ₱0.9 billion, respectively (Note 24).

In connection with the trust operations of the Bank, government securities with carrying value of ₱97.9 million (face value of ₱95.0 million) and ₱8.4 million (face value of ₱8.0 million) as of December 31, 2007 and 2006, respectively, are deposited with the BSP in compliance with existing banking regulations relative to the trust functions of the Bank.

Additionally, a certain percentage of the Bank's trust income is transferred to surplus reserve until such reserve for trust functions amounts to 20% of the Bank's authorized capital stock. No part of such surplus reserve shall at any time be paid out as dividends.

23. SEGMENT INFORMATION

Business Segments

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

Treasury and Financial Institution - principally provides money market, trading and treasury services, as well as the management of the Bank's funding operations by use of government securities and placements and acceptances with other banks.

Corporate Banking - principally handles loans, trade finance and other credit facilities and deposit and current accounts for corporate and institutional customers.

Retail Banking - addresses the individual and retail markets. It covers deposit taking and servicing, consumer lending such as home mortgages and personal loans.

The information presented in the table below is derived from the internal management reporting system used by management to measure the performance of the various segments and the Bank in general.

Segment information for the result of operations for the year ended December 31, 2007, 2006 and 2005 are as follows (amounts in thousand pesos):

	2007				
	Treasury and Financial Institution	**Corporate Banking**	**Retail Banking**	**Others**	**Total**
Net interest income	**₱135,605**	**₱346,262**	**₱936,819**	**₱16,233**	**₱1,434,919**
Non-interest income	**153,252**	**37,974**	**127,785**	**29,875**	**348,886**
Revenue - net of interest expense	**288,857**	**384,236**	**1,064,604**	**46,108**	**1,783,805**
Non-interest expenses	**137,859**	**178,245**	**748,660**	**561,287**	**1,626,051**
Income (loss) before provision for (benefit from) income tax	**150,998**	**205,991**	**315,944**	**(515,179)**	**157,754**
Provision for (benefit from) income tax	**34,442**	**29,481**	**(26,413)**	**6,370**	**43,880**
Net income (loss)	**₱116,556**	**₱176,510**	**₱342,357**	**(₱521,549)**	**₱113,874**
Depreciation and amortization	**₱3,114**	**₱893**	**₱28,918**	**₱32,395**	**₱65,320**

	2006				
	Treasury and Financial Institution	Corporate Banking	Retail Banking	Others	Total
Net interest income	₱85,649	₱432,397	₱860,083	₱10,196	₱1,388,325
Non-interest income	580,987	39,923	106,291	7,076	734,277
Revenue - net of interest expense	666,636	472,320	966,374	17,272	2,122,602
Non-interest expenses	122,084	272,374	803,957	410,607	1,609,022
Income (loss) before provision for (benefit from) income tax	544,552	199,946	162,417	(393,335)	513,580
Provision for (benefit from) income tax	123,127	(24,253)	(91,732)	13,853	20,995
Net income (loss)	₱421,425	₱224,199	₱254,149	(₱407,188)	₱492,585
Depreciation and amortization	₱3,346	₱1,465	₱28,249	₱28,685	₱61,745

	2005				
	Treasury and Financial Institution	Corporate Banking	Retail Banking	Others	Total
Net interest income	₱135,626	₱419,556	₱641,450	₱21,499	₱1,218,131
Non-interest income	222,295	50,253	61,026	2,622	336,196
Revenue - net of interest expense	357,921	469,809	702,476	24,121	1,554,327
Non-interest expenses	101,705	(77,328)	460,010	395,941	880,328
Income (loss) before provision for (benefit from) income tax	256,216	547,137	242,466	(371,820)	673,999
Provision for (benefit from) income tax	56,815	80,636	(15,043)	134,275	256,683
Net income (loss)	₱199,401	₱466,501	₱257,509	(₱506,095)	₱417,316
Depreciation and amortization	₱3,259	₱1,774	₱22,490	₱22,705	₱50,228

Segment information for the balance sheet as of December 31, 2007 and 2006 are as follows (amounts in thousand pesos):

	Treasury and Financial Institution		**Corporate Banking**		**Retail Banking**		**Others**		**Total**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Segment assets	**₱6,988,165**	₱5,088,420	**₱5,945,590**	₱11,667,699	**₱6,225,076**	₱10,384,833	**₱738,426**	₱1,209,489	**₱19,897,257**	₱28,350,441
Segment liabilities	**₱4,926,541**	₱5,263,700	**₱3,427,959**	₱7,015,974	**₱6,389,508**	₱10,938,680	**₱186,751**	₱237,174	**₱14,930,759**	₱23,455,528
Capital expenditures	**₱657**	₱3,374	**₱29**	₱1,321	**₱52,931**	₱41,003	**₱32,529**	₱26,734	**₱86,146**	₱72,432

24. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, the Bank enters into various commitments and incurs contingent liabilities that are not presented in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these commitments and contingent liabilities.

For regulatory reporting purposes, the following is a summary of the commitments and contingent liabilities at their equivalent peso contractual amounts as of December 31, 2007 and 2006 (amounts in thousands):

	2007	2006
Trust department accounts (Note 22)	**₱7,776,930**	₱971,725
Credit commitments	**4,057,827**	4,973,433
Inward bills for collection	**761,758**	6,799
Unused commercial letters of credit	**112,531**	486,260
Outstanding guarantees	**6,629**	21,485
Outward bills for collection	**1,180**	11,533
Traveler's check unsold	**908**	1,079
Others	**6,162**	1,282

The Bank has received Letter Notices and Preliminary Assessment Notices for its FCDU covering taxable years 1998, 1999, 2000 and 2002 on various dates after April 28, 2004. The Bank also received a Formal Assessment Notice for taxable year 2001 and had, through its tax counsel contested the said assessment in the Court of Tax Appeals. The Bank has availed of the Tax Abatement by the Bureau of Internal Revenue (BIR) under Revenue Regulations 15-2007, to settle its 2001 tax assessment pending before the Court of Tax Appeals. It has also filed a tax amnesty return with the BIR under Republic Act 9480, which covers the assessed taxable years 1998, 1999, 2000 and 2002.

25. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to nonrelated parties.

In the ordinary course of business, the Bank has loans transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70% of which must be secured, to the total of their respective deposits and book value of their respective investments in the Bank. In the aggregate, loans to DOSRI generally should not exceed the respective total regulatory capital or 15% of total loan portfolio, whichever is lower.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the loans and other credit accommodations as reported to the BSP classified as DOSRI accounts under regulations existing prior to said circular, and new DOSRI loans, other credit accommodations and guarantees granted under BSP circular No. 423 as of December 31, 2007 and 2006:

	2007	2006
Total outstanding DOSRI accounts	**₱37,730,000**	₱65,202,680
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**0.5%**	0.3%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	**0.3%**	0.5%
Percent of DOSRI accounts to total loans	**0.8%**	0.7%
Percent of unsecured DOSRI accounts to total DOSRI accounts	–	–
Percent of past due DOSRI accounts to total DOSRI accounts	–	–
Percent of nonaccruing DOSRI accounts to total DOSRI accounts	–	–

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, total outstanding exposures to each of the bank's subsidiaries and affiliates shall not exceed 10.00% of bank's net worth, the unsecured portion of which shall not exceed 5% of such networth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the networth of the lending bank. BSP Circular No. 560 is effective on February 15, 2007.

The significant account balances with respect to related parties included in the financial statements (after appropriate eliminations have been made) follow:

	2007		2006	
Related Party	**Loans Receivables**	**Interest Income**	Loans Receivables	Interest Income
Due from officers and employees	**₱62,203,376**	**₱462,768**	₱36,939,871	₱521,336
Due from affiliates	**37,730,000**	**4,331,789**	65,202,680	7,253,630
	₱99,933,376	**₱4,794,557**	₱102,142,551	₱7,774,966

The following table shows information relating to the loans, other credit accommodations and guarantees, as well as availments of previously approved loans and committed credit lines not considered DOSRI accounts prior to the issuance of said circular but are allowed a transition period of two years from the effectivity of said circular or until said loan, other credit accommodations and guarantees become past due, or are extended, renewed or restructured, whichever comes later:

	2007	2006
Total outstanding non-DOSRI accounts granted prior to BSP Circular No. 423	**₱62,203,376**	₱36,939,871
Percent of unsecured non-DOSRI accounts granted prior to BSP Circular No. 423 to total loans	**2.37%**	2.83%
Percent of past due non-DOSRI accounts granted prior to BSP Circular No. 423 to total loans	**–**	–
Percent of nonaccruing non-DOSRI accounts granted prior to BSP Circular No. 423 to total loans	**–**	–

The remuneration of directors and other members of key management personnel for the years ended December 31, 2007, 2006 and 2005 are as follows:

	2007	2006	2005
Short-term benefits	**₱68,101,020**	₱64,188,049	₱59,113,314
Post-employment benefits	**4,707,457**	2,881,958	3,930,014
Other long-term benefits	**8,620,808**	8,570,934	8,299,616
	₱81,429,285	₱75,640,941	₱71,342,944

In accordance with the Bank's bylaws, profit share of directors, officers and employees is computed at 14% of net income after tax, except for the accretion of interest income on impaired accounts. Management believes that such income should not be considered in the profit share computation.

26. DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amounts. 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 as of

December 31, 2007 and 2006 and are not indicative of either market risk or credit risk (amounts in thousands).

	2007		
	Assets	**Liabilities**	**Notional Amount**
Freestanding derivatives:			
Currency forwards and swaps			
BUY:			
USD/PHP	**₱209**	**₱39,740**	**USD14,300**
USD/JPY	**343**	**–**	**USD180**
EUR/JPY	**164**	**–**	**EUR1,500**
USD/CHF	**–**	**16**	**USD500**
SELL:			
USD/PHP	**35,530**	**–**	**USD13,000**
EUR/JPY	**168**	**–**	**EUR1,500**
USD/CHF	**81**	**–**	**USD500**
	₱36,495	**₱39,756**	

	2006		
	Assets	Liabilities	Notional Amount
Freestanding derivatives:			
Currency forwards and swaps			
BUY:			
USD/PHP	₱–	₱830	USD650
USD/JPY	718	23	USD8,100
EUR/JPY	352	–	EUR1,500
SELL:			
USD/PHP	4,357	–	USD9,500
EUR/JPY	17	–	USD1,500
EUR/JPY	–	53	EUR1,500
USD/CHF	–	111	
	₱5,444	₱1,017	

The Bank entered into currency forwards and swap contracts to manage its foreign exchange risks. Currency forwards are contractual agreements to buy or sell a specified currency at a specific price and date in the future.

The net movements in fair value changes of all derivative instruments are as follows:

	2007	2006	2005
		(In Thousand Pesos)	
Net derivative asset (liability) at beginning of year	**₱4,427**	(₱19,296)	₱–
Net changes in fair value of derivatives	**(7,411)**	23,168	(8,867)
Fair value of settled instruments	**(277)**	555	(10,429)
Net derivative asset (liability) at end of year	**(₱3,261)**	₱4,427	(₱19,296)

27. FINANCIAL PERFORMANCE

EPS amounts attributed to equity holdings of the Bank for the year ended December 31, 2007, 2006 and 2005 were computed as follows:

	2007	2006	2005
a. Net income	**₱113,874,032**	₱492,585,223	₱417,315,711
b. Weighted average number of outstanding common shares	**247,968,731**	247,968,731*	247,968,731*
c. Basic/Diluted EPS (a/b)	**₱0.46**	₱1.99	₱1.68

** After retroactive adjustment for stock dividends in 2007 (Note 17)*

The following basic ratios measure the financial performance for the year ended December 31, 2007, 2006 and 2005 of the Bank:

	2007	2006	2005
Return on average equity (a/b)	**2.3%**	10.7%	9.5%
a.) Net income	**₱113,874,032**	₱492,585,223	₱417,315,711
b.) Average total equity	**4,887,283,997**	4,612,650,931	4,375,565,828
Return on average assets (c/d)	**0.4%**	2.0%	1.9%
c.) Net income	**₱113,874,032**	₱492,585,223	₱417,315,711
d.) Average total assets	**26,083,398,379**	24,678,263,662	22,386,391,960
Net interest margin on average earning assets (e/f)	**6.2%**	6.3%	6.1%
e.) Net interest income	**₱1,434,918,787**	₱1,388,325,440	₱1,218,130,525
f.) Average interest earning assets	**22,986,576,613**	21,928,815,886	19,846,264,606

Note: Average balances were determined as the average of the month-end balances of the respective balance sheet accounts for the period

28. NOTES TO STATEMENTS OF CASH FLOWS

The amounts of interbank loans receivable considered as cash and cash equivalents as of December 31, 2007 and 2006 follow:

	2007	2006
Interbank loans receivable	**₱247,680,000**	₱3,415,976,536
Less interbank loans receivable not considered as cash and cash equivalents	–	81,716,536
	₱247,680,000	₱3,334,260,000

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Tel.: 886-2-22601177
Fax: 886-2-22637077

Jing Ping Branch
No. 429, Jingping Rd., Jhonghe City
Taipei County 235, Taiwan, R.O.C.
Tel.: 886-2-22466677
Fax: 886-2-22471092

Lujhou Branch
1F., No. 211, Jhongshan 1st Rd., Lujhou City
Taipei County 247, Taiwan, R.O.C.
Tel.: 886-2-28482008
Fax: 886-2-28480221

Nashihjiao Mini Branch
1F., No. 65, Jhongjheng Rd., Yonghe City
Taipei County 234, Taiwan, R.O.C.
Tel.: 886-2-29498838
Fax: 886-2-29495551

North San Chong Branch
No. 186, Jhengyi N. Rd., Sanchong City
Taipei County 241, Taiwan, R.O.C.
Tel.: 886-2-29817236
Fax: 886-2-29877453

North Sindian Branch
1F., No. 25, Mincyuan Rd., Sindian City
Taipei County 231, Taiwan, R.O.C.
Tel.: 886-2-29135000
Fax: 886-2-29216678

North Sinjhuang Branch
1F., No. 57, Sec. 2, Jhonghua Rd., Sinjhuang City
Taipei County 242, Taiwan, R.O.C.
Tel.: 886-2-22776789
Fax: 886-2-22773456

Pu Cian Branch
No. 113, Sec. 2, Jhongshan Rd., Banciao City
Taipei County 220, Taiwan, R.O.C.
Tel.: 886-2-29561000
Fax: 886-2-29561910

Sanchong Branch
1F., No. 208, Jhengyi N. Rd., Sanchong City
Taipei County 241, Taiwan, R.O.C.
Tel.: 886-2-29828121
Fax: 886-2-29818122

Shuanghe Branch
1F., No. 588, Jhongjheng Rd., Yonghe City
Taipei County 234, Taiwan, R.O.C.
Tel.: 886-2-29233333
Fax: 886-2-29213652

Shulin Branch
1F., No. 122, Sec. 1, Jhongshan Rd., Shulin City
Taipei County 238, Taiwan, R.O.C.
Tel.: 886-2-26812345
Fax: 886-2-26866565

Sijhih Branch
1F., No. 306, Sec. 1, Datong Rd., Sijhih City
Taipei County 221, Taiwan, R.O.C.
Tel.: 886-2-26489699
Fax: 886-2-26438818

Sindian Branch
1F., No. 6, Sec. 2, Beisin Rd., Sindian City
Taipei County 231, Taiwan, R.O.C.
Tel.: 886-2-29129988
Fax: 886-2-29114053

Sing Fu Branch
1F., No. 692, Singfu Rd., Sinjhuang City
Taipei County 242, Taiwan, R.O.C.
Tel.: 886-2-22767677
Fax: 886-2-22767687

Sinjhuang Branch
1F., No. 320, Jhongjheng Rd., Sinjhuang City
Taipei County 242, Taiwan, R.O.C.
Tel.: 886-2-29929696
Fax: 886-2-29921761

South Shu Lin Branch
No. 164, Sec. 1, Jhongshan Rd., Shulin City
Taipei County 238, Taiwan, R.O.C.
Tel.: 886-2-26864568
Fax: 886-2-26864520

Tucheng Branch
1F., No. 304, Sec. 2, Jhongyang Rd., Tucheng City
Taipei County 236, Taiwan, R.O.C.
Tel.: 886-2-22630888
Fax: 886-2-22630530

West Lujhou Branch
No. 204, Jhongshan 1st Rd., Lujhou City
Taipei County 247, Taiwan, R.O.C.
Tel.: 886-2-82863299
Fax: 886-2-82862977

Yonghe Mini Branch
1F., No. 215, Sec. 1, Jhongshan Rd.
Yonghe City, Taipei County 234, Taiwan, R.O.C.
Tel.: 886-2-89235008
Fax: 886-2-89235056

CHANGHUA COUNTY

Changhua Branch
1F., No. 76, Siaoyang Rd., Changhua City
Changhua County 500, Taiwan, R.O.C.
Tel.: 886-4-7279933
Fax: 886-4-7279879

Yuanlin Branch
1F., No.372, Jhongjheng Rd., Yuanlin Township
Changhua County 510, Taiwan, R.O.C.
Tel.: 886-4-8368676
Fax: 886-4-8368692

CHIAYI CITY

Chiayi Branch
1F., No. 241, Minsheng N. Rd.
Chiayi City 600, Taiwan, R.O.C.
Tel.: 886-5-2286600
Fax: 886-5-2246115

HSINCHU CITY

Hsinchu Branch
1F., No. 158, Jhongjheng Rd.
Hsinchu City 300, Taiwan R.O.C.
Tel.: 886-3-5222687
Fax: 886-3-5222959

Jhuke Branch
1F., No. 2, Jinshan Street
Hsinchu City 300, Taiwan, R.O.C.
Tel.: 886-3-5638080
Fax: 886-3-5780299

Jingguo Mini Branch
1F., No. 375, Sec. 1, Jingguo Rd.
Hsinchu City 300, Taiwan, R.O.C.
Tel.: 886-3-5357655
Fax: 886-3-5357202

HSINCHU COUNTY

Jhupei Branch
1F., No. 49, Guangming 6th Rd., Jhubei City
Hsinchu County 302, Taiwan, R.O.C.
Tel.: 886-3-6560222
Fax: 886-3-6560226

HUALIEN COUNTY

East Hualien Branch
No. 1-7, Gongyuan Rd., Hualien City
Hualien County 970, Taiwan, R.O.C.
Tel.: 886-3-8351101
Fax: 886-3-8339915

Fong Lin Branch
No. 99, Sec. 2, Jhongjheng Rd., Fonglin Township
Hualien County 975, Taiwan, R.O.C.
Tel.: 886-3-8761161
Fax: 886-3-8761165

Guang Fu Branch
No. 54, Sec. 1, Jhongjheng Rd., Guangfu Township
Hualien County 976, Taiwan, R.O.C.
Tel.: 886-3-8702241
Fax: 886-3-8703378

Hualien Branch
1F., No. 376, Jhongshan Rd., Hualien City
Hualien County 970, Taiwan, R.O.C.
Tel.: 886-3-8340566
Fax: 886-3-8340569

Ji An Branch
No. 171, Nanchang Rd., Ji-an Township
Hualien County 973, Taiwan, R.O.C.
Tel.: 886-3-8537357
Fax: 886-3-8537362

Ren Li Branch
No. 112, Sec 1, Jhongshan Rd., Rueisei Township
Hualien County 978, Taiwan, R.O.C.
Tel.: 886-3-8871007
Fax: 886-3-8875081

Ruei Suei Branch
No. 96, Sec 1, Jhongshan Rd., Rueisuei Township
Hualien County 978, Taiwan, R.O.C.
Tel.: 886-3-8871007
Fax: 886-3-8875081

West Hualien Branch
No. 835, Jhongshan Rd., Hualien City
Hualien County 970, Taiwan, R.O.C.
Tel.: 886-3-8572161
Fax: 886-3-8571655

Yu Li Branch
No. 19, Sec. 2, Jhongshan Rd., Yuli Township
Hualien County 981, Taiwan, R.O.C.
Tel.: 886-3-8883176
Fax: 886-3-8883180

KAOHSIUNG CITY

Cianjhen Mini Branch
1F., No. 480, Rueilong Rd., Cianjhen District
Kaohsiung City 806, Taiwan, R.O.C.
Tel.: 886-7-7261066
Fax: 886-7-7169355

East Kaohsiung Branch
1F., No. 29, Cingnian 1st Rd., Lingya District
Kaohsiung City 802, Taiwan, R.O.C.
Tel.: 886-7-5351885
Fax: 886-7-3324330

Jiouru Mini Branch
1F., No. 551, Jiouru 1st Rd., Sanmin District
Kaohsiung City 807, Taiwan, R.O.C.
Tel.: 886-7-3805558
Fax: 886-7-3852268

Kaohsiung Branch
1F., No. 168 Jhongjheng 4th Rd., Cianjin District
Kaohsiung City 801, Taiwan, R.O.C.
Tel.: 886-7-2318141
Fax: 886-7-2214387

Minzu Branch
1F., No. 97, Minzu 2nd Rd., Sinsing District
Kaohsiung City 800, Taiwan, R.O.C.
Tel.: 886-7-2386567
Fax: 886-7-2388879

North Kaohsiung Branch
1F., No. 52, Mingcheng 2nd Rd., Sanmin District
Kaohsiung City 807, Taiwan, R.O.C.
Tel.: 886-7-3461199
Fax: 886-7-3411041

Sanmin Branch
1F., No. 366, Jiouru 2nd Rd., Sanmin District
Kaohsiung City 807, Taiwan, R.O.C.
Tel.: 886-7-3161155
Fax: 886-7-3163092

Sinsing Branch
1F., No. 206, Minsheng 1st Rd., Sinsing District
Kaohsiung City 800, Taiwan, R.O.C.
Tel.: 886-7-2262325
Fax: 886-7-2262349

South Kaohsiung Branch
1F., No. 21, Yisin 2nd Rd., Cianjhen District
Kaohsiung City 806, Taiwan, R.O.C.
Tel.: 886-7-3366768
Fax: 886-7-3303216

Youchang Mini Branch
1F., No. 803-3, Houchang Rd., Nanzih District
Kaohsiung City 811, Taiwan, R.O.C.
Tel.: 886-7-3681699
Fax: 886-7-3651299

KAOHSIUNG COUNTY

Cingnian Branch
1F., No. 315, Sec. 2, Cingnian Rd., Fongshan City
Kaohsiung County 830, Taiwan, R.O.C.
Tel.: 886-7-7777668
Fax: 886-7-7777155

Fongshan Branch
1F., No. 85-1, Jhongshan Rd., Fongshan City
Kaohsiung County 830, Taiwan, R.O.C.
Tel.: 886-7-7451199
Fax: 886-7-7102336

Gangshan Branch
1F., No. 388, Gangshan Rd., Gangshan Township
Kaohsiung County 820, Taiwan, R.O.C.
Tel.: 886-7-6235500
Fax: 886-7-6232256

Wujia Branch
No. 699, Wujia 2nd Rd., Fongshan City
Kaohsiung County 830, Taiwan, R.O.C.
Tel.: 886-7-8215101
Fax: 886-7-8118109

KEELUNG CITY

Keelung Branch
1F., No. 150, Sinyi Rd., Sinyi District
Keelung City 201, Taiwan, R.O.C.
Tel.: 886-2-24221166
Fax: 886-2-24227720

MIAOLI COUNTY

Toufen Branch
1F., No. 951, Jhonghua Rd., Toufen Township
Miaoli County 351, Taiwan, R.O.C.
Tel.: 886-37-695678
Fax: 886-37-597066

NANTOU COUNTY

Nantou Branch
1F., No. 220, Jhongshan Street, Nantou City
Nantou County 540, Taiwan, R.O.C.
Tel.: 886-49-2207711
Fax: 886-49-2203038

PINGTUNG COUNTY

Pingtung Branch
1F., No. 450, Zihyou Rd., Pingtung City
Pingtung County 900, Taiwan, R.O.C.
Tel.: 886-8-7383000
Fax: 886-8-7382269

TAICHUNG CITY

Chunggang Branch
1F., No. 400, Sec. 1, Taichung Port Rd.,
West District, Taichung City 403, Taiwan, R.O.C.
Tel.: 886-4-23149999
Fax: 886-4-23145878

Gongyi Branch
1F., No. 53, Sec. 2, Gongyi Rd., Nantun District
Taichung City 408, Taiwan, R.O.C.
Tel.: 886-2-23291111
Fax: 886-2-23209470

Nantun Branch
1F., No. 234, Sec. 2, Wucyuan W. Rd., Nantun
District, Taichung City 408, Taiwan, R.O.C.
Tel.: 886-4-24712268
Fax: 886-4-24721708

North Taichung Branch
1-2F., No. 77, Yucai N. Rd., North District
Taichung City 404, Taiwan, R.O.C.
Tel.: 886-4-22231666
Fax: 886-4-22232999

Shueinan Branch
1F., No. 361, Sec. 3, Wunsin Rd., Situn District
Taichung City 407, Taiwan, R.O.C.
Tel.: 886-4-22960988
Fax: 886-4-22932345

Situn Mini Branch
1F., No. 111, Sec. 3, Taichung Port Rd., Situn
District, Taichung City 407, Taiwan, R.O.C.
Tel.: 886-4-23551000
Fax: 886-4-23552000

Taichung Branch
1F., No. 50, Minzu Rd., Central District
Taichung City 400, Taiwan, R.O.C.
Tel.: 886-4-22292161
Fax: 886-4-22261861

West Taichung Branch
1F., No. 157, Sec. 1, Taichung Port Rd., West
District, Taichung City 403, Taiwan, R.O.C.
Tel.: 886-4-23268787
Fax: 886-4-23290830

Wunsin Branch
1F., No. 875, Sec. 4, Wunsin Rd., Beitun District
Taichung City 406, Taiwan, R.O.C.
Tel.: 886-4-22469988
Fax: 886-4-27126208

TAICHUNG COUNTY

Dali Branch
1F., No. 20, Dongrong Rd., Dali City
Taichung County 412, Taiwan, R.O.C.
Tel.: 886-4-24813333
Fax: 886-4-24818686

Fongyuan Branch
1F., No. 341, Jhongshan Rd., Fongyuan City
Taichung County 420, Taiwan, R.O.C.
Tel.: 886-4-25201010
Fax: 886-4-25209010

Taiping Mini Branch
1F., No. 312, Jhongsing E. Rd., Taiping City
Taichung County 411, Taiwan, R.O.C.
Tel.: 886-4-22789988
Fax: 886-4-22731818

TAINAN CITY

Central Tainan Branch
1F., No. 167, Sec. 1, Minsheng Rd., Central District
Tainan City 700, Taiwan, R.O.C.
Tel.: 886-6-2412318
Fax: 886-6-2412317

East Tainan Branch
1F., No. 290, Sec. 2, Changrong Rd., East District
Tainan City 701, Taiwan, R.O.C.
Tel.: 886-6-2085522
Fax: 886-6-2084522

Jhonghua Branch
1F., No. 195, Sec. 2, Jhonghua E. Rd., East District
Tainan City 701, Taiwan, R.O.C.
Tel.: 886-6-3353535
Fax: 886-6-3350606

South Tainan Mini Branch
1F., No. 236, Sec. 2, Jiankang Rd., South District
Tainan City 702, Taiwan, R.O.C.
Tel.: 886-6-2919999
Fax: 886-6-2912788

Tainan Branch
1F., No. 159, Sec. 1, Fucian Road
Central District, Tainan City 700, Taiwan, R.O.C.
Tel.: 886-6-2152345
Fax: 886-6-2131566

West Tainan Branch
1F., No. 212, Sec. 4, Jinhua Rd., West District
Tainan City 703, Taiwan, R.O.C.
Tel.: 886-6-2263636
Fax: 886-6-2111896

TAINAN COUNTY

Sinying Branch
1F., No. 137, Jhongshan Rd., Sinying City
Tainan County 730, Taiwan, R.O.C.
Tel.: 886-6-6336789
Fax: 886-6-6336161

Yongkang Branch
1F., No. 425, Jhonghua Rd., Yongkang City
Tainan County 710, Taiwan, R.O.C.
Tel.: 886-6-2025787
Fax: 886-6-3025922

TAITUNG COUNTY

Taitung Branch
1F., No. 279, Jhongshan Rd., Taitung City
Taitung County 950, Taiwan, R.O.C.
Tel.: 886-089-339898
Fax: 886-089-320250

TAOYUAN COUNTY

Bade Mini Branch
1F., No. 965, Sec. 1, Jieshou Rd., Bade City
Taoyuan County 334, Taiwan, R.O.C.
Tel.: 886-3-3716565
Fax: 886-3-3672255

East Taoyuan Branch
No. 286, Jieshou Rd., Taoyuan City
Taoyuan County 330, Taiwan, R.O.C.
Tel.: 886-3-3710111
Fax: 886-3-3664168

Jhongli Branch
1F., No. 500, Yanping Rd., Jhongli City
Taoyuan County 320, Taiwan, R.O.C.
Tel.: 886-3-4223131
Fax: 886-3-4257292

Jhongyuan Mini Branch
1F., No. 445, Sec. 2, Jhongbei Rd., Jhongli City
Taoyuan County 320, Taiwan, R.O.C.
Tel.: 886-3-4662211
Fax: 886-3-4365522

Linkou Mini Branch
1F. No. 38, Wunhua 2nd Rd., Gueishan Township
Taoyuan County 333, Taiwan, R.O.C.
Tel.: 886-3-3962777
Fax: 886-3-3962569

Nankan Branch
1F., No. 257, Jhongjheng Rd., Lujhu Township
Taoyuan County 338, Taiwan, R.O.C.
Tel.: 886-3-3212211
Fax: 886-3-3212442

North Taoyuan Branch
No. 124, Jingguo Rd., Taoyuan City
Taoyuan County 330, Taiwan, R.O.C.
Tel.: 886-3-3150566
Fax: 886-3-3150307

South Taoyuan Branch
1F., No. 389, Fusing Rd., Taoyuan City
Taoyuan County 330, Taiwan, R.O.C.
Tel.: 886-3-3388866
Fax: 886-3-3337227

Taoyuan Branch
1F., No. 32, Sec. 1, Chenggong Rd., Taoyuan City
Taoyuan County 330, Taiwan, R.O.C.
Tel.: 886-3-3373266
Fax: 886-3-3374045

YILAN COUNTY

Luodong Branch
No. 16, Singdong Rd., Luodong Township
Yilan County 265, Taiwan, R.O.C.
Tel.: 886-3-9574320
Fax: 886-3-9544867

Min Cyuan Branch
No. 271, Sec. 2, Jhongshan Rd., Yilan City
Yilan County 260, Taiwan, R.O.C.
Tel.: 886-3-9333025
Fax: 886-3-9333029

Yilan Branch
1F., No. 152, Jhongshan Rd., Yilan City
Yilan County 260, Taiwan, R.O.C.
Tel.: 886-3-9351122
Fax: 886-3-9330720

YUNLIN COUNTY

Douliou Branch
1F., No. 2, Singhua Street, Douliou City
Yunlin County 640, Taiwan, R.O.C.
Tel.: 886-5-5360099
Fax: 886-5-5362499

OVERSEAS UNITS

BRANCHES

Ho Chi Minh City Branch
Unit 107-111, 1st Floor, 1-5 Le Duan Street
District 1, Ho Chi Minh City, Vietnam
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Fax: 848-9101999

Hong Kong Branch
28th F., Two International Finance Centre
8 Finance Street, Central, Hong Kong
Tel.: 852-29161888
Fax: 852-28109742

Kowloon Branch
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Tsim Sha Tsui, Kowloon, Hong Kong
Tel.: 852-29161688
Fax: 852-28050899

New Delhi Branch
604, 6th F., Mercantile House, 15-K.G. Marg
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Fax: 91-11-23731815

New York Branch
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Fax: 1-212-4576666

Tokyo Branch
7th F., AIG Building, 1-3, Marunouchi
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Fax: 84-4-8249099

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CHINATRUST PHILIPPINES

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CHINATRUST INDONESIA

Bandung Branch
Wisma Lippo, 7th F., Jl. Jend. Gatot Subroto
No. 2, Bandung 40262, Indonesia
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Fax: 62-22-7308878

Cikarang Sub-branch
Komplek Ruko Union Blok A No. 2, Jl. M.H.
Thamrin, Lippo Cikarang, Bekasi 17550, Indonesia
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Fax: 62-21-89906868

Karawaci (Tangerang) Sub-Branch
Karawaci Office Park, Ruko Pinangsia
Blok M No. 19 Lippo Karawaci 1200
Tangerang 15811, Indonesia
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Fax: 62-21-55764556

Kelapa Gading Sub-Branch
Jl. Boulevard Barat Raya, Blok XC 09
No. 1-2, Kelapa Gading, Jakarta, 14240, Indonesia
Tel.: 62-21-45877078
Fax: 62-21-45877077

Mangga Dua Sub-Branch
Jl. Mangga Dua Raya, Komplek Ruko Textile
Blok E4, No. 2, Jakarta 14230, Indonesia
Tel.: 62-21-6125058
Fax: 62-21-6125056

Surabaya Branch
Wisma Dharmala, 6th F., Jl. Panglima Sudirman
101-103, Surabaya 60271, Indonesia
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Fax: 62-31-5348007

CHINATRUST USA

Chinatrust Bank (U.S.A.)
22939 Hawthorne Boulevard
2nd F., Torrance CA 90505, USA
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California Area

Arcadia Branch
815 West Naomi Avenue
#B, Arcadia, CA 91007
Tel.: 1-626-821-8900
Fax: 1-626-821-8908

Cerritos Branch
18512 Gridley Road, Artesia, CA 90701
Tel.: 1-562-809-7500
Fax: 1-562-809-8728

Cupertino Branch
19648 Stevens Creek Boulevard
Cupertino, CA 95014
Tel.: 1-408-873-3288
Fax: 1-408-873-3286

City of Industry Branch
18645 Gale Avenue
#150 City of Industry, CA 91748
Tel.: 1-626-839-3300
Fax: 1-626-839-3308

Diamond Bar Branch
315 S. Diamond Bar Boulevard
Diamond Bar, CA 91765
Tel: 1-909-396-8898
Fax: 1-909-861-9829

Fremont Branch
46801 Warm Springs Boulevard
Fremont, CA 94539
Tel.: 1-408-249-9718
Fax: 1-408-249-9714

Irvine Branch
15343 Culver Drive, Irvine, CA 92604
Tel.: 1-949-262-7168
Fax: 1-949-262-7162

Milpitas Branch
258 Barber Court, Milpitas, CA 95035
Tel.: 1-408-955-7288
Fax: 1-408-955-7286

Monterey Park Branch
638 S. Atlantic Boulevard
Monterey Park, CA 91754
Tel.: 1-626-289-6283
Fax: 1-626-289-8173

Rowland Heights Branch
17851 Colima Rd., Rowland Heights, CA 91748
Tel.: 1-626-839-6656
Fax: 1-626-839-7706

San Gabriel Branch
250 W. Valley Boulevard, San Gabriel, CA 91776
Tel.: 1-626-299-5000
Fax: 1-626-299-5008

San Marino Branch
2956 Huntington Drive, San Marino, CA 91108
Tel.: 1-626-287-0716
Fax: 1-626-287-2706

Torrance Branch
22939 Hawthorne Boulevard
Torrance, CA 90505
Tel.: 1-310-791-2868
Fax: 1-310-791-2878

Westminster Branch
9547A Bolsa Avenue, Westminster, CA 92683
Tel.: 1-714-531-2173
Fax: 1-714-531-7163

New Jersey Area

Edison Branch
1733 Route 27, Edison, New Jersey 08817
Tel.: 1-732-650-1160
Fax: 1-732-650-1161

East Hanover Branch
200 State Route 10, East Hanover, NJ 07936
Tel: 1-973-386-5856
Fax: 1-973-386-5980

New York Area

Brooklyn Branch
54-18 8th Avenue, Brooklyn, New York 11220
Tel.: 1-718-854-2228
Fax: 1-718-854-2245

Elmhurst Branch
83-09 Broadway, Elmhurst, New York 11373
Tel.: 1-718-760-4767
Fax: 1-718-760-4847

Flushing Branch
41-99 Main Street, Flushing, New York 11355
Tel.: 1-718-886-5600
Fax: 1-718-886-0646

Chinatown Branch
208 Canal Street, New York, New York 10013
Tel.: 1-212-385-9898
Fax: 1-212-385-9611

Midtown Branch
8F, No. 366 Madison Avenue
New York, New York 10017
Tel.: 1-212-514-8000
Fax: 1-212-557-0333

Washington Area

Seattle Branch
500-108th Avenue NE
#1H3, Bellevue, Washington 98004
Tel.: 1-425-289-8888
Fax: 1-425-289-6688

CHINATRUST CANADA

CTC Bank of Canada
1518 West Broadway, Vancouver
B.C., Canada, V6J 1W8
Tel.: 1-604-6833882
Fax: 1-604-6833723

Burnaby Branch
162-4800 Kingsway, Burnaby B.C. V5h 4J2
Tel.: 1-604-4373868
Fax: 1-604-6292195

Richmond Branch
120-8191 Westminster Highway
Richmond B.C. V6X 1A7
Tel.: 1-604-2331261
Fax: 1-604-2731251

PHILIPPINE BRANCHES

METRO MANILA

Head Office
3rd Floor, Tower One & Exchange Plaza
Ayala Avenue, corner Paseo de Roxas, Makati City
Tel.: (02) 8485519
Fax: (02) 7594982 / 83 / 88

Alabang Branch
Ground Floor, Paragon Corporate Centre
Industry corner Trade Streets
Madrigal Business Park, Alabang, Muntinlupa City
Tel.: (02) 6590483 / 84 / 86
Fax: (02) 6590485

Ayala Branch
Ground Floor, Tower One & Exchange Plaza
Ayala Avenue, corner Paseo de Roxas, Makati City
Tel.: (02) 8485519 to 36
Fax: (02) 7594982 / 88 / 90

Binondo Branch
Ground Floor, State Centre Building
Juan Luna Street, Binondo, Manila
Tel.: (02) 2440414 / 16 / 2457755
Fax: (02) 2457754

Buendia-Pasong Tamo Branch
Ground Floor, Burgundy Corporate Tower
252 Sen. Gil Puyat Avenue, Makati City
Tel.: (02) 8890018 / 27 / 36 / 8895452
Fax: (02) 8890026

Del Monte Branch
Ground Floor, Van Allen Building
243 Del Monte Avenue, Quezon City
Tel.: (02) 3650965 / 69 / 77
Fax: (02) 4158822

Greenhills Branch
Ground Floor, LGI Building, Ortigas Avenue
San Juan, Metro Manila
Tel.: (02) 7442227 / 7444868
Fax: (02) 7442228

Kalookan Branch
Rizal Avenue corner 3rd Avenue, Kalookan City
Tel.: (02) 3666315 / 16
Fax: (02) 3666216

Las Piñas Branch
Ground Floor, RRDC Building, National Road
Manuela Subdivision, Pamplona Tres
Las Piñas City
Tel.: (02) 8716063 / 8746119 / 8746609
Fax: (632) 8716328

Leviste Branch
Ground Floor, Athenaeum Building
160 L.P. Leviste Street, Salcedo Village, Makati City
Tel.: (02) 8402507 to 09
Fax: (02) 8402510

Mabini Branch
Ground Floor, Unit B Echelon Tower
2100 A. Mabini Street, Malate, Manila
Tel.: (02) 4008035 to 37 / 5229950
Fax: (02) 4008034

Marikina Branch
J.P. Rizal corner E. dela Paz Street
San Roque, Marikina City
Tel.: (02) 6464325 / 51 / 61
Fax: (02) 6810337

Ortigas Branch
Ground Floor, Unit 101 Prestige Tower
Emerald Avenue, Ortigas Centre, Pasig City
Tel.: (02) 6353832 / 33 / 35
Fax: (02) 6353834

Rada Branch
Ground Floor, SEDCCO I Building
Legaspi corner Rada Streets., Makati City
Tel.: (02) 8937500 / 8937657 / 8939837
Fax: (02) 8939415

Sucat Branch
Units N & O Columbia Airfreight Complex
Ninoy Aquino Avenue, Parañaque City
Tel.: (02) 8548110 / 12
Fax: (02) 8548115

Valenzuela Branch
253-A McArthur Highway
Karuhatan, Valenzuela City
Tel.: (02) 2940640 / 41 / 4456753
Fax: (02) 2931924

PROVINCIAL BRANCHES

Angeles Branch
Ground Floor, JEV Building, MacArthur Highway
Balibago, Angeles City, Pampanga
Tel.: (045) 6255758 / 59
Fax: (045) 6255723

Carmona Branch
National Highway, Barrio Maduya
Carmona, Cavite
Tel.: (046) 4303291 / 92
Fax: (046) 4303293

Cebu Branch
Ground Floor, The Forum
Archbishop Reyes Avenue, Cebu City
Tel.: (032) 2333800 / 18 / 4159292
Fax: (032) 2333808

Davao Branch
Ground Floor, Brightstone Building
Monteverde Avenue corner Gempasaw Street
Davao City
Tel.: (082) 2286856 / 57
Fax: (082) 2286846

Cavite Branch
Ground Floor, PRB Building, Gen. Aguinaldo
Highway Palico, Imus, Cavite
Tel.: (046) 4719884 / 86
Fax: (046) 4719888

Magallanes Branch
Ground Floor, Tokyu Building
79 Magallanes Street, Cebu City
Tel.: (032) 2533725 / 2535167
Fax: (032) 2545011

Mandaue Branch
Ground Floor, Diamond Plaza
National Highway, Mandaue City
Tel.: (032) 3465877 / 3467198 / 3467318
Fax: (032) 3465561

Subic Branch
SBDMC Park, Rizal corner Argonaut Highway
Subic, Olongapo City
Tel.: (047) 2521381 / 90
Fax: (047) 2521382

CONSUMER FINANCE CENTERS AND MORTGAGE BANKING

Consumer Finance Center – Lepanto
11th Floor, Lepanto Building
8747 Paseo de Roxas, Makati City
Tel.: (02) 8401531
Fax: (02) 8170910

Consumer Finance Center – Angeles
2nd Floor, JEV Building, MacArthur Highway
Balibago, Angeles City, Pampanga
Tel.: (032) 6255906 / 09
Fax: (032) 6255902

Consumer Finance Center – Davao
2nd Floor, Brightstone Building
Monteverde Avenue corner Gempasaw Street
Davao City
Tel.: (082) 2211183
Fax: (082) 2219669

Consumer Finance Center – Magallanes
2nd Floor, Tokyu Building
79 Magallanes Street, Cebu City
Tel.: (032) 4155906 / 4158168 / 4158898
Fax: (032) 4158492 / 4158869

Mortgage Banking – Cebu Branch
Ground Floor, The Forum
Archbishop Reyes Avenue, Cebu City
Tel.: (032) 2316031 / 4158111
Fax: (032) 2333808

PHILIPPINE ATM DIRECTORY

METRO MANILA

AAVA
AAVA Office
Narra Street, Ayala Alabang Village
Alabang, Muntinlupa City

Alabang
Ground Floor, Paragon Corporate Centre
Industry corner Trade Streets, Madrigal Business Park, Alabang, Muntinlupa City

Amertron
Bomaheco Building
Km. 17 West Service Road, South Superhighway
Parañaque City

Ayala (Mezzanine)
Mezzanine, Tower One & Exchange Plaza
Ayala Avenue corner Paseo de Roxas
Makati City

Binondo
Ground Floor, State Centre Building
Juan Luna Street, Binondo Manila

Buendia – Pasong Tamo
Ground Floor, Burgundy Corporate Tower
252 Sen. Gil Puyat Avenue, Makati City

Del Monte
Ground Floor, Van Allen Building
243 Del Monte Avenue, Quezon City

Greenhills
Ground Floor, LGI Building
Ortigas Avenue, San Juan, Metro Manila

Kalookan
Rizal Avenue corner 3rd Avenue, Kalookan City

Las Piñas
Ground Floor, RRDC Building
National Road, Manuela Subdivision
Pamplona Tres, Las Piñas City

Lepanto
Ground Floor, Lepanto Building
8747 Paseo de Roxas, Makati City

Leviste
Ground Floor, Athenaeum Condominium
160 L.P. Leviste Street, Salcedo Village
Makati City

Mabini
Ground Floor, Unit B Echelon Tower
A. Mabini Street, Malate, Manila

Ortigas
Ground Floor, Unit 101 Prestige Tower
Emerald Avenue, Ortigas Center, Pasig City

Rada
Ground Floor, SEDDCO I Building
Legaspi corner Rada Streets, Makati City

Sucat
Units N and O, Columbia Airfreight Complex
Ninoy Aquino Avenue, Parañaque City

PROVINCIAL ATMS

Angeles
Ground Floor, JEV Building
MacArthur Highway, Balibago
Angeles City, Pampanga

Carmona
National Highway, Barrio Maduya
Carmona, Cavite

Cebu Banilad
Ground Floor, The Forum
Archbishop Reyes Avenue, Cebu City

Cebu Waterfront
Ground Floor, Cebu Waterfront Hotel
1 Salinas Drive, Lahug, Cebu City

Davao
Ground Floor, Brightstone Building
Monteverde Avenue corner Gempasaw Street
Davao City

Imus
Ground Floor, PRB Building
Gen. Aguinaldo Highway, Imus, Cavite

Imus Transport Plaza
Imus Transport Plaza
Bayang Luma, Imus, Cavite

Fujitsu 1
Fujitsu Computer Products Corp. of the Phils.
Special Export Processing Zone
Carmelray Industrial Park
Canlubang, Calamba City, Laguna

Fujitsu 2
Fujitsu Computer Products Corp. of the Phils.
Special Export Processing Zone
Carmelray Industrial Park, Canlubang
Calamba City, Laguna

Magallanes
Ground Floor, Tokyu Building
79 Magallanes Street, Cebu City

Mandaue
Diamond Plaza, National Highway
Mandaue City, Cebu

Subic
Subic Bay Industrial Park-1
Rizal Highway cor. Argonaut Highway
Subic Bay Freeport Zone

Subic - Acer 1
Inside Wistron Infocomm
No. 4 Rizal Highway, Subic Bay Industrial Park
Phase I Subic Bay Freeport Zone

Subic - Acer 2
Inside Wistron Infocomm
No. 4 Rizal Highway, Subic Bay Industrial Park
Phase I Subic Bay Freeport Zone

PHILIPPINE OFFICERS

OFFICE OF THE PRESIDENT

William B. Go
President

BRANCH BANKING OPERATIONS

Teresita S. Galvadores
First Vice President

Rosario C. Astrologo
Assistant Vice President

COMPLIANCE

Leo Austin M. Mongaya
Assistant Vice President

CONTROLLERSHIP

Atty. Jose Nerio A. Salamillas
First Vice President / Group Head

Andre P. Payawal
Vice President

Caezar O. Gutierrez
Assistant Vice President

CORPORATE BANKING GROUP

Raymundo Martin M. Escalona
Executive Vice President / Group Head

Josefina R. Natividad
Senior Vice President

Marvin I. Tiburcio
Vice President

Richmond U. Tan
Assistant Vice President

CREDIT CYCLE

Rodel P. Geneblazo
Joselito Abram M. Lojo
Antonio D. Sy
Vice Presidents

CREDIT RISK MANAGEMENT

Rogerio B. Panlasigui
Senior Vice President / Group Head

Deogracias P. Canilao
Vice President

Armand D. Eugenio
Carlos Francisco P. Roa
Rafael V. Rufino III
Chien-Chung (Dennis) Wang
Assistant Vice Presidents

HUMAN RESOURCE

Evie B. Abraham
Vice President / Group Head

Clarissa G. De Joya
Virgilio D. Mendoza
Assistant Vice Presidents

INFORMATION TECHNOLOGY

Huntley S. Uy
Senior Vice President / Group Head

Acmad Rizaldy P. Moti
Vice President

Jesse Ephraim C. Almonte
Elmer C. Beloy
Catherine C. Ong
Assistant Vice Presidents

INTERNAL AUDIT

Jimmy Arsenio Y. Samonte
First Vice President

Ma. Cristina C. Talastas
Assistant Vice President

LEGAL

Atty. Mary Elizabeth H. Bayhon
Atty. Rolando V. Vicerra
Assistant Vice Presidents

OPERATIONS RE-ENGINEERING

Reynaldo Antonio R. Jimenez
Vice President

Racquel B. Mañago
Renato I. Manalang, Jr.
Juanito M. Ocampo, Jr.
Randy A. Vidal
Assistant Vice Presidents

RETAIL BANKING

Anthony T. Robles
Executive Vice President / Group Head

Leslie Y. Cham
Senior Vice President

Carlos Simon T. Casas
Jane K. Gocuan
Robert Andrew M. Llaguno
Vilma A. Noche
Beatriz S. Salgado
First Vice Presidents

Ma. Lourdes V. Borromeo
Lolito Ramon A. Cerrer, Jr.
Mandrake P. Medina
Kathryn YC See
Nestor J. Sunico
Vice Presidents

Edison B. Agarao
Xavier Marc C. Amante
Thomas Wilfrido R. Bilbao
Cita M. Chan
Jenny C. Chua Chan
Glennmore G. dela Cruz
Therese Marie A. Marin
Ingrid U. Militante
Ben August R. Solis
Mark Dennis S. Tan
Cecilia S. Treyes
Assistant Vice Presidents

RISK MANAGEMENT

Enrico P. Villanueva
Vice President

SERVICE QUALITY

Marichu Daisy S. Jimenea
First Vice President

TAIWAN BUSINESS

Wai Chor (Paul) Suen
Vice President/Group Head

Ta Lung (Donald) Liu
Assistant Vice President

TREASURY AND FINANCIAL INSTITUTIONS

Rolando R. Avante
Executive Vice President / Group Head

Suzanne S. Aquino
Oliver D. Jimeno
Helen G. Oleta
Vice Presidents

Ma. Iraida C. Bernardo
Justin Benedict G. dela Rosa
German Jeremy E. Pampolina III
Giselle P. Precilla
Assistant Vice Presidents

TRUST AND INVESTMENT SERVICES

Edlyn L. Quiroz
Vice President

** as of April 30, 2008*

PRODUCTS AND SERVICES

PESO DEPOSITS
Regular Savings Account
Ultimate Checking Account
Ultimate Earner
Innovate 5-year TD
Special One Year TD
Regular Peso Time Deposit

FOREIGN CURRENCY DEPOSITS
Savings Account
Time Deposit

CASH MANAGEMENT SERVICES
Bills Payment
Deposit Pick-up
Payroll Partner
SSSNet, BIR eFPS and Customs Duties
Ultimate Check Writer
NetBanking
eStatement/Mobile Statement
Visa Cash Card

CONSUMER LOANS
CashBack Mortgage
Salary Stretch Loan

CORPORATE LENDING
Business Term Loan
Check Discounting
FCDU Loan
Lease Term Discounting
Speciliazed Lending Project Loan
Trade Finance

TREASURY PRODUCTS
Government Securities
USD Fixed Income Securities
Foreign Exchange
Swaps
Remittances/Telegraphic Transfers

TRUST PRODUCTS
Custodianship
Escrow Agency
Investment Management Account
Special Deposit Accounts
Personal Trusteeship Accounts

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

REMITTANCES
Telegraphic Transfer

CONTACT INFORMATION

BRANCH BANKING OPERATIONS
Branch Operations Tel.: 811-8938

CONTROLLERSHIP
Financial Control Tel.: 894-3586
General Accounting Tel.: 811-8905

CORPORATE BANKING
Top Tier Tel.: 811-8522
Middle Market Tel.: 811-8535
Specialized Lending Tel.: 759-5001
Product Banking Tel.: 811-8536

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

INFORMATION TECHNOLOGY
I.T. Helpdesk Tel.: 811-8515

RETAIL BANKING
Cash Management Tel.: 811-8541
Marketing Services Tel.: 811-8579
Mortgage Tel.: 811-8901
Personal Loans Tel.: 811-8999

TAIWAN BUSINESS GROUP
Taiwan Business Tel.: 811-8525

TREASURY AND FINANCIAL INSTITUTIONS
Financial Institutions Tel.: 811-8586
Wholesale Deposit Sales Tel.: 759-4161 / 848-6818

TRUST AND INVESTMENT SERVICES
Trust Tel.: 811-8531

TRUNKLINE
Executive Offices Tel.: 848-5519
Support Services Tel.: 840-1531

CUSTOMER CARE HOTLINE (02) 840-1234
Domestic toll-free (1800 10) 840-1234
*International toll-free (+800 2) 840-1234
*USA, Canada, Singapore, UK, and Italy
Email address: customercare@chinatrust.com.ph

WEBSITE
www.chinatrust.com.ph

VISION STATEMENT

We are specialists.
We focus on markets where we make a real difference.
We distinguish ourselves with our niche-based strategy.

We aim to be the best-managed bank with dominant presence in our chosen businesses.
We deploy a local strategy and execute with the discipline of a global player.
We are driven by highly motivated and innovative professionals.

We strive to meet the exacting standards of our customers.
We are a high-performance bank.
We create value by effectively managing risks.

We are Chinatrust.

MISSION STATEMENT

We are Family.
We live the Chinatrust values
Caring
Trustworthy
Professional

We commit to our…

Customers, to delight them with products and services that enhance their financial well-being and consistently exceed their expectations

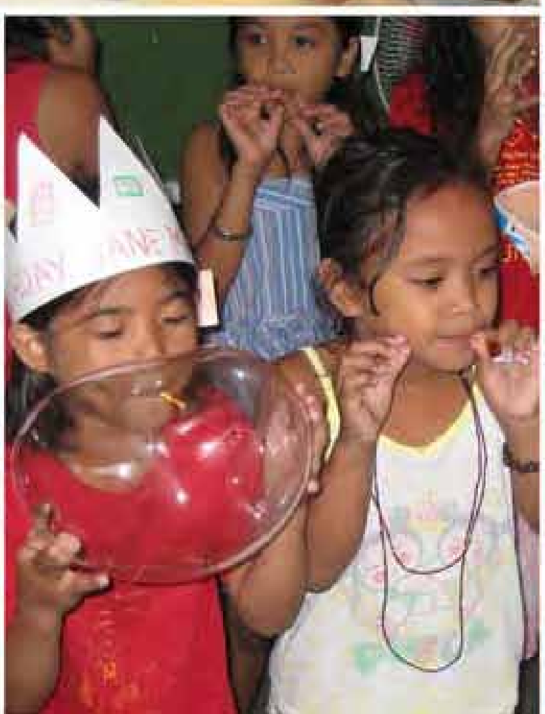
Officers and Staff, to create a work environment characterized by career development and meritocracy that rewards "Best of Breed"

Shareholders, to create value by optimizing the returns on their investment

Community, to share our resources and encourage the personal involvement of our employees in caring for the needs and improving the lives of the people in our communities

Government, to behave like a good corporate citizen, transparent in our actions, compliant with laws and contributing to the national economy

Business Partners, to foster lasting and mutually beneficial relationships.



Chinatrust

3rd Floor, Tower One & Exchange Plaza
Ayala Avenue corner Paseo de Roxas, Makati City, Philippines
www.chinatrust.com.ph