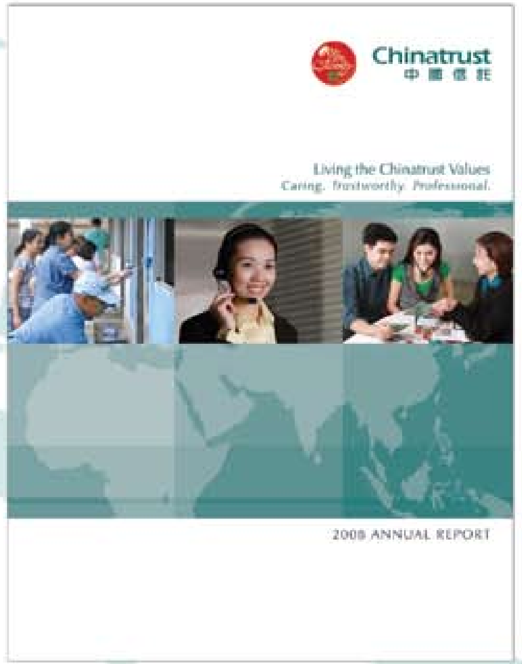
Chinatrust
中國信託

Living the Chinatrust Values
Caring. Trustworthy. Professional.

2008 ANNUAL REPORT

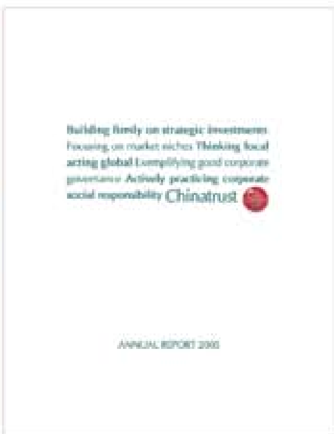
Cover Story

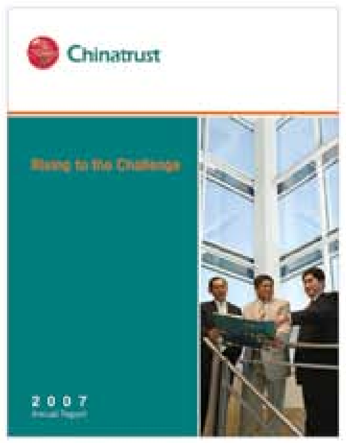


Caring. ***Trustworthy.*** ***Professional.***

These are the values that the Chinatrust global organization adheres to and have served as a firm foundation of our growth. In 2008, these core values became more relevant as we helped our clients deal with the effects of the financial crisis. Against a map of the world - representing our Bank's global affiliation - our cover images depict these values as exemplified by our employees not only in the Bank but also in the communities we support. These same values have inspired us to purposely make our annual report simple, straightforward and with minimal images, mindful of the difficulties brought on by the current global situation. Nevertheless, we remain steadfast in our commitment to educate the readers by providing all the pertinent information regarding the business of the Bank as we stay focused on our values and our brand, which will continue to be our source of strength in facing the challenges of the coming year.

Chinatrust Philippines is a four-time finalist in the Management Association of the Philippines' Awards for Best Annual Reports, for the years 2004, 2005, 2006, and 2007.





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Financial Highlights

	2008
Total Assets	26,576,951
Loans & Receivables (Net)	18,004,694
Deposits	18,903,990
Capital Accounts	4,915,652
Net Income	69,920
Return on Average Equity	1.43%
Return on Average Assets	0.30%
NPL Ratio	3.93%
NPL Cover	46%
Earnings per share	0.28

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

Bright Future

MESSAGE FROM THE CHAIRMAN

Building on our values for a brighter future

We look back upon 2008 as the year that tested our strength and resilience in the face of adversity. As institutions and economies around the globe fell prey to the effects of a US-led recession, Asia braced for the worst while remaining positive that its strong fundamentals would cushion some of the blow. Growth rate projections were tempered – but in the midst of crisis and volatility, to even be able to report growth was already an achievement. China reported a GDP growth of 9% while Taiwan, where our Parent Bank is based, posted 0.8% growth for the year.

The Philippines, coming off a strong performance in 2007, was positioned to withstand the expected tests of 2008. Healthy consumer spending, government pump-priming, and continued dollar inflows from Overseas Filipino Workers mitigated the effects of a marked slowdown in external demand. With the exception of a few small rural banks, the country's banking sector proved stable and reliable, and contributed to the government's initiatives to weather the economic storm. GDP growth for the year was 4.6%, while GNP reached 6.1%.

For our Parent Bank, Chinatrust Commercial Bank Ltd., the year was devoted to focusing resources on our core businesses and maintaining emphasis on our long-term goals. It hurdled many challenges in 2008 en route to posting a net income of NT$12.56 billion. The return on equity was recorded at 11.26%. Loans and receivables amounted to NT$1.04 trillion while deposits totaled NT$1.24 trillion.

Cognizant of the needs of the times, our Parent Bank reinforced its risk management infrastructure and innovated on its credit collection/recovery process to ensure faster recovery without forfeiting market share and momentum. It also finetuned its customer experience management model, using information to create increased value with customer interaction and reflecting our belief that satisfied customers ultimately drive improved financial returns. This customer-centric approach was carried over into internet banking as well, harnessing the speed and convenience of technology for the customers' benefit. In the credit card business, our Parent Bank maintained the leading brand in Taiwan, serving three million cardholders and outperforming the market in key indicators such as spending volumes, total cash advance amount, and cards in circulation. Average market share was 15.07% and total spending volume accounted for 19.05% market share.

Our Parent Bank's determined performance amid the challenges of 2008 earned recognition and reward from numerous independent and international publications in the financial industry. We are honored that Chinatrust Commercial Bank Ltd. has been named Best Bank in Taiwan and Best Private Bank in Taiwan by Euromoney; Best Foreign Exchange Bank in Taiwan, Best Trade Finance Bank in Taiwan, Best Emerging Market Bank in Taiwan, Best Investment Bank in Taiwan, and Best Corporate / Institutional / Consumer Internet Bank in Taiwan by Global Finance; Best Domestic Bank in Taiwan and Best Local Cash Management Bank in Taiwan as voted by Small-sized, Medium-sized and Large-sized Corporates by Asiamoney; Best Bank in Taiwan, Best Foreign Exchange Bank in Taiwan, Best Cash Management Bank in Taiwan, and Best Private Bank in Taiwan by FinanceAsia; Best Cash Management Bank in Taiwan, Best Local Currency Structured Product in Taiwan, Best Domestic Bank in Taiwan, Best Domestic Investment Bank in Taiwan and Best Debt House in Taiwan by The Asset; Best Local Trade Bank in Taiwan by Trade Finance Magazine; Best Retail Bank in Taiwan and Best CRM / Applications Project by The Asian Banker Journal; Bank of the Year in Taiwan, Deals of the Year in Taiwan, and Online Banking Security Project of the Year by The Banker; and House of the Year by AsiaRisk.

Armed with the lessons and experiences of 2008, we continue to monitor the unfolding global financial developments; we know that the tests have not quite dissipated. Market uncertainty, investor pessimism, and unemployment worries dampen the country's growth prospects. Nevertheless, Chinatrust is committed to work harder than ever to turn challenges into opportunities. We are excited to welcome our new President and CEO, Mr. Mark Chen, who takes over from Vice Chairman William Go (who served concurrently as our President from April 3, 2008 to January 31, 2009). Effective February 1, 2009, Mr. Chen as our President has assumed the task of leading our Philippine subsidiary and inspiring the rest of the organization to live the Chinatrust values: caring, trustworthy, and professional.

With a supportive Parent Bank, a united team of directors, and a highly motivated employee force, we reaffirm our commitment to our customers and our shareholders. We shall focus on building on the Bank's values to create a brighter and more secure future for all of us in the Chinatrust family.

WILLIAM T.Y. HON
Chairman of the Board

Brand Values

MESSAGE FROM THE VICE CHAIRMAN AND PRESIDENT

Remaining true to our values and the Chinatrust brand

Having pulled through onerous challenges in 2007, we braced for continued difficulty in 2008 as market volatility and negative sentiment kept their hold on an already burdened global financial environment. Here in the Philippines, the year was marked by rising inflation and interest rates, the depreciating peso, and unemployment worries. Foreign economic downturn threatened the Overseas Filipino Workers, whose remittances are considered the main driver of the country's economy. The government downscaled growth projections for the year, eventually managing a GDP growth of 4.6%. Compared with other countries however, the Philippines showed resilience and pockets of cautious optimism in 2008.

Notwithstanding the bleak economic outlook and market uncertainties, we in Chinatrust Philippines remained focus on ensuring our Bank's long-term stability and sustainable growth. In this regard, our total resources expanded by 34% to ₱26.58 billion from ₱19.90 billion in 2007. This growth in assets was boosted by the 41% increase in loans and receivables on the back of higher corporate and mortgage loans. Despite this portfolio build up, asset quality even improved, with NPL ratio declining to 3.93% from 6.28% a year ago. The Bank's asset growth was supported by a 47% surge in deposit level to ₱18.90 billion from ₱12.84 billion in 2007. Further, the Bank's balance sheet was buttressed by a comfortably high capital adequacy ratio at 21.5%, which is more than double the regulatory requirement. This sound capitalization demonstrates our commitment and capability to support and strengthen our core businesses and invest in opportunities amid these trying times.

Nevertheless, our net income for 2008 softened to ₱70 million as the unfavorable market conditions and risk aversion took its toll on the Bank's businesses, particularly on our fixed income trading activities. In this regard, while most banks availed of the regulatory relief allowing the reclassification of investment portfolios thereby reducing mark to market losses, we opted to keep our original classification and show the real impact of the market prices in our income statement and balance sheet. However, our Bank gained ₱76 million from foreign exchange trading. Net interest income of the Bank eased to ₱1.35 billion but average cost of funds improved to 3.54% in 2008 from 4.14% in 2007 as low cost deposits grew by 10.19%. On the other hand, our Bank's operating expenses went down by 11.10% as we reined in on our expenses and improved our operational efficiency.

As Chinatrust Philippines' Vice Chairman, I also served concurrently as President from April 3, 2008 to January 31, 2009; I am grateful for the occasions it gave me to work more closely with our key people from various departments in our organization. I gained a deeper appreciation of the hard work and loyal support that our Bank could count on in the face of the intense demands in 2008. We will need not only to repeat these efforts but also to apply even greater emphasis on our values to successfully steer our business through 2009. I am confident that, under the leadership of our new President and CEO, Mr. Mark Chen, our Bank will benefit from the energy, insights, and international expertise that he brings with him.

Our prospects and plans for the future reflect a healthy measure of prudence and vigilance. We need to draw strength from our core businesses, allocate our resources wisely, and increase our efficiency. Where we spot opportunities to expand and diversify, we will act with both agility and acumen. We will continue to build-up our retail and corporate loan portfolios to provide our Bank with a steady and reliable source of income. On the retail banking business, we will aggressively expand our personal and mortgage loans without compromising asset quality. In corporate banking, we will actively participate in corporate finance deals and develop transaction banking business particularly cash management and trade products. While remaining cautious, we are prudently looking for trading opportunities in the fixed income and currency market. Likewise, we vigorously promote cross-selling of products among all the business segments and distribution channels of the Bank to ensure optimal use of available infrastructure. Lastly, we will remain committed in the judicious management of our expenses as we continuously invest in new products and existing businesses while improving our processes to achieve operational efficiencies.

As Chinatrust Philippines marks its 13th year, we remember the values that have kept us in good stead throughout our young history in this country. We have survived the cycles and emerged stronger and smarter from the experience gained over the years. By remaining true to our values as a caring, trustworthy, and professional organization, we have established the Chinatrust brand; we will remain committed to keep building on this reputation and track record with the guidance of our Board and the solid teamwork of our employees.

We thank once again our valued clients, business partners, and shareholders for their continued trust and confidence in our Bank.

WILLIAM B. GO
Vice Chairman of the Board / President

PERFORMANCE REVIEW

Upholding values in our core businesses and in the community

Core Businesses

Living the Chinatrust Philippines values amid a harsh financial environment was a challenge that we turned to our advantage in 2008. In various departments and units, we resolved to be one in thinking and moving as a caring, trustworthy, and professional organization. This commitment was key to our efforts to overcome the difficulties and build on our core businesses. Having survived the year's tests, we have also emerged united in turning our sights toward further improvement and brighter results in 2009.

Retail Banking

Continuing to promote the flagship product of Chinatrust Philippines, we dominated the Personal Loans business with an incremental volume of ₱2.3 billion, or 13% higher than the 2007 level. Of this amount, ₱2.016 billion came from Public Loans, showing a 23% increase compared with the previous year. Having expanded our market coverage to more key areas and establishing our cross-sell team, we saw re-availment volume climbing to ₱300 million in 2008. To create further differentiation and interest for the product, we introduced merchant tie-ups and promos that targeted specific sectors and addressed their cash flow needs.

Our Sales and Distribution team's focus on boosting deposit levels generated Low-Cost Peso Deposits ADB of ₱2.69 billion or 22% over the previous year's level; however, intensified competition reduced High-Cost Peso Deposits ADB by 28% to ₱2.74 billion. We maintained our Low-Cost US Dollar Deposits ADB at ₱456 million while High-Cost US Dollar Deposits ADB dipped 15% to ₱1.59 billion.

Following through on earlier growth, our Mortgage business further strengthened with loan bookings reaching ₱1.1 billion, representing a 46% increase from the 2007 level. The uptrend validated the efforts we had put into sales and distribution, which contributed 60% to the business. It also reflected a heightened awareness among real estate brokers as well as referral support from existing clients and accredited prime developers and select pocket developers. Our Cashback Mortgage product remains a unique offering in the banking industry.

Cash Management Services contributed strongly to the Bank's performance as the cash card business continued to post growth in 2008. Various promotions with the REMCO partners encouraged new card issuances and repeat cash card loading. The SSS Pensioner's card likewise gained ground as a result of aggressive marketing efforts targeting the pensioners.

Chinatrust's success in the cash card business was once again recognized by Visa, which awarded the Bank for Highest Retail Sales Volume Growth for Visa Debit for the second consecutive year. The Bank also led the category for Highest Transaction Count Growth for Visa Debit.

Treasury and Trust Services

The Bank's Treasury and Trust businesses navigated through a volatile and risk-averse environment in 2008. Amid these market uncertainties, Treasury maintained a conservative trading stance, making the Bank's liquidity its top priority. The foreign exchange desk posted considerable trading income in the dollar-peso currency pair, complemented by gains in third currencies. Further, it ensured effective management of the fixed-income portfolio.

Trust resources declined in 2008 due to lower interest rates in investment outlets such as SDA, which prompted investors to migrate to higher-yielding time deposits. However, Fund Performance of managed funds continued to outperform benchmarks. In the Watson Wyatt survey on Fund Performance for the 4th quarter 2008, Chinatrust-Trust Department once again topped the survey, ranking Number 1 in both categories under All Trusteed Funds and Funds Managed with Full Discretion. Chinatrust Philippines bested other banks in the list of fund managers handling at least five funds in the survey category. During the year, Trust also enhanced its system to comply with the Bangko Sentral ng Pilipinas (BSP) requirement on the Financial Reporting Package for Trust.

Institutional Banking

With several major bookings accomplished in 2008, Institutional Banking saw the corporate portfolio balance growing to ₱10.12 billion, total revenues of ₱284 million and pre-tax income reaching ₱110 million for the year. The Taiwan Business Group which was realigned to Institutional Banking increased its focus not only on Taiwanese-owned enterprises but also on other overseas Chinese firms allowing the Group to harness opportunities presented by customers in HongKong, Singapore, and Malaysia as well. These efforts contributed total revenues of ₱101 million for Institutional Banking for the year.

Equally important was that NPL ratio improved significantly, from 9.99% to 4.45% in 2008. These results followed a carefully executed strategy of growing term-asset portfolio to ensure the Bank's recurring interest income as well as balance its revenue sources. At the same time, the Institutional Banking aggressively built on its relationships with both the top-tier and middle-market clients through short-term credit facilities, thereby increasing cross-sell opportunities as well for trade, treasury, and cash management services.

Support Services

Living the Chinatrust Philippines values was just as imperative behind the scenes, in the Bank's support services network, which played a vital role in improving productivity and service delivery.

The Operations Re-engineering Team, set up at the beginning of the year to reassess the Bank's organizational structure, proposed several measures to redirect a leaner and more efficient Chinatrust Philippines. It rationalized the manpower complement in Branch Banking Operations, centralized MIS functions, and undertook a comprehensive review of Information Technology projects. Complementing the streamlining process in the operations and support groups, it also instituted the Business Process Management team to document policies and procedures in the proper manuals. Plans are underway to consolidate corporate and retail banking operations to achieve economies of scale.

Similarly, the Bank realized organizational synergy in other steps taken to strengthen operational capabilities. It merged Consumer Loans, Corporate Loans Operations, Treasury Operations and Trade and Remittance Operations to form Head Office Operations, thereby enhancing the value of shared expertise and leadership.

Mortgage Loans processes likewise underwent review and re-engineering. The launch of the Mortgage Loan System Upgrade supported the management of mortgage loans through efficient application of payments, billing of insurance premiums, recording of historical transactions, and automatic provision of amortization schedules; these enhancements translated into more accurate reporting and faster client servicing.

The Bank gained significant cost savings, higher accuracy, and real-time results with the migration of the credit-to-account loan releasing option for personal loans to an electronic fund transfer system.

Also completed during the year was the Four-Level Process Documentation Project for Personal Loans Operations, which included the creation of guidelines/ manuals aimed at attaining excellent operational competence at all times.

The finalization of Service Level Agreements of Corporate Loans and Trade Operations Units with Institutional Banking and Taiwan Business Group, respectively, sped up documentation processing and standardized delivery expectations.

The Trade Unit assisted the accreditation of Binondo Branch as collector of final custom duties for import entries, thus adding to branch revenues.

Treasury Operations successfully migrated to a new SWIFT system to manage international fund transfers. This improvement established new security mechanisms and relationship management tools, thus creating a more secure processing platform.

Under a new head, the Credit Cycle team enhanced programs and processes to help achieve better consumer loan portfolio quality, prudent execution of credit policies, and higher collection efficiency. Focusing on risk mitigation, it enabled Sales to deliver excellent quality volume.

Branch Banking Operations welcomed satisfactory audit results for the year, which showed branches garnering 22 out of 23 passing audit ratings, thus highlighting the effectiveness of concerted efforts to adhere strictly to policies. Key personnel also underwent the Service Officers' Competencies Enhancement Program, an intensive certification course designed to retool the Bank's branch operations officers and prepare them for higher responsibilities.

Human Resources and Corporate Social Responsibility

The Human Resource Group continued to ensure that its people programs reflected Chinatrust core values.

The Bank lauded employees who exhibited the highest degree of professionalism. Through various recognition programs such as the BOB (Best of Breed) Star Awards, employees were feted for going the extra mile to delight customers. Star Awardees were also recognized for outstanding performance in exceeding their work objectives. During the culmination of the year-long Service Officers Competency Enhancement Program (SOCEP), the President and CEO bestowed the Top Trainee of the Year Award to Rina Chua of Branch Banking Operations. On the other hand, Cherry Ang of Binondo Branch was named Best Employee for 2008, which was awarded to her by no less than Honorary Chairman Dr. Jeffrey L.S. Koo in Taipei.

Caring for employees remained a top priority, with HR driving the "We are Family" culture through meaningful programs such as Bank-wide health activities, sportsfests, and even birthday celebrations of employees.

Through its branches, the Bank also participated in the "Tulong Barya Para Sa Eskwela" project, a nationwide coin-collection campaign spearheaded by the BSP for the benefit of the public elementary schools. This initiative as well as the completion of the Bank's partnership with Gawad Kalinga in GK Sison imparted to employees and even to their families the certainty that they contributed in no small measure towards bringing the Chinatrust Philippines values to life even outside the Bank.

These get-togethers served as opportunities to strengthen the family spirit and value formation among employees and the community.

MANAGEMENT DISCUSSION AND ANALYSIS

Drawing on our values to sustain long-term growth

Despite the global economic slowdown, the year 2008 for the Bank was generally marked by solid growth in assets. Total resources expanded by 34% to ₱26.58 billion in 2008 from ₱19.90 billion in 2007. This considerable growth in assets was boosted by the 41% increase in loans and receivables (net) on the back of higher corporate and mortgage loans. The Bank has continuously endeavored to build its loan portfolio to serve as a stable platform for sustainable growth and a reliable source of revenues. While the Bank's corporate loan portfolio was trimmed down in 2007 due to pay-downs by large corporations which accessed the capital markets directly for funding, the Bank was able to immediately rebuild its corporate loans through major corporate finance deals. Notwithstanding this robust loan portfolio build-up however, the Bank's asset quality remained healthy as it adheres steadfastly to prudent lending practices. As a result, the Bank's non-performing loans (NPL) ratio as of December 2008 significantly improved to 3.93% from 6.28% in December 2007.

The Bank's asset growth was supported by the 47% expansion in deposit level from ₱12.84 billion in 2007 to ₱18.90 billion in 2008. Moreover, low-cost deposit ADB went up by 10.19% resulting to lower cost of funds.

Furthermore, the Bank's capital adequacy ratio as of December 31, 2008 remains high versus the industry at 21.50%, way above the regulatory requirement of 10%. With strong capitalization, the Bank continues to invest in its core businesses i.e., the consumer finance business, corporate lending, and the trading of fixed-income instruments and foreign exchange, while looking for opportunities for further expansion. Part of these investments would go to the continuous upgrading of its system for loans and cash management, the relocation and renovation of certain branches and the acquisition of a new treasury system.

However, the Bank's net income eased to ₱70 million due to the lethargic fixed-income trading business brought about by the global economic downturn. In this regard, the Bank opted to keep the original classification of its investment securities portfolio and show the real impact of the market prices in its financial statements instead of availing of the regulatory relief allowing the reclassification of investment portfolios which could have resulted in lower mark to market losses. Nevertheless, the Bank gained ₱76 million from foreign exchange trading. Net interest income of the Bank likewise softened to ₱1.35 billion but average cost of funds improved to 3.54% in 2008 from 4.14% in 2007 as low cost deposits ADB grew by 10.19%. Chinatrust's low-cost funds come largely from its unique cash management offerings and not from its borrower's maintaining balances.

The Bank's operating expenses went down by 11.10% year-on-year from ₱1.29 billion to ₱1.14 billion as the Bank put a tight lid on its operating expenses. Moreover, the Bank set aside ₱257.2 million as provisions for impairment and credit losses for the year, maintaining its conservative stance on loss provisioning.

RISK MANAGEMENT

Guided by values in evaluating and mitigating risk

Mindful of the need to exercise prudence in managing the Bank's resources and in carrying out its risk-taking activities, the Board of Directors created the Risk Management Committee (RMC) to oversee the Bank's Risk Management Program. RMC provides direction and define the risk philosophy of the Bank. The oversight role involving explicit authority and responsibility for managing and monitoring risk are extended to the following independent risk functions:

Credit Risk Management Group (CRMG) – Corporate Credit Risk

Credit risk is the risk that a counterparty would fail to fulfill its obligations to the Bank as they fall due. CRMG manages credit risk arising from the Bank's corporate loans.

CRMG safeguards the quality of the Bank's corporate loan portfolio by applying prudent risk acceptance criteria considering borrower's overall risk dimension amidst prevailing industry and economic conditions. The Bank has a robust Internal Rating System employing an Obligor Risk Rating system which is in compliance with Basel II directives. The IRS is likewise the basis of the Bank's credit approval system employing the 4-Eyes Concept whereby all cases need to be approved jointly by the Business and Credit Sides. On the other hand, the ORR is a statistical metric of the Bank's actual loan portfolio for the past 7 years resulting in the derivation of a predictive Probability of Default (PD) Factor. The PD is an integral step in the Bank's plan to eventually upgrade to Foundation Internal Ratings Based (FIRB) stage of Basel II. Adequate loan loss provisioning is applied to all corporate cases based on the "concrete and objective evidence of weakness" as required by PFRS/PAS coupled with the account classification system of the Bangko Sentral ng Pilipinas.

The Corporate Credit Committee meets every other week to discuss, approve and endorse new credit cases and to be promptly apprised with developments relating to watchlisted and classified loan accounts. All Relationship Managers prepare periodic Loan Review Reports for all accounts and monthly Account Plans for accounts dimensioned to have weaknesses.

In addition to credit risk acceptance, CRMG also handles credit administrative support which include collateral appraisal and credit investigation, insurance, securities documentation and custodianship, central liability control, special account management and disposal of non-performing assets. Lately, collection of delinquent mortgage banking accounts and contracts-to-sell have been added to its mandate. By the second quarter of 2009, transactional document acceptance of corporate loan cases and covenant tracking shall be added to its primary credit administrative functions.

All these measures are implemented by CRMG in order to maintain a diversified and sound loan portfolio and to detect weaknesses early on in order to protect the interests of the Bank.

Credit Cycle Group (CCG) – Consumer Credit Risk

CCG formulates credit policies founded on methodical studies of the behavioral aspect of the target market that is centered on credit-worthiness. As personal loan business involves assessment of small-ticket, high-volume applications within a set turn-around time, the evaluation process utilizes an application scorecard engine which was developed to have a predictive ability to discriminate between potential good and bad accounts. This was established based on statistical analysis using historical data and is periodically calibrated to ensure accuracy. A fraud management policy is in place to weed out sham applications through rational screening, data matching, and verification.

The group recognizes the value of maintaining an industry-best asset quality by rigorously and proficiently resolving the non-performing assets. External collection agencies were accredited to support recovery efforts of experienced and goal-driven Collection Officers.

A continuous, dynamic, and specialized training program that is focused on risk identification and mitigation models enhances the competency level of the Credit Cycle personnel. An internal career advancement program defining the required skill set and proficiency levels complements the training program.

To keep the Group's stakeholders abreast on the asset quality and ensure enlightened management decisions, CCG conducts regular portfolio review and results are incorporated in the Business Unit Performance Report (BUPR). This document analyzes and monitors profiles and trends in the portfolio as well as progress on test programs.

Risk Management Division (RMD) – Market Risk and Liquidity 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 the financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, equity prices and other market changes. The Bank's market risk originates from its holdings of foreign exchange instruments, debt securities, equities and derivatives.

RMD manages market risk through setting limits, taking into account market predictions, capital, annual budgets, experience of the risk taking units and the Bank's risk appetite. To manage probable losses arising from potential changes in the market price of underlying assets, the Bank uses the Value-at-Risk (VaR) model. The VaR is a statistical estimate based on historical simulation approach and generated from a historical database of which validity is assessed daily via back-testing.

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. This risk is controlled by setting limits on the maximum cumulative outflow (MCO) and the ratio of inter-bank borrowing to loans. Further, RMD performs a funding gap analysis using estimated cash flows.

Enterprise-Wide Risk Management Unit (EWRMU) – Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The operational issues are identified by the business units through self-assessment system and key risk indicator reporting process. Results derived from these methods are accordingly discussed and deliberated in the Operations Committee.

EWRMU was created in the last quarter of the year to undertake the operational risk management and handle the consolidation of all risks reported by each risk-monitoring unit. All risks shall be assessed, evaluated, monitored and reported to the RMC with appropriate recommendations. EWRMU also ensures that all policies and directives of the RMC are implemented.

Information Security Unit (ISU) – Information Security Risk

Information security risks are threats and vulnerabilities on the confidentiality, integrity, and availability of the Bank's assets.

A central authority, ISU represented by the Information Security Officer, responsible for establishing and monitoring a bank-wide information security program was also established during the last quarter of the year. The information security program shall include appropriate administrative, technical, and physical safeguards based on the size, complexity, nature, and scope of the institution's operations.

International Standards

CORPORATE GOVERNANCE

Aligning our values with international standards

Just as it champions a corporate culture that encourages everyone in the organization to uphold the Chinatrust values - caring, trustworthy, and professional - the Bank management takes the lead in ensuring adherence to good corporate governance principles. Our Annual Report documents reflect many of the initiatives and activities that the Bank undertook in 2008 to further align systems and processes with international governance standards. For 2009 and beyond, the Bank remains all the more committed to advocate good corporate governance and live the Chinatrust values in the ways we conduct our business.

The Bank uses the Corporate Governance Self-Rating Form as prescribed by the SEC in evaluating the level of compliance of the Board of Directors and Top Level Management with its Manual of Corporate Governance. It also conducts an annual self-assessment test for individual directors, which includes an evaluation of the performance of Board committees.

The Bank is generally in compliance with adopted leading practices on good corporate governance. Presently, it is working on the formulation of (1) a mechanism to monitor the performance of the Board and individual Board members, and (2) a process which determines whether a director conducts fair business transactions, devotes necessary time and attention to discharge his duties, acts judiciously, exercises independent judgment, has working legal knowledge affecting the Bank, observes confidentiality and ensures soundness, effectiveness and adequacy of Bank's control environment.

BOARD COMMITTEES

(As of February 1, 2009)

Conformably with existing rules and regulations, its Articles of Incorporation and By-Laws, and Manual on Corporate Governance, the Board organized five (5) committees to assist it in governance matters. These committees are: (1) Executive Committee; (2) Nomination and Review Committee, which also functions as the Bank's Committee on Corporate Governance; (3) Audit Committee; (4) Risk Management Committee; and (5) Trust Committee.

The Executive Committee is headed by William T.Y. Hon as Chairman, with William B. Go and Mark Chen as Members. It is authorized to act on behalf of the full Board as to urgent matters that arise between its regular meetings. It may review and coordinate information from other committees as well as oversee Bank operations. Its functions also 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. Moreover, it obtains from the Bank's management a timely assessment of the potential effect of any instability or crisis in the economic and political environment.

The Nomination and Review Committee is headed by William T.Y. Hon as Chairman, with William B. Go, Edwin B. Villanueva and Ng Meng Tam as Members. The NRC, which also serves as the Bank's "Committee on Corporate Governance" in compliance with BSP Circular No. 456 (Series of 2004), is responsible for ascertaining that the Board seats, including those of Independent Directors, as well as other positions that necessitate Board appointment, are filled by individuals who meet the required qualifications as set forth in the by-laws of the Bank. 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. It monitors not only the Board's performance, effectiveness, and observance of corporate governance principles, but also those of the various other committees and the Executive Management of the Bank. Further, it adopts guidelines for directors serving on multiple boards and makes recommendations to the Board on the continuing education of directors, their assignment to Board committees, succession, and remuneration. It also approves the hiring and promotion of the Bank's Group Heads. Likewise, it is also involved in Human Resources matters such as the review and revision of the Performance Management System, Benefits Policy, Salary Structure, Merit Increase, and Performance Bonus distribution.

The Audit Committee is headed by Independent Director Edwin B. Villanueva as Chairman, with Eric Wu and Ng Meng Tam as Members. The members of the Audit Committee must possess accounting, auditing, or related financial management expertise and experience. 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. It monitors the Bank's compliance with approved internal policies and controls, as well as statutory regulations, emphasizing an accounting system that is 100% compliant with International Accounting Standards. The Committee facilitates free and open communication among Management, Compliance, Risk Management, 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.

The Risk Management Committee is headed by William T.Y. Hon as Chairman, with William B. Go, Larry Hsu, Eric Wu, and Mark Chen as Members. 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 is tasked to 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 on the critical role of identifying and evaluating the Bank's risk exposures, ensuring that the appropriate risk management strategies and plans are in place and ready to be executed as necessary, and evaluating the risk management plan to ensure its continued relevance, comprehensiveness, and effectiveness. Hand in hand with the Enterprise Wide Risk Management Unit, which functions under the auspices of the Committee, it performs oversight functions in managing credit, market, liquidity, information security, and operational risks.

The Trust Committee is headed by Larry Hsu as Chairman, with William T.Y. Hon, William B. Go and Mark Chen as Members and Edlyn L. Quiroz as Trust Officer. It reviews and approves the quality and movement of the Bank's trust assets, including the opening and closing of trust and other fiduciary accounts; the 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, and of acceptable fixed income and equity investments, including the investment outlets. 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. It reports to the Board any changes in regulations, market conditions, and other factors that may affect the trust business.

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 Managing Director - Corporate Banking Division, International of Chinatrust Commercial Bank, 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 of their Singapore office. He is 53 years old.

WILLIAM B. GO, Filipino, has been the Vice Chairman of the Board since October 15, 2001. He also served as concurrent President from April 3, 2008 to January 31, 2009. A Certified Public Accountant, he earned his Bachelor of Science degree from the University of the East and 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 served as the President of Philippine Bank of Communications from 1985 to 1995. Mr. Go has been with Chinatrust Philippines since 1995. He was President until October 15, 2001 when he resigned, and was elected as Vice Chairman. He is 69 years old.

MARK CHEN, Taiwanese, assumed the position of member of the Board of Directors on January 20, 2009 and also as President and CEO on February 1, 2009. Prior to his appointment, he was named as the Executive Vice President and Chief Banking Operations Officer. He holds a B.A. in Public Finance from National Chengchi University in Taiwan, and Masters in Finance at the University of Iowa in the USA. He previously worked with ABN AMRO Taiwan's Asia Pacific Regional Center in Singapore, Bank of Asia in Thailand, and ABN AMRO in Shanghai, before joining the Chinatrust family in 2006 as Chief Country Officer of Chinatrust Commercial Bank in Vietnam. He is 40 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 Capital Markets Group of Chinatrust Commercial Bank, Ltd. (Taiwan). He was also the Head of Trading of Citibank, Taipei Branch from 1998 to 2003, and Trader of FX, Fixed Income, and Derivatives Trading from 1988 to 1998. He is 46 years old.

DENNIS WANG, a.k.a. Wang Chien Chung, Taiwanese, served as a member of the Board until January 20, 2009. He graduated with a Bachelor of Laws degree from the Chengchi University. He is currently the Credit Risk Officer of Chinatrust Philippines. He was previously Head of Credit Department in PT. Bank Chinatrust Indonesia and Credit Officer in Chinatrust Commercial Bank, HCMC Branch from 2003 to 2007. He is 44 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 Senior Executive Vice President and Managing Director of Consumer Finance Group of Chinatrust Commercial Bank, Ltd. (Taiwan). He was Senior Vice President of McDonalds Restaurants, Taiwan from 1991 to 2003. He is 45 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 63 years old.

EDWIN B. VILLANUEVA, Filipino, has been an Independent Director of Chinatrust Philippines since 2002 and is the Chairman of the Audit Committee. 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. and President of ABV Inc., a real estate holding company. He is a member of the Market Governance Board of the Philippine Dealing Exchange. He also holds directorships in the Makati Supermart Group, Testech Inc., and DFNN Inc. He is 58 years old.

MANAGEMENT COMMITTEES

(As of February 1, 2009)

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, includes as its members the Treasurer, the Chief Finance Officer, the Chief Credit Officer, the Heads of Institutional Banking, Retail Banking, Trust, Risk Management, and the Balance Sheet & Liquidity and Marketing desks of Treasury, and the Treasury Product Manager. The **Credit Committee** (Crecom) convenes every Monday to review, approve and endorse corporate credit proposals. The Crecom also discusses the bank's classified and non-performing loan portfolio in order to further improve the asset quality of the Bank. The Crecom is chaired by the President with the Chief Credit Officer and Institutional Banking Group Head as members. The **Management Committee** (Mancom), which meets every Tuesday to tackle major management issues, is likewise chaired by the President, with all Group Heads and other key senior officers such as the heads of Legal, Credit Cycle and the Enterprise-wide Risk Officer as members. The **Operations Committee** is devoted to discuss operational risk issues. It convenes every month and is also chaired by the President. Its members include the Enterprise-wide Risk Officer, Information Security Officer, and Heads of Credit Risk Management, Credit Cycle, Finance and Corporate Affairs, Information Technology, Head Office Operations, Branch Operations, Internal Audit and Compliance. The **IT Steering Committee** meets once a month and is also chaired by the President. Its members include the Heads of Information Technology, Finance and Corporate Affairs, Banking Operations, Credit Cycle, Business Process Management, and Software Development and Maintenance as well as the IT Security Officer. The committee prioritizes and approves critical IT Projects and also reviews and endorses IT Policies and Procedures.

SENIOR OFFICERS

ROLANDO R. AVANTE, Filipino, received his Bachelor of Science in Commerce degree 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 Philippines, he was First Vice President of Domestic Treasury 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 50 years old.

RAYMUNDO MARTIN M. ESCALONA, Filipino, earned his Bachelor of Science in Commerce degree, Major in Management of Financial Institutions, at De La Salle University. He joined Chinatrust Philippines in January 2008 as Executive Vice President and Head of the Institutional Banking Group. Prior to this, he was the 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 48 years old.

MARIA GRETCHEN S. MACABASCO, Filipino, earned her Bachelor of Science in Business Management degree from the Ateneo de Manila University. She joined Chinatrust Philippines in August 2008, as Senior Vice President - Corporate Finance and Top Tier Head of Institutional Banking Group. Prior to joining the Bank, she was Senior Vice President - Head of Trade of Australia and New Zealand Bank, Manila Branch. She also served as First Vice President - Structured Products Group Head at Philippine

Bank of Communications; Vice President - Working Capital Head of ABN AMRO Philippines; Assistant Vice President - Global Relationship Banking of Citibank Manila. She is 45 years old.

EDGARDO A.M. MENDOZA, JR., Filipino, earned his Bachelor of Arts degree in Psychology from De La Salle University, and his Masters in Business Administration degree from the Ateneo de Manila University. He is Senior Vice President and Head of the Human Resource and Administration Group. Prior to joining Chinatrust Philippines in August 2008, he was with the BPO/call center industry for five years, as General Manager for Human Resources of IBM Daksh Philippines, and as Human Resources Director of iTouchPoint Softech Ltd. He also had a 10-year stint with three other banks-the Rizal Commercial Banking Corporation (RCBC), where he was First Vice President and HR Group Head; Philippine Savings Bank (PSBank), where he was First Vice President and HR Group Head; and Solidbank, where he was Vice President and HR Group Head. For more than 10 years, he was also a faculty member of both the Ateneo de Manila University and De La Salle University Graduate Schools of Business, where he taught Organizational Behavior at the MBA level. He is 51 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 and Executive Vice President and Chief Operating Officer of Active Bank from October 1994. He 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 52 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 Philippines, 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 54 years old.

JIMMY ARSENIO Y. SAMONTE, Filipino, a Certified Public Accountant, obtained his Bachelor's degree in Commerce, Major in Accountancy (cum laude), from the University of Santo Tomas. He also attended the Banking Intermediate Industry Training School at the Center for Professional Education of Arthur Andersen and Co.; St. Charles, Illinois, USA. He is Senior Vice President and Head of Internal Audit. He also served as the Bank's Compliance Officer in 2000 to 2001. Prior to joining Chinatrust Philippines, he was Audit Manager of the Financial Services Group of Sycip, Gorres, Velayo & Co. (SGV & Co.), a member firm of Ernst & Young Global Limited. He has been with the Bank since October 1998. He is 39 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 44 years old.

HONORARY CHAIRMAN AND BOARD OF DIRECTORS
(As of February 1, 2009)

Dr. Jeffrey L.S. Koo
Honorary Chairman

William T.Y. Hon
Chairman

William B. Go
Vice Chairman
Concurrently President from April 3, 2008 to January 31, 2009

Mark Chen
President and CEO
Effective February 1, 2009
Director

Larry Hsu
Director

Eric Wu
Director

Ng Meng Tam
Independent Director

Edwin B. Villanueva
Independent Director

SENIOR OFFICERS
(As of April 1, 2009)

OFFICE OF THE PRESIDENT / EXECUTIVE OFFICES

Mark Chen
President and CEO

Clarissa G. de Joya
Therese Marie A. Marin
Zimar B. Mendiola
Assistant Vice Presidents

BANKING OPERATIONS

Teresita S. Galvadores
Vilma A. Noche
First Vice Presidents

COMPLIANCE

Rosario C. Astrologo
Vice President

Atty. Mary Elizabeth H. Bayhon
Assistant Vice President

CREDIT CYCLE

Antonio D. Sy
First Vice President

Milton Joseph C. Tiburcio
Vice President

CREDIT RISK MANAGEMENT

Rogerio B. Panlasigui
Senior Vice President / Group Head

Primitivo C. Estonio
Armand D. Eugenio
Rafael V. Rufino III
Dennis Wang
Assistant Vice Presidents

FINANCE AND CORPORATE AFFAIRS

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

Atty. Maritess P. Elbinias
Andre P. Payawal
Vice Presidents

Caezar O. Gutierrez
Renato I. Manalang, Jr.
Atty. Rolando V. Vicerra
Assistant Vice Presidents

HUMAN RESOURCE AND ADMINISTRATION

Edgardo A. M. Mendoza, Jr.
Senior Vice President / Group Head

Napoleon Henry G. Santiago
Vice President

Virgilio D. Mendoza
Assistant Vice President

INFORMATION TECHNOLOGY

Huntley S. Uy
Senior Vice President / Group Head

Reynaldo Antonio R. Jimenez
Melanie N. Rivera
Vice Presidents

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

INFORMATION SECURITY

Jonathan C. Pineda
Assistant Vice President

INSTITUTIONAL BANKING

Raymundo Martin M. Escalona
Executive Vice President / Group Head

Ma. Gretchen S. Macabasco
Senior Vice President

Suzanne S. Aquino
Nathan Francis C. Chincuanco
Donald Liu
Marvin I. Tiburcio
Vice Presidents

Grace N. Morales
Carlos Francisco P. Roa
Assistant Vice Presidents

INTERNAL AUDIT

Jimmy Arsenio Y. Samonte
Senior Vice President

Ma. Cristina C. Talastas
Assistant Vice President

RETAIL BANKING

Anthony T. Robles
Executive Vice President / Group Head

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

Ma. Gracia Pia L. Arellano
Ma. Lourdes V. Borromeo
Ingrid U. Militante
Febo C. Sabino
Kathryn YC See
Ben August R. Solis
Vice Presidents

Xavier Marc C. Amante
Elmer J. Foronda
Catherine Joy D. Ke
Mark Dennis S. Tan
Cecilia S. Treyes
Assistant Vice Presidents

RISK MANAGEMENT

Enrico P. Villanueva
Vice President

TREASURY

Rolando R. Avante
Executive Vice President / Group Head

Oliver D. Jimeno
Helen G. Oleta
Vice Presidents

Juan Emmanuel B. Andaya
Justin Benedict G. dela Rosa
Giselle P. Precilla
Ma. Iraida B. Recto
Assistant Vice Presidents

TRUST AND INVESTMENT SERVICES

Edlyn L. Quiroz
Vice President

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management of CHINATRUST (PHILIPPINES) is responsible for all information and representations contained in the financial statements for the year ended December 31, 2008. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts based on the best estimates and informed judgement of management with an appropriate consideration to materiality.

In this regard, the 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 properly safeguarded against unauthorized use or dispositions and liabilities are properly recognized. The Management likewise discloses to the Bank's Audit Committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

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

Sycip Gorres Velayo & Co., the independent auditors appointed by the Stockholders, has examined the financial statements of the Bank in accordance with Philippine Standards on Auditing (PSA) and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and the Stockholders.

WILLIAM T.Y. HON
Chairman of the Board

WILLIAM B. GO
Vice Chairman of the Board/
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, 2008 and 2007, and the statements of income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

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, 2008 and 2007, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Christian G. Lauron
Partner
CPA Certificate No. 95977
SEC Accreditation No. 0790-A
Tax Identification No. 210-474-781
PTR No. 1566435, January 5, 2009, Makati City

April 1, 2009

BALANCE SHEETS

	December 31	
	2008	2007
ASSETS		
Cash and Other Cash Items (Notes 4, 5, 12, and 16)	**₱351,253,539**	₱188,751,714
Due from Bangko Sentral ng Pilipinas (Notes 4, 5, 12 and 16)	**3,536,491,101**	3,443,045,304
Due from Other Banks (Notes 4, 5, and 16)	**1,457,052,884**	341,006,935
Interbank Loans Receivable (Notes 4, 5, and 16)	**715,280,000**	247,680,000
Financial Assets at Fair Value through Profit or Loss (Notes 4, 5 , 6 and 16)	**555,321,284**	721,751,402
Available-for-Sale Investments (Notes 4, 5, 6 and 16)	**1,086,684,504**	1,269,284,691
Held-to-Maturity Investments (Notes 4, 5, 6 and 16)	**98,002,854**	106,446,504
Loans and Receivables (Notes 4, 5, 7, 16 and 25)	**18,004,693,828**	12,752,330,008
Property and Equipment (Notes 8 and 16)	**197,279,769**	229,915,401
Investment Properties (Notes 9 and 16)	**2,456,539**	26,167,367
Deferred Tax Assets (Notes 16 and 20)	**448,397,791**	438,885,149
Other Assets (Notes 4, 5, 10 and 16)	**124,036,577**	127,324,255
	₱26,576,950,670	₱19,892,588,730
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities (Notes 4, 5, 12 and 16)		
Demand	**₱3,856,006,069**	₱4,121,600,514
Savings	**2,233,854,322**	1,740,705,462
Time	**12,814,129,876**	6,975,782,555
	18,903,990,267	12,838,088,531
Bills Payable (Notes 4, 5, 13 and 16)	**1,431,556,080**	675,568,028
Outstanding Acceptances (Notes 4, 5 and 16)	**3,838,026**	16,225,536
Manager's Checks (Notes 4, 5 and 16)	**53,990,478**	55,920,445
Accrued Interest, Taxes and Other Expenses (Notes 4, 5, 14 and 16)	**393,084,404**	372,343,825
Other Liabilities (Notes 4, 5, 15 and 16)	**874,839,453**	967,943,744
	21,661,298,708	14,926,090,109
EQUITY		
Common Stock (Note 17)	**2,479,687,310**	2,479,687,310
Additional Paid-in Capital (Note 17)	**53,513,675**	53,513,675
Surplus (Notes 17 and 22)	**2,485,376,706**	2,415,456,295
Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 6)	**(102,925,729)**	17,841,341
	4,915,651,962	4,966,498,621
	₱26,576,950,670	₱19,892,588,730

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME

	Years Ended December 31		
	2008	2007	2006
INTEREST INCOME			
Loans and receivables (Notes 7 and 25)	**₱1,623,803,294**	₱1,655,080,538	₱1,897,847,656
Trading and investment securities (Note 6)	**186,005,406**	246,062,849	287,613,011
Interbank loans receivable	**70,842,561**	285,565,447	90,819,102
Deposits with other banks and others	**63,963,749**	81,539,633	52,275,398
	1,944,615,010	2,268,248,467	2,328,555,167
INTEREST EXPENSE			
Deposit liabilities (Note 12)	**555,729,379**	749,407,580	770,846,665
Bills payable and other borrowings (Note 13)	**34,132,357**	83,922,100	169,383,062
	589,861,736	833,329,680	940,229,727
NET INTEREST INCOME	**1,354,753,274**	1,434,918,787	1,388,325,440
Service fees and commission income (Note 21)	**94,223,058**	119,917,619	126,116,900
Foreign exchange gain - net	**75,723,787**	64,591,106	41,642,908
Trading and securities gain (loss) - net (Note 6)	**(60,176,921)**	85,099,709	547,743,518
Miscellaneous - net (Note 21)	**65,849,627**	79,278,164	18,772,943
TOTAL OPERATING INCOME	**1,530,372,825**	1,783,805,385	2,122,601,709
Compensation and fringe benefits (Notes 18 and 25)	**463,195,886**	477,948,575	402,839,942
Occupancy and other equipment-related costs (Note 19)	**301,024,017**	319,365,071	254,651,708
Provision for impairment and credit losses (Note 11)	**257,204,483**	338,529,831	494,491,320
Taxes and licenses (Note 20)	**129,193,106**	188,732,558	189,572,890
Depreciation and amortization (Notes 8 and 9)	**59,058,571**	66,582,030	63,276,183
Insurance	**40,202,639**	39,159,677	39,338,177
Amortization of computer software costs (Note 10)	**24,190,293**	30,922,873	27,491,205
Miscellaneous (Note 21)	**125,424,185**	164,810,426	137,360,300
TOTAL OPERATING EXPENSES	**1,399,493,180**	1,626,051,041	1,609,021,725
INCOME BEFORE INCOME TAX	**130,879,645**	157,754,344	513,579,984
PROVISION FOR INCOME TAX (Note 20)	**60,959,234**	43,880,312	20,994,761
NET INCOME	**₱69,920,411**	₱113,874,032	₱492,585,223
Basic/Diluted Earnings Per Share (Note 27)	**₱0.28**	₱0.46	₱1.99

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

	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, 2007	**₱2,479,687,310**	**₱53,513,675**	**₱2,415,456,295**	**₱17,841,341**	**₱4,966,498,621**
Unrealized loss recognized in equity (Note 6)	–	–	–	(113,694,633)	(113,694,633)
Realized gain recognized in profit and loss (Note 6)	–	–	–	(7,072,437)	(7,072,437)
Net movement directly recognized in equity	–	–	–	(120,767,070)	(120,767,070)
Net income for the year	–	–	69,920,411	–	69,920,411
Total income and expense for the year	–	–	69,920,411	(120,767,070)	(50,846,659)
Balance at December 31, 2008	**₱2,479,687,310**	**₱53,513,675**	**2,485,376,706**	**(102,925,729)**	**4,915,651,962**
Balance at December 31, 2006	**₱2,156,249,970**	**₱53,513,675**	**₱2,625,019,750**	**₱60,129,158**	**₱4,894,912,553**
Unrealized gain recognized in equity (Note 6)				26,951,497	26,951,497
Realized gain recognized in profit and loss (Note 6)	–	–	–	(69,239,314)	(69,239,314)
Net movement directly recognized in equity	–	–	–	(42,287,817)	(42,287,817)
Net income for the year	–	–	113,874,032	–	113,874,032
Total income and expense for the year	–	–	113,874,032	(42,287,817)	71,586,215
Stock dividends (Note 17)	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**
Unrealized gain recognized in equity	–	–	–	296,958,048	296,958,048
Realized gain recognized in profit and loss	–	–	–	(255,675,708)	(255,675,708)
Net movement directly recognized in equity	–	–	–	41,282,340	41,282,340
Net income for the year	–	–	492,585,223	–	492,585,223
Total income and expense for the year	–	–	492,585,223	41,282,340	533,867,563
Stock dividends (Note 17)	281,249,970	–	(281,250,000)	–	(30)
	281,249,970	–	211,335,223	41,282,340	533,867,563
Balance at December 31, 2006	**₱2,156,249,970**	**₱53,513,675**	**₱2,625,019,750**	**₱60,129,158**	**₱4,894,912,553**

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱130,879,645**	₱157,754,344	₱513,579,984
Adjustments for:			
Foreign exchange revaluation on trading and investment securities	**(211,697,938)**	262,433,921	18,298,963
Amortization of premium (discount)	**431,100,850**	85,823,337	(262,629,994)
Provision for impairment and credit losses (Note 11)	**257,204,483**	338,529,831	494,491,320
Foreign exchange revaluation on bills payable	**(185,683,267)**	(338,370,000)	(88,751,600)
Depreciation and amortization (Notes 8 and 9)	**59,058,571**	66,582,030	63,276,183
Amortization of computer software costs (Note 10)	**24,190,293**	30,922,873	27,491,205
Loss (gain) on sale of assets	**(2,942,716)**	(14,098,852)	170,303
Loss (gain) on sale of foreclosed investment properties	**2,273,085**	(666,755)	9,880,118
Mark-to-market loss (gain) on trading securities	**1,836,892**	(5,268,107)	(41,694,533)
Dividend income	**(511,050)**	(512,850)	(525,250)
Amortization of deferred charges	**254,738**	(953,218)	280,229
Gain on foreclosure of investment properties	**–**	(4,346,705)	(6,812,270)
Changes in operating assets and liabilities:			
Decrease (increase) in amounts of:			
Financial assets at fair value through profit or loss	**164,593,226**	1,441,487,568	(1,970,197,651)
Loans and receivables	**(5,509,568,303)**	2,313,150,082	237,385,593
Interbank loans receivable	**–**	81,716,536	65,677,814
Other assets	**(7,460,266)**	(45,832,103)	14,749,173
Increase (decrease) in amounts of:			
Deposit liabilities	**6,065,901,736**	(5,914,799,444)	3,891,411,887
Outstanding acceptances	**(12,387,510)**	(53,776,547)	(50,316,690)
Manager's checks	**(1,929,967)**	34,800,361	(12,942,587)
Accrued interest, taxes and other expenses	**25,793,349**	22,323,665	69,816,995
Other liabilities	**(93,104,291)**	379,625,919	(6,827,923)
Net cash generated from (used in) operations	**1,137,801,560**	(1,163,474,114)	2,965,811,269
Income taxes paid	**(75,524,646)**	(93,116,517)	(156,850,477)
Net cash provided by (used in) operating activities	**1,062,276,914**	(1,256,590,631)	2,808,960,792

(Forward)

	Years Ended December 31		
	2008	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Available-for-sale investments	**(₱3,628,416,043)**	(₱7,459,478,067)	(₱33,898,336,793)
Held-to-maturity investments	**(58,595,934)**	(106,066,578)	(2,306,817,831)
Property and equipment (Note 8)	**(41,746,495)**	(86,145,820)	(72,432,347)
Compute software costs	**(14,281,056)**	(14,810,144)	(23,430,953)
Proceeds from disposals of:			
Available-for-sale investments	**3,473,885,832**	9,133,831,077	32,837,935,734
Held-to-maturity investments	**64,000,000**	14,500,000	3,363,787,513
Investment properties (Note 9)	**21,349,486**	12,571,685	–
Property and equipment (Note 8)	**18,938,498**	21,456,707	5,041,870
Compute software costs	**–**	228,870	–
Dividends received	**511,050**	512,850	525,250
Net cash provided by (used in) investing activities	**(164,354,662)**	1,516,600,580	(93,727,557)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of bills payable	**12,447,197,769**	25,098,793,414	38,173,450,950
Settlement of bills payable	**(11,505,526,450)**	(27,627,670,130)	(37,577,173,362)
Net cash provided by (used in) financing activities	**941,671,319**	(2,528,876,716)	596,277,588
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,839,593,571**	(2,268,866,767)	3,311,510,823
CASH AND CASH EQUIVALENTS AT BEGINNING 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	**247,680,000**	3,334,260,000	900,620,000
	4,220,483,953	6,489,350,720	3,177,839,897
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	**351,253,539**	188,751,714	199,372,111
Due from Bangko Sentral ng Pilipinas	**3,536,491,101**	3,443,045,304	2,572,550,941
Due from other banks	**1,457,052,884**	341,006,935	383,167,668
Interbank loans receivable	**715,280,000**	247,680,000	3,334,260,000
	₱6,060,077,524	₱4,220,483,953	₱6,489,350,720

OPERATIONAL CASH FLOWS FROM INTEREST			
Interest received	**₱1,876,555,779**	₱2,356,789,398	₱2,225,241,420
Interest paid	**(504,332,742)**	(814,511,378)	(869,351,161)

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

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 1, 2009.

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 for the adoption of the following amendments to existing standards that became effective on July 1, 2008 and Philippine Interpretations which became effective on January 1, 2008:

Amendments to Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement and PFRS 7, Financial Instruments: Disclosures*
The amendment to PAS 39 introduces the possibility of reclassification of securities out of the trading category in rare circumstances and reclassification to the loans and receivables category if there is intent and ability to hold the securities for the foreseeable future or to held-to-maturity (HTM) if there is intent and ability to hold the securities until maturity. It also allows the transfers of certain financial assets from AFS to loans and receivables and HTM. The amendment to PFRS 7 introduces the disclosures relating to these reclassifications.

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 expect this Interpretation to have significant impact on its financial statements.

Philippine Interpretation IFRIC-12, *Service Concession Arrangements*
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-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. This Interpretation has no significant impact on the Bank's financial statements.

Significant Accounting Policies

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 of the RBU 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.

FCDU
Effective January 1, 2008
In 2008, in compliance with the requirements of BSP Circular No. 494, Guidelines on the Adoption of PFRS and PAS and PAS 21, *The Effects of Changes in Foreign Exchange Rates*, management formalized its determination of the FCDU's functional currency. Based on management's assessment, the FCDU's functional currency is USD. The use of USD faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the FCDU. Exchange differences arising on translation will be taken directly to a separate component of equity in the statement of assets, liabilities and equity. As of December 31, 2008, translation adjustments were not recognized because the amount is not material in relation to the Bank's financial statement.

Prior to 2008
For financial reporting purposes, the monetary assets and liabilities of the FCDU are translated in Philippine pesos based on the PDS closing rate prevailing at end of the year, and foreign currency-denominated income and expenses, at the PDSWAR 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 period 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

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.

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 and financial liabilities 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, HTM, AFS investments, and loans and receivables while financial liabilities are classified as financial liabilities at FVPL and financial liabilities carried at amortized cost. 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, re-evaluates 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 difference'
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' difference) in 'Trading and securities gain - net' in the statement of income unless it qualifies for recognition as some other type of assets. 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 difference 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 gains (losses) - 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 2008 and 2007, 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 gains (losses) - 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 gains (losses) - 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 translation 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 gains (losses) - 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 weighted average of inventory costing. 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.

<u>Derecognition of Financial Assets and Liabilities</u>
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.

<u>Repurchase and Reverse Repurchase Agreements</u>
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.

<u>Impairment of Financial Assets</u>
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 financial assets 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 available-for-sale financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual 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.

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 gains (losses) - 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.

Other income
Income from sale of services is recognized upon rendition of the service. Income from sale of properties is recognized upon completion of the earning process and the collectibility of the sales price is reasonably assured.

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. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Bank nor can they be paid directly to the Bank. Fair value is based on market price information and in the case of quoted securities it is the published bid price. The value of any plan asset recognized is restricted to the sum of any past service costs 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 declared and 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 will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

Effective in 2009

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.

Amendment to PAS 1, *Presentation of Financial Statements - Amendment on Statement of Comprehensive Income* (effective for annual periods beginning on or after January 1, 2009)
In accordance with the amendment to PAS 1, the statement of changes in equity shall include only transactions with owners, while all non-owner changes will be presented in equity as a single line with details included in a separate statement. Owners are defined as holders of instruments classified as equity.

The amendment to PAS 1 also provides for the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in the statement of income and expenses together with 'other comprehensive income'. The revisions specify what is included in other comprehensive income, such as gains and losses on AFS investments, actuarial gains and losses on defined benefit pension plans and changes in the asset revaluation reserve. Entities can choose to present all items in one statement, or to present two linked statements, a separate statement of income and expenses and a statement of comprehensive income. Adoption of this amendment will not have a significant impact on the Bank except for the presentation of a statement of comprehensive income and additional disclosures to be included in the financial statements.

Amendments to PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation* (effective for annual periods beginning on or after January 1, 2009)
The Standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria.

PFRS 2, *Share-based Payment - Vesting Condition and Cancellations* (effective for annual periods beginning on or after January 1, 2009)
The standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires non-vesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a non-vesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a non-vesting condition that is beyond the control of either party does not give rise to a cancellation.

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 Bank will assess the impact of the standard on its current manner of reporting segment information.

PAS 23, *(Revised) Borrowing Cost* (effective for annual periods beginning on or after January 1, 2009)
The revised standard requires capitalization of borrowing costs that relate to a qualifying asset. The transitional requirements of the standard require it to be adopted as a prospective change from the effective date. The Bank expects that this Standard will not have any significant impact on its financial statements.

Improvements to PFRSs
In May 2008, the International Accounting Standards Board (IASB) issued its first omnibus of amendments to certain standards, primarily with a view of removing inconsistencies and clarifying wordings. The Bank has not yet adopted the following relevant amendments and anticipates that these changes will have no material effect in the financial statements.

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.

PFRS 7, *Financial Instruments: Disclosures*
- Removal of the reference to 'total interest income' as a component of finance costs.

PAS 1, *Presentation of Financial Statements*
- Assets and liabilities classified as held for trading are not automatically classified as current in the balance sheet.

PAS 10, *Events after the Reporting Period*
- Clarification that dividends declared after the end of the reporting period are not obligations.

PAS 16, *Property, Plant and Equipment*
- The amendment replaces the term 'net selling price' with 'fair value less costs to sell' to be consistent with PFRS 5, Non-current Assets Held for Sale and Discontinued Operations, and PAS 36, Impairment of Assets.
- Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents and subsequent sales are all shown as cash flows from operating activities.

PAS 18, *Revenue*
- Replacement of the term 'direct costs' with 'transaction costs' as defined in PAS 39.

PAS 19, *Employee Benefits*
- Revises the definition of 'past service costs' to include reductions in benefits related to past services ('negative past service costs') and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment.
- Revises the definition of 'return on plan assets' to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation.
- Revises the definition of 'short-term' and 'other long-term' employee benefits to focus on the point in time at which the liability is due to be settled.
- Deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, Provisions, Contingent Liabilities and Contingent Assets.

PAS 23, *Borrowing Costs*
- Revises the definition of borrowing costs to consolidate the types of items that are considered components of 'borrowing costs', i.e., components of the interest expense calculated using the effective interest rate method.

PAS 28, *Investment in Associates*
- If an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.
- An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

PAS 36, *Impairment of Assets*
- When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with the disclosures required when the discounted cash flows are used to estimate 'value in use'.

PAS 38, *Intangible Assets*
- Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.
- Deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit of production method.

PAS 39, *Financial Instruments: Recognition and Measurement*
- Changes in circumstances relating to derivatives - specifically derivatives designated or de-designated as hedging instruments after initial recognition - are not reclassifications.
- When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, *Insurance Contracts,* this is a change in circumstance, not a reclassification.
- Removes the reference to a 'segment' when determining whether an instrument qualifies as a hedge.
- Requires use of the revised effective interest rate (rather than the original effective interest rate) when re-measuring a debt instrument on the cessation of fair value hedge accounting.

PAS 40, *Investment Property*
- Revises the scope (and the scope of PAS 16) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

Effective in 2010
Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
Amendment to PAS 39 will be effective on July 1, 2009, which addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

PAS 27, *Consolidated and Separate Financial Statements (Revised)* (effective for annual periods beginning on or after July 1, 2009)
This revised Standard establishes that change in the ownership interest of a subsidiary that does not result in loss of control will be accounted for as an equity transaction. Where change in ownership of interest results in the loss of control of a subsidiary, any retained interest will be re-measured to fair value and will impact gain or loss recognized on disposal. Moreover, any losses incurred by the subsidiary will be allocated between the controlling and non-controlling interests, even if the losses exceed the non-controlling equity investment in the subsidiary. Consequently, the parent will no longer show the excess losses as part of its own equity. The Bank has yet to assess the impact of these amendments on the financial statements.

PFRS 3, *(Revised) Business Combinations* (effective for annual periods beginning on or after July 1, 2009)
The Standard has been revised to include combinations of mutual entities and combinations without considerations. It also introduces a number of changes in accounting for business combinations that will impact the amount of goodwill recognized, the results in the period that an acquisition occurs and future revenues reported. The Bank has yet to assess the impact of these amendments on the financial statements.

Philippine Interpretation IFRIC - 17, *Distribution of Non-cash Assets to Owners*
This Interpretation covers accounting for two types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners. The two types of distribution are: a. distributions of non-cash assets (e.g., items of property, plant and equipment, businesses as defined in PFRS 3, ownership interests in another entity or disposal groups as defined in PFRS 5); and b. distributions that give owners a choice of receiving either non-cash assets or a cash alternative. This Interpretation addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by shareholders who receive such a distribution.

Philippine Interpretation IFRIC - 18, *Transfers of Assets from Customers*
This Interpretation covers accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. Agreements within the scope of this Interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. This Interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

Effective in 2012
Philippine Interpretation IFRIC - 15, *Agreement for Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11,

Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and rewards of ownership are transferred to the buyer on a continuous basis, will also be accounted for based on stage of completion.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATE

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 or disclosed in the notes 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, 2008 and 2007, HTM investments are carried at ₱98.4 million and ₱106.4 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.

(d) Operating leases

The Bank has entered into commercial property leases on its investment property portfolio. The Bank has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out as operating leases.

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, 2008 and 2007, allowance for impairment and credit losses on loans and receivables of the Bank amounted to ₱1.5 billion and ₱1.4 billion, respectively. Loans and receivables, net of allowance for impairment and credit losses, are carried at ₱18.0 billion and ₱12.8 billion as of December 31, 2008 and 2007, 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 12 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, 2008 and 2007, AFS investments are carried at ₱1.1 billion and ₱1.3 billion, respectively (see Note 6).

d. Recognition of deferred income taxes

Deferred tax assets are recognized for all unused tax losses and future tax credits 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 recognized deferred tax assets as of December 31, 2008 and 2007 amounted to ₱448.4 million and ₱438.9 million, respectively. Deferred tax assets on MCIT amounting to ₱P9.5 million and ₱31.5 million as of December 31, 2008 and 2007, respectively, deferred tax asset on NOLCO amounting to ₱4.8 million as of December 31, 2007, and deferred tax asset on accrued rent expense – PAS 17 amounting to ₱3.9 million and ₱4.6 million as of December 31, 2008 and 2007, respectively, 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 6% and 13% in 2008 and 2007, 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, 2008 and 2007 amounted to ₱77.5 million and ₱103.2 million, respectively (see Note 18).

The net retirement asset balance as of December 31, 2008 and 2007 amounted to ₱9.9 million and ₱5.2 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, 2008, the net carrying value of property and equipment and investment properties amounted to ₱197.3 million and ₱2.5 million, respectively. 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).

4. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

The following table presents the total carrying amount of the Company's financial instruments per category:

	December 31	
	2008	2007
Financial assets		
Financial assets at FVPL	**₱555,321,284**	₱721,751,402
AFS financial assets	**1,086,684,504**	1,269,284,691
HTM	**98,002,854**	106,446,504
Loans and Receivables		
Cash and other cash items	**351,253,539**	188,751,714
Due from BSP	**3,536,491,101**	3,443,045,304
Due from other banks	**1,457,052,884**	341,006,935
Interbank loans receivable	**715,280,000**	247,680,000
Loans and receivables - net	**18,004,693,828**	12,752,330,008
Other assets	**19,809,817**	21,843,835
	24,084,581,169	16,994,657,796
Total financial assets	**₱25,824,589,811**	₱19,092,140,393
Financial Liabilities		
Financial liabilities at FVPL	**₱1,030,737**	₱39,756,167
Other financial liabilities		
Deposit liabilities	**18,903,990,267**	12,838,088,531
Bills payable	**1,431,556,080**	675,568,028
Outstanding acceptances	**3,838,026**	16,225,536
Manager's checks	**53,990,478**	55,920,445
Accrued interest and other expenses	**381,809,855**	355,782,199
Other liabilities	**842,119,306**	903,211,522
	21,617,304,012	14,844,796,261
Total financial liabillities	**₱21,618,334,749**	₱14,884,552,428

Due from BSP includes lending to the central bank under reverse repurchase agreement amounting to ₱1.8 billion and ₱1.4 billion as of December 31, 2008 and 2007, respectively.

The following table presents a comparison of the carrying amounts and fair values of all of the Bank's financial assets and liabilities as of December 31, 2008 and 2007.

	2008		2007	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
FINANCIAL ASSETS				
Cash and other cash items	**₱351,253,539**	**₱351,253,539**	₱188,751,714	₱188,751,714
Due from BSP	**3,536,491,101**	**3,536,491,101**	3,443,045,304	3,443,045,304
Due from other banks	**1,457,052,884**	**1,457,052,884**	341,006,935	341,006,935
Interbank loans receivable	**715,280,000**	**715,280,000**	247,680,000	247,680,000
Financial assets at FVPL				
Held-for-trading				
Government debt	**553,630,405**	**553,630,405**	685,256,267	685,256,267
Derivative assets	**1,690,879**	**1,690,879**	36,495,135	36,495,135
AFS investments				
Government debt	**1,073,521,355**	**1,073,521,355**	1,256,121,542	1,256,121,542
Unquoted equities	**13,163,149**	**13,163,149**	13,163,149	13,163,149
Loans and receivables				
Institutional banking	**9,506,929,313**	**9,505,836,177**	5,349,592,050	5,354,260,647
Retail banking	**2,970,248,936**	**2,609,322,084**	2,857,671,898	2,360,861,280
Mortgage banking	**2,349,582,969**	**2,348,683,507**	1,618,220,138	1,604,567,606
Small business loans	**420,668,585**	**420,668,585**	265,772,973	265,772,973
Other receivables	**1,152,308,884**	**1,152,308,884**	896,832,186	896,832,186
Unquoted debt securities	**1,604,955,142**	**1,589,833,662**	1,764,240,763	1,737,805,679
HTM investments				
Government debt	**98,002,854**	**98,079,648**	106,446,504	107,074,742
Other assets	**19,809,817**	**19,809,817**	21,843,935	21,843,935
FINANCIAL LIABILITIES				
Deposit liabilities				
Demand	**3,856,006,069**	**3,856,006,069**	4,121,600,514	4,121,600,514
Savings	**2,233,854,322**	**2,233,854,322**	1,740,705,462	1,740,705,462
Time	**12,814,129,876**	**12,697,570,904**	6,975,782,555	6,816,739,082
Bills payable	**1,431,556,080**	**1,431,556,080**	675,568,028	675,568,028
Outstanding acceptances	**3,838,026**	**3,838,026**	16,225,536	16,225,536
Manager's checks	**53,990,478**	**53,990,478**	55,920,445	55,920,445
Accrued interest and other expenses	**381,809,855**	**381,809,855**	355,782,199	355,782,199
Other liabilities	**843,150,043**	**843,150,043**	942,967,689	942,967,689

The methods and assumptions used by the Bank in estimating the fair values of the financial instruments are:

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, savings accounts without specified maturities and bills payable. This assumption also applies to floating-rate financial instruments (e.g., loans and receivables, government debt investments, and deposit liabilities) 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 ranges of discount rates were used in estimating the fair values of unquoted fixed-rate and floating-rate debt instruments:

	2008			
	USD		**PHP**	
	High	**Low**	**High**	**Low**
Unquoted debt securities	**3.39%**	**2.92%**	**–**	**–**
Loans and receivables				
Retail banking	**–**	**–**	**39.53%**	**11.08%**
Mortgage banking	**–**	**–**	**15.00%**	**11.00%**
Deposit liabilities – Time	**2.37%**	**2.02%**	**8.73%**	**7.27%**

	2007			
	USD		PHP	
	High	Low	High	Low
Unquoted debt securities	5.69%	5.37%	–	–
Loans and receivables				
Retail banking	–	–	39.53%	11.08%
Mortgage banking	–	–	16.00%	8.25%
Deposit liabilities - Time	6.8%	5.05%	8.05%	7.59%

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 which are recorded at cost.

	2008				2007			
	Quoted Market Price	**Valuation Techniques (Market Observable)**	**At Cost**	**Total**	Quoted Market Price	Valuation Techniques (Market Observable)	At Cost	Total
	(in Thousand Pesos)							
Financial Assets at FVPL								
Government debt	**₱553,630**	**₱–**	**₱–**	**₱553,630**	₱685,256	₱–	₱–	₱685,256
Derivative assets	**–**	**1,691**	**–**	**1,691**	–	36,495	–	36,495
AFS Investments								
Government debt	**1,073,521**	**–**	**–**	**1,073,521**	1,256,122	–	–	1,256,122
Unquoted Equities	**–**	**–**	**13,163**	**13,163**	–	–	13,163	13,163
	₱1,627,151	**₱1,691**	**₱13,163**	**₱1,642,005**	₱1,941,378	₱36,495	P13,163	₱1,991,036
Financial Liabilities								
Other liabilities	**₱–**	**₱1,031**	**₱–**	**₱1,031**	₱–	₱39,756	₱–	₱P39,756

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, 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 provides 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, assists the Bank in identifying, evaluating and implementing risk management methodologies and controls to address those risks.

Credit Risk

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)c oordinate 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 (I), 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 rigid screening and prudent credit evaluation 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.) Credit scoring is in place to capture the level of risk of every account. 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 policies that are needed for enhancement or creation of new sets of policies to ensure that risks are identified and managed. Based on asset quality reviews of the portfolio, the Bank 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 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.

	2008	2007
Due from BSP and other banks	**₱4,993,543,985**	₱3,784,052,239
Interbank loans receivables	**715,280,000**	247,680,000
Financial assets at FVPL		
Held-for-trading		
Government debt	**553,630,405**	685,256,267
Derivative assets	**1,690,879**	36,495,135
Available-for-sale investments		
Government debt	**1,073,521,355**	1,256,121,542
Unquoted Equities	**13,163,149**	13,163,149
Held-to-maturity investments		
Government debt	**98,002,854**	106,446,504
Loans and receivables		
Institutional banking	**9,506,929,313**	5,349,592,050
Retail banking	**2,970,248,936**	2,857,671,898
Mortgage banking	**2,349,582,969**	1,618,220,138
Small business loans	**420,668,585**	265,772,973
Other receivables	**1,152,308,883**	896,832,186
Unquoted debt securities	**1,604,955,142**	1,764,240,763
Other assets	**19,809,817**	21,843,835
Total	**25,473,336,272**	18,903,388,679
Commitments and contingent assets (Note 24)	**5,331,631,128**	4,183,149,552
Total credit risk exposure	**₱30,804,967,400**	₱23,086,538,231

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

Contingent assets 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. Guarantees 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):

	2008						
	Loans and Receivables		Other Financial Assets		Off-Balance Sheet Exposures		
	Amount	%	Amount	%	Amount	%	Total
Financial Intermediaries*	₱4,801,120	26.67	₱6,727,002	86.24	₱713,027	13.37	₱12,241,149
Manufacturing	3,588,699	19.93	–	–	2,080,674	39.03	5,669,373
Transport, storage and communications	1,030,047	5.72	–	–	1,250	0.02	1,031,297
Real estate, renting and business activities	916,195	5.09	–	–	55,052	1.03	971,247
Wholesale and retail	825,265	4.58	–	–	891,273	16.72	1,716,538
Construction	145,930	0.81	–	–	200,649	3.76	346,579
Agriculture, hunting and forestry	51,735	0.29	–	–	–	–	51,735
Public Administration and defense	9,370	0.05	–	–	18,229	0.34	27,599
Electricity, gas and water	2,115	0.01	–	–	1,337,600	25.09	1,339,715
Others**	8,268,724	45.93	741,640	13.76	33,877	0.64	9,044,241
Total	19,639,200	109.08	7,468,642	100.00	5,331,631	100.00	32,439,473
Allowance for impairment and credit losses	(1,505,124)	(8.36)	–	–	–	–	(1,505,124)
Unearned interest discount	(129,382)	(0.72)	–	–	–	–	(129,382)
	₱18,004,694	100.00	₱7,468,642	100.00	₱5,331,631	100.00	₱30,804,967

* Financial intermediaries include investment in Landbank Bonds classified as 'Unquoted debt securities'
** 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

	2007						
	Loans and Receivables		Other Financial Assets		Off-Balance Sheet Exposures		
	Amount	%	Amount	%	Amount	%	Total
Manufacturing	₱3,103,212	24.33	₱–	–	₱1,332,872	31.86	₱4,436,084
Financial intermediaries*	2,611,801	20.47	5,064,209	82.33	1,340,033	32.03	9,016,043
Wholesale and retail	971,299	7.61	–	–	860,394	20.57	1,831,693
Real estate, renting and business activities	730,388	5.73	–	–	415,119	9.92	1,145,507
Transport, storage and communications	370,312	2.90	–	–	12,809	0.31	383,121
Construction	84,249	0.66	–	–	3,000	0.07	87,249
Electricity, gas and water	80,537	0.63	–	–	206,400	4.93	286,937
Agriculture, hunting and forestry	60,161	0.47	–	–	8,336	0.20	68,497
Public administration and defense	–	–	–	–	–	–	–
Others**	6,302,058	49.40	1,086,849	17.67	4,187	0.11	7,393,094
Total	14,314,017	112.20	6,151,058	100.00	4,183,150	100.00	24,648,225
Allowance for impairment and credit losses	(1,426,438)	(11.18)	–	–	–	–	(1,426,438)
Unearned interest discount	(135,249)	(1.02)	–	–	–	–	(135,249)
	₱12,752,330	100.00	₱6,151,058	100.00	₱4,183,150	100.00	₱23,086,538

* Financial intermediaries include investment in Landbank Bonds classified as 'Unquoted debt securities'
** 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, 2008 and 2007, 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 (Corporate Banking)	Internal Scoring and Ratings (Retail Banking)	Moody's Equivalent Grades**
High grade	1	Low Risk	Aa3
	2	-do-	Baa2
	3	-do-	Baa2
	4	-do-	Baa2
	5	-do-	Baa3
Standard grade	6	Medium Risk	Baa3
	7	-do-	Ba1
	8	-do-	Ba2
	9	-do-	Ba3
	10	-do-	Ba3
	11	-do-	B1
	12	-do-	B2
Substandard grade	13	High Risk	B3
	14	-do-	*
	15	-do-	*
	16	-do-	*
	17	-do-	*

* already equivalent to substandard status

** equivalent Standard and Poor's ratings apply

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 has its own set of risk rating. Each PL portfolio's individual borrowers are segmented and each segment is assessed with a certain risk rating. 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. The assessments are based on the information obtained and provided such as the demographic profile of the borrowers, for Corporate - the 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 financial assets as of December 31, 2008 and 2007, excluding loans and receivables(gross of allowance for credit losses and unearned interest discount).

	2008						
	Neither Past Due nor Specifically Impaired				**Past Due but not Specifically Impaired**	**Specifically Impaired**	**Total**
	High Grade	**Standard Grade**	**Substandard Grade**	**Others**			
	(In Thousand Pesos)						
Due from BSP	**₱3,536,491**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,536,491**
Due from other banks	**1,457,053**	–	–	–	–	–	**1,457,053**
Interbank loans receivable	**715,280**	–	–	–	–	–	**715,280**
Financial assets at FVPL							
Held-for-trading							
Government debt	**553,630**	–	–	–	–	–	**553,630**
Derivative assets	–	**1,691**	–	–	–	–	**1,691**
AFS investments							
Government debt	**3,353**	**1,070,169**	–	–	–	–	**1,073,522**
Unquoted Equities	–	–	–	**13,163**	–	–	**13,163**
HTM investments							
Government	**98,003**	–	–	–	–	–	**98,003**
Loan receivables							
Institutional banking	**3,389,773**	**5,761,891**	**231,107**	–	–	**500,343**	**9,883,114**
Retail banking	**2,496,934**	**183,066**	**86**	–	**194,330**	**1,099,937**	**3,974,353**
Mortgage banking	–	**32,069**	**62,130**	**2,142,561**	–	**143,616**	**2,380,376**
Small business loans	–	–	**2,775**	**417,377**	–	**16,418**	**436,570**
Others receivables	**31,604**	**271,343**	**9,041**	**971,708**	–	**38**	**1,283,734**
Unquoted debt securities	**1,681,053**	–	–	–	–	–	**1,681,053**
Other assets	–	–	–	**19,810**	–	–	**19,810**
Total	**₱13,963,174**	**₱7,320,229**	**₱305,139**	**₱3,564,619**	**₱194,330**	**₱1,760,352**	**₱27,107,843**

	2007						
	Neither Past Due nor Specifically Impaired				Past Due but not Specifically Impaired	Specifically Impaired	Total
	High Grade	Standard Grade	Substandard Grade	Others			
	(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							
Held-for-trading							
Government securities	459,294	225,962	–	–	–	–	685,256
Derivatives	–	36,495	–	–	–	–	36,495
AFS investments							
Government debt	51,703	1,204,418	–	–	–	–	1,256,121
Unquoted equities	13,163	–	–	–	–	–	13,163
HTM investments							
Government debt	106,447	–	–	–	–	–	106,447
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 receivables	–	–	380,669	485,347	–	154,082	1,020,098
Unquoted debt securities	1,856,696	–	–	–	–	–	1,856,696
Other Assets	–	–	–	21,844	–	–	21,844
Total	₱9,798,291	₱5,391,712	₱1,268,899	₱1,988,375	₱227,219	₱1,790,579	₱20,465,075

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, 2008 and 2007.

	2008			2007		
	Less than 30 days	**31 to 90 days**	**Total**	Less than 30 days	31 to 90 days	Total
			(In Thousand Pesos)			
Loans Receivables						
Retail banking	**₱131,010**	**₱63,320**	**₱94,330**	₱125,110	₱89,493	₱214,603
Institutional banking	–	–	–	12,116	–	12,116
Small business loans	–	–	–	500	–	500
Total	**₱131,010**	**₱63,320**	**₱94,330**	₱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, 2008 and 2007:

	2008	2007
	(In Thousand Pesos)	
Institutional banking		
Performing	**₱40,908**	₱269,889
Non-performing	**12,543**	241,100
	₱53,451	₱510,989

Restructured performing and non-performing loans (NPL) of the Bank, net of specific impairment allowances as determined by PAS 39, as of December 31, 2008 and 2007, amounted to ₱13.0 million and ₱252.4 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:

	2008	2007
Secured	**₱371,771,080**	₱442,848,875
Unsecured	**1,388,580,164**	1,193,648,800
	₱1,760,351,244	₱1,636,497,675

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:

	2008		2007	
	Amount	**%**	Amount	%
Secured by:				
Government guarantee	**₱2,946,488,453**	**16.36%**	₱1,896,211,882	14.87%
Real estate	**2,925,374,945**	**16.25%**	2,270,791,693	17.81%
Mortgage trust indenture	**548,932,502**	**3.05%**	992,400,477	7.78%
Hold-out on deposits	**396,565,120**	**2.20%**	300,424,699	2.36%
Chattel	**80,872,497**	**0.45%**	82,435,066	0.65%
Standby letter of credit	**42,711,276**	**0.24%**	42,000,000	0.33%
Special deposit account	**17,060,446**	**0.09%**	–	–
Shares of stock	**2,951,906**	**0.02%**	107,657,834	0.84%
	6,960,957,145	**38.66%**	5,691,921,651	44.64%
Unsecured	**12,678,242,082**	**70.42%**	8,622,095,674	67.61%
	19,639,199,227	**109.08%**	14,314,017,325	112.25%
Allowance for impairment and credit losses	**(1,505,123,698)**	**(8.36%)**	(1,426,438,563)	(11.19%)
Unearned interest discount and capitalized interest	**(129,381,701)**	**(0.72%)**	(135,248,754)	(1.06%)
	₱18,004,693,828	**100.00%**	₱12,752,330,008	100.00%

For past due and impaired financial assets, the fair values of collaterals held as of the year ended December 31, 2008 and 2007 are as follows:

	2008	2007
Type of collateral	Fair Value	
Loans and receivables		
Mortgage trust indenture	**₱189,145,830**	₱385,056,389
Real estate	**242,968,131**	125,000,389
Chattel	**115,153,056**	115,153,056
Hold-out on deposits	**–**	87,603
Standby letter of credit	**42,000,000**	–

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 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, 2008 and 2007 amounted to ₱1.8 billion and ₱1.4 billion, respectively.

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):

	2008				
	On demand	**1 to 3 months**	**6 to 12 months**	**Greater than 1 year**	**Total**
Deposit liabilities					
Demand	**₱3,856**	**₱–**	**₱–**	**₱–**	**₱3,856**
Savings	**2,234**	**–**	**–**	**–**	**2,234**
Time	**–**	**9,980**	**1,704**	**1,130**	**12,814**
Bills and acceptances payable	**–**	**1,213**	**56**	**166**	**1,435**
Manager's checks	**54**	**–**	**–**	**–**	**54**
Accrued interest and other expenses	**382**	**–**	**–**	**–**	**382**
Other liabilities	**843**	**–**	**–**	**–**	**843**
	7,369	**11,193**	**1,760**	**1,296**	**21,618**
Future interest payment	**92**	**110**	**172**	**318**	**692**
	7,461	**11,303**	**1,932**	**1,614**	**22,310**
Financial Liabilities at FVPL					
Forward contract payable	**54**	**–**	**–**	**–**	**54**
Forward contract receivable	**53**	**–**	**–**	**–**	**53**
	1	–	–	–	**1**
	₱7,462	**₱11,303**	**₱1,932**	**₱1,614**	**₱22,311**

	2007				
	On demand	1 to 3 months	6 to 12 months	Greater than 1 year	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	903	–	–	–	903
	7,228	6,080	355	1,183	14,846
Future interest payment	279	287	17	56	639
	7,507	6,367	372	1,239	15,485
Financial Liabilities at FVPL					
Forward contract payable	595	–	–	–	595
Forward contract receivable	553	–	–	–	553
	42	–	–	–	42
	₱7,549	₱6,367	₱372	₱1,239	₱15,527

The above 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.

	2008					
	Up to 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Beyond 1 year**	**Total**
			(In Thousand Pesos)			
Commitments	**₱3,434,716**	**₱888,162**	**₱315,994**	**₱400,000**	**₱99,600**	**₱5,138,472**
Contingent liabilities	**9,763**	**101,582**	**1,250**	**30,181**	**18,334**	**161,110**
Total	**₱3,444,479**	**₱989,744**	**₱317,244**	**₱430,181**	**₱117,934**	**₱5,299,582**

	2007					
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
			(In Thousand Pesos)			
Commitments	₱3,029,595	₱370,549	₱253,535	₱81,140	₱323,008	₱4,057,827
Contingent liabilities	31,132	26,896	5,440	1,206	47,857	112,531
Total	₱3,060,727	₱397,445	₱258,975	₱82,346	₱370,865	₱4,170,358

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 (8%) 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 2008 and 2007 were as follows:

	2008	2007
31 December	**33%**	42%
Average during the period	**39%**	52%
Highest	**49%**	64%
Lowest	**28%**	42%

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, 2008 and 2007:

	2008								
	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	**₱351,254**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱351,254**
Due from BSP	**2,636,491**	**900,000**	–	–	–	–	–	–	**3,536,491**
Due from other banks	**1,457,053**	–	–	–	–	–	–	–	**1,457,053**
Interbank loans receivable	**715,280**	–	–	–	–	–	–	–	**715,280**
Financial assets at FVPL	**1,691**	**279**	–	–	**50,423**	–	**326,890**	**176,038**	**555,321**
AFS investments	**12,785**	–	–	**17**	–	**392**	–	**1,073,491**	**1,086,685**
HTM investments	–	**52,162**	**5,115**	–	**36,001**	**4,725**	–	–	**98,003**
Loans and receivables - gross	**3,467,081**	**2,069,396**	**1,309,528**	**1,314,833**	**5,224,413**	**2,711,782**	**1,891,565**	**1,650,601**	**19,639,199**
Other assets	**19,810**	–	–	–	–	–	–	–	**19,810**
Total financial assets	**8,661,445**	**3,021,837**	**1,314,643**	**1,314,850**	**5,310,837**	**2,716,899**	**2,218,455**	**2,900,130**	**27,459,096**
Liabilities									
Deposit liabilities	**12,389,703**	**5,110,464**	**734,178**	**122,061**	**262,571**	**145,857**	**107,297**	**31,859**	**18,903,990**
Bills payable	**1,213,306**	–	–	**218,250**	–	–	–	–	**1,431,556**
Outstanding acceptances	**3,838**	–	–	–	–	–	–	–	**3,838**
Manager's checks	**53,990**	–	–	–	–	–	–	–	**53,990**
Accrued interest and other expenses	**381,810**	–	–	–	–	–	–	–	**381,810**
Other liabilities	**843,150**	–	–	–	–	–	–	–	**843,150**
Total financial liabilities	**14,885,797**	**5,110,464**	**734,178**	**340,311**	**262,571**	**145,857**	**107,297**	**31,859**	**21,618,334**
Asset-liability gap	**(₱6,224,352)**	**(₱2,088,627)**	**₱580,465**	**₱974,539**	**₱5,048,266**	**₱2,571,042**	**₱2,111,158**	**₱2,868,271**	**₱5,840,762**

	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	–	–	1,256,482	1,269,284
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	21,844	–	–	–	–	–	–	–	21,844
Total financial assets	6,302,134	1,559,889	803,064	1,072,355	2,093,773	1,843,016	3,477,177	3,502,419	20,653,827
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	942,968	–	–	–	–	–	–	–	942,968
Total financial liabilities	11,298,843	2,018,993	265,827	85,983	698,255	257,190	145,957	113,505	14,884,553
Asset-liability gap	(₱4,996,709)	(₱459,104)	₱537,237	₱986,372	₱1,395,518	₱1,585,826	₱3,331,220	₱3,388,914	₱5,769,274

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, 2008 and 2007:

		2008		
	Foreign Exchange	**Peso Fixed Income**	**Dollar Fixed Income**	**Total VaR**
		(In Million Pesos)		
December 31, 2008	**₱1.5**	**₱8.0**	**₱-**	**₱7.4**
2008-Average Daily	**4.3**	**6.6**	**14.4**	**16.4**
2008-Highest	**12.7**	**26.3**	**62.7**	**62.2**
2008-Lowest	**0.1**	**-**	**-**	**1.1**

		2007		
	Foreign Exchange	Peso Fixed Income	Dollar Fixed Income	Total VaR
		(In Million Pesos)		
December 31, 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

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, considers the correlation effects between the two risks.

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, 2008 and 2007. Included in the tables are the Bank's assets and liabilities at carrying amounts, categorized by currency (amounts in thousands):

		2008			2007	
	USD	**Others**	**Total**	USD	Others	Total
Assets						
Cash and other cash items	**₱5**	**₱–**	**₱5**	₱30,971	₱–	₱30,971
Due from BSP and other banks	**94,482**	**8,194**	**102,676**	323,129	194,580	517,709
Interbank loans receivable	**–**	**–**	**–**	247,680	–	247,680
Financial assets at FVPL	**–**	**–**	**–**	225,963	–	225,963
AFS investments	**–**	**–**	**–**	1,204,418	–	1,204,418
Loans and receivables - net	**399,012**	**2,351**	**401,363**	2,708,357	13,129	2,721,486
Other assets	**–**	**126,793**	**126,793**	776	–	776
Total assets	**493,499**	**137,338**	**630,837**	4,741,294	207,709	4,949,003
Liabilities						
Deposit liabilities	**–**	**311**	**311**	4,455,661	36	4,455,697
Bills payable	**–**	**–**	**–**	–	177,182	177,182
Outstanding acceptances	**–**	**2,351**	**2,351**	3,096	13,129	16,225
Accrued taxes, interest and other expenses	**–**	**–**	**–**	18,361	656	19,017
Other liabilities	**–**	**433**	**433**	–	–	–
Total liabilities	**–**	**3,095**	**3,095**	4,477,118	191,003	4,668,121
Net exposure	**₱493,499**	**₱134,243**	**₱627,742**	₱264,176	₱16,706	₱280,882

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 ₱475.8 million (sold) and ₱476.0 billion (bought) as of December 31, 2008, and ₱1.7 billion (sold) and ₱1.7 billion (bought) as of December 31, 2007.

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, 2008 and 2007. The sensitivity of equity to interest rate movements is the present value of future cash flows discounted at the market rate.

2008

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	₱966	(₱62)	(₱789)	₱2,120	(₱884)	(₱4,003)	(₱4,830)	(₱24)	(₱1,264)	(₱9,736)
PHP	20	1,288	(83)	(1,051)	2,826	(1,178)	(5,334)	(6,431)	(31)	(1,680)	(12,962)
(in 000s)	25	1,610	(103)	(1,314)	3,531	(1,472)	(6,662)	(8,027)	(39)	(2,093)	(16,179)
	15	(50)	–	13	8	50	–	(27)	–	(159)	(115)
USD	20	(67)	–	17	11	66	–	(36)	–	(211)	(153)
(in 000s)	25	(84)	–	22	14	83	1	(44)	–	(261)	(185)

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	(₱966)	₱62	₱789	(₱2,120)	₱884	₱4,003	₱4,830	₱24	₱1,246	₱9,718
PHP	-20	(1,288)	83	1,051	(2,826)	1,178	5,334	6,431	31	1,680	12,962
(in 000s)	-25	(1,610)	103	1,314	(3,531)	1,472	6,662	8,027	39	2,093	16,179
	-15	50	–	(13)	(8)	(50)	–	27	–	159	115
USD	-20	67	–	(17)	(11)	(66)	–	36	–	211	153
(in 000s)	-25	84	–	(22)	(14)	(83)	(1)	44	–	261	185

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

The following table sets forth the repricing gap position of the Bank as of December 31, 2008 and 2007:

	2008					
	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	**₱351,254**	**₱–**	**₱–**	**₱–**	**₱–**	**₱351,254**
Due from BSP and other banks	**4,093,544**	**900,000**	**–**	**–**	**–**	**4,993,544**
Interbank loans receivable	**715,280**	**–**	**–**	**–**	**–**	**715,280**
Financial assets at FVPL						
Derivatives	**1,691**	**–**	**–**	**–**	**–**	**1,691**
Government securities	**–**	**279**	**–**	**–**	**553,351**	**553,630**
AFS investments	**–**	**–**	**–**	**17**	**1,086,668**	**1,086,685**
HTM investments	**–**	**52,162**	**5,115**		**40,726**	**98,003**
Loans and receivables (gross)	**10,999,130**	**3,295,861**	**3,167,429**	**2,017,178**	**159,601**	**19,639,199**
Other Assets	**19,810**	**–**	**–**	**–**	**–**	**19,810**
Total financial assets	**16,180,709**	**4,248,302**	**3,172,544**	**2,017,195**	**1,840,346**	**27,459,096**
Financial Liabilities						
Deposit liabilities						
Demand	**3,856,006**	**–**	**–**	**–**	**–**	**3,856,006**
Savings	**2,233,854**	**–**	**–**	**–**	**–**	**2,233,854**
Time	**6,049,550**	**5,127,063**	**828,728**	**155,111**	**653,678**	**12,814,130**
Bills payable and outstanding acceptances	**1,217,144**	**–**	**–**	**218,250**	**–**	**1,435,394**
Manager's checks	**53,990**	**–**	**–**	**–**	**–**	**53,990**
Accrued interest and other expenses	**381,810**	**–**	**–**	**–**	**–**	**381,810**
Other liabilities	**843,150**	**–**	**–**	**–**	**–**	**843,150**
Total financial liabilities	**14,635,504**	**5,127,063**	**828,728**	**373,361**	**653,678**	**21,618,334**
Repricing gap	**₱1,545,205**	**(₱878,761)**	**₱2,343,816**	**₱1,643,834**	**₱1,186,668**	**₱5,840,762**
Cumulative gap	**₱1,545,205**	**₱666,444**	**₱3,010,260**	**₱4,654,094**	**₱5,840,762**	**₱–**

	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
Due from 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	–	–	–	–	1,269,285	1,269,285
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
Other Assets	21,844	–	–	–	–	21,844
Total financial assets	12,719,891	2,402,456	2,460,175	881,340	2,189,966	20,653,828
Financial Liabilities						
Deposit liabilities						
Demand	4,121,601	–	–	–	–	4,121,601
Savings	1,740,705	–	–	–	–	1,740,705
Time	3,780,399	2,014,333	244,250	81,062	855,739	6,975,783
Bills payable and outstanding acceptances	196,580	5,330	22,000	5,333	62,551	691,794
Manager's checks	55,920	–	–	–	–	55,920
Accrued interest and other expenses	355,782	–	–	–	–	355,782
Other liabilities	942,968	–	–	–	–	942,968
Total financial liabilities	11,193,955	2,019,663	266,250	86,395	1,318,290	14,884,553
Repricing gap	₱1,525,936	₱382,793	₱2,193,925	₱794,945	₱871,676	₱5,769,275
Cumulative gap	₱1,525,936	₱1,908,729	₱4,102,654	₱4,897,599	₱5,769,275	₱–

The following table provides for the average effective interest rates by period of maturity or repricing of the Bank as of December 31, 2008 and 2007:

	2008		
	Less than 3 months	**3 months to 1 year**	**Greater than 1 year**
Peso			
Financial assets			
Due from BSP	**3.6%**	**–**	**–**
Due from other banks	**10.8%**	**–**	**–**
Financial assets at FVPL	**3.1%**	**6.6%**	**6.1%**
AFS investments	**–**	**10.2%**	**8.1%**
HTM investments	**5.7%**	**6.3%**	**6.9%**
Loans and receivables	**8.3%**	**8.3%**	**13.6%**
Financial liabilities			
Deposit liabilities	**2.4%**	**4.5%**	**7.0%**
Bills payable	**6.8%**	**–**	**–**
Foreign currency-denominated			
Financial assets			
Due from other banks	**1.7%**	**–**	**–**
Financial assets at FVPL	**–**	**–**	**6.6%**
AFS investments	**–**	**–**	**7.0%**
Loans and receivables	**4.3%**	**4.2%**	**4.8%**
Financial liabilities			
Deposit liabilities	**1.5%**	**3.9%**	**4.1%**
Bills payable	**2.3%**	**–**	**–**

	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%	–	–

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 actual prepayments were small relative to the loan portfolio. Mortgage loans (₱2.3billion) accounted for 13% of total loan portfolio as of December 31, 2008. In 2008, prepayment occurred in 103 accounts with total principal of ₱125.0 million, representing 6% of the mortgage portfolio or less than 1% of the total loan portfolio. Forgone one-year earnings of the 103 loan accounts based on their outstanding loan balance prior to prepayment and its weighted average contract rate (less prepayment penalty of approximately 1%) of 8.519% is estimated to be only ₱10.6 million. The amount is seen as immaterial as it is less than 1% of the 2008 year to date (YTD) gross interest income from the bank's loan portfolio.

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, 2008 and 2007, the capital adequacy ratio of the Bank, as reported to the BSP, is 21.5% and 27.3%, respectively.

During 2008 and 2007, the Bank has complied with the minimum capital requirements of the BSP.

Shown below are the Bank's minimum capital-to-risk assets ratio as reported to the BSP as of December 31, 2008 and 2007.

	2008	2007
	(Amounts in Million Pesos)	
Tier 1 Capital	**₱4,565**	₱4,519
Tier 2 Capital	**196**	144
Gross Qualifying Capital	**4,761**	4,663
Less: Required deductions	**20**	20
Total qualifying capital	**₱4,741**	₱4,643
Risk weighted assets	**₱22,051**	₱17,001
Tier 1 capital ratio	**20.7%**	26.6%
Tier 2 capital ratio	**0.9%**	0.8%
Risk-based capital adequacy ratio	**21.5%**	27.3%

6. TRADING AND INVESTMENT SECURITIES

Financial assets at FVPL consist of the following:

	2008	2007
Held-for-trading		
Government debt	**₱553,630,405**	₱685,256,267
Derivative assets (Note 26)	**1,690,879**	36,495,135
	₱555,321,284	₱721,751,402

Net unrealized gain (loss) for the years ended December 31, 2008, 2007 and 2006 on revaluation to market of financial assets at FVPL amounting to ₱1.8 million, (₱32.6 million) and ₱27.9 million, respectively, are included under 'Trading and securities gain - net' in the statements of income.

AFS investments consist of the following:

	2008	2007
Government debt	**₱1,073,521,355**	₱1,256,121,542
Unquoted equities	**13,163,149**	13,163,149
	₱1,086,684,504	₱1,269,284,691

The movements of net unrealized gains (losses) on AFS investments are as follows:

	2008	2007	2006
Balance at the beginning of the year	**₱17,841,341**	₱60,129,158	₱18,846,818
Unrealized gains (losses) recognized in equity	**(113,694,633)**	26,951,497	296,958,048
Realized gains	**(7,072,437)**	(69,239,314)	(255,675,708)
Balance at end of the year	**(₱102,925,729)**	₱17,841,341	₱60,129,158

For the years ended December 31, 2008 and 2007, the effective interest rates of government securities range from 5.6% to 8.7% and 5.7% to 10.0%, respectively.

Effective interest rates range from 7.2% to 10.7% and 6.3% to 8.1% for peso-denominated and foreign currency-denominated AFS investments, respectively, for the year ended December 31, 2008. 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.

HTM investments consist of Treasury notes that bear nominal annual interest rates ranging from 10.0% to 13.8% and from 10.4% to 11.5% for the years ended December 31, 2008 and 2007, respectively.

Interest income on trading and investment securities consists of:

	2008	2007	2006
AFS investments	**₱97,534,491**	₱125,764,719	₱90,493,165
Financial assets at FVPL	**82,486,302**	116,760,840	143,903,832
HTM investments	**5,984,613**	3,537,290	53,216,014
	₱186,005,406	₱246,062,849	₱287,613,011

Trading and securities gain (loss) - net consists of:

	2008	2007	2006
AFS investments	**₱7,072,437**	₱69,239,314	₱255,675,708
Financial assets at FVPL	**(67,249,358)**	15,860,395	280,652,105
Unquoted debt securities	**–**	–	11,415,705
	(₱60,176,921)	₱85,099,709	₱547,743,518

Net gain (loss) on derivative transactions amounting to (₱0.1 million), (₱7.4 million) and ₱23.2 million for the years ended December 31, 2008, 2007 and 2006, respectively, are included under 'Foreign exchange gain - net' in the statement of income.

7. LOANS AND RECEIVABLES

This account consists of:

	2008	2007
Loans and receivables		
Institutional banking	**₱9,883,113,836**	₱5,888,588,659
Retail banking	**3,974,352,900**	3,630,508,805
Mortgage banking	**2,380,376,273**	1,636,120,196
Small business loans	**436,569,617**	282,005,780
Other receivables	**1,283,733,653**	1,020,098,032
	17,958,146,279	12,457,321,472
Unquoted debt securities	**1,681,052,948**	1,856,695,853
	19,639,199,227	14,314,017,325
Unearned interest discount and capitalized interest	**(129,381,701)**	(135,248,754)
	19,509,817,526	14,178,768,571
Allowance for impairment and credit losses (Note 11)	**(1,505,123,698)**	(1,426,438,563)
	₱18,004,693,828	₱12,752,330,008

Other receivables include amounts due from Integrated Credit and Corporate Services (ICCS) representing impaired loans secured by real properties transferred to ICCS with carrying values amounting to ₱186.3 million and ₱175.4 million, respectively. 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.

Other receivables also include sales contract receivables which bear fixed interest rate per annum of 9.0% to 14.8% for the year ended December 31, 2008 and 2007, respectively.

Corporate loans include domestic bills purchased amounting to ₱198.2 million and ₱247.3 million as of December 31, 2008 and 2007, respectively (Note 15).

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

The effective interest rates of 'Loans and discounts', 'Unquoted debt instruments' and 'Sales contract receivables' range from 4.0% to 6.1% for the year ended December 31, 2008 and 6.3% to 10.7% for the year ended December 31, 2007 for foreign currency-denominated receivables, and from 12.6% to 14.8% for the year ended December 31, 2008 and from 12.3% to 14.6% for the year ended December 31, 2007 for peso-denominated receivables.

The Bank's loan portfolio includes non-risk loans, as defined under BSP regulations, totaling ₱1.7 billion and ₱0.3 billion as of December 31, 2008 and 2007, respectively.

As of December 31, 2008 and 2007, 89.6% and 85.7%, 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 currency-denominated loans for the years ended December 31, 2008 and 2007.

Interest income accrued by the Bank includes unwinding of the allowance for impairment and credit losses amounting to ₱12.5 million and ₱39.1 million as of December 31, 2008 and 2007, respectively.

8. PROPERTY AND EQUIPMENT

The composition of and movements in this account as of and for the years ended December 31, 2008 and 2007 follow:

	2008					
	Bank Premises	**Computer Equipment**	**Transportation Equipment**	**Furniture, Fixtures and Equipment**	**Leasehold Rights and Improvements**	**Total**
Cost						
Balance at beginning of year	₱98,530,636	₱111,379,493	₱70,977,148	₱64,719,275	₱193,907,612	₱539,514,164
Additions	56,522	8,719,961	26,651,763	3,933,236	2,385,013	41,746,495
Disposals	–	(2,630,467)	(29,354,763)	(744,233)	(21,357)	(32,750,820)
Balance at end of year	98,587,158	117,468,987	68,274,148	67,908,278	196,271,268	548,509,839
Accumulated Depreciation and Amortization						
Balance at beginning of year	21,302,542	94,504,663	27,232,719	46,323,091	120,235,748	309,598,763
Depreciation and amortization	3,912,764	12,345,176	13,360,326	6,275,862	22,492,217	58,386,345
Disposals	–	(2,626,317)	(13,449,999)	(715,055)	36,333	(16,755,038)
Balance at end of year	25,215,306	104,223,522	27,143,046	51,883,898	142,764,298	351,230,070
Net Book Value at end of year	₱73,371,852	₱13,245,465	₱41,131,102	₱16,024,380	₱53,506,970	₱197,279,769

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	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

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, 2008 and 2007 follow:

	2008	2007
Cost		
Balance at beginning of year	**₱28,867,861**	₱30,033,039
Additions	**583,969**	11,794,034
Disposals/others	**(24,845,819)**	(12,959,212)
Balance at end of year	**4,606,011**	28,867,861
Accumulated Depreciation and Impairment Losses		
Balance at beginning of year	**2,700,494**	4,342,032
Depreciation	**672,226**	1,262,383
Reversal of impairment losses (Note 11)	**–**	(1,849,640)
Reversals/others	**(1,223,248)**	(1,054,281)
Balance at end of year	**2,149,472**	2,700,494
Net Book Value at End of Year	**₱2,456,539**	₱26,167,367

The aggregate fair value of the investment properties of the Bank are ₱4.3 million and ₱28.6 million as of December 31, 2008 and 2007, 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:

	2008	2007
Computer software costs - net	**₱39,553,049**	₱49,462,290
Prepaid expenses and other charges	**20,564,247**	25,458,008
Rental deposit	**19,372,290**	19,480,194
Net retirement asset (Note 18)	**9,947,208**	5,231,596
Returned checks and other cash items	**437,527**	2,363,641
Sundry debits	**464,298**	–
Miscellaneous	**33,697,958**	25,328,526
	₱124,036,577	₱127,324,255

Miscellaneous assets include documentary stamps on hand, stationery and office supplies, due from head office and branches and investment in associate. As of December 31, 2008 and 2007, investment in associate which is in the process of liquidation has carrying amount of ₱20.0 million.

The movements in computer software costs follow:

	2008	2007
Cost		
Balance at beginning of year	**₱193,088,194**	₱178,750,077
Additions	**14,281,056**	14,810,144
Disposals	**(146,008)**	(472,027)
Balance at end of year	**207,223,242**	193,088,194
Accumulated Amortization		
Balance at beginning of year	**143,625,904**	112,946,188
Amortization	**24,190,293**	30,922,873
Disposals	**(146,004)**	(243,157)
Balance at end of year	**167,670,193**	143,625,904
	₱39,553,049	₱49,462,290

11. ALLOWANCE FOR IMPAIRMENT AND CREDIT LOSSES

Changes in the allowance for impairment and credit losses follow:

	2008						
	Loans and Receivables						
	Corporate Banking	**Mortgage Banking**	**Small Business Loans**	**Retail Banking**	**Other Receivables**	**Total**	**Investment Properties**
Balance at beginning of year	**₱511,628,504**	**₱2,474,497**	**₱16,232,806**	**₱772,836,907**	**₱123,265,849**	**₱1,426,438,563**	**₱–**
Provisions for (recovery from) impairment and credit losses	**2,549,669**	**11,373,329**	**(344,139)**	**231,267,057**	**12,358,567**	**257,204,483**	**–**
Accounts charged off and others	**(174,332,066)**	**–**	**12,365**	**–**	**(4,199,647)**	**(178,519,348)**	**–**
Balance at end of year	**₱339,846,107**	**₱13,847,826**	**₱15,901,032**	**₱1,004,103,964**	**₱131,424,769**	**₱1,505,123,698**	**₱–**

	2007						
	Loans and Receivables						
	Corporate 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	53,157,848	338,529,831	–
Accounts charged off and others	(163,636,298)	(18,790)	(13,333,343)	–	7,399,013	(169,589,418)	(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	₱–

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 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 decay rate methodology for personal loans. A monthly portfolio review is performed to determine the 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, decay rate 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 decay rate 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, 2008 and 2007:

	2008			2007		
	Specific Impairment	**Collective Impairment**	**Total**	Specific Impairment	Collective Impairment	Total
Loan receivables	**₱1,173,342**	**₱243,672,574**	**₱244,845,916**	₱45,126,701	₱240,245,281	₱285,371,982
Other receivables	**831,683**	**11,526,884**	**12,358,567**	53,157,849	–	53,157,849
Total	**₱2,005,025**	**₱255,199,458**	**₱257,204,483**	₱98,284,550	₱240,245,281	₱338,529,831

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 classification are as follows:

I - 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.

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.

III - Doubtful - These are loans or portions thereof the full liquidation of which, on the basis of available information, appears questionable and suggests 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 are required to be considered.

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 requires a general provision to be set up on unclassified loans considered as non risk under existing guidelines, 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, 2008 and 2007 follow:

	2008	2007
NPLs	**₱1,760,351,244**	₱1,636,497,675
Less NPLs fully provided with allowance for impairment and credit losses	**1,038,887,939**	866,160,944
	₱721,463,305	₱770,336,731

12. DEPOSIT LIABILITIES

Of the total deposit liabilities of the Bank as of December 31, 2008 and 2007, 1.5% and 0.9%, 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% and from 0.5% to 6.3% for the years ended December 31, 2008 and 2007, respectively.

Under existing BSP regulations, non-FCDU deposit liabilities of the Bank are subject to liquidity reserve equivalent to 11.0% and statutory reserve equivalent to 8.0%. As of December 31, 2008 and 2007, the Bank is in compliance with such regulations.

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

	2008	2007
Cash	**₱287,644,216**	₱178,570,221
Due from BSP	**1,109,597,933**	1,806,803,684
	₱1,397,242,149	₱1,985,373,905

Interest expense on deposit liabilities consists of:

	2008	2007	2006
Time	**₱459,054,393**	₱658,205,669	₱649,165,039
Demand	**82,965,206**	80,679,453	80,216,987
Savings	**13,709,780**	10,522,458	41,464,639
	₱555,729,379	₱749,407,580	₱770,846,665

13. BILLS PAYABLE

This account consists of borrowings from banks and other financial institutions amounting to ₱1,431,556,680 and ₱675,568,028, as of December 31, 2008 and 2007, respectively.

Peso-denominated interbank borrowings are subject to annual fixed interest rates ranging from 6.3% to 7.0% and 6.3% to 9.7% for the years ended December 31, 2008 and 2007, 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.

Interest expense on bills payable and other borrowings consists of:

	2008	2007	2006
Bills payable	**₱34,132,357**	₱83,922,100	₱166,512,600
Others	–	–	2,870,462
	₱34,132,357	₱83,922,100	₱169,383,062

14. ACCRUED INTEREST, TAXES AND OTHER EXPENSES

This account consists of:

	2008	2007
Accrued interest	**₱292,734,292**	₱201,353,245
Income tax payable	**948,458**	6,001,228
Accrued other expenses	**99,401,654**	164,989,352
	₱393,084,404	₱372,343,825

15. OTHER LIABILITIES

This account consists of:

	2008	2007
Accounts payable	**₱615,132,019**	₱639,560,637
Bills purchased - contra (Note 7)	**198,182,485**	247,328,616
Withholding taxes payable	**26,561,651**	21,112,730
Payment order payable	**20,905,649**	16,322,270
Derivative liabilities (Note 26)	**1,030,737**	39,756,167
Sundry credits	**290,297**	257,703
Miscellaneous	**12,736,615**	3,605,621
	₱874,839,453	₱967,943,744

16. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following tables present the assets and liabilities as of December 31, 2008 and 2007 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):

	2008			2007		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cash items	**₱351,254**	**₱–**	**₱351,254**	₱188,752	₱–	₱188,752
Due from BSP	**3,536,491**	**–**	**3,536,491**	3,443,045	–	3,443,045
Due from other banks	**1,457,053**	**–**	**1,457,053**	341,007	–	341,007
Interbank loans receivable	**715,280**	**–**	**715,280**	247,680	–	247,680
Financial assets at FVPL	**1,970**	**553,351**	**555,321**	36,516	685,235	721,751
AFS investments	**–**	**1,086,684**	**1,086,684**		1,269,285	1,269,285
HTM investments	**57,277**	**40,726**	**98,003**	63,397	43,050	106,447
Loans and receivables - gross (Note 7)	**8,160,838**	**11,478,361**	**19,639,199**	5,382,415	8,931,602	14,314,017
Other assets	**437**	**–**	**437**	2,364	–	2,364
	14,280,600	**13,159,122**	**27,439,722**	9,705,176	10,929,172	20,634,348
Nonfinancial Assets						
Property and equipment	**–**	**197,280**	**197,280**	–	229,915	229,915
Investment properties - gross (Note 9)	**–**	**2,457**	**2,457**	–	26,167	26,167
Deferred tax assets	**–**	**448,398**	**448,398**	–	438,885	438,885
Other assets	**62,375**	**61,225**	**123,600**	124,961	–	124,961
	62,375	**709,360**	**771,735**	124,961	694,967	819,928
	14,342,975	**13,868,842**	**28,211,457**	9,843,299	11,610,976	21,454,276
Less: Allowance for impairment and credit losses (Note 11)	**–**	**–**	**(1,505,124)**	–	–	(1,426,438)
Unearned discount and capitalized interest (Note 7)	**–**	**–**	**(129,382)**	–	–	(135,249)
	₱14,342,975	**₱13,868,842**	**₱26,576,951**	₱9,843,299	₱11,610,976	₱19,892,589

(Forward)

	2008			2007		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Liabilities						
Deposit liabilities	**₱18,356,405**	**₱547,585**	**₱18,903,990**	₱12,095,733	₱742,356	₱12,838,089
Bills payable	**1,431,556**	**–**	**1,431,556**	213,017	462,551	675,568
Outstanding acceptances	**3,838**	**–**	**3,838**	16,226	–	16,226
Manager's checks	**53,990**	**–**	**53,990**	55,920	–	55,920
Accrued interest and other expenses	**381,810**	**–**	**381,810**	355,782	–	355,782
Other liabilities	**843,150**	**–**	**843,150**	942,967	–	942,967
	21,070,749	**547,585**	**21,618,334**	13,679,645	₱1,204,907	14,884,552
Nonfinancial Liabilities						
Accrued income tax	**11,275**	**–**	**11,275**	16,562	–	16,562
Other liabilities	**31,689**	**–**	**31,689**	24,976	–	24,976
	42,964	**–**	**42,964**	41,538	–	41,538
	₱21,113,713	**₱547,585**	**₱21,661,298**	₱13,721,183	₱1,204,907	₱14,926,090

17. EQUITY

Capital stock as of December 31, 2008 and 2007 consists of amounts (in thousand pesos except for number of shares):

	2008		2007		2006	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Common stock - P=10 par value						
Authorized	**300,000**		300,000		300,000	
Issued and outstanding						
Balance at beginning of the year	**247,969**	**₱2,479,687**	215,625	₱2,156,250	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**	247,969	₱2,479,687	215,625	₱2,156,250

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 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 6, 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, 2008.

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

	January 1	
	2008	2007
Retirement age	**60 years**	60 years
Average remaining working life	**28.5 years**	28.5 years
Discount rate	**8.4%**	8.1%
Expected rate of return on assets	**6.0%**	13.0%
Future salary increases	**5.0%**	7.0%

Discount rate used to arrive at the present value of the obligation of the Bank as of December 31, 2008 and 2007 are 10.7% and 8.4%, 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:

	2008	2007
Present value of funded obligation	**₱77,533,774**	₱103,232,036
Fair value of plan assets	**(88,544,338)**	(95,859,747)
(Surplus) deficit	**(11,010,564)**	7,372,289
Unrecognized actuarial losses (gains)	**2,514,963**	(7,432,245)
Unamortized transition liability	**(2,585,820)**	(5,171,640)
Unrecognized asset due to asset ceiling	**1,134,213**	–
Net retirement asset	**(₱9,947,208)**	(₱5,231,596)

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

	2008	2007
Balance at beginning of year	**(₱5,231,596)**	(₱10,032,417)
Retirement expense	**13,003,938**	19,499,686
Contribution paid	**(17,719,550)**	(14,698,865)
Balance at end of year	**(₱9,947,208)**	(₱5,231,596)

The actual return on plan assets amounted to (₱2.2) million, ₱9.6 million and ₱10.2 million for the years ended December 31, 2008, 2007 and 2006, respectively.

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

	2008	2007
Balance at beginning of year	**₱103,232,036**	₱127,051,172
Current service cost	**17,290,482**	15,950,629
Interest cost	**8,671,491**	10,291,145
Benefits paid	**(22,839,338)**	(9,896,092)
Actuarial gains	**(28,820,897)**	(40,164,818)
Balance at end of year	**₱77,533,774**	₱103,232,036

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

	2008	2007
Balance at beginning of year	**₱95,859,747**	₱81,422,941
Expected return on plan assets	**5,597,991**	10,584,982
Contributions paid	**17,719,550**	14,698,865
Benefits paid	**(22,839,338)**	(9,896,092)
Actuarial losses	**(7,793,612)**	(950,949)
Balance at end of year	**₱88,544,338**	₱95,859,747

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

	2008	2007
Debt instruments	**72.8%**	68.4%
Equity instruments	**12.5%**	12.9%
Other assets	**14.7%**	18.7%

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

	2008	2007
Current service cost	**₱17,290,482**	₱15,950,629
Interest cost	**8,671,491**	10,291,145
Expected return on plan assets	**(5,597,991)**	(10,584,982)
Amortization of transition liability	**2,585,820**	2,585,820
Effect of asset limit	**1,134,213**	–
Actuarial (gains) losses recognized during the period	**(11,080,077)**	1,257,074
	₱13,003,938	₱19,499,686

Information on the Bank's retirement plan follows:

	2008	2007	2006
Present value of funded obligation	**₱77,533,774**	₱103,232,036	₱127,051,172
Fair value of plan assets	**(88,544,338)**	(95,859,747)	(81,422,941)
(Surplus) deficit	**(11,010,564)**	7,372,289	45,628,231
Experience adjustments on plan liabilities	**(112,500)**	1,789,692	(5,547,552)
Experience adjustments on plan assets	**(7,793,612)**	(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 ₱79.1 million, ₱82.4 million and ₱80.8 million in 2008, 2007 and 2006, respectively.

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

	2008	2007
Within one year	**₱47,222,634**	₱51,548,548
After one year but not more than five years	**77,569,713**	111,097,168
After more than five years	**–**	1,509,429
	₱124,792,347	₱164,155,145

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 ₱129.2 million, ₱188.7 million and ₱189.6 million in 2008, 2007 and 2006, 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 entertainment and representation expense (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 ₱3.1 million, ₱3.4 million and ₱3.4 million (included under 'Miscellaneous Expenses' in the statement of income) in 2008, 2007 and 2006, respectively (Note 21).

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:

	2008	2007	2006
RCIT	**₱14,205,354**	₱–	₱–
MCIT	**–**	₱22,142,337	₱19,095,934
Final	**56,266,522**	57,967,369	142,566,756
	70,471,876	80,109,706	161,662,690
Deferred	**(9,512,642)**	(36,229,394)	(140,667,929)
	₱60,959,234	₱43,880,312	₱20,994,761

Components of the net deferred tax assets follow:

	2008	2007
Tax effects of:		
Allowance for impairment and credit losses	**₱442,189,785**	₱433,616,352
Accrued interest income from unwinding of impaired receivables	**(15,051,009)**	(24,936,731)
Unrealized mark-to-market loss on derivatives	**198,043**	1,141,361
Unamortized past service costs	**5,239,968**	7,614,549
Retirement benefit asset	**(2,984,162)**	(1,948,118)
Unrealized loss (gain) on initial measurement of investment properties	**1,272,580**	(1,854,621)
Accumulated depreciation of investment properties	**–**	1,360,207
MCIT	**17,532,586**	23,892,150
	₱448,397,791	₱438,885,149

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

	2008	2007
MCIT	**₱9,480,825**	₱31,540,836
Accrued rent expense – PAS 17	**3,872,678**	4,641,074
NOLCO	**–**	4,750,093

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

	2008	2007	2006
Statutory income tax	**35.00%**	35.00%	35.00%
Tax effects of:			
Tax-paid and tax-exempt income	**(22.09)**	(26.80)	(25.43)
FCDU income	**(6.68)**	(10.85)	(12.21)
Nondeductible interest expense	**26.34**	17.16	7.24
Net unrecognized tax asset	**12.91**	14.04	3.72
Others	**1.10**	(0.73)	(4.23)
Provision for income tax	**46.58%**	27.82%	4.09%

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

NOLCO:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2005	₱49,240,719	(₱49,240,719)	₱–	2008

MCIT:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2005	₱14,282,394	(₱14,282,394)	₱–	2008
2006	19,008,255	–	19,008,255	2009
2007	8,005,156	–	8,005,156	2010
	₱41,295,805	(₱14,282,394)	₱27,013,411	

21. INCOME AND EXPENSES

Service fees and commission income for the year ended December 31, 2008, 2007 and 2006 consist of:

	2008	2007	2006
Credit-related	**₱33,795,900**	₱64,516,658	₱62,062,427
Deposit-related	**15,473,440**	15,490,038	20,265,316
Miscellaneous	**44,953,718**	39,910,923	43,789,157
	₱94,223,058	₱119,917,619	₱126,116,900

Miscellaneous income for the year ended December 31, 2008, 2007 and 2006 consists of:

	2008	2007	2006
Income from trust division	**₱18,073,534**	₱30,656,678	₱5,089,575
Recovery on charged-off assets	**3,010,000**	9,294,192	1,540,584
Profit (loss) from asset sold/exchanged	**2,942,716**	14,098,852	(170,303)
Income (loss) from assets acquired	**(2,273,085)**	666,755	(9,880,118)
Rent income - safety deposit box	**636,517**	562,000	391,010
Dividend income	**511,050**	512,850	525,250
Unrealized gain from nonfinancial assets	**–**	4,346,705	6,812,271
Miscellaneous income	**42,948,895**	19,140,132	14,464,674
	₱65,849,627	₱79,278,164	₱18,772,943

Miscellaneous expenses for the years ended December 31, 2008, 2007 and 2006 consist of:

	2008	2007	2006
Management and professional fees	**₱22,774,073**	₱24,084,844	₱29,166,531
Advertising	**17,111,100**	28,850,389	24,746,881
Telecommunications	**14,578,975**	17,005,669	12,129,779
Litigation	**14,143,096**	12,661,862	9,625,101
Banking and supervision fees	**10,426,162**	8,560,351	7,266,288
Postage and cable	**8,974,674**	6,486,643	5,269,524
Travel and transportation	**6,234,025**	5,651,396	5,057,695
Office supplies	**3,967,392**	11,952,507	10,181,994
EAR(Note 20)	**3,137,820**	3,367,263	3,383,176
Bank charges	**2,885,480**	1,731,467	1,465,387
Membership dues	**2,449,702**	1,919,322	2,003,267
Freight	**2,252,580**	1,979,754	1,796,862
Fuel and lubricants	**1,093,015**	2,146,434	2,192,514
Loss on foreclosure	**–**	25,359,852	–
Miscellaneous	**15,396,091**	13,052,673	23,075,301
	₱125,424,185	₱164,810,426	₱137,360,300

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, 2008 and 2007, total assets held by the Bank's Trust Department amounted to ₱3.4 billion and ₱7.8 billion, respectively (Note 24).

In connection with the trust operations of the Bank, government securities with carrying value of ₱89.0 million (face value of ₱87.0 million) and ₱97.9 million (face value of ₱95.0 million) as of December 31, 2008 and 2007, 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, Institutional 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.

Institutional 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, 2008, 2007 and 2006 are as follows (amounts in thousand pesos):

	2008				
	Treasury and Financial Institution	**Corporate Banking**	**Retail Banking**	**Others**	**Total**
Net interest income	**(275)**	**254,930**	**1,066,743**	**33,355**	**1,354,753**
Non-interest income	**13,528**	**20,104**	**141,528**	**2,732**	**177,892**
Revenue - net of interest expense	**13,253**	**275,034**	**1,208,271**	**36,087**	**1,532,645**
Non-interest expenses	**116,627**	**82,614**	**794,574**	**407,951**	**1,401,766**
Income (loss) before provision for (benefit from) income tax	**(103,374)**	**192,420**	**413,697**	**(371,864)**	**130,879**
Provision for (benefit from) income tax	**30,842**	**74,302**	**(51,793)**	**7,608**	**60,959**
Net income (loss)	**(134,216)**	**118,118**	**465,490**	**(379,472)**	**69,920**
Depreciation and amortization	**2,498**	**1,254**	**30,247**	**25,059**	**59,058**

	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	4,515	323,526
Revenue - net of interest expense	288,857	384,236	1,064,604	20,748	1,758,445
Non-interest expenses	137,859	178,245	748,660	535,927	1,600,691
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	₱1,381	₱29,693	₱32,394	₱66,582

	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

Segment information for the balance sheet as of December 31, 2008, 2007 and 2006 are as follows (amounts in thousand pesos):

	Treasury and Financial Institution		Institutional Banking		Retail Banking		Others		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Segment assets	**₱5,933,218**	₱6,988,165	**₱9,460,792**	₱5,940,922	**₱9,897,849**	₱6,225,076	**₱1,285,092**	₱738,426	**₱26,576,951**	₱19,892,589
Segment liabilities	**₱6,713,435**	₱4,926,541	**₱4,235,182**	₱3,423,291	**₱9,971,145**	₱6,389,508	**₱741,537**	₱186,751	**₱21,661,299**	₱14,926,090
Capital expenditures	**₱2,642**	₱657	**₱7,054**	₱29	**₱13,894**	₱52,931	**₱18,157**	₱32,529	**₱41,747**	₱P86,146

24. COMMITMENTS AND CONTINGENT ASSETS AND 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, 2008 and 2007 (amounts in thousands):

	2008	2007
Credit commitments	**₱5,138,472**	₱4,057,827
Trust department accounts (Note 22)	**3,408,954**	7,776,930
Unused commercial letters of credit	**161,110**	112,531
Inward bills for collection	**9,613**	761,758
Outward bills for collection	**2,034**	1,180
Outstanding guarantees	**–**	6,629
Traveler's check unsold	**860**	908
Others	**32,049**	6,162

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.

Last July 9, 2008, the Bank received four (4) Final Decisions on Disputed Assessment on its Documentary Stamp Tax (DST) on FCDU tax assessment for the years 1998, 1999, 2000 and 2002. The BIR claimed that said tax assessment is not covered by the tax amnesty in accordance with RMC 69-07 which clarifies issues concerning the tax amnesty program under RA 9480. According to said RMC, withholding tax and taxes passed-on and already collected from customers (in this case, DST), is not covered by the tax amnesty and should therefore be remitted to the BIR. The Bank's tax counsel filed a Petition for Review before the Court of Tax Appeals (CTA) in reply to the Final Decision on Disputed Assessment. The Bank management, through their tax counsel, is contesting the assessments on certain grounds which, if considered, will not give rise to material tax deficiencies.

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, 2008 and 2007:

	2008	2007
Total outstanding DOSRI accounts	**₱–**	₱37,730,000
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**–**	0.5%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	**–**	0.3%
Percent of DOSRI accounts to total loans	**–**	0.8%
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 net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth 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:

	2008		2007	
Related Party	**Loans Receivables**	**Interest Income**	Loans Receivables	Interest Income
Due from officers and employees	**₱17,371,595**	**₱1,508,889**	₱62,203,376	₱2,470,577
Due from affiliates	**–**	**–**	37,730,000	4,331,789
	₱17,371,595	**₱1,508,889**	₱99,933,376	₱6,802,366

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:

	2008	2007
Total outstanding non-DOSRI accounts granted prior to BSP Circular No. 423	**₱17,371,595**	₱62,203,376
Percent of unsecured non-DOSRI accounts granted prior to BSP Circular No. 423 to total loans	**.04%**	.04%
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, 2008, 2007 and 2006 are as follows:

	2008	2007	2006
Short-term benefits	**₱64,092,472**	₱68,101,020	₱64,188,049
Post-employment benefits	**13,752,889**	4,707,457	2,881,958
Other long-term benefits	**5,778,667**	8,620,808	8,570,934
	₱83,624,028	₱81,429,285	₱75,640,941

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, 2008 and 2007 and are not indicative of either market risk or credit risk (amounts in thousands).

	2008		
	Assets	**Liabilities**	**Notional Amount**
Freestanding derivatives:			
Currency forwards and swaps			
BUY:	**₱872**	**₱287**	**USD1,320**
USD/PHP			
SELL:	**819**	**744**	**USD4,000**
USD/PHP			
	₱1,691	**₱1,031**	

	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	

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:

	2008	2007	2006
		(In Thousand Pesos)	
Net derivative asset (liability) at beginning of year	**(₱3,261)**	₱4,427	(₱19,296)
Net changes in fair value of derivatives	**8,279**	(7,411)	23,168
Fair value of settled instruments	**(4,358)**	(277)	555
Net derivative asset (liability) at end of year	**₱660**	(₱3,261)	₱4,427

27. FINANCIAL PERFORMANCE

EPS amounts attributed to equity holdings of the Bank for the year ended December 31, 2008, 2007 and 2006 were computed as follows:

		2008	2007	2006
a.	Net income	**₱69,920,411**	₱113,874,032	₱492,585,223
b.	Weighted average number of outstanding common shares	**247,968,731**	247,968,731	247,968,731*
c.	Basic/Diluted EPS (a/b)	**₱0.28**	₱0.46	₱ 1.99

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

The following basic ratios measure the financial performance for the year ended December 31, 2008, 2007 and 2006 of the Bank:

	2008	2007	2006
Return on average equity (a/b)	**1.4%**	2.3%	10.7%
a.) Net income	**69,920,411**	113,874,032	492,585,223
b.) Average total equity	**4,904,363,424**	4,887,283,997	4,612,650,931
Return on average assets (c/d)	**0.3%**	0.4%	2.0%
c.) Net income	**69,920,411**	113,874,032	492,585,223
d.) Average total assets	**23,120,910,071**	26,083,398,379	24,678,263,662
Net interest margin on average earning assets (e/f)	**6.0%**	6.2%	6.3%
e.) Net interest income	**1,354,753,274**	1,434,918,787	1,388,325,440
f.) Average interest earning assets	**22,464,166,738**	22,986,576,613	21,928,815,886

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

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1F., No. 218, Songjiang Rd.
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Chengde Branch
1F., No. 17, Sec. 1, Chengde Rd.
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Taiwan, R.O.C.
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Fax: 886-2-25568424

Chengdong Branch
1F., No. 88, Sec. 2, Nanjing E. Rd.
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Taiwan, R.O.C.
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Fax: 886-2-25114252

Chenggong Branch
1F., No. 161, Sec. 4, Chenggong Rd.
Neihu District, Taipei City 114
Taiwan, R.O.C.
Tel.: 886-2-87911686

Chengjhong Branch
1F., No. 83, Sec. 1, Chongcing S. Rd.
Jhongjheng District, Taipei City 100
Taiwan, R.O.C.
Tel.: 886-2-23818740
Fax: 886-2-23822194

Da-an Branch
1F., No.102, Sec. 2, Roosevelt Rd.
Jhongjheng District, Taipei City 100
Taiwan, R.O.C.
Tel.: 886-2-33651988
Fax: 886-2-33651987

Datong Mini Branch
No. 196, Sec. 3, Chongcing N. Rd.
Datong District, Taipei City 103
Taiwan, R.O.C.
Tel.: 886-2-25982366

Dazhi Branch
1F., No. 638, Mingshuei Rd., Jhongshan District
Taipei City 104, Taiwan, R.O.C.
Tel.: 886-2-85026002

Dongmen Branch
No. 213, Sec. 2, Sinyi Rd., Jhongjheng District
Taipei City 100, Taiwan, R.O.C.
Tel.: 886-2-23958000

Donghu Mini Branch
1F., No. 182, Sec. 3, Kangning Rd.
Neihu District, Taipei City 114
Taiwan, R.O.C.
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Fax: 886-2-26326417

Dunbei Branch
1F., No. 122, Dunhua N. Rd., Songshan District
Taipei City 105, Taiwan, R.O.C.
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Fax: 886-2-27126208

Dunnan Branch
1F., No. 68, Sec. 2, Dunhua S. Rd.
Da-an District, Taipei City 106
Taiwan, R.O.C.
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Fax: 886-2-23253260

Fjuin Branch*
No. 165, Sec. 5, Minsheng Road
Songshan District, Taipei City 105
Taiwan, R.O.C.
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Fax: 886-2-27602826

Fubei Branch
1F., No. 363, Fusing N. Rd.
Songshan District, Taipei City 105
Taiwan, R.O.C.
Tel.: 886-2-87705566
Fax: 886-2-87708855

Fusing Branch
1F., No. 46, Sec. 4, Ren-ai Rd.
Da-an District, Taipei City 106
Taiwan, R.O.C.
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Fax: 886-2-27051177

Gung-guan Branch
1F., No. 281, Sec. 3, Roosevelt Rd.
Da-an District, Taipei City 106
Taiwan, R.O.C.
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Fax: 886-2-23692458

Huashan Branch
1F., No. 55, Sec. 1, Jhongsiao E. Rd.
Jhongjheng District, Taipei City 100
Taiwan, R.O.C.
Tel.: 886-2-23413000

Jhongshan Branch
1F., No. 106-2, Sec. 2, Jhongshan N. Rd.
Taipei City 104, Taiwan, R.O.C.
Tel.: 886-2-25235222
Fax: 886-2-25218504

Jhongsiao Branch
1F., No. 71, Sec. 4, Jhongsiao E. Rd.
Da-an District, Taipei City 106
Taiwan, R.O.C.
Tel.: 886-2-27520310
Fax: 886-2-27311960

Jhunglun Branch
1F., No. 85, Sec. 4, Bade Rd.
Songshan District, Taipei City 105
Taiwan, R.O.C.
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Fax: 886-2-27672634

Long Jiang Branch
1F., No. 65, Sec. 3, Nanjing E. Rd.
Jhongshan District, Taipei City 104
Taiwan, R.O.C.
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Fax: 886-2-25025577

Minsheng Branch
1F., No. 58, Sec. 1, Minsheng E. Rd.
Jhongshan District, Taipei City 104
Taiwan, R.O.C.
Tel.: 886-2-25641818
Fax: 886-2-25312530

Mincyuan West Road Branch*
No. 104-1, Mincyuan West Road
Datong District, Taipei City 103
Taiwan, R.O.C.
Tel.: 886-2-25572919
Fax: 886-2-25572126

Mujha Branch*
1F., No. 69, Sec. 3, Mujha Road
Wunshan District, Taipei City 116
Taiwan, R.O.C.

Nanjing East Road Branch
1F., No. 16, Sec. 1, Nanjing E. Rd.
Jhongshan District, Taipei City 104
Taiwan, R.O.C.
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Fax: 886-2-25217950

Neihu Branch
1F., No. 358, Sec. 4, Chenggong Rd.
Neihu District, Taipei City 114
Taiwan, R.O.C.
Tel.: 886-2-27938668
Fax: 886-2-27938666

North Tianmu Branch
No. 10, Tianmu W. Rd., Shihlin District
Taipei City 111, Taiwan, R.O.C.
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Ren-ai Branch
1F., No. 341, Sec. 4, Ren-ai Rd.
Da-an District, Taipei City 106
Taiwan, R.O.C.
Tel.: 886-2-27754600
Fax: 886-2-27214539

Rueiguang Branch
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Neihu District, Taipei City 114
Taiwan, R.O.C.
Tel.: 886-2-27985600
Fax: 886-2-27985700

Shihlin Branch
1F., No. 307, Jhongjheng Rd., Shihlin District
Taipei City 111, Taiwan, R.O.C.
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Fax: 886-2-28810308

Shihpai Branch
1F., No. 46, Sec. 2, Shihpai Rd., Beitou District
Taipei City 112, Tiawan, R.O.C.
Tel.: 886-2-28213366
Fax: 886-2-28217373

Shinfu Branch
No. 9, Songgao Rd., Sinyi District
Taipei City 110, Taiwan, R.O.C.
Tel.: 886-2-27221668
Fax: 886-2-27222355

Sinsheng South Road Branch
1F., No. 111, Sec. 1, Sinsheng S. Rd.
Da-an District, Taipei City 106
Taiwan, R.O.C.
Tel.: 886-2-87736060
Fax: 886-2-27790101

Sinyi Branch
1F., No. 236, Sec. 4, Sinyi Rd., Da-an District
Taipei City 106, Taiwan, R.O.C.
Tel.: 886-2-27079977
Fax: 886-2-23258688

Sisong Branch
1F., No. 161, Sec. 4, Nanjing E. Rd.
Songshan District, Taipei City 105
Taiwan, R.O.C.
Tel.: 886-2-27177100
Fax: 886-2-27177779

Songshan Branch
1F., No. 550, Sec. 5, Jhongsiao E. Rd.
Sinyi District, Taipei City 106
Taiwan, R.O.C.
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Fax: 886-2-23460264

Tianmu Branch
1F., No. 90, Sec. 6, Jhongshan N. Rd.
Shihlin District, Taipei City 111
Taiwan, R.O.C.
Tel.: 886-2-28322888
Fax: 886-2-28311737

Wanhua Branch
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Wanhua District, Taipei City 108
Taiwan, R.O.C.
Tel.: 886-2-23898188
Fax: 886-2-23898788

Wunshan Branch
1F., No. 248, Sec. 4, Sinhai Rd.
Wunshan District, Taipei City 116
Taiwan, R.O.C.
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Fax: 886-2-29336369

Yanji Branch
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Tel.: 886-2-27716000
Fax: 886-2-27790505

Yongji Branch
1F., No. 18, Yongji Rd., Sinyi District
Taipei City 110, Taiwan, R.O.C.
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Fax: 886-2-27668585

TAIPEI COUNTY

Ban He Mini Branch
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Banciao Branch
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Fax: 886-2-29605706

Bansin Branch
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Banciao City, Taipei County 220
Taiwan, R.O.C.
Tel.: 886-2-89611500
Fax: 886-2-29590602

Chong Cing Branch
1F., No. 290, Chongcing Rd., Banciao City
Taipei County 220, Taiwan, R.O.C.
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Fax: 886-2-29632565

Chongyang Branch
1F., No. 66, Sec. 1, Chongyang Rd.
Sanchong City, Taipei County 241
Taiwan, R.O.C.
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Fax: 886-2-89821181

Danfong Branch
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Taipei County 242, Taiwan, R.O.C.
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Fax: 886-2-29126678

Danshuei Mini Branch
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Taipei County 251, Taiwan, R.O.C.
Tel.: 886-2-86318822

East Lujhou Branch
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Taipei County 247, Taiwan, R.O.C.
Tel.: 886-2-22839300
Fax: 886-2-22831106

Er Chong Pu Branch
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Sanchong City, Taipei County 241
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Huei Long Branch
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Taipei County 242, Taiwan, R.O.C.
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Fax: 886-2-22068880

Jhengyi Branch
1F., No. 68, Jhengyi N. Rd., Sanchong City
Taipei County 241, Taiwan, R.O.C.
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Fax: 886-2-29851547

Jhonghe Branch
1F., No. 66, Liancheng Rd., Jhonghe City
Taipei County 235, Taiwan, R.O.C.
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Fax: 886-2-22457541

Jiangcuei Mini Branch
1F., No. 8, Sec. 3, Shuang 10th Rd.
Banciao City, Taipei County 220
Taiwan, R.O.C.
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Fax: 886-2-22576886

Jincheng Mini Branch
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Tucheng City, Taipei County 236
Taiwan, R.O.C.
Tel.: 886-2-22601177
Fax: 886-2-22637077

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

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

North Sindian Branch
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Fax: 886-2-29216678

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Fax: 886-2-22773456

TAIWAN BRANCH DIRECTORY

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Shuanghe Branch
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Shulin Branch
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Jhongshan District, Taipei City 104
Taiwan, R.O.C.
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Fax: 886-2-26866565

Sijhih Branch
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Sindian Branch
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Fax: 886-2-89235056

CHANGHUA COUNTY

Changhua Branch
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Yuanlin Township, Changhua County 510
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CHIAYI CITY

Chiayi Branch
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HSINCHU CITY

Hsinchu Branch
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Fax: 886-3-5222959

Jhuke Branch
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Fax: 886-3-5780299

Jingguo Mini Branch
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HSINCHU COUNTY

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HUALIEN COUNTY

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Hualien Branch
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Fax: 886-3-8340569

Ji An Branch
1F., No. 171, Nanchang Rd., Ji-an Township
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Fax: 886-3-8537362

Ren Li Branch
1F., No. 112, Sec. 1, Jhongjheng Rd.
Ji-an Township, Hualien County 973
Taiwan, R.O.C.
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Fax: 886-3-8539583

West Hualien Branch
1F., No. 835, Jhongshan Rd., Hualien City
Hualien County 970, Taiwan, R.O.C.
Tel.: 886-3-8572161
Fax: 886-3-8571655

KAOHSIUNG CITY

Bo-ai Banch*
No. 88, Bo-ai 2nd Road, Zuoying District
Kaohsiung City 813, Taiwan, R.O.C.

Cianjhen Mini Branch
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Fax: 886-7-7169355

East Kaohsiung Branch
1F., No. 29, Cingnian 1st Rd., Lingya District
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Fax: 886-7-3324330

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

Kaohsiung Branch
1F., No.168 Jhongjheng 4th Rd.
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Taiwan, R.O.C.
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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
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Kaohsiung City 800, Taiwan, R.O.C.
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Fax: 886-7-2262349

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1F., No. 21, Yisin 2nd Rd., Cianjhen District
Kaohsiung City 806, Taiwan, R.O.C.
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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

TAIWAN BRANCH DIRECTORY

KAOHSIUNG COUNTY

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

Fongshan Branch
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Kaohsiung County 830, Taiwan, R.O.C.
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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 Mini 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 Harbor Rd.
West District, Taichung City 403
Taiwan, R.O.C.
Tel.: 886-4-23149999
Fax: 886-4-23145878

Fongjia Mini Branch
1F-1, No. 275-2, Sec. 2, Situn Rd.
Situn District, Taichung City 407
Taiwan, R.O.C.
Tel.: 886-4-27069706

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

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. 267, Sec. 1, Jhongsing Rd., Dali City
Taichung County 412, Taiwan, R.O.C.
Tel.: 886-4-24813333

Fongyuan Branch
1F., No. 545, Jhongjheng 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 Rd., 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

Jiali Branch*
No. 410, Jhongshan Road, Jiali Township
Tainan County 722, Taiwan, R.O.C.

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

TAIWAN BRANCH DIRECTORY

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

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 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
1F., No. 124, Jingguo Rd., Taoyuan City
Taoyuan County 330, Taiwan, R.O.C.
Tel.: 886-3-3150566

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

Loh Dong Branch
No. 232, Singdong S. Rd., Luodong Township
Yilan County 265, Taiwan, R.O.C.
Tel.: 886-3-9574320

Yilan Branch
No. 271, Sec. 2, 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

** Branches scheduled to be opened within 2009.*

OVERSEAS UNITS DIRECTORY

BRANCHES

Ho Chi Minh City Branch
Unit 107-111, 1st F., 1-5 Le Duan Street
District 1, Ho Chi Minh City, Vietnam
Tel.: 848-9101888
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
26th F., One Peking, No. 1 Peking Road
Tsim Sha Tsui, Kowloon, Hong Kong
Tel.: 852-29161688
Fax: 852-28050899

New Delhi Branch
604, 6th F., Mercantile House, 15-K.G. Marg
New Delhi-110001, India
Tel.: 91-11-43688888
Fax: 91-11-23731815

New York Branch
3rd F., 366 Madison Avenue, New York
New York 10017, USA
Tel.: 1-212-4578888
Fax: 1-212-4576666

Singapore Branch
1 Raffles Place, #29-02/03
OUB Centre, Singapore 048616
Tel.: 65-6351-4888
Fax: 65-6532-5999

Tokyo Branch
7th F., AIG Building, 1-3, Marunouchi
1-chome Chiyoda-ku, Tokyo 100-0005, Japan
Tel.: 813-32161108
Fax: 813-32161090

REPRESENTATIVE OFFICES

Bangkok Representative Office
Diethelm Tower A, Suite 803 93/1
Wireless Road, Pathumwan, Bangkok
10330, Thailand
Tel.: 66-2-2543139
Fax: 66-2-2566480

Beijing Representative Office
B-111, The Grand Pacific Building
8A, Guanghua Rd., Chao Yang District
Beijing P.R.C. 100026
Tel.: 86-10-65813700
Fax: 86-10-65815701

Hanoi Representative Office
4th F., 41B Ly Thai To Street, Hanoi, Vietnam
Tel.: 84-4-8249088
Fax: 84-4-8249099

London Representative Office
7th F., Aldermary House, 15 Queen Street
London EC4N 1TX, England
Tel.: 44-207-3290033
Fax: 44-207-3290828

Los Angeles Representative Office
17851 Colima Road, City of Industry
CA 91748, USA
Tel.: 1-626-8397660
Fax: 1-626-8393562

Manila Representative Office
3rd F., Tower One & Exchange Plaza
Ayala Avenue corner Paseo de Roxas
Makati City, Philippines
Tel.: 63-2-8485519
Fax: 63-2-7594983

SUBSIDIARIES

Indonesia

Chinatrust Bank (Indonesia)
Tamara Center, 15th-17th F., J1 Jend. Sudirman
Kav. 24, Jakarta, 12920, Indonesia
Tel.: 62-21-25578787
Fax: 62-21-5206378

Bandung Branch
Wisma Lippo, 7th F., Jl. Jend. Gatot Subroto
No. 2, Bandung 40262, Indonesia
Tel.: 62-22-7305900
Fax: 62-22-7308878

Cikarang Branch
Komplek Ruko Union Blok A No. 2, J1. M.H.
Thamrin, Lippo Cikarang, Bekasi
17550, Indonesia
Tel.: 62-21-89906688
Fax: 62-21-89906868

Karawaci (Tangerang) Branch
Karawaci Office Park, Ruko Pinangsia
Blok M No. 19 Lippo Karawaci 1200
Tangerang 15811, Indonesia
Tel.: 62-21-55764558
Fax: 62-21-55764556

Kelapa Gading Branch
J1. Boulevard Barat Raya, Blok XC 09
No. 1-2, Kelapa Gading, Jakarta
14240, Indonesia
Tel.: 62-21-45877078
Fax: 62-21-45877077

Mangga Dua Branch
J1. 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., J1. Panglima Sudirman
No. 101-103, Surabaya 60271, Indonesia
Tel.: 62-31-5348008
Fax: 62-31-5348007

United States of America (U.S.A.)

Chinatrust Bank (U.S.A.)
22939 Hawthorne Boulevard
2nd F., Torrance CA 90505, USA
Tel.: 1-310-7912828
Fax: 1-310-7912877

California Area

Arcadia Branch
815 West Naomi Avenue
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
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.: 1-510-249-9718
Fax: 1-510-249-9714

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

OVERSEAS UNITS DIRECTORY

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
New Jersey 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

Canada Area

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

Toronto Branch
Suite 300-4950 Yonge Street
Toronto, Ontario, Canada, M2N 6K1
Tel.: 1-416-590-2822
Fax: 1-416-590-1788

CHINATRUST PHILIPPINES DIRECTORY

CHINATRUST 24/7 CUSTOMER CARE
Tel.: (02) 840 1234
Fax: (02) 817 0910
Domestic Toll-Free 1800 10 8401234
International Toll-Free +800 2 8401234*

**Limited only to the USA, Canada, Singapore, UK and Italy.*

HEAD OFFICE
3rd Floor, Tower One & Exchange Plaza
Ayala Avenue corner Paseo de Roxas
Makati City
Tel.: (02) 848 5519
Fax: (02) 759 4983

METRO MANILA BRANCHES

Alabang Branch
Ground Floor, Paragon Corporate Centre
Industry corner Trade Streets
Madrigal Business Park, Alabang
Muntinlupa City
Tel.: (02) 659 0483 / 659 0484 / 659 0486
Fax: (02) 659 0485

Ayala Branch
Ground Floor, Tower One & Exchange Plaza
Ayala Avenue, corner Paseo de Roxas
Makati City
Tel.: (02) 759 4989 / 848 5519
Fax: (02) 759 4990

Binondo Branch
Ground Floor, State Centre Building
Juan Luna Street, Binondo, Manila
Tel.: (02) 244 0414 / 244 0416 / 245 5540 / 245 7755 / 245 9225
Fax: (02) 245 7754

Buendia-Pasong Tamo Branch
Ground Floor, Burgundy Corporate Tower
252 Sen. Gil Puyat Avenue, Makati City
Tel.: (02) 889 0018 / 889 0027 / 889 0036
Fax: (02) 889 0026

Del Monte Branch
Ground Floor, Van Allen Building
243 Del Monte Avenue, Quezon City
Tel.: (02) 365 0965 / 365 0969 / 365 0977
Fax: (02) 415 8822

Greenhills Branch
Ground Floor, LGI Building
Ortigas Avenue, San Juan
Metro Manila
Tel.: (02) 724 9126 / 744 2227 / 744 4868
Fax: (02) 744 2228

Kalookan Branch
Rizal Avenue corner 3rd Avenue, Kalookan City
Tel.: (02) 366 6315 / 366 6316
Fax: (02) 366 6216

Las Piñas Branch
Ground Floor, RRDC Building, National Road
Manuela Subdivision, Pamplona Tres
Las Piñas City
Tel.: (02) 871 6063 / 871 6239
Fax: (632) 871 6239

Leviste Branch
Ground Floor, Athenaeum Building
160 L.P. Leviste Street, Salcedo Village
Makati City
Tel.: (02) 840 2507 to 09 / 840 3689
Fax: (02) 840 2510

Mabini Branch
Ground Floor, Unit B Echelon Tower
2100 A. Mabini Street, Malate, Manila
Tel.: (02) 400 8035 to 37
Fax: (02) 400 8034

Marikina Branch
J.P. Rizal corner E. dela Paz Street
San Roque, Marikina City
Tel.: (02) 646 4325 / 646 4361
Fax: (02) 681 0337

Ortigas Branch
Ground Floor, Unit 101 Prestige Tower
Emerald Avenue, Ortigas Center, Pasig City
Tel.: (02) 635 3832 / 635 3833 / 635 3835 / 687 2869
Fax: (02) 635 3834

Rada Branch
Ground Floor, SEDCCO I Building
Legaspi corner Rada Streets, Makati City
Tel.: (02) 893 7500 / 893 7657 / 893 9340 / 893 9837
Fax: (02) 893 9415

Sucat Branch
Units N & O Columbia Airfreight Complex
Ninoy Aquino Avenue, Parañaque City
Tel.: (02) 854 8110 / 854 8112
Fax: (02) 854 8115

Valenzuela Branch
253-A McArthur Highway
Karuhatan, Valenzuela City
Tel.: (02) 293 1924 / 445 6753
Fax: (02) 293 1924

PROVINCIAL BRANCHES

Angeles Branch
Ground Floor, JEV Building
MacArthur Highway Balibago
Angeles City, Pampanga
Tel.: (045) 625 5758 / 625 5759
Fax: (045) 625 5723

Carmona Branch
National Highway, Barrio Maduya
Carmona, Cavite
Tel.: (046) 430 3291 / 430 3292
Fax: (046) 430 3293

Cavite Branch
Ground Floor, PRB Building
Gen. Aguinaldo Highway Palico
Imus, Cavite
Tel.: (046) 471 9884 / 471 9886
Fax: (046) 471 9888

Cebu - Banilad Branch
Ground Floor, The Forum
Archbishop Reyes Avenue, Cebu City
Tel.: (032) 233 3800 / 233 3818 / 415 8111/ 415 9292
Fax: (032) 233 3808

Cebu - Magallanes Branch
Ground Floor, Tokyu Building
79 Magallanes Street, Cebu City
Tel.: (032) 253 3725 / 253 4740 / 253 7637
Fax: (032) 254 5167

Cebu - Mandaue Branch
Ground Floor, Diamond Plaza
National Highway, Mandaue City
Tel.: (032) 346 5176 / 346 7198 / 346 7318
Fax: (032) 346 7198

Davao Branch
Ground Floor, Brightstone Building
Monteverde Avenue corner Gempasaw Street
Davao City
Tel.: (082) 228 6851 / 228 6857
Fax: (082) 228 6854

Subic Branch
SBDMC Park, Rizal corner
Argonaut Highway, Subic
Olongapo City
Tel.: (047) 252 1381 / 252 1390
Fax: (047) 252 1382

CONSUMER FINANCE CENTERS AND MORTGAGE BANKING

Consumer Finance Center – Makati
11th Floor, Lepanto Building
8747 Paseo de Roxas, Makati City
Tel.: (02) 840 1531

Consumer Finance Center – Angeles
2nd Floor, JEV Building
MacArthur Highway Balibago
Angeles City, Pampanga
Tel.: (032) 625 5906 / 625 5909
Fax: (032) 625 5902

Consumer Finance Center – Cebu Magallanes
2nd Floor, Tokyu Building
79 Magallanes Street, Cebu City
Tel.: (032) 412 7590 / 415 8168 / 415 8898
Fax: (032) 415 8492 / 415 8869

Consumer Finance Center – Davao
2nd Floor, Brightstone Building
Monteverde Avenue corner Gempasaw Street
Davao City
Tel.: (082) 221 1183 / 221 4854 / 221 5461
Fax: (082) 221 9669

Mortgage Banking - Cebu Banilad Branch
Ground Floor, The Forum
Archbishop Reyes Avenue, Cebu City
Tel.: (032) 231 6031
Fax: (032) 233 3808

CHINATRUST PHILIPPINES ATM DIRECTORY

METRO MANILA ATMS

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, 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
2100 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

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

Carmona
National Highway, Barrio Maduya
Carmona, Cavite

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

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

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

Cebu - Mandaue
Diamond Plaza, National Highway
Mandaue City, Cebu

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

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

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 CheckWriter

NetBanking

eStatement/Mobile Statement

Visa Cash Card

Point of Sale

Night Depository Box

ATM Alliance and Settlement

CONSUMER LOANS

Cashback Mortgage

Salary Stretch Loan (Personal and Corporate)

CORPORATE LENDING

General Working Capital Loans

Capital Expenditure Financing

Project and Structured Finance

Syndicated Financing

Trade Financing

Various Discounting Facilities

TREASURY SERVICES

Foreign Exchange

Forward Contracts

PAYMENT AND REMITTANCE SERVICES

Remittances/Telegraphic Transfers

TRUST PRODUCTS

Living Trust Accounts

Corporate Trust

Investment Management (Personal and Corporate)

Retirement Fund Management

Escrow Agency (Personal and Corporate)

Custodianship (Personal and Corporate)

Mortgage Trust Indenture

INTERNATIONAL TRADE

Documents Against Payment/ Acceptance

Export Bills

Import/Export Letters of Credit

Standby Letters of Credit

Trust Receipts

INVESTMENT SERVICES

Government Securities

USD Fixed Income Securities

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.

We are Chinatrust.

We are family.

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.

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