Making Opportunities Happen!

2003 ANNUAL REPORT

International Exchange Bank

Message to our Shareholders, Depositors and Friends

Ben C. Tiu
Vice Chairman of the Board
Chairman of the Executive Committee

Gerardo O. Lanuza, Jr.
Chairman of the Board

Ramon Y. Sy
President and Chief Executive Officer

The Philippine Economy and Banking Industry

The year 2003 was another challenging year for the Philippine economy. Though Gross National Product (GNP) grew 1% more to 5.5%, and GDP growth was a respectable 4.5%, it was not as broad-based as to benefit a larger segment of the population. Most of the growth came from the 18.9% increase in income from foreign sources, mostly Filipino Overseas Workers. Services grew 5.9% bannered by the double-digit growth in telecommunications. Merchandise exports only registered a 3.2% expansion, one of the lowest in years, reflecting the slowdown in world economy. Imports on the other hand, went up by 10.3%.

The country ended the year with another huge fiscal deficit of PhP195 Billion. Total debt stock ballooned to more than PhP3.3 Trillion, and promises to continue to be a major strain on the national budget. As an indication, government consumption dropped 1.8%. While a million jobs were reportedly created, unemployment remained at 11.4% due to the faster pace of labor force expansion.

The commercial banking industry on the other hand continued to under-perform. While there has been some improvement in 2003, the industry has yet to fully recover from the ill effects of the 1997 Southeast Asian crisis, political shocks, and the slowdown in world economy in the last 2 years. The industry registered a modest 5% increase in total resources and loan level only grew by 3.0%. Adjusted for the 3.1% inflation in 2003, the industry actually went slightly below were it was the previous year.

Operating Results

Income Results

Net income for 2003 was at PhP433.0 Million, a 23% increase from the PhP352.3 Million of 2002.

Like the rest of the industry, your bank was affected by the lower average interest rates. The lower rates resulted in lower income as interest spreads were squeezed and peso fixed income trading gains went down. This was particularly pronounced among banks with significant CASA deposits and substantial exposures in government bonds. CASA deposits have a fixed low interest rate which generally does not adjust downwards even if interest rates go lower. Thus, inspite of the overall improvement in our funding mix, net interest income was 2.2% lower at PhP1.463 Billion. On the other hand, trading income from Fixed Income Securities dropped 23% to PhP380 Million.

The income statement shows a PhP165 Million foreign exchange trading income. However, we wish to clarify that PhP135 Million of this is actually interest income representing foreign exchange forward premiums. We have chosen to use the Net Present Value method in accounting for forward contracts instead of amortizing the premiums as this presents a better valuation methodology. Otherwise, PhP135 Million in 2003 and PhP66 Million in 2002 would have been

booked as interest income. The consequent adjusted result would have been a marginal increase in net interest income of 2.4% instead of the 2.2% decline.

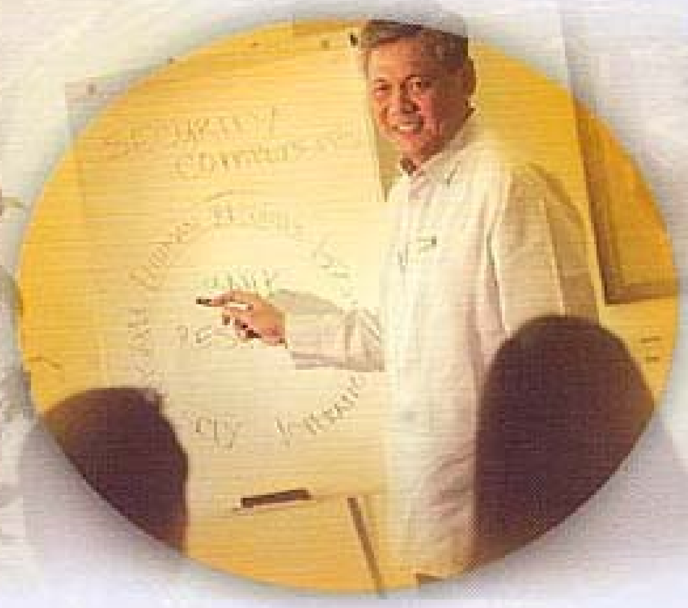
For 2003, we booked an additional PhP140 Million in provisions for probable losses. This brings our total provisions to PhP2.6 Billion and our NPL and NPA provisioning cover to 53.1% and 35.0% respectively. This favorably compares with industry average of 53.0% and 32.6% for NPLs and NPAs, respectively. Total provisions are more than what is required by the BSP.

Operating expenses stood at PhP1.565 Billion, 2.21% lower from the previous year. Our headcount remained flat at 1,400 although manpower expenses went up 9.7% to PhP526.5 Million. We have made progress in managing our costs and expenses while continuing to give due attention to our key resource, our people. We maintained our policy of giving competitive compensation packages and investing heavily in training and development of our staff.

meant pursuing initiatives that would prepare the bank, not only to seize opportunities, but to make opportunities happen.

We ended the year with total resources of PhP43.9 Billion, a 13.5% increase from PhP38.7 Billion in 2002. The increase in assets was funded mostly by the 15.2% increase in deposits which went up from PhP31.1 Billion to PhP35.8 Billion. Significantly, bulk of the increase came from low cost transactional deposits, Current Account and Savings Accounts (CASA), which went up 33%. The result is much better funding mix.

True to the consolidation thrust, we invested these deposits and the cashflows generated from operations in liquid government securities and short term investments in the interbank market which increased 26% and 70% respectively. We ended 2003 with liquid assets of PhP19.8 Billion which now accounts for 45% of total resources. Meanwhile, loan levels remained flat as we wait for better times to expand. These balance sheet movements significantly improved the risk profile



Our Balance Sheet

As we mentioned in our 2002 report, in anticipation of the uncertain economic environment, we pursued a consolidation strategy. We concentrated on improving our funding mix and asset quality, maintained a high level of liquidity, and exerted effort to manage costs and expenses more effectively. Consolidation also

of our assets and liabilities. This also positioned the bank well for future expansion when the macroeconomic environment and the loan market improve.

Better Quality of Earnings

Income before taxes was at PhP604.9 Million or more than double the PhP273.2 Million in 2002. The PhP337

Million increase is about the same as the PhP332 Million drop in provisions for probable losses in 2003. Thus, in this respect, we were able to maintain our operating results at the same level as 2002. However, hidden behind these numbers are major improvements in the balance sheet and the quality of our earnings.

First, the adoption of certain accounting methodology resulted in the overstatement of trading profits and understatement of net interest income by some PhP200 Million. This implies that our core recurring income had improved much more than what the income statement shows.

Second, 2003 saw one of the lowest levels of interest rates in many years. It was probably near bottom. And yet, we were able to maintain the level of our net interest income. What this means is we stand a good chance of further improving our bottom line once interest rates normalize.

Third, a good portion of new business generated happened in the second half of the year. Thus, their full impact is not yet reflected in 2003. As an indication, we ended the year with a balance sheet that had an earning capacity almost double from where we started the year.

Lastly, the relatively high level of provisioning in the last few years has brought the bank to a point where we expect future provisions for probable losses to stabilize at a much lower amount.

Barring any external shocks, we expect these developments to result in better operating performance in the future.

Making Things Happen

The continuous improvement of our balance sheet and operating results over the years affirms the soundness of our strategy. There are three areas we focused our attention on. First of course is the most important resource of any service company, its people. Second, our physical infrastructure. And third, how we managed the interplay of our human and physical resources and translate these into competitive strengths by honing a more effective organization, efficient processes, procedures and controls, and responsive products and services.

People and Organization

We continued to pursue our Competency-based Career Progression Program. The program aims to guide employees in planning their career and assessing their capabilities by clarifying all the competency requirements to succeed in their chosen fields. Initially expected to be completed in 2003, the program will spill over to 2004 as we underestimated the extent of work that needs to be done. We also intensified our training programs. Last year, we invested 52% more in training and started new competency building programs such as the Bankers' Basic Course and Account Associate Development Program. We also formalized a Succession Planning Framework for senior officers to ensure continuity of leadership.

To better cope with the challenges of an expanding business, we fine-tuned the organization. All retail businesses are now concentrated in the Retail Banking Cluster which includes branches and consumer loans. We also consolidated all finance functions under the newly created Financial Management Cluster. This unit, headed by the Chief Financial Officer now handles Accounting and Controllership, Capital Budgeting, Corporate Planning, Asset-Liability Management, Productivity Management, Performance Management and the administrative supervision of Risk Management.

Infrastructure and Product Development

We pursued our infrastructure expansion and improvement programs. We added 2 new branches, bringing our total network to 71. We would have wanted to build more if not for the difficulty in getting new licenses. We continued to implement our new core banking solution, Globus. This project will migrate all our core banking solutions into a single platform and thereby improve customer service and efficiency. Your bank is also migrating to the latest and more robust version of Oracle Financials. When completed, iBank will be one of the few banks which will have truly integrated system architecture. We expect to leverage this into a competitive strength.

We continued our efforts to widen our product offerings. Last year, we enriched our iDEAL ATM card by forming alliances with merchants where our cardholders will get discounts and privileges. We likewise expanded our cash management services with MyCheckwriter which allows our customers greater convenience and efficiency in managing their finances. We completed our preparation to launch our first Common Trust Fund product, iFund Silver. Our Consumer Banking Center launched its salary loan program. And to support our product initiatives and increase awareness, we undertook advertising and PR programs via print, radio and billboards.

We are pleased to note that our *On-line Signature Verification Facility Campaign* was recognized as a runner up in Customers' Service Program category of the Asian Banking Awards recently. The Asian Banking Awards is recognized as one of the respected banking award programs in Asia. We competed among 107 entries from 49 banks in 15 countries.

Guarded Optimism

We look forward to 2004 with guarded optimism. While we are aware of the uncertainties engendered by an election year, problematic fiscal imbalance, high and still growing external debt, and continuing peace and order concerns, we also see some windows of opportunity. For one, the global economy is expected to do better and grow at a faster pace of 4.1% from the 3.2% in 2003. This should result in better export growth for the country. An orderly and peaceful elections and the ascendance of a president with a clear mandate and unquestioned legitimacy should pave the way for stability, more investments and improved governance.

In anticipation of a better macro environment, we are preparing to access the capital markets and list in the Philippine Stock Exchange within the year. This will not only improve our capital position and lay the foundation for growth but also make the bank more visible and make it easier to attract new customers.

Thus, given the balance of threats and opportunities, should the downside scenario prevail, we will maintain our consolidation strategy. On the other hand, we are ready to go on expansion mode if the macro situation turns for the better.

The calibration of our strategy will focus on the level of risk assets we will take on the balance sheet. In any event, we intend to further expand our branch network and generate more transactional deposits and launch new products particularly in the retail, investments, and trust businesses. These preparations and our continuing effort to fine tune our organization should enable us to not only cope but even prosper in difficult times and to reap rich dividends when the situation improves. We will not wait for opportunities to present themselves. We will work to make opportunities happen.

Gerardo O. Lanuza, Jr.
Chairman of the Board

Ramon Y. Sy
President and Chief Executive Officer

Ben C. Tiu
Vice Chairman of the Board
Chairman of the Executive Committee

"iBank's offsite ATM in Park 'N Fly moves us much closer to being a 'one-stop-shop' for our clients. Such value-added services attract more customers and allow us to serve them better."

Mr. Conrado Limcaco, President of Park 'N Fly,
iBank client since 1995

1) iFund Silver gives you access to higher-yielding investments.
2) Your ATM card made more iDeal with discounts and privileges.
3) More time to focus on your business with two new cash management services – MyCheckwriter and S.A.F.E.
4) Your 'iChecks' are as good as cash at any iBank branch.

Making Opportunities Happen!

At iBank, we continuously offer innovative products and services relevant to your dynamic needs. We develop our employees' personal and professional strengths and empower our beneficiaries to take on a brighter future. The year 2003 was about throwing open the doors of possibilities!

"iBank ensures my personal and professional growth so I can reach my full potential. I don't mind growing old with the bank!"

Ms. Cathy Aguas,
Ayala-Alabang Branch Head

1) More focused training and development efforts in building talent from within.
2) Best in service and sales are recognized and rewarded during the annual Officers Night.
3) Improved retirement benefits as a reward for hard work and dedication.
4) Halloween treats for children of iBank employees.

COMMUNITY

"Malaki ang pinagbago ng buhay ko at ng aking pamilya, pati na rin ang ibang batang katulad ko. Salamat sa iBank at kay dok."

Ms. Sheena Santos, a beneficiary of iBank's 'Operation Cleft Lip/Cleft Palate' project

1) Forty two children have more reasons to smile after undergoing free cleft lip/cleft palate surgery.
2) Four more Habitat houses built for indigent families.
3) Head Office employees celebrate the Christmas season with children from the adopted communities of Assumption College.
4) Makati and Quezon City branch employees share their blessings with children from Delpan and Virlani Foundations.

Risks are inherent in any business. And the appropriate management of such risks vis-à-vis expected rewards is a key driver of any institution's success.

With this in mind, iBank cultivates a risk framework that helps breathe life to its vision. The Bank believes that pro-active risk management leads to a choice competitive position and empowered decision-making at all levels.

iBank creates and fosters a healthy risk philosophy through its risk management organization. The Board of Directors and the Executive Committee are ultimately responsible for ensuring the effectiveness of the Bank's risk management practices. Risks are managed and controlled through the Board-level Risk Management Committee and the Audit Committee.

The Risk Management Center is the operational unit that recommends and drives the implementation of risk management standards throughout the Bank. It leads efforts in identifying, measuring and controlling all significant risks – credit, market, liquidity and operational – encountered by the Bank.

Credit Risk

Credit risk is the likelihood of a counterparty failing to fulfill its contractual obligations. These obligations may include repayment of debt by borrowers and issuers, settlement of transactions and default on outstanding contracts.

The Bank utilizes a credit-granting process founded on a thorough understanding of each account's credit-worthiness. Credit administration policies ensure that all credits comply with internal and external regulations.

The Bank ensures quality of borrowing relationships are maintained through:

- *Constant training of all of its credit officers.* Throughout the year, competency enhancement programs are conducted to update key personnel on new credit evaluation models and techniques, global and local risk standards, advanced industry products and services and other relevant developments.

- *Utilization of Credit Lines.* Credit lines, the most basic credit control feature, are used to manage exposures to both individuals and related credits. These lines are regularly reviewed and updated as necessary.

- *Credit Rating System.* The Bank utilizes a credit grading system consistent with the Bangko Sentral's (BSP) standards on loan classification.

The Bank recognizes the value of expediently resolving its non-performing assets. Thus, the Bank has formed dedicated teams composed of seasoned account officers and lawyers to handle distressed and past due accounts.

Credit policies and standards are periodically reviewed to ensure relevance of credit practices and adoption of global best practices. The Board, the Executive Committee, and Senior Management are apprised of the state of the Bank's credit portfolio through regular reports on industry breakdown of all borrowing relationships, asset quality, adequacy of loss provisioning, among others.

Market Risk

Market risk refers to the potential volatility of the Bank's earnings due to changes in market variables such as interest rates and currency exchange rates. It applies to the Bank's trading and accrual positions.

Market risk of the Bank's trading portfolio is measured by a statistical measure of probable loss called Value-at-Risk (VaR). The Bank uses an exponentially-weighted parametric VaR with a 99% one-tailed confidence interval. The resulting VaR figure is interpreted as the amount of loss that only has a 1% chance of being exceeded within a certain time horizon.

Value-at-Risk as of December 31, 2003
(in Millions)

Fixed income securities	PhP	21.3
Foreign Exchange		0.8
Total Trading VaR	PhP	22.1

Note: One-day time horizon, 99% confidence level, considers diversification effects.

Accrual positions may also be subject to market risk. The timing differences between asset and liability repricing can result in a higher or lower net interest income. To quantify this risk, the Bank uses a measure referred to as Earnings-at-Risk (EaR). EaR is computed on a cumulative basis at a 99% confidence level with a one year holding period.

Market risk is controlled by setting limits for each risk measure, as well as for mark-to-market loss, position size, and portfolio duration.

To validate these risk measurement models, iBank back-tests projected volatility against actual gains and losses on a monthly basis. Stress-testing is likewise performed to complement the previously-mentioned models.

Liquidity Risk

Liquidity risk is the possibility of not meeting funding requirements within reasonable means and cost. To ensure sufficient liquidity levels, the Bank has a set of internal limits which allocates a portion of liabilities into cash, marketable securities and other liquid assets. A Contingency Funding Plan is in place to prepare the Bank for any liquidity crisis situation.

Operational Risk

Operational risk is the probability of loss arising from weaknesses in internal controls. These usually relate to people, systems and processes. The Bank is in the process of implementing an integrated core banking solution with the objectives of improved efficiency, more standardized controls and, ultimately, enhanced customer service.

The Bank has started taking steps to ensure that, at the very least, it complies with Basel II requirements on capital adequacy. The Risk Management Center is conducting a thorough review and revision of all existing policies, standards and processes on credit, market, liquidity and operational risks to ensure timely compliance with Basel II standards.

Report of Independent Auditors

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Sycip Gorres Velayo & Co.

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The Stockholders and the Board of Directors
International Exchange Bank

We have audited the accompanying statements of condition of International Exchange Bank as of December 31, 2003 and 2002, and the related statements of income, changes in capital funds and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Exchange Bank as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Philippines.

Sycip Gorres Velayo + Co.

PTR No. 7012988
January 5, 2004
Makati City

February 17, 2004

	December 31	
	2003	2002
RESOURCES		
Cash and Other Cash Items	₱ 1,406,224,039	₱ 1,190,137,830
Due from Bangko Sentral ng Pilipinas	651,937,027	324,514,251
Due from Other Banks	1,886,661,510	1,067,444,079
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	2,504,057,572	1,216,270,000
Trading and Investment Securities - net (Note 3)	13,332,635,185	10,600,358,663
Receivables from Customers - net (Notes 4 and 20)	18,013,458,375	18,138,821,789
Bank Premises, Furniture, Fixtures and Equipment - net (Note 5)	1,226,507,600	1,303,390,314
Real and Other Properties Owned or Acquired - net (Note 6)	2,658,766,556	3,162,844,550
Equity Investments (Note 7)	21,139,626	20,719,232
Other Resources - net (Note 8)	2,194,525,176	1,658,283,097
	₱ 43,895,912,666	₱ 38,682,783,805
LIABILITIES AND CAPITAL FUNDS		
Liabilities		
Deposit Liabilities (Note 10)		
Demand	₱ 11,757,372,448	₱ 9,285,448,271
Savings	15,030,909,561	13,616,212,514
Time	9,042,912,670	8,215,679,359
	35,831,194,679	31,117,340,144
Bills Payable (Note 11)	1,097,244,509	1,069,154,910
Outstanding Acceptances (Note 12)	176,696,835	286,552,497
Accrued Taxes, Interest and Other Expenses (Note 13)	375,259,460	224,567,976
Manager's Checks	169,099,269	217,717,104
Other Liabilities (Note 14)	2,011,004,733	1,882,662,736
	39,660,499,485	34,797,995,367
Capital Funds		
Preferred stock (Note 15)	250,000,000	250,000,000
Common stock	2,500,000,000	2,500,000,000
Surplus (Note 15)	1,458,050,386	1,042,732,416
Surplus reserves (Note 15)	10,000,000	10,000,000
Net unrealized gain on available-for-sale securities (Note 3)	17,362,795	82,056,022
	4,235,413,181	3,884,788,438
	₱ 43,895,912,666	₱ 38,682,783,805

See accompanying Notes to Financial Statements.

Statements of Income

	Years Ended December 31	
	2003	2002
INTEREST INCOME ON		
Receivables from customers	P 1,478,833,686	P 1,656,053,223
Trading and investment securities	914,065,532	692,312,856
Deposits with other banks	44,356,539	35,442,519
Interbank loans receivable and securities purchased under resale agreements	55,743,347	100,709,191
	2,492,999,104	2,484,517,789
INTEREST EXPENSE ON		
Deposit liabilities	988,928,182	950,581,419
Bills payable and other borrowings	40,626,535	37,264,159
	1,029,554,717	987,845,578
NET INTEREST INCOME	1,463,444,387	1,496,672,211
PROVISION FOR PROBABLE LOSSES (Note 9)	140,000,000	476,952,400
NET INTEREST INCOME AFTER PROVISION FOR PROBABLE LOSSES	1,323,444,387	1,019,719,811
OTHER INCOME (CHARGES)		
Trading and securities gain - net	379,998,165	492,552,048
Service charges, fees and commissions	279,157,480	294,452,346
Foreign exchange gain - net	165,226,973	70,681,408
Miscellaneous - net (Note 7)	21,937,014	(3,995,324)
	846,319,632	853,690,478
OTHER EXPENSES		
Compensation and employees' benefits (Note 17)	526,486,638	479,998,515
Occupancy and other equipment-related expenses (Note 16)	232,225,496	209,870,296
Depreciation and amortization (Note 5)	224,680,009	237,745,864
Taxes and licenses (Note 18)	88,722,884	122,706,036
Miscellaneous (Note 18)	492,793,262	549,900,808
	1,564,908,289	1,600,221,519
INCOME BEFORE INCOME TAX	604,855,730	273,188,770
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)	171,838,766	(79,106,766)
NET INCOME (Note 22)	P 433,016,964	P 352,295,536
Earnings Per Share (Note 22)	P 16.61	P 13.22

See accompanying Notes to Financial Statements.

	Years Ended December 31	
	2003	2002
CAPITAL STOCK - P100 par value (Note 15)		
Preferred		
Authorized - 20,000,000 shares		
Issued - 2,500,000 shares	P 250,000,000	P 250,000,000
Common		
Authorized - 50,000,000 shares		
Issued - 25,000,000 shares	2,500,000,000	2,500,000,000
	2,750,000,000	2,750,000,000
SURPLUS		
Balance at beginning of year	1,042,732,416	712,138,679
Net income (Note 22)	433,016,964	352,295,536
Dividends on preferred shares (Notes 15 and 22)	(17,698,994)	(21,701,799)
Balance at end of year	1,458,050,386	1,042,732,416
SURPLUS RESERVES (Note 15)	10,000,000	10,000,000
NET UNREALIZED GAIN ON AVAILABLE-FOR-SALE SECURITIES (Note 3)	17,362,795	82,056,022
	P 4,235,413,181	P 3,884,788,438

See accompanying Notes to Financial Statements.

Statements of Cash Flows

	Years Ended December 31	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱ 604,855,730	₱ 273,188,770
Adjustments to reconcile income before income tax to net cash generated from operations:		
Interest income	(2,492,999,104)	(2,484,517,789)
Interest expense	1,029,554,717	987,845,578
Depreciation and amortization	217,976,752	222,913,273
Provision for probable losses	140,000,000	476,952,400
Amortization of deferred charges	6,703,257	14,832,591
Equity in net earnings of an investee	(420,394)	(326,952)
Changes in operating resources and liabilities:		
Decrease (increase) in the amounts of:		
Trading account securities	(2,248,703,305)	153,196,436
Receivables from customers	379,585,746	(785,149,517)
Other resources	(568,995,948)	190,040,382
Increase (decrease) in the amounts of:		
Deposit liabilities	4,713,854,535	1,828,617,718
Accrued taxes, interest and other expenses	11,089,347	15,599,047
Manager's checks	(48,617,835)	(8,914,263)
Other liabilities	128,341,997	412,929,383
Net cash generated from operations	1,872,225,495	1,297,207,057
Interest received	2,430,574,443	2,546,392,150
Interest paid	(897,938,893)	(948,315,832)
Income taxes paid	(75,377,180)	(59,392,031)
Net cash provided by operating activities	3,329,483,865	2,835,891,344
CASH FLOWS FROM INVESTING ACTIVITIES		
Net disposals of (additional) investments in:		
Available-for-sale securities	(715,171,915)	(2,962,277,763)
Bonds and other debt instruments	166,905,471	(503,049,689)
Additions to bank premises, furniture, fixtures and equipment	(157,305,601)	(153,736,998)
Proceeds on disposals of bank premises, furniture, fixtures and equipment	16,211,563	23,447,157
Additional equity investments	-	(1,250,000)
Net cash used in investing activities	(689,360,482)	(3,596,867,293)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bills payable	28,089,599	241,082,159
Payment of dividends	(17,698,994)	(21,701,799)
Net cash provided by financing activities	10,390,605	219,380,360
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,650,513,988	(541,595,589)

	Years Ended December 31	
	2003	2002
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	₱ 1,190,137,830	₱ 931,209,679
Due from Bangko Sentral ng Pilipinas	324,514,251	73,495,236
Due from other banks	1,067,444,079	2,817,962,083
Interbank loans receivable and securities purchased under resale agreements	1,216,270,000	517,294,751
	3,798,366,160	4,339,961,749
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	1,406,224,039	1,190,137,830
Due from Bangko Sentral ng Pilipinas	651,937,027	324,514,251
Due from other banks	1,886,661,510	1,067,444,079
Interbank loans receivable and securities purchased under resale agreements	2,504,057,572	1,216,270,000
	₱ 6,448,880,148	₱ 3,798,366,160

See accompanying Notes to Financial Statements.

1. **Corporate Information**

International Exchange Bank (the Bank) operates as a domestic commercial bank and provides such services as deposit products, loan and trade finance, domestic and foreign fund transfers, treasury, foreign exchange, and trust services. The Bank's principal address is at iBank Exchange Building, 142 Amorsolo Street, Legaspi Village, Makati City. As of December 31, 2003 and 2002, the Bank had 1,414 and 1,419 employees, respectively.

The accompanying financial statements of the Bank were authorized for issue by the board of directors (BOD) on February 17, 2004.

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The Bank's financial statements have been prepared in accordance with accounting principles generally accepted in the Philippines (Philippine GAAP) for the banking industry. These financial statements are prepared under historical cost convention, as modified for the measurement at fair value of trading accounts securities (TAS), available-for-sale securities (ASS) and certain derivative instruments. The accompanying financial statements of the Bank reflect the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

The books of accounts of the RBU are maintained in Philippine pesos, while those of the FCDU are maintained in United States dollars. For financial reporting purposes, the accounts of the FCDU are translated into their equivalents in Philippine pesos based on the Philippine Dealing System weighted average rate (PDSWAR) prevailing at the end of the year (for resources and liabilities) and at the actual PDSWAR at the dates of transaction (for income and expenses). Gains or losses arising from foreign exchange transactions and revaluation adjustments of foreign currency denominated resources and liabilities are credited or charged to current operations.

Adoption of New Accounting Standards
On January 1, 2003, the following new accounting standards became effective:

- Statement of Financial Accounting Standards (SFAS) 10/International Accounting Standards (IAS) 10, *Events After the Balance Sheet Date*, prescribes the accounting and disclosures related to adjusting and non-adjusting subsequent events. Additional disclosures required by the standard were included in the financial statements, principally the date of authorization by the board of directors for the release of the financial statements.

- SFAS 8A, *Deferred Foreign Exchange Differences*, eliminates the deferral of foreign exchange losses arising from long-term monetary items.

- SFAS 20/IAS 20, *Government Grants*, prescribes the accounting for and disclosure of government grants and the disclosure of other forms of government assistance.

- SFAS 22/IAS 22, *Business Combinations*, requires that an acquisition where an acquirer can be identified should be accounted for by the purchase method. Any goodwill arising from the acquisition should be amortized generally over 20 years.

- SFAS 37/IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, provides the criteria for the recognition and bases for measurement of provisions, contingent liabilities and contingent assets. Adoption of the standard has no effect on the Bank's recorded provisions.

- SFAS 38/IAS 38, *Intangible Assets*, establishes the criteria for the recognition and measurement of intangible assets. It also requires that expenditures on research, start-up, training, advertising and relocation be expensed as incurred.

The applicable new standards did not result in the restatement of prior year financial statements. Additional disclosures required by the new standards, however, were included in the financial statements, where applicable.

New Accounting Standards Effective in 2004
The Accounting Standards Council (ASC) has approved the following accounting standards which will be effective in 2004:

SFAS 12/IAS 12, *Income Taxes*, prescribes the accounting for current and deferred income taxes. The standard requires the use of balance sheet liability method of accounting for deferred income taxes. It requires the recognition of a deferred tax liability and, subject to certain conditions, asset for all temporary differences with certain exceptions. The standard provides for the recognition of a deferred tax asset when it is probable that taxable income will be available against which the deferred tax asset can be used. It also provides for the recognition of a deferred tax liability with respect to asset revaluations.

SFAS 17/IAS 17, *Leases*, prescribes the accounting policies and disclosures to apply to finance and operating leases. Finance leases are those that transfer substantially all risks and rewards of ownership to the lessee.

A lessee is required to capitalize finance leases as assets and recognize the related liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The lessee should also depreciate the leased asset. On the other hand, a lessee should expense operating lease payments.

A lessor is required to record finance leases as receivables at an amount equal to the net investment in the lease. Lease income should be recognized on the basis of a constant periodic rate of return on the lessor's outstanding net investment. A lessor should present as an asset and depreciate accordingly assets that are subject to operating leases.

The Bank has not yet determined the financial statement impact of the adoption of the applicable new standards in 2004.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from Bangko Sentral ng Pilipinas (BSP) and other banks and interbank loans receivable and securities purchased under resale agreements with maturities of three months or less from dates of placements that are subject to an insignificant risk of changes in value. Where actual cash flows are not determinable, the reported cash flows are determined based on samples and other estimating procedures.

Trading and Investment Securities
TAS consist of government and private debt securities purchased and held principally with the intention of selling them in the near term. These securities are carried at fair market value; realized and unrealized gains and losses on these instruments are recognized in Trading and Securities Gain - Net in the statements of income. Interest earned on debt instruments is reported as Interest Income. Quoted market prices, when available, are used to determine the fair value of trading instruments. If quoted market prices are not available, estimated fair values are computed based on quoted prices of instruments with similar characteristics.

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

Investments in bonds and other debt instruments (IBODI) are debt securities where the Bank has the positive intent and ability to hold to maturity. These securities are carried at amortized cost; realized gains and losses are included in Trading and Securities Gain - Net in the statements of income. An allowance for probable losses is established by a charge to income to reflect other-than-temporary impairments in value (included in Provision for Probable Losses). Under current bank regulations, IBODI shall not exceed 50% of adjusted statutory net worth plus 40% of total deposit liabilities.

When a debt security is transferred from ASS to IBODI, the unrealized gain or loss at the date of the transfer is maintained as a separate component of capital funds and is amortized over the remaining life of the security as an adjustment of yield in a manner consistent with the amortization of the premium or discount. For other transfers of investment securities, the unrealized gain or loss at the date of transfer is considered realized and, accordingly, is charged to current operations.

Receivables from Customers
Receivable from customers are stated at the outstanding balances, reduced by unearned discounts and allowance for probable losses.

Unearned discounts are recognized as income over the terms of the loans using the effective interest method. Interest income on nondiscounted loans is accrued as earned, except in the case of nonaccruing accounts as required by existing regulations of the BSP. Interest income on these nonaccruing loans are recognized upon actual collection.

Receivables from customers are classified as nonaccruing in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Interest income on nonaccruing loans is recognized only to the extent of cash collections received. Receivables from customers are not reclassified as accruing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

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

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

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

Interest Income
Interest on loans and other interest-bearing placements and securities are recognized based on the accrual method of accounting, except in the case of nonaccruing loans where interest income is recognized only to the extent of cash collections received.

Loan Fees, Service Charges and Penalties
Loan commitment fees, service charges and penalties are recognized only upon collection or accrued when there is a reasonable degree of certainty as to its collectibility.

Bank Premises, Furniture, Fixtures and Equipment
Bank premises, furniture, fixtures and equipment is stated at cost less accumulated depreciation and amortization and any impairment in value. Depreciation is computed using the straight-line method based on the estimated useful lives of the respective assets. The cost of leasehold rights and improvements is amortized over the estimated useful lives of the improvements or the terms of the related leases, whichever is shorter.

The estimated useful lives of the depreciable assets are as follows:

Buildings	50 years
Leasehold improvements	5-20 years
Furniture, fixtures and equipment	3-5 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of bank premises, furniture, fixtures and equipment.

Costs of minor repairs and maintenance are charged to expense as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, both the cost and the related accumulated depreciation and amortization and impairment in value are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

The carrying values of the bank premises, furniture, fixtures and equipment are reviewed by the Bank's management for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount (see policy on Impairment of Assets).

Real and Other Properties Owned or Acquired (ROPOA)
Resources acquired in settlement of receivables are initially recorded at the total outstanding exposure of the receivables at the time of foreclosure or bid price, whichever is lower. Nonrefundable capital gains tax and documentary stamp tax incurred in connection with the foreclosures are capitalized as part of the carrying values of the foreclosed properties provided that such carrying values do not exceed its appraised values. Security, maintenance and other holding costs are charged to current operations as incurred. Management performs periodic appraisals of the estimated realizable values of these properties and provides allowance, accordingly, based on BSP provisioning requirements and for any anticipated shortfalls from the recorded values based on appraisal reports, current negotiations and programs to dispose of these properties.

Equity Investments
The Bank's investment in shares of stock of iCurrencies, Inc. is accounted for based on the equity method. Under the equity method, the cost of the investment is increased or decreased by the equity in net earnings or losses of and dividends received from the investee since the date of acquisition.

Other equity investments are stated at cost less any allowance for substantial and permanent decline in the carrying value of the investments.

Deferred Charges
Deferred charges include payments made to BSP for securing authority to operate additional branches which is carried at cost less accumulated amortization and allowance for impairment loss, if any. This asset is amortized over ten years starting on the date the corresponding branch commences operations.

Income Taxes
Deferred tax assets and liabilities are recognized for (a) the future tax consequences attributable to differences between the financial reporting bases of resources and liabilities and their related tax bases and (b) the carryforward benefits of the excess of minimum corporate income tax (MCIT) over regular corporate income tax and the tax effect of net operating loss carryover (NOLCO). Deferred tax assets and liabilities are measured using the tax rate applicable in the years in which those temporary differences are expected to be recovered or settled and NOLCO and MCIT are expected to be applied. A valuation allowance is provided for the portion of deferred tax assets which is not expected to be realized in the future.

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

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the statement of income account in the period in which it arises.

A previously recognized impairment loss is reversed by a credit to current operations to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years.

Retirement Cost
The Bank determines retirement expense under 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 period. The past service cost is the present value of any units of future benefits credited to the employees for services in periods prior to the commencement or subsequent amendment of the plan. The accrued actuarial liability is the present value of benefits payable in the future with respect to services rendered to date. Unfunded service costs, experience adjustments and actuarial gains or losses (in excess of 10% plan assets) are amortized over the average of the expected remaining working lives of employees. Retirement expense includes current service cost plus amortization of past service cost, experience adjustments and actuarial gains or losses.

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

For forward contracts which are designated and qualify as hedges, the discounts or premiums are amortized over the term of the contracts and the revaluation gains or losses are deferred or recognized as income or expense to match the treatment for the hedged exposures. Forward contracts which are not designated or do not qualify as hedges are marked-to-market with revaluation gains and losses credited or charged to current operations.

Earnings Per Share
Basic earnings per share is determined by dividing net income for the year by the weighted average number of common shares outstanding during the year, after giving retroactive effect to stock dividends declared during the year, if any. Contigently issuable common shares are considered in the earnings per share computation only when the specified conditions have been met.

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

Contingencies
Contingent liabilities are not recognized in the financial statements. They 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 disclosed when an inflow of economic benefits is probable.

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

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

3. Trading and Investment Securities

This account consists of:

	2003	2002
TAS - at market	P 2,248,703,305	P -
ASS - including unrealized gain of 17.4 million in 2003 and 82.1 million in 2002	4,237,416,986	3,586,938,298
IBODI - net of allowance for probable losses of 8.4 million in 2003 and 2002 (see Notes 9 and 19)	6,846,514,894	7,013,420,365
	P 13,332,635,185	P 10,600,358,663

IBODI consists of:

	2003	2002
Government bonds	P 4,218,369,463	P 4,841,446,865
Treasury bonds	1,951,880,423	1,484,184,894
Private bonds	659,591,915	201,880,513
BSP treasury bills	16,673,093	485,908,093
	P 6,846,514,894	P 7,013,420,365

In 2003, IBODI bear nominal annual interest rates ranging from 2.06% to 9.9%. As of December 31, 2003 and 2002, the market value of the Bank's IBODI amounted to P6.9 billion and P7.1 billion, respectively.

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

	2003			2002		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
TAS	P 196,839,797	P 2,051,863,508	P 2,248,703,305	P -	P -	P -
ASS	91,711,131	4,145,705,855	4,237,416,986	291,956,123	3,294,982,175	3,586,938,298
IBODI - at gross	1,981,672,140	4,873,199,739	6,854,871,879	1,985,597,556	5,036,179,794	7,021,777,350
	P2,270,223,068	P11,070,769,102	P13,340,992,170	P2,277,553,679	P 8,331,161,969	P 10,608,715,648

4. Receivables from Customers

This account consists of:

	2003	2002
Loans and discounts	P 16,719,402,327	P 17,037,509,105
Customers' liabilities on drafts under letters of credit and trust receipts	1,904,292,476	2,146,848,118
Bills purchased	1,796,121,078	1,449,371,861
	20,419,815,881	20,633,729,084
Unearned discounts	(414,817,817)	(356,927,181)
Allowance for probable losses (see Note 9)	(1,991,539,689)	(2,137,980,114)
	P 18,013,458,375	P 18,138,821,789

Receivables amounting to P150.8 million and P238.6 million as of December 31, 2003 and 2002, respectively, are pledged as collaterals to the BSP to secure loans under rediscounting privileges of the same amount (see Note 11).

The following table presents the breakdown of loans by contractual maturity dates (amounts in thousands):

	2003			2002		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Loans and discounts	P 7,827,830	P 8,891,572	P 16,719,402	P 8,256,448	P 8,781,061	P 17,037,509
Customers' liabilities on drafts under letters of credit and trust receipts	1,904,293	-	1,904,293	2,146,848	-	2,146,848
Bills purchased	1,796,121	-	1,796,121	1,449,372	-	1,449,372
	P 11,528,244	P 8,891,572	P 20,419,816	P 11,852,668	P 8,781,061	P 20,633,729

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

	2003		2002	
	Amount	%	Amount	%
Secured loans				
Real estate	P 5,323,283	26.07	P 5,131,296	24.87
Chattel	4,039,492	19.78	3,521,850	17.07
Securities	1,627,039	7.97	2,749,293	13.32
Mortgage trust indenture	876,017	4.29	-	-
Assignment of receivables	556,177	2.72	993,057	4.81
Corporate guarantee	159,776	.78	-	-
Quedan	26,409	.13	-	-
Standby letter of credit	12,553	.06	28,024	0.14
Deposit hold-out	3,416	.02	475,066	2.30
	12,624,162	61.82	12,898,586	62.51
Unsecured loans	7,795,654	38.18	7,735,143	37.49
	P 20,419,816	100.00	P 20,633,729	100.00

Starting September 19, 2002, the BSP under Circular No. 351 allows banks with no unbooked valuation reserves and capital adjustments to exclude from nonperforming classification loans classified as Loss in the latest examination of the BSP which are fully covered by allowance for probable losses, provided that interest on the said loans shall not be accrued. As of December 31, 2003 and 2002, nonperforming loans (NPLs) were as follows:

	2003	2002
Total NPLs	P 3,160,152,959	P 3,061,853,380
Less NPLs fully covered by allowance for probable losses	667,483,656	473,393,991
	P 2,492,669,303	P 2,588,459,389

Restructured loans as of December 31, 2003 and 2002 amounted to P1.7 billion and P1.3 billion, respectively.

As of December 31, 2003 and 2002, information on the concentration of credit as to industry follows (amounts in thousands):

	2003		2002	
	Amount	%	Amount	%
Other community, social and personal activities	P 4,647,244	22.76	P 4,955,766	24.02
Manufacturing (various industries)	3,650,123	17.87	3,360,823	16.30
Wholesale and retail trade	3,545,488	17.36	3,958,843	19.19
Real estate	2,997,199	14.68	2,641,813	12.80
Financial intermediaries	2,219,257	10.87	2,491,081	12.07
Transportation, trade and communication	932,391	4.57	1,009,960	4.89
Mining and quarrying	437,777	2.14	341,209	1.65
Agriculture	264,645	1.30	305,619	1.48
Others	1,725,692	8.45	1,568,615	7.60
	P 20,419,816	100.00	P 20,633,729	100.00

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

5. Bank Premises, Furniture, Fixtures and Equipment

Movements in this account are summarized as follows:

	Land	Building	Furniture Fixtures and Equipment	Leasehold Rights and Improvements	Total
Cost					
At January 1, 2003	P 192,750,000	P 397,305,125	P 988,580,996	P 610,993,184	P 2,189,629,305
Additions	20,125,000	13,786,064	94,551,901	28,842,636	157,305,601
Disposals	-	-	(42,767,140)	-	(42,767,140)
Balance at December 31, 2003	212,875,000	411,091,189	1,040,365,757	639,835,820	2,304,167,766
Accumulated depreciation and amortization					
At January 1, 2003	-	26,493,126	560,619,481	299,126,384	886,238,991
Depreciation and amortization	-	12,589,126	139,060,830	66,326,796	217,976,752
Disposals	-	-	(26,555,577)	-	(26,555,577)
Balance at December 31, 2003	-	39,082,252	673,124,734	365,453,180	1,077,660,166
Net book value at December 31, 2003	212,875,000	372,008,937	367,241,023	274,382,640	1,226,507,600
Net book value at December 31, 2002	P 192,750,000	P 370,811,999	P 427,961,515	P 311,866,800	P 1,303,390,314

6. Real and Other Properties Owned or Acquired (ROPOA)

This account consists of:

	2003	2002
ROPOA	P 3,036,245,539	P 3,389,687,750
Less allowance for probable losses (see Note 9)	377,478,983	226,843,200
	P 2,658,766,556	P 3,162,844,550

As of December 31, 2003 and 2002, this account includes investment in IEB Premium Properties Corporation (IEB Premium) amounting to P264.1 million and P549.6 million, respectively, which covers the Garden Heights Condominium project (the Project), acquired by the Bank in settlement of loans. The Project covers 335 condominium units. As of December 31, 2003, 207 units were sold for a total contract price of P238.2 million.

On December 22, 2003, receivables from unit buyers amounting to P204.0 million were assigned by IEB Premium to the Bank. These receivables are classified as Other Receivables as of December 31, 2003 (see Note 8).

7. Equity Investments

This account consists of investment in shares of stock of:

	2003	2002
At equity:		
Acquisition cost:		
iCurrencies, Inc. – 40% owned	P 5,000,000	P 5,000,000
Accumulated equity in net earnings (losses):		
Balance at beginning of year	(65,839)	(392,791)
Equity in net earnings	420,394	326,952
Balance at end of year	354,555	(65,839)
	5,354,555	4,934,161
At cost:		
Philippine Clearing House Corporation	5,000,100	5,000,100
LGU Guarantee Corporation	5,000,000	5,000,000
Megalink, Inc.	4,534,971	4,534,971
BAP Consulting, Inc.	1,250,000	1,250,000
	15,785,071	15,785,071
	P 21,139,626	P 20,719,232

Equity in net earnings of iCurrencies, Inc. is included in Miscellaneous Income - Net in the statements of income.

8. Other Resources

This account consists of:

	2003	2002
Deferred tax assets - net (see Note 18)	P 798,905,439	P 887,380,712
Accrued interest receivable	447,704,466	385,279,805
Foreign currency notes and coins on hand	232,177,498	117,964,449
Other receivables (see Note 6)	203,976,261	–
Accounts receivable	157,536,809	67,051,088
Sales contract receivables	148,081,131	37,804,160
Deferred charges	69,429,566	49,129,816
Returned checks and other cash items	63,382,891	81,563,194
Deficiency judgment receivable	30,554,963	30,554,963
Prepaid expenses	48,334,539	30,732,811
Interoffice float items - net	17,262,704	–
Other investments	5,406,022	5,303,920
Miscellaneous	196,827,127	144,468,421
	2,419,579,416	1,837,233,339
Less allowance for probable losses (see Note 9)	225,054,240	178,950,242
	P 2,194,525,176	P 1,658,283,097

Miscellaneous assets include foreign exchange revaluation on forward exchange contracts amounting to P105.5 million and P87.7 million as of December 31, 2003 and 2002, respectively (see Note 14).

The following table presents the other resources contractual maturity and settlement dates as of December 31, 2003 and 2002:

Financial Resources	2003 Due Within One Year	Due Beyond One Year	Total	2002 Due Within One Year	Due Beyond One Year	Total
Accrued interest receivable	P447,704,466	P–	P 447,704,466	P 385,279,805	P–	P 385,279,805
Other receivables	80,882,861	123,093,400	203,976,261	–	–	–
Accounts receivable	157,536,809	–	157,536,809	67,051,088	–	67,051,088
Sales contract receivables	17,406,004	130,675,127	148,081,131	8,650,711	29,153,449	37,804,160
Deficiency judgment receivable	30,554,963	–	30,554,963	30,554,663	–	30,554,663
Prepaid expenses	29,780,579	18,533,960	48,334,539	19,804,813	10,927,998	30,732,811

9. Allowance for Probable Losses

Changes in the allowance for probable losses are summarized as follows:

	2003	2002
Balance at beginning of year		
IBODI	P 8,356,985	P -
Receivables from customers	2,137,980,114	1,846,533,231
ROPOA	226,843,200	119,167,000
Other resources	178,950,242	109,477,910
	2,552,130,541	2,075,178,141
Provisions charged to operations	140,000,000	476,952,400
Reversals	(89,700,644)	-
	50,299,356	476,952,400
Balance at end of year		
IBODI	8,356,985	8,356,985
Receivables from customers	1,991,539,689	2,137,980,114
ROPOA	377,478,983	226,843,200
Other resources	225,054,240	178,950,242
	P 2,602,429,897	P 2,552,130,541

With the foregoing level of allowance for probable losses, management believes that the Bank has sufficient allowance to take care of any losses that may be incurred from the noncollection or nonrealization of its receivables from customers and other risk assets.

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

10. Deposit Liabilities

Under existing BSP regulations, non-FCDU deposit liabilities are subject to liquidity reserve equivalent to 8% and 7% as of December 31, 2003 and 2002, respectively, and statutory reserve of 9% as of December 31, 2003 and 2002. As of December 31, 2003 and 2002, the Bank is in compliance with such regulation.

The total liquidity and statutory reserves follow:

	2003	2002
Cash	P 1,562,961,382	P 1,363,762,558
Due from BSP	606,252,401	152,823,558
	P 2,169,213,783	P 1,516,586,116

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

	2003			2002		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Demand	P 11,757,372,448	P -	P 11,757,372,448	P 9,285,448,271	P -	P 9,285,448,271
Savings	15,030,909,561	-	15,030,909,561	13,616,212,514	-	13,616,212,514
Time	7,460,384,997	1,582,527,673	9,042,912,670	7,154,867,359	1,060,812,000	8,215,679,359
	P 34,248,667,006	P 1,582,527,673	P 35,831,194,679	P 30,056,528,144	P 1,060,812,000	P 31,117,340,144

11. Bills Payable

This account consists of borrowings from:

	2003	2002
Banks and other financial institutions	P 946,476,478	P 830,512,841
BSP - rediscounting (see Note 4)	150,768,031	238,642,069
	P 1,097,244,509	P 1,069,154,910

In 2003, borrowings from banks and other financial institutions and rediscounting availments are subject to interest rates ranging from 0.68% to 7.37% and 1.16% to 10.51%, respectively.

Bills payable as of December 31, 2003 and 2002, except for the borrowings from the BSP under rediscounting privileges, are unsecured.

The following table presents the breakdown of bills payable by contractual settlement dates:

	2003			2002		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Banks and other financial institutions	P 547,122,455	P 399,354,023	P 946,476,478	P 710,512,841	P 120,000,000	P 830,512,841
BSP-rediscounting	150,768,031	-	150,768,031	238,642,069	-	238,642,069
	P 697,890,486	P 399,354,023	P 1,097,244,509	P 949,154,910	P 120,000,000	P 1,069,154,910

12. Outstanding Acceptances

As of December 31, 2003 and 2002, the balances of this account will mature within one year from respective balance sheet dates.

13. Accrued Taxes, Interest and Other Expenses

This account consists of:

	2003	2002
Accrued interest payable	P 242,995,963	P 111,380,139
Accrued income tax payable	13,190,620	5,204,307
Accrued other expenses	119,072,877	107,983,530
	P 375,259,460	P 224,567,976

14. Other Liabilities

This account consists of:

	2003	2002
Bills purchased - contra	P 1,566,952,469	P 1,286,994,087
Accounts payable	119,151,180	90,143,682
Capitalized interest and other charges	85,480,061	86,511,815
Withholding taxes payable	34,111,057	30,380,135
Due to BSP	13,654,567	12,544,133
Cash letters of credit	3,510,928	17,309,218
Margin deposits	1,055,049	17,314,013
Sundry credits	168,332	1,243,430
Interoffice items - net	-	204,891,290
Miscellaneous	186,921,090	135,330,933
	P 2,011,004,733	P 1,882,662,736

Miscellaneous liabilities include foreign exchange revaluation on forward exchange contracts (see Note 8) amounting to P74.6 million and P59.2 million as of December 31, 2003 and 2002, respectively.

Accounts payable, withholding taxes payable, due to BSP, cash letters of credit, margin deposits and miscellaneous liabilities as of December 31, 2003 and 2002 are all due within one year.

15. Capital Funds

On October 15, 2002, the BOD approved the following new terms and conditions of existing preferred shares:

Type of Issue	-	Fixed Rate for 5 Years, Non-Redeemable, Convertible, Non-Participating, Non-Voting, Cumulative, Preferred Shares
Issue Price	-	At par or 100% of Face Value
Issue Amount	-	Two hundred fifty million (250,000,000)
Dividend Rate	-	Fixed, based on the 5-year Fixed Rate Treasury Bond Fixing Rate published in MART I page of Bloomberg the day preceding the effective day of conversion from Floater to Fixed, payable semi-annually, less 1%. In the event that conversion has not happened after 5 years, future dividend rate shall be set based on the prevailing market yield of 5-year government bond at the time the 5-year period had elapsed.
Put Option	-	None
Call Option	-	None
Yield Protection	-	All dividends to Holders of Preferred Shares shall be made without deduction of any taxes. Taxes on dividends shall be for the account of the Bank.
Waiver of Rights	-	Waiver of preemptive rights and rights of first refusal of each Holder of Preferred Shares shall be contained in the Subscription Agreement.
Redemption Price	-	None
Conversion to Common Stock	-	To be converted when the Bank goes on Initial Public Offering (IPO), at a price equivalent to IPO price less 15% discount.

The Bank has P2.5 million preferred shares that are potential common shares.

Surplus Reserves account pertains to appropriation of surplus for self-insurance.

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

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

As of December 31, 2003 and 2002, the capital-to-risk assets ratio of the Bank was 14.99% and 13.55%, respectively, which is in compliance with the minimum capital-to-risk resources ratio.

16. Lease Contracts

The Bank leases the premises occupied by most of its branches. The lease contracts are for periods ranging from five (5) to fifteen (15) years and are renewable upon mutual agreements between the Bank and its lessors. Rentals charged to current operations amounting to 144.7 million and 154.6 million in 2003 and 2002, respectively, are included under Occupancy and Equipment-related Expenses in the statements of income.

Estimated minimum annual rentals for the next 5 years are as follows (amounts in millions):

Year	Amount
2004	142.7
2005	156.1
2006	170.9
2007	187.4
2008	205.2

17. Retirement Plan

The Bank has a funded, noncontributory defined benefit retirement plan covering substantially all of its employees. The retirement fund is administered by the Bank's Trust Center which acts as the trustee under the plan. Total retirement expense included under Compensation and Employees' Benefits amounted to 21.4 million and 18.5 million in 2003 and 2002, respectively. The Bank's annual contribution consists of payment covering the current service cost, interest on the unfunded actuarial accrued liability, the annual amortization of the unfunded accrued liability and the amortization of experience loss adjustment.

Based on the latest actuarial valuation as of December 31, 2002, the actuarial accrued liability for the retirement benefits amounted to 98.1 million and the fair market value of the plan assets amounted to 108.6 million. The principal actuarial assumptions used to determine retirement benefits were 8% salary increase and 10% return on plan assets, both compounded annually. On August 18, 2003, the BOD approved the upgrading of the retirement plan. Based on the revised plan, the actuarial accrued liability amounted to 122.6 million. As of December 31, 2003, the plan assets amounted to 143.9 million. Actuarial valuations are to be made at least every two years.

18. Income and Other Taxes

Provision for (benefit from) income tax consists of:

	2003	2002
Current		
Final taxes	P 67,913,019	P 51,707,449
MCIT	15,450,474	12,888,888
	83,363,493	64,596,337
Deferred	88,475,273	(143,703,103)
	P 171,838,766	P (79,106,766)

The components of net deferred tax assets (included under Other Resources) account are as follows:

	2003	2002
Tax effect of:		
Allowance for probable losses	P 777,303,332	P 814,007,538
NOLCO	21,513,180	80,609,441
Accrued sick leave credits	11,581,119	10,941,119
Unrealized loss on sale of sales contract receivable	7,153,503	–
Unamortized past service costs	2,180,745	1,947,956
Unfunded retirement costs	686,740	968,034
MCIT	28,339,362	12,888,888
	848,757,981	921,362,976
Less valuation allowance	49,852,542	33,982,264
	P 798,905,439	P 887,380,712

Details of the Bank's NOLCO are as follows:

Year Incurred	Amount	Expired/Used	Balance	Expiry Date
2000	P 208,157,046	P 208,157,046	P –	2003
2001	43,747,457	–	43,747,457	2004
2003	23,481,230	–	23,481,230	2006
	P 275,385,733	P 208,157,046	P 67,228,687	

The Bank's MCIT is broken down as follows:

Year Incurred	Amount	Expiry Date
2002	P 12,888,888	2005
2003	15,450,474	2006
	P 28,339,362	

A full valuation allowance has been provided for the deferred tax assets on NOLCO and MCIT since management believes that the related future benefits may not be fully realized.

A reconciliation of the statutory income tax rate to effective income tax rate follows:

	2003	2002
Statutory income tax rate	32.00%	32.00%
Tax effect of:		
FCDU income after income tax	(32.70)	(71.51)
Set-up of valuation allowance - net	16.19	7.31
Nondeductible expense	8.69	11.06
Tax-paid income	(6.51)	(10.91)
Others	10.74	3.09
Effective income tax rate	28.41%	(28.96%)

Effective January 1, 2003, the Bank is subject to the value added tax (VAT) instead of gross receipts tax. However, effective January 1, 2004 as prescribed under Republic Act (RA) No. 9238, the Bank will again be subject to GRT instead of VAT. The Bank's liability for GRT will be based on the related regulations to be issued by tax authorities. Income taxes include the corporate income tax, discussed below, and final tax paid at the rate of 20%, which represents final withholding tax on gross interest income from government securities and other deposit substitutes.

Under current tax regulations, the corporate income tax rate is 32%. Interest allowed as a deductible expense is reduced by an amount equivalent to 38% of interest income subjected to final tax. An MCIT of 2% on modified gross income is computed and compared with the regular income tax. Any excess of the MCIT over the regular income tax is deferred and can be used as a tax credit against future income tax liability for the next 3 years. In addition, the NOLCO is allowed as a deduction from taxable income in the next 3 years.

Income earned by the Bank's FCDU is subject to income tax which is computed at 10% of gross onshore income. Offshore income (income from nonresidents) is not subject to tax under existing tax laws. Interest income on deposits with other FCDUs and offshore banking unit is subject to 7.5% final tax.

Current tax regulations set a limit on the amount of entertainment, amusement and recreation (EAR) expenses that can be deducted for income tax purposes. EAR expenses are limited to 1% of net revenue for sellers of services. EAR expenses of the Bank amounting to 76.0 million and 113.3 million in 2003 and 2002, respectively, are included under Miscellaneous Expenses in the statements of income. EAR expenses for the periods January to August and September to December 2002 amounted to 74.6 million and 38.7 million, respectively.

19. Trust Assets

Properties held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying statements of condition since these items are not resources of the Bank. Total resources held by the Bank's Trust Center amounted to 1,431.4 million and 1,221.8 million as of December 31, 2003 and 2002, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities owned by the Bank with a total face value of 16.5 million (with carrying value of 16.8 million) and 12.0 million (with carrying value of 12.2 million) as of December 31, 2003 and 2002, were deposited with the BSP.

20. Related Party Transactions

In the ordinary course of business, the Bank enters into loans and other transactions with its subsidiary and affiliate and with certain directors, officers, stockholders, and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. Under current banking regulations, the amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount 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 lower of the Bank's total regulatory capital or 15% of the total loan portfolio. As of December 31, 2003 and 2002, the Bank was in compliance with such regulations.

As of December 31, 2003 and 2002, about 77% and 72%, respectively, of total DOSRI loans are loans to officers and approved by the BSP under the Bank's fringe benefit program. The balance represents DOSRI loans which are fully secured by deposit hold-outs.

The following table shows information relating to DOSRI loans:

	2003	2002
Total outstanding DOSRI loans	P 200,605,571	P 224,267,287
Percent of DOSRI loans to total loans	0.91%	1.02%
Percent of unsecured DOSRI loans to total DOSRI loans	12.27%	23.84%
Percent of past due DOSRI loans to total DOSRI loans	-	-
Percent of nonperforming DOSRI loans to total DOSRI loans	-	-

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

	Loans		Interest Income	
	2003	2002	2003	2002
Officers and employees	P163,303,277	P 161,215,992	P 14,430,977	P 14,268,836
Major stockholders	23,000,000	23,000,000	2,533,041	1,643,973
Other related parties	14,302,294	40,051,295	1,977,145	4,084,673
	P200,605,571	P 224,267,287	P 18,941,163	P 19,997,482

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

	2003	2002
Deposits	P 396,721,970	P 346,533,308
Interest expense	877,695	999,464

The year end balances of commitments (Note 21) in respect of related parties included in the Bank financial statements are as follows:

	2003	2002
Officers and employees	P 32,912,239	P 31,834,934
Other related parties	90,920,696	101,920,645
	P 123,832,935	P 133,755,579

21. Commitments and Contingent Liabilities

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

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

	2003	2002
Forward exchange sold	P 8,004,384,000	P 4,127,185,000
Forward exchange bought	2,560,492,460	2,987,231,483
Forward securities purchased	1,863,833,022	-
Trust department accounts	1,431,381,005	1,221,798,408
Outstanding guarantees issued	229,674,443	80,332,374
Sight import letter of credit (LC) outstanding	226,366,312	488,397,570
Standby LC	178,572,707	149,674,608
Usuance import LC outstanding	151,546,795	153,356,082
Spot exchange bought	130,470,135	285,776,247
Inward bills for collection	87,922,159	62,289,631
Late deposits/payment received	79,695,254	163,575,275
Revolving LC	77,820,400	-
Outward bills for collection	70,039,018	36,139,968
Traveller's checks unsold	20,223,299	25,483,104
Spot exchange sold	19,275,472	126,243,606
Domestic LC outstanding	12,833,620	31,486,293
Items held for safekeeping	114,493	125,356*
Items held as collateral	10,047	11,783*
Others	461,424,873	420,781,041

* Based on a nominal value of 1 for each item of safekeeping and collateral.

Forward securities purchase of 1.9 billion represents a cash settled securities swap transaction (CSSST) agreement with a counterparty under which the Bank has committed to buy on a forward basis at a predetermined price of $33.5 million certain government securities that were previously sold to the counterparty on a spot basis at a price of $33.3 million. The transaction has been accounted for on the basis of the treatment described under the Bankers Association of the Philippines (BAP) Cash Settled Securities Swap Transaction Manual, for which the BSP has yet to provide definitive guidance on the related accounting issues. Under the Manual, the spot sale is recognized as an outright sale and the asset is de-recognized from the accounts since legal ownership and control has been transferred to the buyer; the forward purchase is recognized as a firm commitment. The Bank marks to market the forward purchase of the securities.

Under IAS 39, "Financial Instruments: Recognition and Measurement", which will be in effect beginning January 1, 2005, this transaction would have been accounted for as a financing transaction that would have required the Bank to retain as assets the securities sold and to book a liability (bills payable) for the cash received from the sale. The asset recognition required under IAS 39 is based on the view that the Bank (as the seller) has not effectively surrendered control over the securities by virtue of the commitment to buy back similar securities in the future at the predetermined price and therefore effectively retains the risks and rewards associated with such securities. The Bank's view, which is consistent with the Manual, is that de-recognition of the asset is appropriate since it has legally transferred title and control of the asset, and the retention by the Bank of the economic risks and rewards of ownership could be better measured and reflected in the accounts by marking the forward purchase to market, and disclosure of the firm commitment to repurchase the asset.

22. Financial Performance

The earnings per share is computed as follows:

	2003	2002
a) Net income	P 433,016,964	P 352,295,536
b) Dividends on preferred shares	17,698,994	21,701,799
c) Net income attributable to common shares (a-b)	415,317,970	330,593,737
d) Weighted average of outstanding common shares	25,000,000	25,000,000
e) Earnings per share (c/d)	16.61	13.22

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

	2003	2002
Return on average equity	10.64%	9.28%
Return on average assets	1.07	0.94
Net interest margin on average earning assets	4.40	5.55

Gerardo O. Lanuza, Jr.

Ben C. Tiu

Enrique K. Razon, Jr.

Dante G. Santos

Ruben C. Tiu

Gregorio T. Yu

Ramon Y. Sy

Walter W. Brown

Wilson L. Sy

Wilfrido C. Tecson

A. Bayani K. Tan
Corporate Secretary

Senior Management Team

Ramon Y. Sy

Antonio C. Moncupa, Jr.

Buena V. Chanco

Roberto F. Abastillas

Edmundo Marco P. Bunyi, Jr.

Arturo P. Plata, Jr.

Vicki O. Perlas

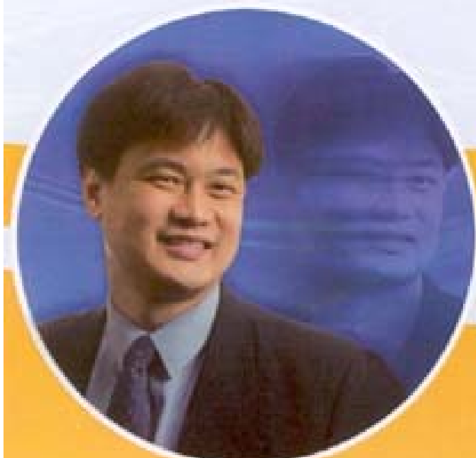
Alex Luis M. Pesigan

Lorna A. Rañola


Nilo L. Pacheco, Jr.


Beatriz R. Barredo-Romulo


Ramon B. Tañafranca


Gerardo Susmerano


William C. Whang


Charito E. Aquilizan


Evelyn Q. Santos


Ma. Alicia A. Tagle


Benedicto M. Valerio, Jr.

Senior Officers

President and Chief Executive Officer
Ramon Y. Sy

Executive Vice Presidents

Antonio C. Moncupa, Jr.
Chief Finance Officer - Financial Management

Buena V. Chanco
Cluster Head - Human Resource Management and Customer Relations

Nilo L. Pacheco, Jr.
Cluster Head - Retail Banking

Beatriz R. Barredo-Romulo
Cluster Head - Corporate Banking

Ramon B. Tañafranca
Cluster Head - Information and Technology Management

Senior Vice Presidents

Roberto F. Abastillas
Center Head - Account Management 1

Edmundo Marco P. Bunyi, Jr.
Head - Treasury

Arturo P. Plata, Jr.
Compliance Officer

Gerardo Susmerano
Center Head - Kalookan Area

William C. Whang
Center Head - Greenhills Area

First Vice Presidents

Charito E. Aquilizan
Center Head - Internal Audit

Vicki O. Perlas
Center Head - Center for Learning

Alex Luis M. Pesigan
Center Head - Branch Operations

Lorna A. Rañola
Controller

Evelyn Q. Santos
Center Head - International and Loans Operations

Ma. Alicia A. Tagle
Center Head - Risk Management

Benedicto M. Valerio, Jr.
Center Head - Legal Management

Vice Presidents

Jason T. Ang
Center Head - VisMin Area

Ferdinand T. Bernardo
Center Head - ITMC/Systems Development

Randall Rogelio A. Evangelista
Center Head - ITMC/Technical Services and Data Center

Michael Jack B. Garcia
Center Head - Trust

Joyvalerie B. Gatdula
Center Head - Account Management 3

Joseph C. Justiniano
Sector Head - Collection, Asset Recovery and Disposal

Annette Marie M. Malixi
Center Head - Treasury Distribution

Ramon S. Matias
Center Head - BF Homes Area

Ramon R. Pichay
Fixed Income Trader

Danilo T. Sarita
Center Head - Malabon Area

Geronima Ana G. Tan
Branch Head - Masangkay

Rosa Maria Treichler
Center Head - Customer Relations

Ivy B. Uy
Center Head - Binondo Area

Assistant Vice Presidents

Ma. Catherine B. Aguas
Branch Head - Ayala Alabang

Jesus V. Balce
Branch Head - Dasmariñas Village

Susan E. Bautista
Sector Head - Information Systems Audit

Augusto L. Bondoc
Sector Head - Appraisal and Credit Investigation

Dollie B. Buenconsejo
Branch Head - Iloilo

Doli D. Cabahug
Branch Head - Cebu Maxilom

Ma. Angelica D. Cabanit
Center Head - Treasury Operations

Ralph B. Cadiz
Center Head - Consumer Banking

Manuel A. Castañeda III
Sector Head - Project Finance

Socorro Jessymel T. Cruz
Account Officer - Remedial Management

Leila L. Dejan
Sector Head - BOC/Quality Assurance

Ronald J. Del Rosario
Account Officer - Remedial Management

Vivian R. Faustino
Center Head - Retail Marketing

Jose Gerardo E. Guillen
Sector Head - Credit Review

Leonides F. Intalan
Branch Head - Greenhills

Jose Raul E. Jereza IV
Branch Head - Ayala Avenue

Melanio S. Ma
Center Head - Account Management 4

Ma. Cristina P. Maceren
Center Head - Account Management 2

Derrick J. Niedao
Sector Head - Productivity Management Services

Ben Valentino U. Rodriguez, Jr.
Branch Head - Kalookan

Bennett Clarence D. Santiago
Credit Risk Officer

Carlos M. Taganas
Security Officer

Lorita H. Tee
Branch Head - T. Alonzo

Jose Rodelio B. Tolentino
Information and Technology Officer

Remy Y. Wong
Branch Head - Dagupan

Teresita M. Ylagan
Sector Head - ILOC/Consumer Loans Operations

I. Deposit Products and Services

A. Current Account/Savings Account
   1. Peso Checking Account
      - Regular Checking with Recordbook
      - Regular Checking without Recordbook
      - iCheckpoints (gift items)
      - iCheck Premium (tiered interest rates)
   2. Peso Savings Account
      - Passbook Savings
      - ATM Savings
      - My First Account (kiddy account)
      - iSave
   3. US Dollar Savings Account
   4. SSS Pensioner Deposit Program

B. Short Term Deposit
   1. Peso Time Deposit
   2. US Dollar Time Deposit

C. Other Services
   1. iDeal ATM Service
   2. Bills Payment – iDeal ATM and over-the-counter
   3. iText (Smart Mobile Phone banking)
   4. iContact (Phone banking and Call Center)
   5. Safety Deposit Box

II. Cash Management Services

A. Disbursement Services
   1. Check Cutting Service
      - Check Writer Plus
      - My Checkwriter
   2. ATM Payroll Service
   3. Secured Allotment Fund Express (SAFE)

B. Collection Services
   1. Check Instore (Post Dated Check Warehousing Service)
   2. Armored car services (cash and check pick-up)
   3. Motorized messenger services (check pick-up)

C. PC Banking
   1. Remote Link (Remote Banking Terminal)

III. Treasury Products

A. Fixed Income Securities
   1. Treasury Bills
   2. Fixed Rate Treasury Notes
   3. Commercial Papers
   4. Dollar-Linked Peso Notes
   5. Eurobonds

B. Foreign Exchange
   1. USD/PhP Spot and Forwards
   2. Multi-Currency Spot and Forwards
   3. Currency Swaps
   4. International Fund Transfers and Payments

IV. Trust Products and Services

A. Trust and Fiduciary Activities
   1. Personal Trusts
   2. Institutional Trusts
      - Employee Benefit Trusts
      - Trust Funds for Pre-Need Companies

B. Agency Functions
   1. Investment Management Agreements
   2. Escrow
   3. Comunidades Arrangements
   4. Safekeeping and Custodianship

C. Unit Investment Trust Fund
   1. iFund Silver (Peso Common Trust Fund)

V. Loans

A. Consumer Loans
   1. iDeal Auto Loan
      - Brand New and Second Hand Vehicle Financing
      - Fleet Financing
      - Brand New and Reconditioned Truck Financing
   2. iDeal Housing Loan
      - Purchase of residential real estate properties
      - Home improvement
      - Refinancing
   3. Salary Loan

B. Commercial Loans
   1. Peso Commercial Loans
   2. US Dollar Commercial Loans
   3. Term Loans
   4. Post Dated Check Discounting Line
   5. Project Loans
   6. Back-to-back Loans

C. Special Funded Loans
   1. Via the Development Bank of the Philippines
      - Overseas Economic Cooperation Fund – Industrial and Support Services Expansion Program (OECF-ISSEP)
      - Industrial Guarantee and Loan Fund (IGLF)
      - Domestic Shipping Modernization Program II (DSMP II)
      - Japan Export - Import Bank Facility (JEXIM)
   2. Via the Land Bank of the Philippines
      - Countryside Loan Fund I, II, III (CLF I, II, III)
      - Agricultural Loan Fund (ALF)
   3. Via the Social Security System
      - Financing Program for Educational Institutions
      - SSS-GSIS Special Financing Program
      - Financing Program for Tourism Projects
      - Hospital Financing Program
      - Special Financing Program for Vocational and Technical School

D. Other Credit Facilities
   1. Export Bills Purchase
   2. Domestic Bills Purchase
   3. Foreign Bills Purchase
   4. Drawing Against Uncollected Deposit Lines

VI. Trade Finance and Services

A. Documentary Credits and Services
   1. Import and Domestic Letters of Credit
   2. Standby Letters of Credit
   3. Peso and US Dollar Trust Receipts
   4. Documents against Payment / Acceptance
   5. Open Account
   6. Export Advances
   7. Direct Remittance

VII. Remittance Services

A. iRemit Global Remittance

B. eBusiness - Western Union Money Transfer Service

METRO MANILA BRANCHES

MAIN OFFICE BRANCH
G/F iBank Exchange Bldg., 142 Amorsolo St.
Legaspi Village, Makati City
Tel. # : 753-3000; 810-3310 Locs. 8102 to 8110

ANNAPOLIS
G/F Mercedes I Bldg., Annapolis St., Greenhills, San Juan
Tel. # : 722-0938/39; 744-6123 to 25

ARANETA AVENUE
Del Moral Bldg., 341 G. Araneta Ave., Quezon City
Tel. # : 410-7023/24; 413-1082; 714-4345

AURORA BOULEVARD
708 A. Doña Consuelo Bldg., Aurora Blvd. cor. Hemady
New Manila, Quezon City
Tel. # : 414-5616; 415-9536/37/39/40

AYALA ALABANG
G/F NOL Bldg., Commerce Ave., Madrigal Business Park
Alabang, Muntinlupa City
Tel. # : 809-0689 to 93

AYALA AVENUE
G/F Don Vicente Madrigal Bldg., 6793 Ayala Ave.
Makati City
Tel. # : 891-5852 to 56

BANAWE
Banawe St. cor. Quezon Ave., Quezon City
Tel. # : 740-0421; 743-4608/71/77

BF HOMES
55 President's Ave., BF Homes Subd., Parañaque City
Tel. # : 807-4483 to 86

BICUTAN
28 Doña Soledad Ave., Better Living Subd., Parañaque City
Tel. # : 822-1515/17/19 to 21

BINONDO
Haphong Bldg., Quintin Paredes cor. Dasmariñas St.
Binondo, Manila
Tel. # : 243-8201 to 04; 244-6829

BONI AVENUE
655 Boni Ave. cor. Ligaya St., Mandaluyong City
Tel. # : 531-8865; 531-9418; 532-8737; 533-1054

COMMONWEALTH AVENUE
G/F JOCFER Bldg., Commonwealth Ave. Diliman, Quezon City
Tel. # : 951-3530 to 33

CONGRESSIONAL AVENUE
Congressional Ave. cor. Mindanao Ave., Quezon City
Tel. # : 454-5098; 455-8536/40/61

CUBAO
P. Tuazon St. cor. 7th Ave., Cubao, Quezon City
Tel. # : 437-7827/28; 912-1754; 912-1846

DASMARIÑAS VILLAGE
G/F Priscilla 100 Bldg., 2297 Pasong Tamo Ext., Makati City
Tel. # : 892-0001; 892-0397; 892-1087

DEL MONTE AVENUE
447 Del Monte Ave. cor. Biak na Bato St., Quezon City
Tel. # : 330-0227 to 32

EDSA KALOOKAN
512 EDSA cor. Urbano Plata St., Kalookan City
Tel. # : 330-9923 to 25; 366-5801/02

EMERALD AVENUE
G/F Wynsum Corporate Plaza Bldg., Emerald Ave.
Ortigas Center, Pasig City
Tel. # : 633-7604/28; 910-5658/59

ESCOLTA
G/F Regina Bldg., Escolta, Manila
Tel. # : 241-8544; 242-4483; 245-8955

GREENHILLS
Ortigas Ave. near cor. Wilson St., Greenhills, San Juan
Tel. # : 726-1391 to 93/95

INTRAMUROS
G/F BF Condominium Bldg., A. Soriano Ave. Intramuros, Manila
Tel. # : 404-1719 to 21; 521-4294

KALOOKAN
9th Ave. cor. Rizal Ave., Grace Park, Kalookan City
Tel. # : 361-1165/66; 361-4491; 361-9660; 365-9113/14/99

KAMIAS
G/F TDS Bldg., 72 Kamias Road, Quezon City
Tel. # : 929-7665; 929-7745; 929-7846

KATIPUNAN
355 AGCOR Bldg., Katipunan Ave., Loyola Heights Quezon City
Tel. # : 426-1308; 433-2694

LAS PIÑAS
Alabang-Zapote Road cor. Crispina Ave.
Pamplona, Las Piñas City
Tel. # : 874-3696/98; 874-3702

LIBIS
184-B E. Rodriguez Jr. Ave., Bagumbayan, Quezon City
Tel. # : 421-0311 to 13; 638-1689

MAKATI AVENUE
Makati Ave. cor. Durban St., Makati City
Tel. # : 895-1774; 896-9231 to 33

MALABON
Gov. Pascual Ave. cor. Rivera St. Malabon, Metro Manila
Tel. # : 288-7376/77/79/92

MALATE
G/F Manoco Bldg., 1945 M. Adriatico St., Malate, Manila
Tel. # : 525-2711/18/41/42/56

MALINTA
G/F Mirjan Bldg., 295 Maysan Road, Paso de Blas
Valenzuela City
Tel. # : 277-2920 to 22; 443-1797

MARIKINA
233 J.P. Rizal St. cor. Sta. Inez, Sta. Elena, Marikina City
Tel. # : 646-3765; 681-6274 to 76

MASANGKAY
911-913 G. Masangkay St., Binondo, Manila
Tel. # : 241-5364/69/72; 243-7676

MAYHALIGUE
G/F One Masangkay Place, 1420 Masangkay near cor.
Mayhaligue St., Sta. Cruz, Manila
Tel. # : 252-5440/46 to 48

NAVOTAS
807-812 M. Naval St., Navotas, Metro Manila
Tel. # : 282-7502 to 05

NEW DIVISORIA
Stall Nos. UG 5-6, Sto. Cristo St. cor. M. de Santos St.
Binondo, Manila
Tel. # : 244-4271 to 73/76

NOVALICHES
854 Quirino Highway, Gulod, Novaliches, Quezon City
Tel. # : 417-9738; 417-9982; 418-0191; 935-1819/21

PASAY ROAD
912 Gemland Commercial Bldg., Pasay Road
San Lorenzo Village, Makati City
Tel. # : 752-7120/21; 813-5429

PASONG TAMO
G/F JTKC Center, 2155 Pasong Tamo St., Makati City
Tel. # : 840-4780/82 to 86

PEREA
G/F Greenbelt Mansion, Perea St. Legaspi Village, Makati City
Tel. # : 751-3654; 752-0985/86

RETIRO
Amoranto cor. Mayon St., Quezon City
Tel. # : 410-9216; 742-2787/88

ROOSEVELT
244 Roosevelt Ave., San Francisco del Monte, Quezon City
Tel. # : 371-2019/24; 448-6630/31/33

SAN FERNANDO
493-495 San Fernando St., San Nicolas, Binondo, Manila
Tel. # : 241-2711; 244-4281 to 83

SHAW BOULEVARD
131-133 Shaw Blvd., Pasig City
Tel. # : 632-9816; 747-5872/73

SOUTH TRIANGLE
Quezon Ave., cor. Scout Albano, Quezon City
Tel. # : 410-7098; 425-1101 to 03

SUCAT
8200 Dr. A. Santos Ave., Sucat, Parañaque City
Tel. # : 820-2337 to 39/55

TAFT AVENUE
G/F Kassel Condominium, Taft Ave. near cor.
P. Ocampo St., Vito Cruz St., Malate, Manila
Tel. # : 404-1533 to 35

TEKTITE
G/F West Tower, Phil. Stock Exchange Center
Exchange Road, Ortigas Center, Pasig City
Tel. # : 636-3527 to 30/32; 637-3275/80; 638-6744 to 46

T. ALONZO
593 Teodora Alonzo St., Sta. Cruz, Manila
Tel. # : 734-4580/83; 736-1880/81

TOMAS MORATO
Tomas Morato near cor. Scout Lozano St., Quezon City
Tel. # : 928-5801/02; 928-6508

TORDESILLAS
G/F Le Domaine Condominium, 104 Tordesillas St.
Salcedo Village, Makati City
Tel. # : 810-0230; 813-1302/37

TUTUBAN
Unit LH-PL12 and LH-PL12A Looproad Shophouse
Prime Block Mall, Tutuban cor. C.M. Recto Ave., Manila
Tel. # : 253-5955/77/78

UNITED NATIONS AVENUE
UN Ave. cor. M.H. del Pilar and M. Guerrero Sts.
Ermita, Manila
Tel. # : 525-2690 to 93

VALENZUELA
Km. 12 McArthur Highway cor. Serrano St.
Marulas, Valenzuela City
Tel. # : 291-8486; 443-7748 to 50

VALERO
G/F Antel Platinum Tower, 154 Valero St.
Salcedo Village, Makati City
Tel. # : 752-4435/36; 843-7002 to 04

WACK-WACK
6 Shaw Blvd. cor. Laurel St., Mandaluyong City
Tel. # : 718-1368; 725-1227; 725-2915

WEST AVENUE
73 G/F Rose Bldg., West Ave. cor. Catanduanes St.
Quezon City
Tel. # : 372-2582 to 84; 414-3303/04

PROVINCIAL BRANCHES

CAGAYAN DE ORO
G/F Philamlife Bldg. Don Apolinar Velez St.
Cagayan de Oro City
Tel. # : (088) 856-6101 to 04/06

CALAMBA
G/F Anderson Bldg., Bgy. Parian, Calamba, Laguna
Tel. # : (049) 545-7421/23; (049) 545-9523

CEBU-CENTER
Gen. Maxilom Ave., Cebu City
Tel. # : (032) 255-6222 to 24; (032) 255-6900 to 04

CEBU-MANDAUE
G/F Khuz'ns Bldg., North Highway, Estancia, Mandaue City
Tel. # : (032) 343-7500 to 04

CEBU-PLARIDEL
104 Plaridel St., Barangay Sto. Niño, Cebu City
Tel. # : (032) 255-0081 to 85

DAGUPAN
Angel B. Fernandez, Dagupan City
Tel. # : (075) 523-5575; (075) 523-6086

DAVAO-MONTEVERDE
G/F Mintrade Bldg., Monteverde Ave. cor. Sales St.
Davao City
Tel. # : (082) 222-3411/14

DAVAO-QUIRINO
Quirino Ave. cor. San Pedro St., Davao City
Tel. # : (082) 225-1701 to 04

GENERAL SANTOS
G/F Laiz Bldg., 127 Pioneer Ave., General Santos City
Tel. # : (083) 553-6026/28/29

ILOILO
Ledesma St. cor. Liberation Road, Iloilo City
Tel. # : (033) 336-1630 to 33

IMUS-CAVITE
G/F Melta Bldg., Aguinaldo Highway cor.
Sampaguita Village, Imus, Cavite
Tel. # : (046) 471-7770; (046) 571-0701/02 to 04

LIPA
B. Morada Ave., Lipa City
Tel. # : (043) 312-2622; (043) 756-3874; (043) 981-0316

MEYCAUAYAN
G/F Marian Bldg., McArthur Highway Calvario, Meycauayan
Tel. # : (044) 840-2622/23; (044) 935-2346

SAN FERNANDO PAMPANGA
G/F Mel-V Bldg., Olongapo Gapan Road
Dolores, San Fernando, Pampanga City
Tel. # : (045) 961-5712; (045) 961-6300

TARLAC
Jaral Bldg., McArthur Highway cor. Juan Luna St.
Tarlac City
Tel. # : (045) 982-6480/85/89

We will be the epitome of
service excellence in our
chosen fields as we seize
every challenge to make
a difference for you.

Table of Contents

Message to our Shareholders, Depositors and Friends 1

Making Opportunities Happen!... 6

Financial Statements 11

Board of Directors.......... 28

Senior Management Team 30

Products and Services.......... 33

Branch Directory 34

Financial Highlights

FOR THE YEAR ENDING DECEMBER 31, 2003
(Amounts in Pesos)

Total Earnings	3,339,318,736.00
Total Expenses and Taxes	2,906,301,772.00
Net Earnings	433,016,964
Earnings Per Share	16.61

AT THE YEAR END (Amounts in Pesos)

Total Resources	43,895,912,666
Loans, Customer Acceptances and Bills Purchased (Net)	18,013,458,375
Deposit Liabilities	35,831,194,679
Capital Funds	4,235,413,181
Book Value Per Share	159.4

International Exchange Bank

iBank

iBank Exchange Building, 142 Amorsolo St., Legaspi Village, 1229 Makati City, Philippines
Tel. Nos.: 753-3000 / 810-3310 • Website: www.ibank.com.ph
iContact Call Center Hotline: 878-8787; Toll Free # 1-800-18888-333