



annual report
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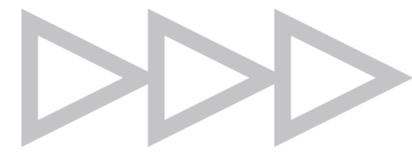
PBCOM

Philippine Bank of Communications



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moving fast forward

financial highlights



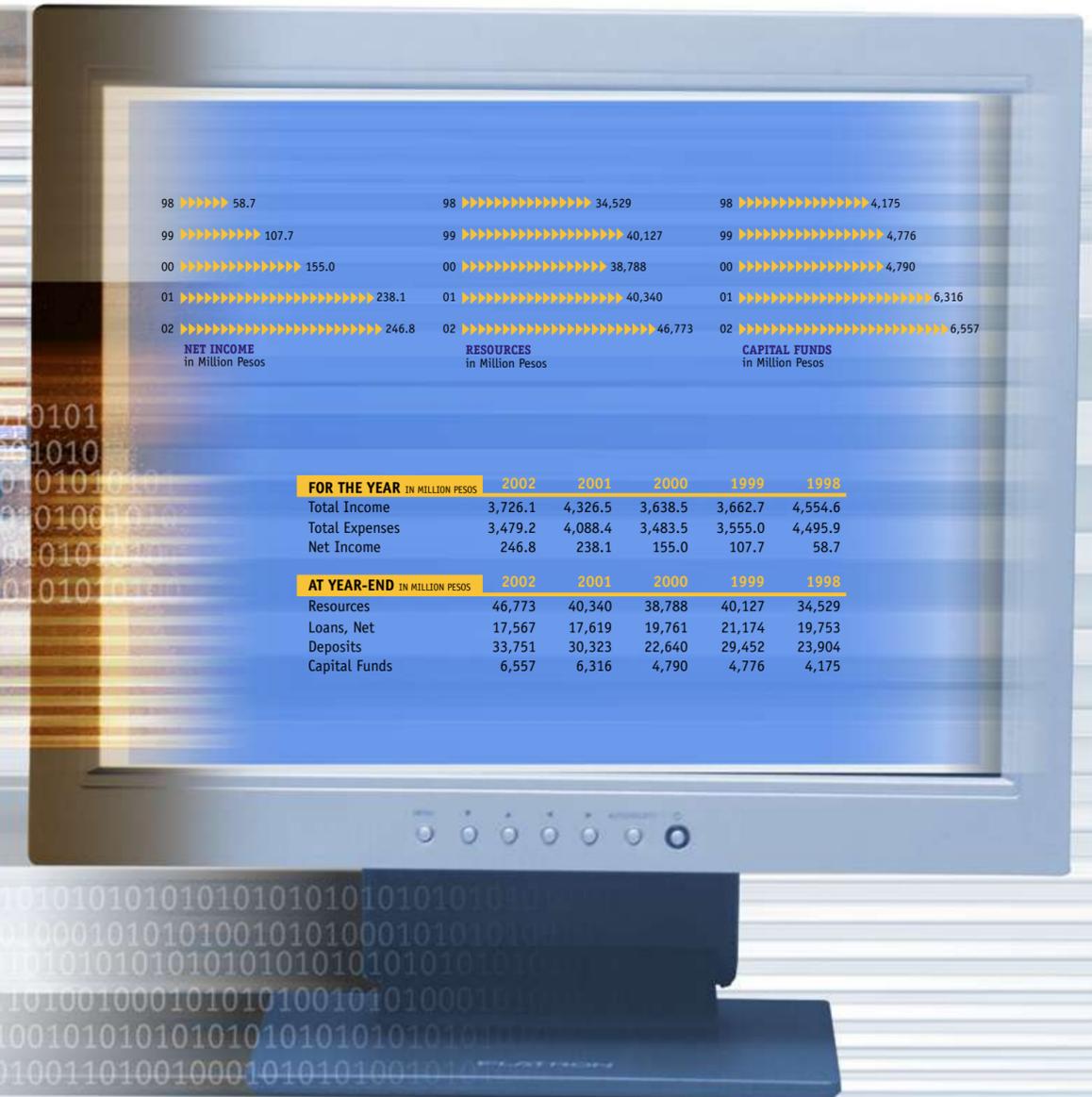
relevant products.

forward-thinking people.

up-to-date technology.



These are the three factors symbolized by the three arrows of our cover. Together, these will propel PBCOM to greater competitiveness in the years to come. Enabling us to move not just forward, but accelerating faster than ever to meet the many challenges ahead.





gaining momentum, gather



PBCOM



Letter to Stockholders

ing speed

In 2002, PBCom hurdled another challenging year with significant milestones and encouraging results. Even as both domestic and global concerns continued to foster a weak business environment, we at PBCom remained focused and determined to pursue the completion of critical projects that essentially capped a period of difficult transformation.

Three years ago at the turn of PBCom's 60th year, we embarked on a strategic transformation to convert one of the country's oldest Chinatown-based banks to a technology-driven and competitive bank. Led by a new management team and a refocused shareholder group, the Bank had to reinvent itself in light of a fast-changing and increasingly competitive playing field.

The road to reform as we had envisioned then was, in great measure, an extremely difficult yet necessary path to take. We had to institute significant changes in the way we conducted our business and ran our operations. Specifically, this meant reconfiguring the organizational structure towards a market-oriented form as well as investing substantially

in upgrading business processes by means of available technology.

As has always been the case, technical changes alone do not create value unless accompanied by a well-founded, policy-driven management culture. In this regard, the value of infusing a new management team rich in experience and expertise came into play. Immediately, the new team set out to institute changes on almost all fronts while drawing strength from the institution's venerable origins, strong relationships in the business community and the wealth of talents from existing employees.

The past year was a culmination of sorts for the drive towards this change.

Full-time Branch Connectivity. At the start of this year, after months of laborious work, we were able to establish for the first time the full connectivity of our branches. This was made possible by upgrading our deposit system to the Silverlake Integrated Banking Solution or SIBS, a highly parameterized integrated front-end and back-end delivery system.

Aside from fully automating over-the-counter transactions and backroom accounting functions, SIBS also allowed us to upgrade our ATM System.

From a business standpoint, SIBS allowed our customers to execute transactions on a real-time basis at any of our branches aside from their branch of account. While this may appear trivial in an industry that has always been at the forefront of cutting-edge technology, we view this seemingly modest accomplishment with great optimism. Our accomplishment, after all, offers endless opportunities for a newly-transformed organization that is already primed for growth.

For one, this convenience allows us to maximize business from our rich customer base of traders by providing them numerous options in carrying out their day-to-day transactions spanning the country's major trade centers. With this, we see an excellent opportunity to acquire a steady stream of fee-based business on top of securing new clients and developing new beneficial relationships. Moreover, this connectivity sets the stage for showcasing our ability to develop new product ideas and value-enhancing services. We believe that by focusing on what we could achieve with our new-found capability, we will bring the Bank to a higher plane of competitiveness and ultimately to a position of leadership among middle-sized banks.

A Banner Year for Trust. The past year was a banner year for our Trust business. From being a marginal participant in the Trust market, PBCom emerged as a major competitor among mid-sized banks as we increased our Trust assets by P3.6 billion or by 121.7% from P3.6 billion to P6.6 billion in just over a year. This made us the second largest among our peers and increased our ranking overall from 20th to 17th.

We bolstered our position through the launching of the widely-successful PBCom Dollar Fund, a dollar-denominated common trust fund. After its launching last April, the fund was widely participated in the market as it grew to \$51 million by year's end. Similarly, our peso trust funds performed remarkably well as the total value of the funds grew by over 300% to P1.9 billion, an increase of P1.5 billion from the previous year.

In July 2002, we converted some of our products including common trust funds to the Infoserve Infobanker Trust system, a comprehensive application system for Trust front-and back-office processing. The conversion enabled us to provide faster product delivery and turn-around in time for the launching of the PBCom Dollar Fund. The new system, likewise, enabled our branches to cross-sell Trust products. This year, we aim for a further widening of our Trust customer base as we gain the benefits our new system brings.

Institutionalizing a Culture of Good Corporate Governance. Beneath all the efforts geared towards achieving these milestones, we vigorously sustained our drive towards institutionalizing a culture of good corporate governance. Our drive is not a mere response to the growing clamor for raising corporate governance standards amidst the financial failures and accounting irregularities that rocked the global business environment. Rather, our motive is rooted in our belief that good corporate governance

builds in our customers and the community, trust and confidence in our institution, a process that ultimately will secure our long-term viability.

As part of our thrust for good corporate governance, we endeavored to establish the manualization of policies and procedures in all areas of the Bank. During the initial stages of our transformation drive, we were able to establish four key manuals: an Operations Manual, a Credit Policy Manual, a Legal Manual and an Accounting Manual. In 2002, we saw the culmination of this project as we completed the manualization of policies and procedures in all critical areas. In August of 2002, we completed the creation of a Risk Management Manual. The manual is the core document that provides a bank-wide functional setting by which risk management will be conducted and applied in all levels of management. This is consistent with the Bank's business objectives as well as standards required by the Bangko Sentral ng Pilipinas.

We also created an Approval Limits Handbook that outlines well-defined approval limits and authority structure which is a major element of our risk management system and philosophy. To ensure that the Bank is not exposed to unnecessary risks in the conduct of various Bank transactions, we deemed it proper and imperative that all approval limits and authorities should at all times be respected and complied with.

We also started issuing to all Bank units a Compliance Policies and Procedures Manual that essentially defines the Bank's compliance program. This includes principles and guidelines covering anti-money laundering and a Manual on Corporate Governance as required by the Securities and Exchange Commission (SEC) in its Memorandum Circular No. 2.

Topping Last Year's Profitability. Just as we had envisioned, we began reaping the fruits of our efforts for the past two years. We sustained our profitability with net income reaching P246.8 million, topping off our previous year's performance of P238.1 million. What was more remarkable was that we achieved this on top of the P326.3 million provision for probable loan losses we charged in line with our effort to strengthen our balance sheet. Moreover, we accomplished this within the context of an extremely challenging business environment characterized by narrowing spreads and a persistently soft credit market.

Continuing Success in Treasury Business. Much of our gains in 2002 flowed from deliberate efforts to prop up our Treasury business in which opportunities abound. Trading gains increased almost four times to P1.2 billion from just P314.5 million in the previous year mainly as a result of efforts to take advantage of underlying trading opportunities in a declining interest rate environment. We also benefited from the new electronic dealing system that was installed to address both front- and back-office operational requirements of Treasury.

Cost Savings Through Operational Streamlining. Meanwhile, focused efforts to reduce overhead costs and improve operational efficiency initiated three years ago and sustained in 2002 yielded significant cost savings for the Bank. Our Operations and Information Technology Segment implemented starting in 2001 key structural changes which included the establishment of the Makati

and Binondo Clearing Centers, a Centralized Check Verification Unit and a Statement Rendition Unit at the Makati Clearing Center. Loan and trade transaction processing were also streamlined by establishing two separate loan processing centers in Visayas and Mindanao. Another major structural change was the centralization of the branch accounting function with Controllership in the head office following the conversion of branches to the SIBS system. This allowed branches to focus more on marketing and cross-selling bank products.

Despite the significant capital investments we made on automation and renovation of branches as well as the cost of integrating Consumer Savings Bank (CSB), the increase in operating expenses was limited to only 10.7%. We, likewise, reaped the beneficial effects of a 12% reduction in headcount as part of an overall organizational streamlining.

A Stronger Balance Sheet. While we were greatly pleased with last year's profitable performance, we take greater satisfaction in our progress towards achieving a stronger balance sheet. After all, maintaining a sound asset quality and building a stable funding base preserves the gains we had made aside from ensuring the long-term viability of our business.

Strong Loan Recovery Efforts. A considerable amount of our energy in the past three years have been devoted to improving overall asset quality by implementing loan recovery measures. Our cash collections leaped by 41.3% to P606.3 million in 2002 while the *dacion en pago* deals we consummated increased by 65.2% to P1.3 billion. In cases where recovery options are no longer possible, we resolved to foreclose on attached properties. In 2002, total foreclosures reached P756.4 million, a more than six-fold increase from the previous year. Our diligence enabled us to successfully keep a lid on our non-performing loans which we are confident, have reached its peak. Through our Credit Management and Asset Recovery Group and the Asset Disposal Committee, we also successfully disposed a significant volume of our acquired assets thus reducing the level of our non-performing assets and generating additional revenues for the Bank. In all, total sales of acquired assets in 2002 more than doubled to P567.3 million from P249.1 million in 2001.

Effective Loan Portfolio Management. This realization finally enabled us to focus our sights on growing our earning asset base. Our Corporate Banking Group was able to participate more aggressively in the corporate finance market and establish a foothold in the middle market. All the while, the Group continued to reinforce its rich relationships in the Filipino-Chinese business community which has in the past contributed significantly to the growth of PBCom. Meanwhile, through the coordinated efforts of the Asset Liabilities Committee and spread management initiatives, we have been successful in pricing our loan facilities competitively. Ultimately, this resulted in lower funding costs and effectively improved our margins.

Sustaining the Competitive Edge of Branches. To fund the expansion in assets, we capitalized on our existing branch network capabilities as we had yet to consummate prospective deals to acquire new branch licenses. Sustaining the branch renovation efforts we initiated in 2001, we relocated low-performing branches to areas closer to both existing and emerging trading centers in Metro Manila.

Simultaneously, we persevered to transform the branch

culture of doing business towards a sales and service orientation. This culminated in the centralization of the branch accounting function to the head office as soon as we converted each branch to the SIBS platform. The results were no less remarkable. Total deposits increased by 11.3% or P3.4 billion to P33.8 billion, a growth that compares favorably with the 4.6% average for the whole commercial banking sector. A third of this increase or about P950 million were contributed by lower-costing products. This accounted significantly for the decline in our interest expenses and eased the carrying costs of non-performing assets.

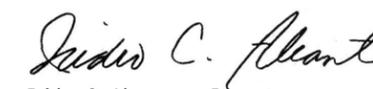
Meanwhile, the increased profitability resulted in a capital to risk assets ratio well above the 10% regulatory requirement at 15.16%. With a total capital of P6.6 billion by end-2002, PBCom emerged as the largest capitalized private regular commercial bank in the country.

Fast Forward. The year ahead for PBCom and the banking industry as well, promises to be another difficult period. Banks will likely be hampered by a persistently anemic demand for credit as the economy moves slowly amidst a listless global market affected by geopolitical threats. However, for a resurgent institution empowered with its newfound strengths such as PBCom, the year ahead may very well turn out to be a perfect opportunity for us to fine-tune our strategies and processes. As we pursue our thrust to expand our delivery network and implement new schemes to reduce the level of our non-performing assets, we will in the end be better equipped to effectively compete in time for a more robust economy.

As we move forward towards achieving new milestones for PBCom, we look back with appreciation and gratitude for the collective efforts of both our shareholders and fellow employees in realizing our transformation and committing to principles of good corporate governance. We have been convinced by our past successes that only by further invigorating this partnership will we continue to break new ground and in the process, ensure PBCom's long-term growth.



Luy Kim Guan
Chairman



Isidro C. Alcantara, Jr.
President & CEO



drive. It enabled us to package and introduce new products and services with speed, efficiency and flexibility.

This conversion made our branches at par with industry standards and ripe for further innovation. Aside from enhancing the existing product and service offerings and streamlining business processes of the Bank, the system allowed our branches to concentrate more on business-generating activities, thus increasing employee productivity. In effect, this allowed us to consummate the reconfiguration of the branch set-up towards customer service and sales from mere transaction completion.

Aside from SIBS, other core systems are now running to support the other key units of the Bank.

Enhancing trading efficiency. Treasury's new electronic dealing system, Misys' Opics System, was rolled out in record time in late 2001. Immediately, the new system resulted in an improvement in trading transaction

efficiency. More significantly, Opics greatly enhanced our trading capabilities as can be reflected in the substantial increase in our trading gains during the year. In July 2002, Trust's new automation system, Infoserve Infobanker Trust System, was also put in place enabling faster product delivery and turn-around time. The result was nothing less than rewarding as the Trust Group became a major competitor among mid-sized banks as it grew its assets by 121.7% to a record level of P6.6 billion by the end of the year.

Moving towards web-based and mobile banking. At the latter part of 2002, we started the groundwork for our foray to internet-based and mobile banking which we expect to be available to our customers before the end of 2003. We will also be migrating to new systems for our loan and trade transactions which we also anticipate to improve transaction processing time. Finally, we hope to complete the interface between all these systems to provide for seamless integration.



▶▶▶ SIGNIFICANCE OF SIBS

While the implementation of SIBS was a major undertaking, its implications and benefits are far greater. PBCom continuously anticipates to reap the many benefits that this banking solution offers:

- Support PBCom's current project business volumes and continuing growth in the future.
- Enable an increased focus on customer relationships instead of solely on individual accounts.
- Provide flexibility to enable new products and/or product enhancements to be delivered in a timely manner.
- Position PBCom to move quickly into e-banking and web-based products and services.
- Fully meet the needs of PBCom branches for enhanced level of customer service, faster and more convenient delivery of banking products and services, and new and state-of-the-art channels for delivering banking products and services.
 - > **Printing of Snapshot Statement**
Upon a customer's request, the branch can instantly print an interim statement of his/her savings, checking or time deposit.
 - > **Post-dated Checks Warehousing**
The branch can store a customer's post-dated checks for safekeeping, and post these to his/her account on the date indicated on the checks.
 - > **Automated Payroll Services**
Payroll can now be handled with much more ease, accuracy and speed as this is already automated. Posting may be done in real-time or by batch through a diskette uploaded to the system. Minimal programming is required for new payroll clients.
 - > **Automatic Fund Transfer**
Accounts with fund transfer arrangement are better managed now. Since the automation of the service, processing is faster and errors are avoided.
 - > **Automated Printing of Manager's Checks (MCs)/Gift Checks (GCs)**
Preparation of MCs and GCs is now faster with the aid of the new system. Printing is no longer done manually but directly through the system.
 - > **Exchange Rate Update**
Customers can now inquire about current exchange rates through any PBCom branch.
 - > **Improved Customer Information File**
Customers need not fill up new account opening forms everytime they open an account. That's because the new system maintains only one customer record to document their accounts with PBCom. What's more, they can easily get details of their account (e.g. account number, deposit balance) or even their total relationship balance (viz., sum of all their deposits) at any branch they want.
- Provide opportunities for productivity gains and re-engineered business processes to enable PBCom to drive operating costs down.
- Establish a modern, cost-effective, and responsive information technology base.
- Facilitate seamless integration with other external third-party systems.



▶▶▶ CORE APPLICATION SYSTEMS

SIBS. Provides for the requirements of Branch Banking, particularly, deposits and ATM. The system is composed of the following modules – Customer Information, Deposits, Remittance, Miscellaneous, and ATM, which allows the Bank to service its clients at branches located nationwide. A Customer Information File (CIF) is created for each customer and allows for linking the customers' various deposit accounts opened anywhere across the Bank's branch network. The Deposits module processes the various deposit accounts – savings, checking and time, including the monitoring of its balances, account status and the like. The ATM module processes the ATM and Point-of-Sale (POS) transactions both on-us and other network (Bancnet and Megalink) acquiring and issuer transactions, includes Card Management module for the build-up and maintenance of ATM cards and allows for the monitoring of the Bank's ATM network.

OPICS. Addresses both front- and back-office operational requirements of Treasury from deal entry to accounting and reporting information. It is an integrated system for treasury and capital markets. The products currently supported are foreign exchange, money market and fixed income.

INFOBANKER. A complete and comprehensive application system for Trust front- and back-office processing. Capabilities include handling of placements for Investment Management Account (IMA), Trust and Other Fiduciary Account (TOFA) and Common Trust Fund (CTF) from clients and its applications to various investment outlets, whether in fixed income or in equities.

MIDAS. Composed of various modules which include Customer Information, General Ledger, Customer and Syndicated Lending and Credit Risk Management modules which will process the bank's commercial, retail and syndicated loans such as demand loans, term loans, discounted loans with rollovers and risk loans. The system likewise provides the bank a facility through the Credit Risk Management module to monitor its exposure to customers, industries and geographical regions over a broad range of products that will be offered. The General Ledger module will serve as the bank's consolidated GL system.

TRADE INNOVATION. Enables the Trade Services Unit to handle all trade finance transactions such as Import and Export Letters of Credit, Bank Guarantees, Import Bills, Trust Receipts, Export Bills Purchased and Bills Received for Collection. This allows for a straight through processing transaction initiation – manual or via inward SWIFT messages to account postings and generation of documents and outward SWIFT and telex messages including interface to the MIDAS GL.



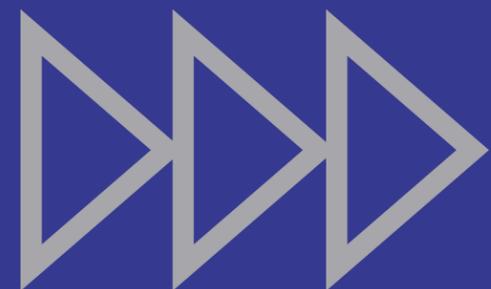
getting closer to you

branch renovation & relocation



"We don't need to be everywhere....just where you are," was a remark made by our President during the signing of the Memorandum of Agreement between the PBCOM's Management and the members of the Corinthian Gardens Homeowners Association for the establishment of our Corinthian Gardens branch. The remark has also emerged as our guiding principle in managing our branch network. Truly, mere numbers alone do not render a branch network effective but it is being within reach of one's customers that matters more.

It was along this line that we reviewed the locations of our branch sites and decided to move some of them to more strategic locations. Specifically, we relocated our branches closer to emerging trade centers across the country - closer to our trader clients who have grown to become one of PBCOM's core clientele. The move proved successful resulting in record numbers for our deposit levels as we maximized the strength of our existing 64-branch network.





▶▶ new sites

Metro Manila
Ayala-Alabang
Kalookan
San Miguel Avenue
Sen. Gil Puyat Avenue
U.N. Avenue

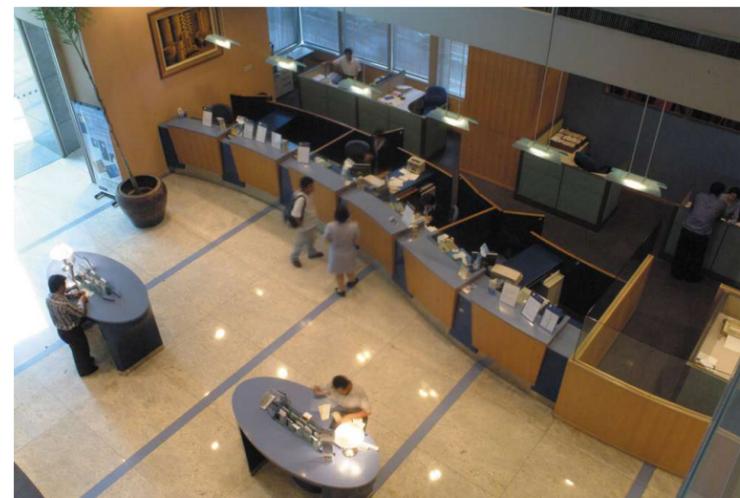
Provincial
Batangas
Biñan
Cabanatuan
Iligan
La Union
Lipa
Zamboanga

future sites▶▶

In 2003, we plan to extend our reach to be nearer to where our customers are.

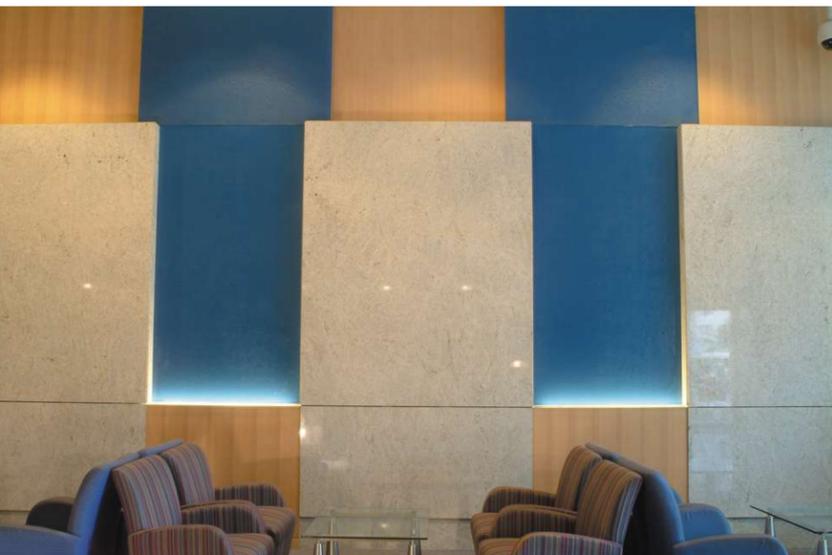
Metro Manila
Taft Ave./J. Nakpil
Loyola Heights, Quezon City
Libis, Quezon City
Del Monte
Sta. Cruz
Reina Regente
Quintin Paredes
Port Area
San Fernando, Manila
Shaw, Mandaluyong
Bicutan
Metroclub, Estrella
Salcedo Village
Legaspi Village – Dela Rosa
Buendia/Taft
Las Piñas
Navotas

Provincial
Davao – Lanang
Urdaneta, Pangasinan
Tuguegarao, Cagayan
Santiago/Iligan, Isabela
Balanga, Bataan
Antipolo/Cainta, Rizal
Legaspi, Albay
Davao – Agdao
Baguio, Benguet



▶▶ new look

Consistent with PBCOM's transformation drive, we deployed a new branch model geared towards a more entrepreneurial operating culture. Initially, we remodeled three existing branches namely, Ongpin, Padre Rada and Elcano while using the new set-up for all relocated branches.



going full stride

new products



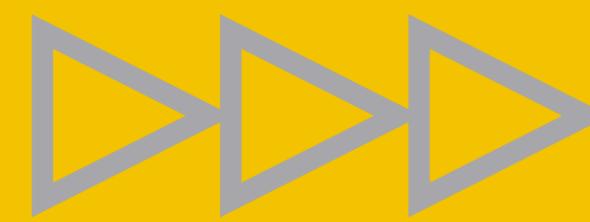
Even as the nuts and bolts of conversion were being fitted, some important achievements in terms of product and service offerings were already being realized.

At the height of our transformation drive, PBCom once again fulfilled its vision of becoming a dynamic and competitive bank through the launching of its first credit card, PBCom-Standard Chartered MasterCard. The card's issuance served to strengthen PBCom's position in the retail and consumer market.

We likewise took steps in addressing the more sophisticated and growing needs of our existing and loyal clientele by introducing a passbook-driven, interest-bearing checking account called the IntegrAll, and by offering our newest dollar trust fund simply called PBCom Dollar Fund.

Attaining one of the year's objectives, the Bank increased its deposit-taking capabilities by pushing the branches to be more aggressive in marketing its products. This was partly achieved through Breakthrough@62, an internal deposit incentive campaign designed to boost the Bank's deposit level, especially low-cost funds. The Phase 2 of our Breakthrough@62, which concluded in April this year, proved to be an effective campaign to grow our deposit base.

Ever looking forward, we see the new SIBS system acting as an anchor to newer and more innovative product and service offerings customized for PBCom's target market. We will likewise carry out programs and campaigns not only to expand our deposit and clientele base but also to bring in new business to the Bank.





taking a well-orchestrated step

IntegrALL Account

Imagine this scenario: A client enters a bank not knowing what deposit account to open. Upon inquiring, he leaves the bank in a daze. Sounds familiar?

PBCOM is aware that with the variety of deposit products to choose from, a potential customer can easily get confused and instead, end up in a dilemma. This is the very reason why we developed an all-in-one product that combines the strengths and advantages of a checking, ATM and passbook savings account. We call this product the IntegrALL.

From the word "integral", meaning complete, combined with the word "all", we derived IntegrALL, which connotes a "complete package". The IntegrALL Account is a product that orchestrates our clients' many different transaction needs. It allows them to issue checks, access their account through the ATM and monitor account balances and transactions through a passbook. Convenient, isn't it? You can even manage your accounts through one consolidated statement.

Another beauty of this product is that it also offers a tiered-pricing scheme that enables depositors to earn interest even higher than a regular savings account provided they meet the monthly ADB requirement. Since it is also an ATM account, it provides the flexibility of withdrawal at anytime. What's more, clients can also use their deposit as collateral to a loan.

The IntegrALL Account may be linked to other accounts of the same client. This is to facilitate automatic fund transfer in case the IntegrALL Account has insufficient balance to fund a check or falls below the minimum monthly ADB requirement.



making a masterful move

The PBCOM-Standard Chartered MasterCard



PBCOM took pride in being a part of a significant milestone in the banking and credit card industry as the Bank in partnership with Standard Chartered Bank officially launched last October 2002 the PBCOM-Standard Chartered MasterCard. The card is the first international credit card in the country to be co-branded by two banking institutions. This co-branding arrangement maximizes the strength of two of the most stable and well-established banks in the country.

Throughout its 63-year history, PBCOM has proven to be a stable and resilient bank having a long list of loyal and satisfied clientele. On the other hand, Standard Chartered's outstanding reputation dates back to 1872 when it first opened shop in Binondo. In the credit card business, Standard Chartered is regarded as a major credit card issuer in the Asia Pacific and the biggest card issuer in India, Hong Kong and Brunei.

With the PBCOM-Standard Chartered MasterCard, we are offering customers a card that does not only carry the excellent customer service of PBCOM and Standard Chartered but is also backed by the global brand assurance and merchant network of MasterCard.

The PBCOM-Standard MasterCard is being offered to PBCOM clients through PBCOM's branch network. The card offers high starting credit limits, flexible repayment options, EZ pay installment plan, cash advance facility, insurance, and 24-hour customer service.

Unlike other credit cards that apply the same finance charge, PBCOM-Standard Chartered MasterCard employs a unique, tiered, low-interest rate scheme that is based on the cardmember's credit limit. The card also offers a balance transfer facility that allows the cardmember to transfer his/her balances from other credit cards to PBCOM-Standard Chartered MasterCard. On top of these benefits, there are a lot of perks and freebies that come with using this premium card. Cardmembers can also reap the benefits of earning bonus points and using it as a discount card in over 2,000 establishments nationwide.

The unveiling of the card signifies our strategy of expanding our product offerings through outsourcing and co-branding arrangements. In this manner, we will be able to provide all the services that cater to every need of our clients. At the same time, this strategy will bear the least cost to the Bank in terms of funding and overhead expenses.



gearing up for a green revolution

PBCOM Dollar Fund

The fruit of any investment relies heavily on who's handling it. The PBCOM Dollar Fund is a prime example of this adage. Now, one does not have to be an expert to enjoy higher yields from a trust investment. One just needs to know whom to trust. And who better to trust than PBCOM with the strength, stability and rich banking tradition of more than 60 years.

The PBCOM Dollar Fund is a US dollar common trust fund where funds of various investors are pooled together and invested in a diversified mix of safe and higher-yielding fixed investment outlets usually available only for big investments.

Unlike other dollar funds that require long commitments or high initial investments, PBCOM Dollar Fund offers the shortest minimum holding period of just 30 days. Now, that's what it just takes to start enjoying higher yielding potential while staying liquid.

PBCom's overall corporate governance is the primary responsibility of the Bank's Board of Directors. The Board ensures that the Bank exercises full compliance to existing laws and regulations, and approves the overall corporate philosophy and mission statement; business plan and budget; investments and capital expenditures; appointment of senior officers; compensation policies; other programs and policies affecting business operations; and material transactions outside the banking business. The Board, likewise, monitors the Bank's business performance through financial and other operational reports prepared by management during regular monthly board meetings. Currently, the Board is composed of 11 directors who have extensive experience in corporate management and carry a solid reputation in the business community.

The Executive Committee serves as the primary executory arm of the Board. Composed of seven directors, the Executive Committee exercises ultimate responsibility over the credit approval process. The management of the Bank is delegated by the Board to the President & CEO and a team of senior officers handling various segments within the organization. Several management committees led by the Management Committee and the Asset Liabilities Committee, have also been formed to cover specific aspects of the Bank's operations.

Manual of Corporate Governance. In January 1, 2003, PBCom adopted a Manual of Corporate Governance duly approved by the Board as well as an evaluation system to determine and measure compliance to the Manual. The Manual covers the areas of Board Governance, Stockholder Rights, Auditing, Transparency and Commitment to Corporate Governance.

Creation of Governance Committee. Recently, the Board of Directors approved the creation of a Governance Committee in line with the requirements of the Securities and Exchange Commission (SEC) and the Bangko Sentral ng Pilipinas (BSP). The Governance Committee was constituted and vested with functions and authority to further promote the principles of good corporate governance in the Bank. Specifically, the Committee was tasked to advise the Board on corporate governance matters and set the policy on the size and composition of the Board and its internal functioning. Furthermore, the Committee shall serve as the mother committee for three sub-committees that shall pre-screen and establish a short list of candidates for the Board and oversee the performance of the CEO and Senior Officers. The three sub-committees include the 1) Nomination Sub-Committee; 2) Compensation and Remuneration Sub-Committee; and 3) Performance Evaluation Sub-Committee.

Risk Management Mission

PBCom's risk mission is to develop a risk awareness and a risk/return consciousness in the Bank in order to protect deposits, preserve capital and ensure adequate return on capital.

The Bank recognizes that risks are inevitable but losses are optional in its operations. It is the Bank's philosophy that risk is better managed and controlled if it is measured consistently and accurately.

Risk Management Process

The risk management process in PBCom encompasses all critical risk categories and extends to all business units in the Bank, focusing on the risk in activities rather than the risk in transactions. PBCom's risk management is a top-down process that starts with the Board. Through the Risk Management Committee (RMC), members of the Board and senior management are actively involved in planning, reviewing, approving and assessing of all risks involved. The RMC directly oversees the Risk Management Group (RMG) which is a distinct and independent unit within the Bank directly reporting to the RMC. Its functional responsibilities cover the following major risk areas: Credit, Treasury, Trust, Head Office and Branch Operations.

Credit Risk. The credit risk management function involves the identification of inherent risks related to transactions or processes executed with respect to all lending-related activities. The Bank employs a risk rating system to assess and measure the diverse risk factors of a borrower. The system is designed to reveal the overall risk of lending and serves as a tool for making credit decisions, evaluating the credit risk of potential and existing borrowers and for pricing purposes.

The Bank uses a set of criteria for a prudent and sound credit-granting process. The criteria ensure that there is a clear definition of the target market, a thorough understanding of the borrower, the purpose and structure of the credit and the source of repayment.

The management of the credit portfolio is subject to prudential limits monitored by the Bangko Sentral ng Pilipinas (BSP). These limits serve to control the magnitude of credit risk and preserve the quality of the portfolio. The Bank also monitors concentrations of risk within the credit portfolio and conducts portfolio stress testing to determine the effect of extreme conditions on individual credits and the portfolio as a whole.

Treasury Risk. Treasury risk is classified into four categories: market, liquidity, credit and operational risks. Market or price risk is the risk of loss, immediately or over time, due to adverse fluctuations in the price or market value of an instrument or portfolio both on and off-balance sheet. To measure market risk with due consideration of the present volume and complexity of the Bank's trading portfolio, the Value-at-Risk (VaR) method is employed. To effectively manage market risk, all risk-taking activities are subjected to limits which are sponsored by Treasury, endorsed by the RMC and approved by the Board.

Liquidity risk refers to the risk that the Bank will be unable to make a timely payment on any of its financial obligations to customers or counterparties in any currency. The Board assumes responsibility in approving the liquidity strategy but the day-to-day implementation and monitoring is performed by the Asset-Liability Committee and Treasury Segment.

Credit risk in Treasury is the risk that a customer or counterparty will not be able or unwilling to pay obligations on time and in full as expected or previously contracted, subjecting the Bank to a financial loss. The Bank has established an internal risk rating system to determine the financial soundness of financial institutions before credit facilities are granted. Once credit facilities are granted to counterparties, a system of monitoring credit limits and usage is maintained. The Board has the sole authority of approving counterparty lines which are reviewed at least annually.

Operational risk in Treasury is managed through front-office and back-office controls that form an integral part of daily activities in Treasury operations.

Operational Risk. Operational risk pertains to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is classified into branch operations risk and head office operational risk which covers the Operations Group (i.e. International Services, Domestic Operations, Clearing Center and Facilities Management), Controllership Segment and Human Resources. A system of internal controls have been built-in to basic operating processes as a means to control operational risks. These include: approvals and authorizations, physical controls, segregation of duties, verifications and reconciliation, job rotation and implementation of mandatory vacation leave. Monitoring of operational risks is basically performed through top level reviews, operational losses reports and deficiency reports.

Trust Risk. The Bank's Trust Group operates separately and is distinct from the other departments and/or business of PBCom in terms of organization, operation, administration and function. As such, its risks pertain to losses that can occur for failure to fulfill its fiduciary responsibilities to the trustors/principals. The basic tools for managing trust risk include a well-established internal control system, which includes sound investment mix, well-defined trading guidelines, segregation of duties, clear management reporting lines and adequate operating procedures.

Business Continuity Plan. An essential component of PBCom's risk management environment is its BSP-approved Business Continuity Plan. This contingency plan will enable the Bank to resume operations in key areas, provide complete customer services within 24 hours of a disaster or state of emergency and minimize risk of data loss.



Philippine Bank of Communications

March 20, 2003

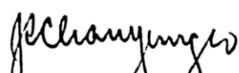
Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Mandaluyong, Metro Manila

The management of Philippine Bank of Communications is responsible for all information and representations contained in the financial statements as of December 31, 2002 and 2001 and for each of the years in the period ended December 31, 2002. The financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

Sycip, Gorres, Velayo & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Bank in accordance with auditing standards generally accepted in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors and the stockholders.


Jose R. Chanjungan
SVP & Controller


Isidro C. Alcantara, Jr.
President & CEO


Luy Kim Guan
Chairman

The Stockholders and the Board of Directors
Philippine Bank of Communications

We have audited the accompanying statements of condition of Philippine Bank of Communications as of December 31, 2002 and 2001, and the related statements of income, changes in capital funds and cash flows for each of the three years in the period ended December 31, 2002. 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.

As discussed in Note 14 to the financial statements, in 2000, the Bank took up provision for probable losses of P1.19 billion, net of deferred income tax, by a charge to surplus. Under Philippine generally accepted accounting principles, such provision is chargeable to current operations.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Philippine Bank of Communications as of December 31, 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the Philippines, except for the effects on the 2000 statements of income, changes in capital funds and cash flows of the matter referred to in the preceding paragraph.



Makati City

March 20, 2003



PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CONDITION

	December 31	
	2002	2001
RESOURCES		
Cash and Other Cash Items	P 309,028,568	P 389,004,500
Due from Bangko Sentral ng Pilipinas	2,007,548,945	1,900,465,395
Due from Other Banks	805,414,952	892,873,735
Interbank Loans Receivable	4,220,677,000	3,454,879,000
Trading and Investment Securities - net (Note 4)	8,735,785,428	4,940,292,753
Loans - net (Notes 5 and 18)	17,566,734,508	17,619,268,639
Equity and Other Investments (Notes 6 and 14)	1,969,146,187	1,867,160,588
Property and Equipment (Note 7)		
At cost - net	1,524,858,895	1,492,545,206
At appraised value	429,571,017	428,409,350
Real and Other Properties Owned or Acquired - net of allowance for probable losses of P193,519,810 in 2002 and P19,158,971 in 2001 (Note 9)	6,333,135,923	4,886,526,833
Deferred Tax Assets - net (Note 15)	1,199,825,884	952,164,993
Other Resources - net (Note 8)	1,671,261,740	1,516,842,788
	P 46,772,989,047	P 40,340,433,780
LIABILITIES AND CAPITAL FUNDS		
Liabilities		
Deposit Liabilities (Note 10)		
Demand	P 2,073,618,169	P 2,009,542,461
Savings	18,798,778,690	16,283,067,615
Time	12,878,941,687	12,030,586,076
	33,751,338,546	30,323,196,152
Bills Payable (Note 11)	5,097,568,550	2,748,732,058
Outstanding Acceptances (Note 12)	490,533,050	151,275,129
Marginal Deposits	1,755,991	6,052,044
Manager's Checks	80,220,880	73,051,523
Accrued Interest, Taxes and Other Expenses	184,365,311	227,771,181
Other Liabilities (Note 13)	610,132,014	494,539,367
	40,215,914,342	34,024,617,454
Capital Funds		
Capital stock (Note 14)	5,258,906,500	5,258,896,800
Additional paid-in capital	476,011,662	476,009,722
Surplus reserves (Note 14)	68,358,940	65,465,142
Surplus (Notes 6 and 14)	491,160,512	247,219,260
Unrealized gain on available-for-sale securities (Note 4)	-	5,588,311
Revaluation increment on land (Note 7)	262,637,091	262,637,091
	6,557,074,705	6,315,816,326
	P 46,772,989,047	P 40,340,433,780

See accompanying Notes to Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF INCOME

	Years Ended December 31		
	2002	2001	2000
INTEREST INCOME ON			
Loans	P 1,415,537,535	P 2,836,826,201	P 2,653,383,160
Trading and investment securities	675,297,781	630,175,130	363,062,501
Interbank loans receivable	51,131,286	162,397,833	210,016,822
Deposits with banks	39,439,768	55,816,971	41,157,610
	2,181,406,370	3,685,216,135	3,267,620,093
INTEREST EXPENSE ON			
Deposit liabilities	1,661,675,446	2,224,671,700	1,709,738,914
Borrowed funds	144,436,425	457,384,823	646,852,677
	1,806,111,871	2,682,056,523	2,356,591,591
NET INTEREST INCOME	375,294,499	1,003,159,612	911,028,502
PROVISION FOR PROBABLE LOSSES (Note 9)	326,328,735	33,625,960	-
NET INTEREST INCOME AFTER PROVISION FOR PROBABLE LOSSES	48,965,764	969,533,652	911,028,502
OTHER INCOME (CHARGES)			
Trading and securities gain - net	1,227,687,372	314,474,346	8,655,672
Service charges, fees and commissions	127,488,011	142,683,132	140,640,734
Foreign exchange gain (loss) - net	(2,091,573)	5,949,533	27,430,667
Miscellaneous (Note 6)	191,561,307	178,207,360	194,163,773
	1,544,645,117	641,314,371	370,890,846
OTHER EXPENSES			
Compensation and fringe benefits (Note 16)	570,739,618	564,890,349	447,464,123
Occupancy (Notes 7 and 17)	224,960,380	207,378,383	161,948,811
Taxes and licenses	139,752,760	186,274,926	199,596,431
Miscellaneous (Note 15)	566,061,757	397,820,249	246,832,532
	1,501,514,515	1,356,363,907	1,055,841,897
INCOME BEFORE INCOME TAX	92,096,366	254,484,116	226,077,451
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 15)	(154,738,684)	16,359,745	71,027,649
NET INCOME	P 246,835,050	P 238,124,371	P 155,049,802
Earnings Per Share (Note 21)	P 4.69	P 5.22	P 4.91*

*After retroactive adjustment for rights offering exercised on April 27, 2001.

See accompanying Notes to Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CHANGES IN CAPITAL FUNDS

	Years Ended December 31		
	2002	2001	2000
CAPITAL STOCK (Note 14)			
Balance at beginning of year	P 5,258,896,800	P 2,629,448,400	P 2,629,448,400
Subscriptions during the year	9,700	2,629,448,400	-
Balance at end of year	5,258,906,500	5,258,896,800	2,629,448,400
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	476,009,722	515,571,072	515,571,072
Additions	1,940	-	-
Stock issuance expenses	-	(39,561,350)	-
Balance at end of year	476,011,662	476,009,722	515,571,072
DEPOSITS FOR FUTURE STOCK SUBSCRIPTIONS (Note 14)	-	-	1,314,724,200
SURPLUS RESERVES (Note 14)			
Balance at beginning of year	65,465,142	64,108,874	61,311,816
Transfer from surplus	2,893,798	1,356,268	2,797,058
Balance at end of year	68,358,940	65,465,142	64,108,874
SURPLUS			
Balance at beginning of year	247,219,260	10,451,157	265,179,047
Net income	246,835,050	238,124,371	155,049,802
Provision for probable losses - net of deferred income tax of P515,923,199 in 2000 (Note 14)	-	-	(1,194,357,324)
Transfer of appraisal increment on land - net of deferred income tax of P257,443,759 in 2000 (Note 6)	-	-	787,376,690
Transfer to surplus reserves (Note 14)	(2,893,798)	(1,356,268)	(2,797,058)
Balance at end of year	491,160,512	247,219,260	10,451,157
UNREALIZED GAIN (LOSS) ON AVAILABLE-FOR-SALE SECURITIES (Note 4)	-	5,588,311	(6,709,060)
REVALUATION INCREMENT ON LAND			
Balance at beginning of year	262,637,091	262,637,091	1,307,457,540
Transfer to surplus (Note 6)	-	-	(1,044,820,449)
Balance at end of year	262,637,091	262,637,091	262,637,091
	P 6,557,074,705	P 6,315,816,326	P 4,790,231,734

See accompanying Notes to Financial Statements.

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P 92,096,366	P 254,484,116	P 226,077,451
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:			
Interest income	(2,181,406,370)	(3,685,216,135)	(3,267,620,093)
Interest expense	1,806,111,871	2,682,056,523	2,356,591,591
Provision for probable losses	326,328,735	33,625,960	-
Depreciation and amortization	114,903,639	94,117,841	73,058,553
Amortization of goodwill	14,585,736	14,585,736	-
Amortization of deferred charges	2,678,228	401,511	30,467
Unrealized trading loss (gain)	(777,897)	1,210,369	5,672,195
Equity in net earnings of affiliates	(322,381)	(384,962)	(436,476)
Changes in operating resources and liabilities:			
Decrease (increase) in:			
Trading account securities	82,110,345	1,169,834,731	1,470,473,240
Available-for-sale securities	131,987,610	(110,782,610)	-
Loans	(1,720,403,694)	(159,351,373)	(597,250,092)
Other resources	(139,375,913)	(84,161,918)	(147,190,598)
Increase (decrease) in:			
Deposit liabilities	3,428,142,394	7,683,242,859	(6,812,236,474)
Manager's checks	7,169,357	33,343,564	(371,427,128)
Accrued taxes and other expenses	(4,780,454)	(23,714,085)	17,644,524
Other liabilities	115,592,647	54,777,776	6,486,919
Net cash generated from (used in) operations	2,074,640,219	7,958,069,903	(7,040,125,921)
Interest received	2,149,099,367	3,480,251,917	3,111,734,058
Interest paid	(1,829,015,209)	(2,800,703,466)	(2,283,222,590)
Income taxes paid	(108,644,285)	(114,180,695)	(100,554,359)
Net cash provided by (used in) operating activities	2,286,080,092	8,523,437,659	(6,312,168,812)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Investments in bonds and other debt instruments	(4,014,401,044)	(2,919,934,306)	1,415,145,343
Equity and other investments	(101,663,218)	(10,000,000)	(575,152,642)
Net additions to property and equipment	(148,378,995)	(457,681,828)	(293,833,250)
Net cash provided by (used in) investing activities	(4,266,443,257)	(3,387,616,134)	546,159,451
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of capital stock	11,640	1,314,724,200	-
Payment of stock issuance expenses	-	(39,561,350)	-
Proceeds from deposits for future stock subscriptions	-	-	1,314,724,200
Increase (decrease) in:			
Bills payable	2,348,836,492	(7,555,304,480)	5,885,619,849
Outstanding acceptances	339,257,921	(45,510,790)	(159,643,131)
Marginal deposits	(4,296,053)	(17,038,534)	(2,054,951)
Net cash provided by (used in) financing activities	2,683,810,000	(6,342,690,954)	7,038,645,967
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	705,446,835	(1,206,869,429)	1,272,636,606
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	389,004,500	380,529,438	1,159,270,454
Due from Bangko Sentral ng Pilipinas	1,900,465,395	3,168,410,918	1,274,724,701
Due from other banks	892,873,735	723,477,003	884,497,298
Interbank loans receivable	3,454,879,000	3,571,674,700	3,252,963,000
	6,637,222,630	7,844,092,059	6,571,455,453
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	309,028,568	389,004,500	380,529,438
Due from Bangko Sentral ng Pilipinas	2,007,548,945	1,900,465,395	3,168,410,918
Due from other banks	805,414,952	892,873,735	723,477,003
Interbank loans receivable	4,220,677,000	3,454,879,000	3,571,674,700
	P 7,342,669,465	P 6,637,222,630	P 7,844,092,059

See accompanying Notes to Financial Statements.

1. Corporate Information

Philippine Bank of Communications (the Bank) is a publicly listed domestic commercial bank organized to provide banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services through a network of 64 local branches. The Bank's principal place of business is at PBCom Tower, 6795 Ayala Avenue corner V. A. Rufino Street, Makati City. As of December 31, 2002 and 2001, the Bank had 1,057 and 1,061 employees, respectively.

2. Summary of Significant Accounting Policies

Basis of Preparation

The Bank follows the accounting principles generally accepted in the Philippines (Philippine GAAP) for the banking industry which follow historical cost convention, as modified for the measurement at fair value of trading account securities (TAS), available-for-sale securities (ASS), land used in operations 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 average PDSWAR for the year (for income and expenses).

The accounts of PBCom Realty Corporation (PBCom Realty), a wholly owned subsidiary, is no longer consolidated due to the immateriality of the account balances.

Adoption of New Accounting Standards

The Bank adopted Statement of Financial Accounting Standards (SFAS) 16/International Accounting Standard (IAS) 16, "Property, Plant and Equipment," SFAS 24/IAS 24, "Related Party Disclosures," SFAS 27/IAS 27, "Consolidated Financial Statements and Accounting for Investments in Subsidiaries," SFAS 28/IAS 28, "Accounting for Investments in Associates" and SFAS 36/IAS 36, "Impairment of Assets," effective January 1, 2002.

The adoption of the new standards in 2002 did not result in the restatement of prior year financial statements. Additional disclosures required by the new standards, however, were included in prior year financial statements, where applicable.

New Accounting Standards Effective Subsequent to 2002

The Accounting Standards Council (ASC) has approved the following accounting standards relevant to the Bank which will be effective subsequent to 2002:

SFAS 10/IAS 10, Events After the Balance Sheet Date

This standard prescribes the accounting policies and disclosures related to adjusting and non-adjusting subsequent events. The Bank will adopt SFAS 10/IAS 10 in 2003 and, based on current circumstances, does not believe the effect of adoption will be material to the financial statements.

SFAS 17/IAS 17, Leases

This standard prescribes the accounting policies and disclosures to apply to finance and operating leases. The Bank has not yet determined the financial statement impact of the adoption of SFAS 17/IAS 17.

SFAS 22/IAS 22, Business Combinations

This standard 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. The Bank will adopt SFAS 22/IAS 22 in 2003 and, based on current estimates, does not believe the effect of adoption will be material to the financial statements.

SFAS 37/IAS 37, Provisions, Contingent Liabilities and Contingent Assets

This standard provides the criteria for the recognition and bases for measurement of provisions, contingent liabilities and contingent assets. It also specifies the disclosures

that should be included with respect to these items. The Bank will adopt SFAS 37/IAS 37 in 2003 and, based on current circumstances, does not believe the effect of adoption will be material to the financial statements.

SFAS 38/IAS 38, Intangible Assets

This standard establishes criteria for the recognition and measurement of intangible assets such as goodwill. The new standard requires that expenditures on research, start-up, training, advertising and relocation should be expensed as incurred. Based on current circumstances, the Bank believes that adoption of SFAS 38/IAS 38 in 2003 will not have material effect in its financial statements.

Investments in Associates

Equity investments in associates (PBCom Finance Corporation and PBCom Forex Corporation) and a wholly owned subsidiary (PBCom Realty) are accounted for under the equity method. An associate is an enterprise in which the Bank holds 20% to 50% of the voting power or which the Bank exercises significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment is carried in the statements of condition at cost plus post acquisition changes in the Bank's share in the net assets of the investee, less any impairment in value. Post acquisition changes include the share in the investees' net earnings or losses (included in Miscellaneous Income). Dividends received, if any, are treated as a reduction in the carrying values of the investment.

Under the Bangko Sentral ng Pilipinas (BSP) rules, the use of equity method of accounting for investment in shares of stock is allowable only where ownership is more than 50%. The use of equity method of accounting for equity interests of 20% to 50% is being made for financial reporting purposes to comply with the provisions of SFAS 28/IAS 28 issued by the ASC and is not intended for BSP reporting purposes.

Other equity investments where the Bank has no significant influence (other than trading and investment securities, as discussed below) are carried at cost less allowance for decline in value, if any. The allowance for decline in value is set up by a charge to current operations.

Trading and Investment Securities

TAS consist of government and private debt securities and equity 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 as Trading and Securities Gain 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, then fair values are estimated using pricing models, 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 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 government and private 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 in the statements of income. An allowance for probable losses, if any, is established by a charge to income to reflect other-than-temporary impairments in value. Under current BSP 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.

Loans

Loans are stated at the outstanding principal balance, reduced by unearned discounts and allowance for probable loan losses.

Interest income on loans are recognized based on the accrual method of accounting, except in the case of nonaccruing or nonperforming accounts as required by existing regulations of the BSP. Interest income on nonaccruing loans is recognized only to the extent of cash collections received. Unearned discount is amortized to income over the terms of the loans, with the amortization discontinued when the loan becomes nonperforming.

Loans are classified as nonaccruing or nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. At the time the loan is classified as nonperforming, interest previously recorded but not collected is reversed and charged against current income. Loans are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

Allowance for Probable Loan Losses

The allowance for probable loan losses, which consists of specific and general loan loss reserves, represents management's estimate of probable losses inherent in the loan portfolio, after consideration of prevailing and anticipated economic conditions, prior loss experience, estimated recoverable values based on fair values of underlying collaterals, prospects of support from 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.

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

Investment in Real Estate

Investment in real estate are real properties which are for sale or for lease to others. These are carried at cost less any accumulated depreciation and any impairment in value.

Property and Equipment

Parcels of land acquired by the Bank are stated at appraised values less any impairment in value. The appraisal increment resulting from revaluation is credited to Revaluation Increment on Land under capital funds. Subsequent acquisitions are stated at cost.

The Bank's depreciable properties including leasehold improvements, furniture, fixtures and equipment are stated at cost less accumulated depreciation and impairment loss, if any. The Bank follows the straight-line method of computing depreciation over the estimated useful lives of the respective assets. The cost of leasehold improvements is amortized over the estimated useful lives of the improvements or the term of the applicable leases, whichever is shorter.

The useful lives of property and equipment are as follows:

Condominium property, buildings and improvements	50 years
Furniture, fixtures and equipment	2 - 5 years
Leasehold improvements	20 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 property and equipment.

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

Starting 2002, the carrying values of the property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts (see policy on Impairment of Assets).

Real and Other Properties Owned or Acquired

Resources acquired in settlement of loans are stated at the total outstanding exposure of the loans at the time of foreclosure or at bid price, whichever is lower. Nonrefundable

capital gains and documentary stamp tax incurred in connection with foreclosures are capitalized as part of the carrying values of the foreclosed properties, provided that such carrying values do not exceed appraised values. Holding costs subsequent to the foreclosure or acquisition of the properties 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 existing BSP provisioning requirements and for any significant shortfalls from the net recorded values and the estimated realizable values by a charge against current operations.

Revenue Recognition

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

Interest Income

Interest on interest-bearing placements and securities are recognized as the interest accrues, taking into account the effective yield on the asset.

Loan Fees and Service Charges

Loan commitment fees are recognized as earned over the term of the credit lines granted to each borrower.

Loan syndication fees are recognized upon completion of all syndication activities and where the Bank does not have further obligations to perform under the syndication agreement.

Service charges and penalties are recognized only upon collection or where there is reasonable degree of certainty as to its collectibility.

Income Taxes

Deferred tax assets and liabilities are recognized for (a) the estimated future tax consequences attributable to temporary 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 expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled and the carryforward benefits of MCIT or NOLCO is expected to be applied. A valuation allowance is provided for the portion of deferred tax assets that is not expected to be realized in the future.

Goodwill

Goodwill pertaining to the difference between the Bank's acquisition cost of Consumer Savings Bank, Inc. (CSBI) and the latter's net asset value is amortized over 10 years starting in 2001.

Foreign Exchange Translation and Transactions

Resources and liabilities denominated in foreign currencies are translated into their equivalents in Philippine pesos based on the PDSWAR prevailing at the end of the year while foreign currency income and expenses are translated at the rates on transaction dates. Gains or losses arising from foreign currency transactions and revaluation adjustments of foreign currency denominated resources and liabilities are credited or charged to current operations.

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 that are designated and qualify as hedges, the discounts or premiums are amortized over the term of the contract and the revaluation gains and 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.

Retirement and Staff Provident Plans

The Bank's retirement expense is determined using the entry age normal method. This method reflects the retirement benefits based on services both rendered and to be rendered.

by employees as of the date of the actuarial valuation. Under this method, the costs of employees' retirement benefits are evenly allocated over the full period of employment. Retirement cost includes normal cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions over the expected remaining working lives of the employees.

The Bank also contributes to its contributory, defined-contribution type staff provident plan based on a fixed percentage of the employees' salaries as defined in the plan.

Impairment of Assets

An assessment is made at each statement of condition date as to 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 operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset but not, however, to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss, if any, is credited to current operations, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is credited to the revaluation increment of the said asset.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

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 retroactive adjustment for any stock dividends declared in the current year).

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks, and interbank loans receivable which represent cash placements with maturities of three months or less from dates of placements and are subject to insignificant risk of change in value. Where actual cash flows are not determinable, the reported cash flows are determined based on samples and other estimating procedures.

Use of Estimates in the Preparation of Financial Statements

The preparation of the 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 disclosure of contingent resources and liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any changes in estimates will be reflected in the financial statements as they become reasonably determinable.

3. Segment Information

The Bank's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served with segment representing a strategic business unit. The Bank's business segments are as follows:

Consumer Banking - principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and fund transfer facilities;

Corporate Banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;

Treasury - principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

Segment information for the year December 31, 2002 are as follows (in thousands):

	Consumer Banking	Corporate Banking	Treasury	Other	Total
Gross income	P992,538	P432,670	P1,268,618	P1,032,225	P3,726,051
Segment result	P239,458	P42,042	P785,832	(P99,062)	P968,270
Unallocated costs					876,496
Income from operations					91,774
Income from associates					322
Income before tax					92,096
Benefit from income tax					(154,739)
Net income					P246,835
Other Information					
Segment resources	P10,936,822	P6,027,368	P12,248,349	P11,677,746	P40,890,285
Investment in associate					11,518
Unallocated resources					5,894,222
Total resources					P46,772,989
Segment liabilities	P31,720,943	P477,740	P7,609,169	P6,507,794	P46,315,646
Transfer pool funding	(20,784,121)	5,549,628	4,639,180	10,595,313	-
Adjusted segment liabilities	P10,936,822	P6,027,368	P12,248,349	P17,103,107	46,315,646
Unallocated liabilities					457,343
Total liabilities					P46,772,989
Other Segment Information					
Depreciation and amortization	P57,189	P4,113	P1,810	P51,792	P114,904

4. Trading and Investment Securities

This account consists of:

	2002	2001
TAS - at market	P224,330,768	P305,663,216
ASS - inclusive of net unrealized gain of P5,588,311 in 2001 (see Note 23)	-	137,575,921
IBODI - at amortized cost (see Note 19)	8,511,454,660	4,497,053,616
	P8,735,785,428	P4,940,292,753

The market value of the IBODI amounted to P8.53 billion and P4.46 billion as of December 31, 2002 and 2001, respectively.

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

	2002		2001		Total	
	Due Within One Year	Due Beyond One Year	Due Within One Year	Due Beyond One Year		
TAS - at market	P13,433,018	P210,897,750	P224,330,768	P73,950,726	P231,712,490	P305,663,216
ASS - at market	-	-	-	-	137,575,921	137,575,921
IBODI - at amortized cost	751,060,767	7,760,393,893	8,511,454,660	2,157,601,082	2,339,452,534	4,497,053,616
	P764,493,785	P7,971,291,643	P8,735,785,428	P2,231,551,808	P2,708,740,945	P4,940,292,753

5. Loans

This account consists of:

	2002	2001
Loans and discounts	P16,778,143,815	P17,856,760,591
Customers' liabilities on acceptances, import bills and trust receipts	2,998,472,779	2,085,780,653
Bills purchased	355,550,933	663,670,324
Allowance for probable loan losses (see Note 9)	(2,531,335,914)	(2,928,981,693)
Unearned discounts	(34,097,105)	(57,961,236)
	P17,566,734,508	P17,619,268,639

The following table presents the loans by contractual maturity dates:

	2002	2001
Due within one year	P14,948,223,184	P16,066,474,828
Due beyond one year	5,183,944,343	4,539,736,740
	P20,132,167,527	P20,606,211,568

Loans amounting to P76.92 million and P27.40 million as of December 31, 2002 and 2001, respectively, are pledged as collateral to the BSP to secure loans under rediscounting privileges by the same amount (see Note 11).

The following table shows the breakdown of loans as to secured and unsecured and the breakdown of secured loans as to type of security (in thousands) as of December 31, 2002 and 2001:

	2002		2001	
	Amount	%	Amount	%
Secured loans:				
Real estate	P10,644,252	52.87	P10,851,423	52.66
Chattel	1,038,731	5.16	738,006	3.58
Deposit hold-out	318,461	1.58	156,372	0.76
Securities and others	446,850	2.22	1,520,472	7.38
	12,448,294	61.83	13,266,273	64.38
Unsecured loans	7,683,874	38.17	7,339,939	35.62
	P20,132,168	100.00	P20,606,212	100.00

As of December 31, 2002 and 2001, nonperforming loans (NPL) amounted to P6.83 billion and P6.60 billion, respectively.

Starting September 19, 2002, the BSP under Circular No. 351 allows banks with no unbooked valuation reserves and capital adjustments required by BSP to exclude from nonperforming classification those loans classified as Loss in the latest examination of the BSP which are fully covered by allowance for probable losses, provided that interest on said loans shall not be accrued. As of December 31, 2002 and 2001, the NPLs of the Bank are as follows:

	2002	2001
Total NPLs	P6,830,973,708	P6,597,828,390
Less NPLs fully covered by allowance for probable loan losses	1,065,045,000	1,065,045,000
	P5,765,928,708	P5,532,783,390

As of December 31, 2002 and 2001, information on the concentration of credit as to industry follows (in thousands):

	2002		2001	
	Amount	%	Amount	%
Manufacturing (various industries)	P5,886,518	29.24	P6,232,297	30.24
Wholesale and retail trade	5,564,705	27.64	5,318,536	25.81
Real estate, renting and business services	3,228,900	16.04	3,716,977	18.04
Financial intermediaries	1,713,145	8.51	1,399,720	6.79
Other community, social and personal activities	677,147	3.36	837,726	4.07
Agriculture	613,687	3.05	808,281	3.92
Mining and quarrying	477,812	2.37	366,515	1.78
Construction	288,855	1.44	341,662	1.66
Others	1,681,399	8.35	1,584,498	7.69
	P20,132,168	100.00	P20,606,212	100.00

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

6. Equity and Other Investments

This account consists of:

	Ownership (%)	2002	2001
Investment in shares of stock - at equity:			
Acquisition cost:			
PBCom Finance Corporation	40	P2,000,000	P2,000,000
PBCom Forex Corporation (PBCom Forex)	40	1,999,800	1,999,800
PBCom Realty	100	312,875	312,875
		4,312,675	4,312,675
Accumulated equity in net earnings:			
Balance at beginning of year		6,883,265	6,498,303
Equity in net earnings		322,381	384,962
Balance at end of year		7,205,646	6,883,265
		11,518,321	11,195,940
Other investments - at cost:			
Real estate		1,945,132,013	1,844,718,795
Shares of stocks		12,495,853	11,245,853
		1,957,627,866	1,855,964,648
		P1,969,146,187	P1,867,160,588

Investment in real estate represents the contributed cost of developing the Bank's Ayala Avenue property, originally consisting of land and fully depreciated building, into a 52-storey building named PBCom Tower under a joint development agreement with Filinvest Asia. The agreement provided for equal sharing of the cost of the project and, correspondingly, of the net usable area of the building, which is to be converted into a condominium property. Under the agreement, the Bank's share in such cost included its land on Ayala Avenue, which was given an appraised value of P900.00 million in 1995. The appraisal increment was recorded and shown as part of Capital Funds in the statements of condition. Upon completion of the project in December 2000, such appraisal increment was closed to Surplus, net of applicable deferred income tax. The title to the land will be transferred to a condominium corporation to be organized in due course in compliance with the law governing condominium buildings.

The PBCom Tower is the new site of the Bank's head office. About 77% of the usable area that the Bank acquired under the project is held for sale or lease, with the balance used for the Bank's operations. Accordingly, the cost allocable to the area held for sale or lease is carried as Investment in Real Estate, while the remaining balance is carried as condominium property and included in Property and Equipment at cost account (see Note 7).

On October 24, 2001, the BOD of PBCom Forex approved to discontinue and terminate its operations on October 31, 2001. The results of the final liquidation of PBCom Forex will not result in any material impact on the Bank's financial statements.

As of December 31, 2002, PBCom Realty has not yet started commercial operations.

7. Property and Equipment

The movements of property and equipment - at cost are as follows:

	Condominium Property		Buildings and Improvements		Furniture, Fixtures and Equipment		Leasehold Improvements - net		Total	2001
Cost										
Balance at beginning of year	P894,683,051	P296,393,509	P605,800,318	P122,584,755	P1,919,461,633	P1,512,522,387				
Additions	29,379,132	82,131,726	147,682,428	21,756,123	280,949,409	447,470,912				
Disposals	-	(78,142,089)	(75,032,484)	(20,428,433)	(153,174,573)	(12,521,831)				
Amortization	-	-	-	-	(20,428,433)	(28,009,835)				
Balance at end of year	924,062,183	300,383,146	678,450,262	123,912,445	2,026,808,036	1,919,461,633				
Accumulated Depreciation										
Balance at beginning of year	12,377,757	86,819,153	327,719,517	-	426,916,427	383,541,168				
Depreciation	16,419,388	16,500,228	61,555,590	-	94,475,206	66,108,006				
Disposals	-	(534,424)	(18,908,068)	-	(19,442,492)	(22,732,747)				
Balance at end of year	28,797,145	102,784,957	370,367,039	-	501,949,141	426,916,427				
Net Book Value at End of Year	P895,265,038	P197,598,189	P308,083,223	P123,912,445	P1,524,858,895	P1,492,545,206				
Net Book Value at Beginning of Year	P882,305,294	P209,574,356	P278,080,801	P122,584,755	P1,492,545,206	P1,128,981,219				

As of December 31, 2002 and 2001, the movement of land at appraised value is as follows:

	2002	2001
Cost		
Balance at beginning of year	P165,772,259	P165,772,259
Additions	1,161,667	-
Balance at end of year	166,933,926	165,772,259
Appraisal Increment	262,637,091	262,637,091
	P429,571,017	P428,409,350

8. Other Resources

This account consists of:

	2002	2001
Accrued interest receivable	P922,488,168	P890,181,165
Prepaid expenses	185,144,438	163,854,566
Deferred charges - net	171,159,615	124,133,188
Sales contract receivable	166,070,360	14,872,657
Accounts receivable	136,194,243	238,550,883
Goodwill on acquisition of CSBI - net (see Note 22)	116,685,889	131,271,625
Interoffice float items - net	67,318,692	67,389,019
Foreign currency notes and coins on hand	59,369,438	34,396,228
Returned checks and other cash items	58,229,288	61,330,932
Miscellaneous	276,593,680	257,642,272
	2,159,253,811	1,983,622,535
Less allowance for probable losses (see Note 9)	487,992,071	466,779,747
	P1,671,261,740	P1,516,842,788

The following table presents the breakdown of financial resources by contractual maturity dates:

	2002			2001		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Accrued interest receivable	P922,488,168	-	P922,488,168	P890,181,165	-	P890,181,165
Sales contract receivable	40,035,167	126,035,193	166,070,360	5,449,026	14,872,657	20,321,683
Accounts receivable	136,194,243	-	136,194,243	238,550,883	-	238,550,883
Returned checks and other cash items	58,229,288	-	58,229,288	61,330,932	-	61,330,932

9. Allowance for Probable Losses

Changes in the allowance for probable losses are as follows:

	2002	2001
Balance at beginning of year		
Loans	P2,928,981,693	P2,908,579,257
ROPOA	19,158,971	18,098,237
Other resources	466,779,747	436,641,358
	3,414,920,411	3,363,318,852
CSBI	-	18,070,895
	3,414,920,411	3,381,389,747
Provisions charged to operations	326,328,735	33,625,960
Accounts written off	(528,401,352)	(95,296)
	(202,072,617)	33,530,664
Balance at end of year		
Loans	2,531,335,914	2,928,981,693
ROPOA	193,519,810	19,158,971
Other resources	487,992,071	466,779,747
Balance at end of year	P3,212,847,795	P3,414,920,411

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

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

	2002			2001		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Demand	P2,073,618,169	-	P2,073,618,169	P2,009,542,461	-	P2,009,542,461
Savings	18,798,778,690	-	18,798,778,690	16,283,067,615	-	16,283,067,615
Time	6,859,025,978	6,019,915,709	12,878,941,687	6,964,409,255	5,066,176,821	12,030,586,076
	P27,731,422,837	P6,019,915,709	P33,751,338,546	P25,257,019,331	P5,066,176,821	P30,323,196,152

11. Bills Payable

This account consists of borrowings from:

	2002			2001		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Banks and other financial institutions	P4,359,552,384	P657,685,585	P5,017,237,969	P2,443,920,247	P271,996,692	P2,715,916,939
BSP - rediscounting	76,920,078	-	76,920,078	27,395,700	-	27,395,700
Private firms and individuals	3,410,503	-	3,410,503	5,419,419	-	5,419,419
	P4,439,882,965	P657,685,585	P5,097,568,550	P2,476,735,366	P271,996,692	P2,748,732,058

Borrowings from BSP - rediscounting are fully secured by loans (see Note 5).

12. Outstanding Acceptances

As of December 31, 2002 and 2001, outstanding acceptances are all due within one year.

13. Other Liabilities

This account consists of:

	2002	2001
Unearned income and other deferred credits	P153,277,192	P59,444,739
Accounts payable	81,275,721	53,753,399
Due to BSP	21,394,878	19,256,425
Miscellaneous	354,184,223	362,084,804
	P610,132,014	P494,539,367

Miscellaneous liabilities include holdover credits amounting to P251.61 million and P278.41 million as of December 31, 2002 and 2001, respectively, relating to bills purchased from the Bank's customers. Such holdover credits are reversed when cleared or paid.

14. Capital Funds

Capital stock consists of:

	2002	2001	2000
Authorized - 145 million shares in 2002 and 2001 and 65 million shares in 2000 with P100 par value			
Issued - 52,589,065 shares in 2002, 52,588,968 shares in 2001 and 26,294,484 in 2000 (net of 98 treasury shares)	P5,258,906,500	P5,258,896,800	P2,629,448,400

Surplus reserves consist of:

	2002	2001	2000
Reserve for trust business	P52,544,392	P49,650,594	P48,294,326
Contingencies	10,414,548	10,414,548	10,414,548
Self-insurance	5,400,000	5,400,000	5,400,000
	P68,358,940	P65,465,142	P64,108,874

In compliance with BSP regulations, 10% of the Bank's profit from trust business is appropriated to surplus reserve. This annual appropriation is required until the surplus reserves for trust business equals 20% of the Bank's authorized capital stock.

On July 11, 2000, the Bank's board of directors (BOD) approved the issuance of 26,294,484 common shares in connection with the stock rights offering to stockholders of record as of December 27, 2000 at an offer price of P100 per share. The BOD also approved the issuance of 78,883,452 subscription warrants to be issued without cost to subscribers of the rights offering. The warrants may be exercised from May 10, 2001 to May 10, 2004 at a ratio of 3 warrants for every share subscribed.

The Bank received P2.63 billion additional capital infusion from its stockholders relative to the stock rights offering as discussed above. Half of the amount was received in June 2000 and the remaining half in March 2001. On April 27, 2001, the Bank issued 26,294,484 common shares and 78,883,452 subscription warrants.

On June 16 and August 4, 2000, the Bank's BOD and stockholders, respectively, approved the amendment of the Bank's articles of incorporation increasing the authorized capital stock from P6.5 billion, divided into 65 million shares to P14.5 billion, divided into 145 million common shares with the same par value of P100 per share. On April 6, 2001, the Securities and Exchange Commission (SEC) approved the said amendment.

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.

A portion of the surplus amounting to P7.21 million and P6.88 million as of December 31, 2002 and 2001, respectively, corresponding to the undistributed equity of the Bank in net earnings of associates (see Note 6).

Under current banking regulations, the combined capital accounts of a commercial bank should not be less than an amount equal ten percent (10%) of its risk assets. Risk assets consist of total assets 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.

The capital-to-risk assets ratio of the Bank as of December 31, 2002 and 2001 was 15.16% and 16.01%, respectively, which are in compliance with the minimum requirement.

In 2000, provision for probable losses of P1,284,433,302 on loans, P652,390 on ROPOA, P62,007,241 on accrued interest receivable, P179,253,880 on miscellaneous assets, P85,913,183 on accounts receivable and P98,020,527 on deferred tax assets were charged directly to Surplus.

15. Income Taxes

Provision for (benefit from) income tax consists of:

	2002	2001	2000
Current:			
Final	P92,922,207	P129,620,003	P99,012,797
MCIT	-	282,770	4,148,569
	92,922,207	129,902,773	103,161,366
Deferred	(247,660,891)	(113,543,028)	(32,133,717)
	(P154,738,684)	P16,359,745	P71,027,649

Existing tax laws and regulations provide that FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10% income tax. Interest income on deposits with other FCDUs and offshore banking units is subject to 7.5% final tax.

Unless otherwise repealed by law, the Bank will be subject to the value added tax (VAT) instead of gross receipts tax, effective January 1, 2003. The Bank's VAT liability will be based on the related regulations to be issued by tax authorities.

Components of the Bank's net deferred tax assets are as follows:

	2002	2001
Deferred tax asset on:		
Allowance for probable losses	P1,024,884,476	P1,092,774,532
NOLCO	602,451,913	289,024,796
Unrealized loss on asset conversion	169,088,433	-
Unamortized past service cost	16,518,055	17,618,420
Accrued retirement benefits	-	1,333,696
MCIT	4,431,339	7,478,284
	1,817,374,216	1,408,229,728
Deferred tax liability on:		
Reversal of revaluation increment to surplus free	(257,443,759)	(257,443,759)
	1,559,930,457	1,150,785,969
Less valuation allowance	360,104,573	198,620,976
	P1,199,825,884	P952,164,993

A valuation reserve is provided for the deferred tax assets since management believes that a portion of the related future benefits may not be fully realized.

The Bank's NOLCO is broken down as follows:

Year Incurred	Amount	Expired	Balance	Expiry Year
1998	P137,777,495	P137,777,495	P-	2001
1999	206,976,214	206,976,214	-	2002
2000	75,992,230	-	75,992,230	2003
2001	620,234,043	-	620,234,043	2004
2002	1,186,435,955	-	1,186,435,955	2005
	P2,227,415,937	P344,753,709	P1,882,662,228	

Details of the Bank's MCIT are as follows:

Year Incurred	Amount	Expired	Balance	Expiry Year
1998	P11,346,906	P11,346,906	P-	2001
1999	3,046,945	3,046,945	-	2002
2000	4,148,569	-	4,148,569	2003
2001	282,770	-	282,770	2004
	P18,825,190	P14,393,851	P4,431,339	

Under Revenue Regulation 10-2002 dated July 24, 2002, effective September 1, 2002, the maximum amount of Entertainment, amusement and representation (EAR) expenses allowable as deduction from gross income for purposes of income tax computation shall not exceed 1% of the Bank's gross revenue.

EAR expenses for the period September 1 to December 31, 2002 of the Bank amounting to P9.8 million is included under Miscellaneous Expenses in the statements of income.

A reconciliation between the statutory income tax and the effective income tax follows:

	2002	2001	2000
Statutory income tax	P29,470,837	P81,434,917	P72,344,784
Tax effect of:			
Interest income subjected to final tax - net of nondeductible interest expense	656,750	609,462	(1,161,938)
FCDU income before income tax	(290,534,792)	(139,647,197)	(28,668,187)
Valuation allowance and others - net	105,668,521	73,962,563	28,512,990
Effective income tax	(P154,738,684)	P16,359,745	P71,027,649

16. Retirement Plan

The Bank has a noncontributory and funded retirement plan covering all its officers and regular employees. The retirement fund is administered by the Bank's Trust Department which acts as the trustee under the plan. Retirement cost charged to current operations consisting of normal cost and amortization of past service liability and experience adjustments amounted to P24.27 million in 2002 and P32.32 million in 2001 and 2000.

Based on the latest actuarial valuation as of July 11, 2002, the accrued actuarial liability amounted to P292.71 million. The fair value of the plan assets amounted to P247.70 million. The principal actuarial assumption used to determine retirement benefits consist of: (a) retirement age of 60 years and average remaining working life of officers and employees of 15 years; and (b) investment yield and projected salary increases of 9% and 7% per annum, respectively. Actuarial valuations are made at least every two years. In September 2002, the Bank contributed additional P29.85 million to the fund.

17. Long-term Leases

The Bank leases certain premises occupied by most of its branches. The terms of the lease contracts range from 1 to 20 years, at an aggregate annual rental of P52.09 million in 2002, P53.70 million in 2001 and P56.39 million in 2000, subject to future increases.

The lease rental commitments of the Bank for the next five years follow:

Year	Amount
2003	P51,990,797
2004	53,567,384
2005	57,742,361
2006	62,235,412
2007	67,570,525

18. Related Party Transactions

In the ordinary course of business, the Bank has loan transactions with its associated company and affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks. 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. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations. As of December 31, 2002 and 2001, the Bank is in compliance with such regulations.

The following table shows information relating to DOSRI loans:

	2002	2001
Total outstanding DOSRI loans	P694,043,074	P274,955,635
Percent of DOSRI loans to total loans	3.45%	1.33%
Percent of unsecured DOSRI loans to total DOSRI loans	13.65%	11.87%
Percent of past due DOSRI loans to total DOSRI loans	-	-
Percent of non-performing DOSRI loans to total DOSRI loans	-	-

19. Trust Operations

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacity for its customers are not included in the accompanying statements of condition since these are not resources of the Bank. Total resources held by the Bank's trust department amounted to P6.63 billion and P2.99 billion as of December 31, 2002 and 2001, respectively (see Note 20).

In connection with the trust business of the Bank, government securities with a total face value of P57.00 million and P40.00 million as of December 31, 2002 and 2001, respectively, are deposited with the BSP in compliance with existing regulations.

20. Commitments and Contingent Liabilities

In the normal course of operations, the Bank has various outstanding commitments and contingent liabilities such as guarantees, forward exchange contracts, commitment to extend credit, etc., which are not presented in the accompanying financial statements. The Bank does not anticipate any material 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:

	2002	2001
Trust department accounts	P6,631,293,112	P2,994,042,990
Unused commercial letters of credit	794,255,199	479,955,819
Outward bills for collection	240,931,107	68,789,107
Inward bills for collection	58,621,201	16,880,239
Late deposits/payment received	39,767,205	66,289,471
Items held for safekeeping	6,984,271	38,303
Traveler's checks unsold	2,662,700	2,584,500
Forward exchange sold	-	960,983,000
Forward exchange bought	-	955,390,000
Spot exchange sold	-	80,224,494
Spot exchange bought	-	80,165,494
Others	510,044,549	121,189,302

The Bank is a defendant in legal actions arising from its normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the Bank's financial position.

21. Financial Performance

Earnings per share (EPS) amounts were computed as follows:

	2002	2001	2000
a. Net income	P246,835,050	P238,124,371	P155,049,802
b. Weighted average number of common shares	52,589,008	45,577,106	31,553,381
c. EPS (a/b)	P4.69	P5.22	P4.91*

*After retroactive adjustment for rights offering exercised on April 27, 2001.

Proforma EPS using 2002 weighted average number of common shares follows:

	2002	2001	2000
Net income	P246,835,050	P238,124,371	P155,049,802
EPS	P4.69	P4.53	P2.95

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

	2002	2001	2000
Return on average equity (ROE)	3.63%	3.86%	3.24%
Return on average assets (ROA)	0.80%	0.60%	0.40%
Net interest margin	1.29%	4.26%	3.20%

As discussed in Note 14, in 2000, additional provision for probable losses of P1.19 billion, net of deferred income tax, was taken up by a charge to surplus. Had such provision been reflected in current operations, net income for 2000 would have been reduced by such amount with corresponding proportionate effects on the earnings per share, ROE and ROA for 2000.

22. Acquisition of and Merger with CSBI

In December 2000, the Bank acquired full ownership of CSBI under the terms of agreements with the stockholders of CSBI entered into on December 4 and 29, 2000. CSBI was merged with the Bank on August 8, 2001 upon the approval of the SEC.

The acquisition of CSBI has been accounted for under the purchase method. The excess of the total acquisition cost over the fair value of the net assets acquired amounting to P145.86 million is treated as goodwill and is being amortized on a straight-line basis over 10 years until 2010.

23. Notes to Cash Flow Statements

The following is a summary of noncash activities:

	2002	2001	2000
Noncash operating activity:			
Unrealized gain (loss) on available-for-sale securities	P-	P5,588,311	(P6,709,060)
Noncash investing activity:			
Additions to real and other properties owned or acquired in settlement of loans - net	1,620,969,929	2,267,262,103	725,786,709



Luy Kim Guan
Chairman



Chung Tiong Tay
Vice Chairman



Ralph Nubla, Jr.
Vice Chairman



Isidro C. Alcantara, Jr.
President & CEO



Carlos Chung Bunsit
Director



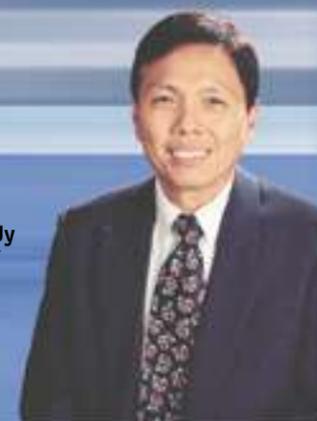
Enrique T. Luy
Director



Ernesto T. Luy
Director



Atty. Bi Yong So Chungunco
Director



Henry Y. Uy
Director



Peter C. Lim
Director



Edwin L. Luy
Director



▶▶▶ clockwise from center

- | | |
|--|---|
| Isidro C. Alcantara, Jr.
President & CEO | Arthur D. Chung
Senior Vice President |
| Edmundo L. Tan
Corporate Secretary | Edgardo T. Nallas
Senior Vice President |
| Angel M. Corpus
Executive Vice President | Jose R. Chanyungco
Senior Vice President |
| Virgilio J. Katigbak
Senior Vice President | Evangelina P. Samonte
Senior Vice President |



▶▶▶ clockwise from left

- | | |
|--|--|
| Felimon F. Baltazar
First Vice President | Evangeline Y. Qua
First Vice President |
| Christopher B. Mutuc
Vice President | Aurora C. Manguerra
First Vice President |
| James Y. Go
First Vice President | |



- | | | |
|--|---|---|
| Melvin C. Lim
First Vice President | Robert T. Tan
First Vice President | Chai Sen D. Uy
First Vice President |
| Edgardo R. Sancho
First Vice President | Roberto B. Reyes
First Vice President | Serafin L. Bernardo IV
First Vice President |



▶▶▶ clockwise from left

- | | |
|---|--|
| Raul C. Diaz
First Vice President | Arnaldo L. Cruz
First Vice President |
| Dante T. Fuentes
First Vice President | Juan B. Estioko
First Vice President |
| Armando Ma. T. Velasquez
First Vice President | Evelyn D. Vinluan
First Vice President |

▶▶▶ Executive Committee

Chairman Chung Tiong Tay - VICE CHAIRMAN OF THE BOARD
Vice Chairmen Ralph Nubla, Jr. - VICE CHAIRMAN OF THE BOARD
 Henry Y. Uy - DIRECTOR
Members Isidro C. Alcantara, Jr. - PRESIDENT & CEO
 Carlos Chung Bunsit - DIRECTOR
 Enrique T. Luy - DIRECTOR
 Ernesto T. Luy - DIRECTOR
Secretary Atty. Edmundo L. Tan - CORPORATE SECRETARY

▶▶▶ Audit Committee

Chairman Peter C. Lim - DIRECTOR
Members Carlos Chung Bunsit - DIRECTOR
 Edwin L. Luy - DIRECTOR
 Atty. Bi Yong So Chungunco - DIRECTOR

▶▶▶ Trust Committee

Chairman Ernesto T. Luy - DIRECTOR
Members Ralph Nubla, Jr. - VICE CHAIRMAN OF THE BOARD
 Henry Y. Uy - DIRECTOR
 Isidro C. Alcantara, Jr. - PRESIDENT & CEO
Member/Secretary Raul C. Diaz - FVP-Trust

▶▶▶ Governance Committee

Chairman Peter C. Lim - DIRECTOR
Members Ralph Nubla, Jr. - VICE CHAIRMAN OF THE BOARD
 Enrique T. Luy - DIRECTOR
 Carlos Chung Bunsit - DIRECTOR

▶▶▶ Anti-Money Laundering Committee

Chairman Isidro C. Alcantara, Jr. - PRESIDENT & CEO
Members Ernesto T. Luy - DIRECTOR
 Branch Banking Segment Head
 Compliance Officer
 Chief Legal Officer

▶▶▶ Risk Management Committee

Chairman Atty. Bi Yong So Chungunco - DIRECTOR
Vice Chairman Isidro C. Alcantara, Jr. - PRESIDENT & CEO
Members Henry Y. Uy - DIRECTOR
 Angel M. Corpus - EVP- Treasury
 Evelyn D. Vinluan - FVP- Risk Management

▶▶▶ Asset Disposal Committee

Chairman Ernesto T. Luy - Director
Vice Chairman Head, Credit Management & Asset Recovery Group
Members Head, Credit Policy & Supervision
 Region Head, Central Region Office
 Head, SAMD-Special Projects
 Head, Special Accounts Management Division
 President & CEO or
 any Segment Head (open member)

Management Committee
 Asset Liabilities Committee
 Personnel Committee
 Information Technology Steering Committee
 Operations Committee
 PBCom Tower Building Committee
 Trust Investment Committee
 Bidding Committee

CHAIRMAN

Luy Kim Guan

VICE CHAIRMEN

Chung Tiong Tay
 Ralph Nubla, Jr.

VICE CHAIRMAN – EXECUTIVE COMMITTEE

Henry Y. Uy

PRESIDENT & CEO

Isidro C. Alcantara, Jr.

EXECUTIVE VICE PRESIDENT

Angel M. Corpus

SENIOR VICE PRESIDENTS

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 Arthur D. Chung
 Virgilio J. Katigbak
 Edgardo T. Nallas
 Evangelina P. Samonte

FIRST VICE PRESIDENTS

Felimon F. Baltazar
 Serafin L. Bernardo IV
 Arnaldo L. Cruz
 Raul C. Diaz
 Juan B. Estioko
 Rafael G. Flameño
 Dante T. Fuentes
 James Y. Go
 Melvin C. Lim
 Aurora C. Manguerra
 Evangeline Y. Qua
 Roberto B. Reyes
 Edgardo R. Sancho
 Robert T. Tan
 Chai Sen D. Uy
 Armando Ma. T. Velasquez
 Evelyn D. Vinluan

VICE PRESIDENTS

Rene C. Alejandrino
 Domingo S. Aure
 Raquel T. Bangayan
 Enrique R. Bartolome, Jr.
 Editha N. Bautista
 Daniel C. Brion
 Rose Margaret T. Cuatico
 Mary Jane T. Cuatico
 Romeo G. De La Rosa
 Marie Antoinette L. Dela Cruz
 Marina U. Francisco
 Gloria Elena H. Go
 Juanito P. Gonzales, Jr.
 Lolita Giok Pen G. Leh
 Ester P. Lim
 Roberto C. Mangligot
 Christopher B. Mutuc
 Caesar D. Ramirez
 Leo P. Villanueva
 Carolina O. Yu

ASSISTANT VICE PRESIDENTS

Froilan G. Alcantara
 Virginia P. Basaca
 Antonio Q. Beltran
 Ricardo M. Bondoc
 Vilma V. Bugia
 Fernando V. Carpio
 Danilo Dominguez
 Ma. Visitacion V. Gajitos
 Ma. Rosario Lourdes S. Garcia
 Maria Rosario C. Geronimo
 Emmanuel C. Geronimo
 Julie N. Go
 Romeo L. Ibarra
 Mario Agaton I. Ignacio
 Annabel C. Lee
 Betsy Y. Lim
 Crisostomo L. Martin
 Arturo S. Martinez
 Teresita M. Nebrida
 Rainelda O. Rodriguez
 Ma. Socorro I. Santos
 Carmencita L. Tan
 Alicia S. Yu

metro manila

HEAD OFFICE
PBCOM Tower, 6795 Ayala Avenue
corner V.A. Rufino Street, 1226 Makati City
Tel. No.: 830-7000

Ayala Alabang
Unit 101 ALPAP II Building
Trade corner Investment Drive
Madrigal Business Park
Alabang, Muntinlupa City
Tel. Nos.: 809-4538; 809-4341

Binondo Banking Center
214-216 Juan Luna Street
Binondo, Manila
Tel. Nos.: 242-8709 to 12; 242-1851

BMA
Web-jet Building, BMA Street corner
Quezon Avenue, Quezon City
Tel. Nos.: 712-3490; 712-8414

Coastal Mall
Blk. 26, Units 5-7, Phase II
Ground Floor, Uniwide Coastal Mall
Tambo, Parañaque City
Tel. Nos.: 879-0104; 879-0069

Congressional
Ground Floor, Cherry Foodarama Complex
Congressional Avenue, Quezon City
Tel. Nos.: 925-9847; 925-9848

Corinthian Gardens
Sanso Street, Corinthian Gardens
Quezon City
Tel. Nos.: 687-7088; 687-4397

Crossroad
N3 & N4 Crossroad Arcade
Greenhills Commercial Complex
San Juan, Metro Manila
Tel. Nos.: 722-8748; 722-5134

Cubao
RC-27D Rustan's Superstore Building
Gen. Romulo Avenue, Araneta Center
Cubao, Quezon City
Tel. Nos.: 913-4912; 912-2943

Echague
88-90 Carlos Palanca corner Isla del Romero Street
Quiapo, Manila
Tel. Nos.: 736-0123; 736-0125

Elcano
SHC Tower, 613 Elcano Street
San Nicolas, Manila
Tel. Nos.: 242-3573; 242-3575

Greenhills
Quadstar Building, Ortigas Avenue
Greenhills, San Juan
Tel. Nos.: 721-2601; 721-2603

Katookan
Corner 7th Street and Rizal Avenue Extension
Katookan City
Tel. Nos.: 361-1253; 361-1302

Legaspi Village
Ground Floor, Vernida I Condominium
120 Amorsolo Street, Legaspi Village
Makati City
Tel. Nos.: 812-9582; 813-2506

Makati Banking Center
Ground Floor, PBCOM Tower
6795 Ayala Avenue corner V. A. Rufino Street
Makati City
Tel. Nos.: 810-2311; 810-2332

Malabon
123 Gov. Pascual Avenue
Acacia, Malabon
Tel. Nos.: 446-0381; 446-0429

Marikina
34 J. P. Rizal Street, Calumpang
Marikina City
Tel. Nos.: 645-2637; 645-8024

Masangkay
1004-1006 G. Masangkay Street
Binondo, Manila
Tel. Nos.: 244-8751; 244-8761

Meralco Avenue
C-1 Horizon Condominium, Meralco Avenue
Pasig City
Tel. Nos.: 632-0418; 637-2858

Novaliches
860 Quirino Highway, Brgy. Gulod
Novaliches, Quezon City
Tel. Nos.: 938-1701; 938-1703

Ongpin
Ongpin corner S. Padilla Street
Sta. Cruz, Manila
Tel. Nos.: 733-1346; 733-1165

Padre Rada
S & U Building, 953 Juan Luna near corner
Padre Rada Street, Tondo, Manila
Tel. Nos.: 245-2265; 245-2354

Parañaque
Stall Nos. 3 & 4, Kingsland Building
Dr. A. Santos Avenue, Sucat, Parañaque City
Tel. Nos.: 820-0901; 829-2424

Pasay
2492 Taft Avenue Extension, Pasay City
Tel. Nos.: 831-0329; 831-0395

Pioneer
RFM Corp. Center
Pioneer corner Sheridan Streets, Mandaluyong City
Tel. Nos.: 631-8101; 637-8927

Quezon Avenue
APC Building, 1186 Quezon Avenue
Quezon City
Tel. Nos.: 371-2941; 371-1776

San Miguel Avenue
G101 One Magnificent Mile (OMM) Citra Condominium
San Miguel Avenue, Pasig City
Tel. Nos.: 637-1717 to 19; 637-1721

Sen. Gil Puyat Avenue
Unit 104, Ground Floor, Pacific Star Building
Sen. Gil Puyat Ave. corner Makati Ave.
Makati City
Tel. Nos.: 843-9287; 843-9311

Shaw Boulevard
146 Shaw Boulevard corner San Roque Street
Pasig City
Tel. Nos.: 634-1430; 636-5759

Sta. Mesa
440-A G. Araneta Avenue corner Bayani Street
Sta. Mesa, Quezon City
Tel. Nos.: 749-0265; 781-4947

Sto. Cristo
705 Sto. Cristo Street, Binondo, Manila
Tel. Nos.: 242-3194; 242-3197

T. Alonzo
Ground Floor, Tan Kiang Building
666 T. Alonzo Street, Sta. Cruz, Manila
Tel. Nos.: 733-1529; 733-1623

Tutuban
Unit Nos. PL-LS07 & PL-LS08
Tutuban Center Prime Block
C. M. Recto Avenue, Tondo, Manila
Tel. Nos.: 252-4954; 252-5069

U. N. Avenue
Ground Floor, Units 101 & 102, Don Alfonso Sycip Condominium
U. N. Avenue corner M. H. Del Pilar and Guerrero Streets
Ermita, Manila
Tel. Nos.: 524-8272; 524-8387

Valenzuela
246 MacArthur Highway, Karuhatan
Valenzuela, Metro Manila
Tel. No.: 291-5196

Ylaya
790 Ylaya Street, San Nicolas
Manila
Tel. Nos.: 244-9326; 244-9328

luzon

Angeles
878 Henson Street, Brgy. Northwest
Angeles City, Pampanga
Tel. Nos.: (045) 625-8712; 887-8534

Batangas
Diego Silang Street
Batangas City, Batangas
Tel. Nos.: (043) 723-4207; 723-4208

Biñan
Ground Floor, ATDRMAM Laguna Corp. Building
Gen. Capinpin Street, Biñan, Laguna
Tel. Nos. 699-2470; (049) 511-6533

Cabanatuan
Ground Floor, Santarina Building
Maharlika Highway, Cabanatuan City, Nueva Ecija
Tel. Nos.: (044) 464-1730 to 1733

Dagupan
FIB Building, M. H. Del Pilar
Dagupan City, Pangasinan
Tel. Nos.: (075) 515-2097; 523-6862

Dasmariñas
Barangay San Agustin, Aguinaldo Highway
Dasmariñas, Cavite
Tel. Nos.: (046) 416-5031; 416-5032

Imus
P. Nueño Avenue corner Gaerlan Street
Imus, Cavite
Tel. Nos.: (046) 471-4349; 471-5245

La Union
Quezon Avenue, San Fernando La Union
Tel. Nos.: (072) 888-2740; 888-2044

Lipa
Ground Floor, ATDRMAM Laguna Corp. Building
Ayala Highway, Mataas na Lupa
Lipa City, Batangas
Tel. Nos. (043) 757-3258 to 61

Lucena
Merchan Street, Lucena City
Quezon Province
Tel. Nos.: (042) 373-6462; 373-6464

Marilao
Cecilia Commercial, MacArthur Highway
Abangan Norte, Marilao, Bulacan
Tel. Nos.: (044) 711-3408; 711-2850

San Fernando, Pampanga
MacArthur Highway, Dolores
San Fernando, Pampanga
Tel. Nos.: (045) 963-6784; 963-6786

San Pedro
Ground Floor, Mega Building
National Highway, Landayan
San Pedro, Laguna
Tel. Nos.: 868-7364; 868-7365



visayas

Bacolod
6th corner Hilado Street, Capitol Shopping Center
Bacolod City, Negros Occidental
Tel. Nos.: (034) 433-0404; 435-0690

Cebu
Magallanes near corner Manalili Street
Cebu City
Tel. Nos.: (032) 253-2740; 253-2761

Mango
General Maxillom (Mango) Avenue
Cebu City
Tel. Nos.: (032) 253-1419; 254-3157

Iloilo
Ledesma corner Valeria Street
Iloilo City
Tel. Nos.: (033) 337-3668; 336-8989

Mandaue
National Highway, Mandaue City
Metro Cebu
Tel. Nos.: (032) 346-5110; 346-1076

Mandaue Basak
Co Tiao King Building
Cebu North Road, Basak, Mandaue City
Tel. Nos.: (032) 346-2709; 422-9146

mindanao

Cagayan de Oro
Tiano Bros. corner Hayes Street
Cagayan de Oro City
Tel. Nos.: (08822)346-2709; 422-9146

Davao Matina
Peacemest Building, No. 36 R. Quimpo Boulevard
Ecoland Subdivision, Matina, Davao City
Tel. Nos.: (082) 296-1297; 296-1301

Davao
42 Monteverde Avenue
Davao City
Tel. Nos.: (082) 221-2140; 221-2141

Davao Quirino
111 E. Quirino Avenue
Davao City
Tel. Nos.: (082) 222-4160; 222-4162

General Santos
Santiago Boulevard
General Santos City
Tel. Nos.: (083) 552-8166; 552-8167

Iligan
M. H. Del Pilar corner J. Luna Streets
Iligan City
Tel. Nos.: (063) 223-2702 to 04

Kidapawan
Quezon Boulevard, Kidapawan City
North Cotabato
Tel. Nos.: (064) 288-5296; 288-5297

Koronadal
General Santos Drive Koronadal,
South Cotabato
Tel. Nos.: (083) 228-3917; 228-3919

Tagum
Pioneer Avenue, Tagum
Davao del Norte
Tel. Nos.: (084) 217-3900; 217-3901

Zamboanga
Ground Floor, Intero Building
N. S. Valderrosa Street
Zamboanga City
Tel. Nos.: (062) 992-6437; 992-6438

DEPOSIT

- Regular Peso Savings Account
- Quick Cash ATM
- Foreign Currency Savings Account (US\$ and Euro)
- Regular Peso Checking Account
- Automatic Fund Transfer
- Value Check
- IntegrALL Account
- Premium Savings Account
- Peso and Dollar Time Deposit
- Premium Certificate of Deposit
- Premium 5

- Corporate Trust
- Personal Trust
- Pre-need Trust
- PBCom Dollar Fund
- Group Investment Plan
- Investment Management Account
- Escrow Agency
- Estate Planning
- Custodianship
- PBCom Dragon Fund*
- PBCom Power Fund*

REMITTANCES

- Foreign and Domestic Remittances via:
 - Society of Worldwide Interbank Financial Telecommunications (SWIFT)
 - Western Union Money Transfer
 - Tested Cable
 - Philippine Domestic Dollar Transfer System (PDDTS) via:
 - Gross Settlement Real Time (GSRT)- in US Dollar Amount
 - End-of-Day Netting Transmission (EOD)- in US Dollar Amount
 - Electronic Peso Clearing Settlement (EPCS) System- in Peso Amount
 - Real Time Gross Settlement (RTGS)- in Peso Amount

PAYMENT AND COLLECTION SERVICES

- BIR Payments
- SSS Payments
- SSS Pension Accounts
- SSS Remittance thru BancNet's EDI System
- SSS SMEC Payments
- Clearing of Foreign Bank Checks via:
 - Cash Letters (CL)
 - Bills Sent for Collections (BSC)
 - Outward Bills for Collection (OBC)
 - Foreign Bills Purchased (FBP)
- Clearing of Out-of-Town Checks via:
 - Domestic Bills Purchased (DBP)
 - Local Bills Sent (LBS)
- Demand Drafts (US\$ and Major 3rd Currencies)

ANCILLIARY

- Deposit Pick-up
- Safe Deposit Boxes
- Gift Cheques
- Managers' Cheques

TRADE-RELATED SERVICES

- Import and Domestic Letters of Credit
- Foreign & Domestic Stand-by Letters of Credit
- Bank Guaranty/Shipside Bond
- Trust Receipts
- Export Bills Purchase
- Clean and Documentary Collections
- Import Bills/Customer's Liabilities under Acceptances

TREASURY

- Government Securities
 - Fixed Rate Treasury Notes
 - Treasury Bills
 - Retail Treasury Bonds
- Foreign Securities Trading
- Money Market Placements
- Commercial Paper
- Purchase & Sale of Foreign Exchange

TRUST AND INVESTMENT SERVICES

- Employee Benefit Trust

CREDIT AND LOAN FACILITIES

- Commercial Loans
- Industrial Loans
- Foreign Currency Loans
- Rediscounting
- Export Packing Credit Loans
- Trust Receipt Financing
- Consumer Lending
 - Real Estate Development Loan
 - Real Estate Receivables Financing
 - Trade Receivables Financing
 - Multi-Purpose Loans
- Specialized Lending Programs
 - Small Business Guarantee & Finance Corporation (SBGFC)
 - SME Funding Access for Short Term Loans (SME-FAST)
 - SME Financing Reach for Exporters through Network Development (SME-FRIEND)
 - SME Funding for Investments in Regional Markets (SME-FIRM)
 - Social Security Systems (SSS)
 - Hospital Financing Program
 - Joint Housing Loan Program on Pari-passu Arrangement
 - Housing Development Loan Program
 - Housing Loan for Repair and/or Improvement
 - Individual Housing Loan Program
 - Financing Program for Educational Institutions
 - Financing Program for Vocational and Technical School
 - Financing Program for Tourism Projects (KASAPI IV)
 - Dormitory/Apartment Loan Program
 - SSS-GSIS Joint Financing Program
 - Industry Loan Program
 - Land Bank of the Philippines
 - Rediscounting Facility
 - Agricultural Loan Fund (ALF)
 - Countryside Loan Fund (CLF 1, 2 & 3)
 - Bangko Sentral ng Pilipinas
 - Rediscounting Facility
- Guarantee Programs
 - Home Guaranty Corp. (HGC)
 - Retail Guaranty Program
 - Developmental Guaranty Program
 - Small Business Guarantee and Finance Corporation (SBGFC)
 - Guaratee Lines for Anchor Industries (GLAD)
 - Guaratee Resources for Agribusiness Investments (GRAINS)
 - Guaratee for Enterprises in Manufacturing and Services (GEMS)
 - Trade and Investment Development Corp. (TIDCORP OR PHILEXIM)
 - PreShipment Export Finance Guaratee (PEFG)
 - PostShipment Export Risk Guaratee (PERG)
 - Term Loan Guaratee Program (TLGP)
 - General Facility Program (GFP)



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