



## *Always at your service*

More than just a theme, these four little words express in a big way who we are and what attracts customers to us. It is a commitment to responsiveness and reliability, to providing value-added services and customized solutions to our customers. It is a mindset, a promise, and a way of life for earning customer confidence and trust.

The hallmark of excellent service is its constancy. It is not merely an occasional occurrence, but an unshakable dependability, present day after day. Each and every person our customers come in contact with shares a deeply held belief in an old-fashioned premise: the customer always comes first. What's right for the customer is the right thing to do, every time. This conviction is so tenacious that it permeates every level of our operations, clearly visible to each customer who comes through the door. The measures we take to demonstrate our loyalty to our customers have a natural side effect. Every smile, every extra effort serves to build up customer loyalty — which adds to the solid foundation of the institution as a whole. This year's annual report provides a glimpse into Asiatruster Bank's "Always At Your Service" commitment and how it translates to winning customers through the quality of the experiences our customers have when they do business with us.



## at a glance

*Established in October 1960, Asiatic Trust Bank is one of the country's leading private development banks, focused on serving an important and productive segment in our economy -- the small and medium enterprises.*

With total assets in excess of P13 billion and capital funds of close to P1.7 billion as of June-end 2005, we operate 28 branches and 33 ATMs along with phone and mobile banking channels to support the delivery of our services. We are particularly keen on understanding our customers, nurturing relationships that grow, develop and endure. We are uniquely positioned to provide a broad range of products and services customized to meet the business and financial needs of our small and medium enterprise (SME) clients. As those needs change, we are committed to devoting the time, energy and expertise to help them achieve their evolving financial goals.

Our major institutional shareholders include the Asian Development Bank (ADB), a distinguished international development financial institution recognized as the "bank for half the world" and the Social Security System (SSS), the largest pension fund in the Philippines.

We have always believed that small and medium enterprises play a crucial role in our country's economic development and progress. Together, they represent more than 95% of all Philippine

business enterprises. SMEs provide a viable and forceful mechanism for achieving balanced and sustainable economic growth through income and employment generation, regional development, and foreign exchange earnings.

Asiatic Trust Bank has evolved into a dynamic financial institution — intensely customer-focused, highly competitive, well capitalized, and publicly-traded. Our 45-year history is characterized by a vision and remarkable constancy and clarity of purpose as we relentlessly pursued our mission of selling trust, confidence and financial expertise through service excellence, continuous niching and innovation to become a dominant force in SME banking. Our foresight and responsiveness have paved the way not only for our own growth but also for our SME clients, which have advanced smoothly and rapidly throughout the years. Our major goals are to continue upgrading our place in the financial market and to enhance our developmental role as a premier financial intermediary for the small and medium enterprises. Growing alongside the Filipino entrepreneur has always been and will continue to be our principal strength.

# ten-year financial summary

(in million pesos except earnings per share and ratio data)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<b>FOR THE YEAR</b>										
<b>Gross Income</b>	<b>1,113.48</b>	991.34	925.13	1,068.87	1,060.22	1,028.40	1,244.26	1,626.45	1,239.55	815.72
<b>Net Interest Income</b>	<b>386.97</b>	353.50	323.33	404.07	403.74	448.94	426.08	621.90	438.85	301.41
<b>Provision for</b>										
<b>Probable Losses</b>	-	23.38	14.00	79.22	50.21	150.70	265.79	193.64	39.38	22.97
<b>Other Income</b>	<b>146.85</b>	183.54	212.98	229.41	137.24	161.74	215.81	179.59	160.33	126.80
<b>Other Expenses</b>	<b>486.81</b>	441.29	507.03	542.44	453.11	389.68	366.88	364.34	302.91	246.31
<b>Net Earnings After Tax</b>	<b>75.08</b>	72.28	39.40	36.55	30.06	80.13	40.02	214.30	236.31	150.03
<b>TOTAL AT YEAR-END</b>										
<b>Resources</b>	<b>13,202.55</b>	12,210.79	10,765.69	10,038.70	9,003.37	8,570.70	8,577.41	9,055.82	8,403.23	6,064.57
<b>Loans</b>	<b>6,276.48</b>	6,225.75	5,347.64	5,614.30	5,351.91	5,711.07	6,123.51	6,324.10	6,048.68	3,551.44
<b>Deposits</b>	<b>10,149.81</b>	9,145.19	8,072.47	6,983.70	5,999.98	4,685.89	5,576.77	5,610.66	5,350.11	4,446.03
<b>Capital Funds</b>	<b>1,677.88</b>	1,597.00	1,514.93	1,461.13	1,428.32	1,593.17	1,684.30	1,706.68	1,554.79	640.57
<b>OTHER DATA</b>										
<b>Earnings</b>										
<b>Per Common Share</b>	<b>0.72</b>	0.69	0.38	0.35	0.29	0.77	0.38	2.06	2.43	2.00
<b>Return on Average Equity</b>	<b>4.61%</b>	4.43%	2.71%	2.51%	1.99%	4.89%	2.39%	13.14%	21.53%	24.95%
<b>Return on Average Assets</b>	<b>0.59%</b>	0.62%	0.42%	0.40%	0.34%	0.93%	0.45%	2.45%	3.27%	2.84%



## message from the chairperson and president

*To Our Dearest Stockholders, Clients and Friends,*

In October 2005, Asiatrusted Bank marks its 45th year of dedicated banking service. Since its founding, the Bank has grown to become one of the country's leading financial institutions for the Filipino entrepreneur. Year after year, we have endeavored to redefine the boundaries of our business to provide greater value for our customers, shareholders, employees, and the communities we serve. Our continued success amid an increasingly difficult operating environment is anchored upon our ability to manage and adapt to change, and execute the business strategies we have put into place. These strategies center on our determination to ensure customers are our number one priority in all areas of our business. Our theme this year, "Always At Your Service", underscores this commitment and desire to continually delight customers. Indeed, much has been accomplished during the past year but our work is far from done.

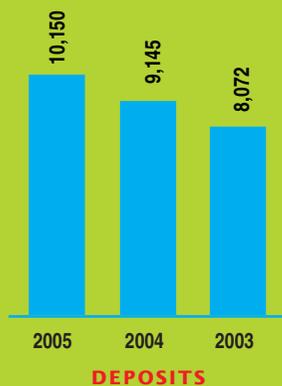
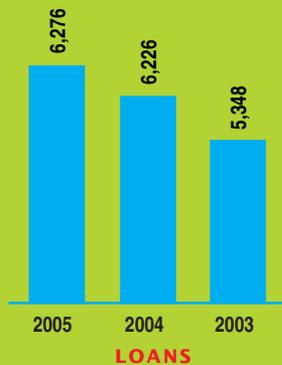
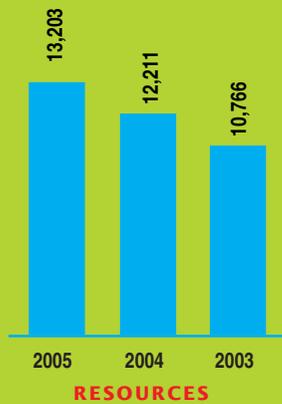
### Financial Performance

We are pleased to present the financial highlights for fiscal year 2005.

- Net income was recorded at P75 million against last year's P72 million, a

respectable return given the volatile political and economic situation.

- Total resources expanded by 8% and exceeded the P13 billion mark.
- Loan portfolio marginally increased by less than a percent to P6.28 billion due to the sale of our non-performing loans to Special Purpose Vehicles. This, however, led to the sharp improvement in credit quality during the year that significantly enhanced the overall risk profile of the Bank. NPL ratio leveled at 8.23% compared to 9.35% a year ago.
- We continued to focus on refining our products, while expanding the ways we serve existing and prospective clients. New client relationships as well as efforts to serve existing clients with more innovative products and services resulted to an 11% increase in total deposits to P10.15 billion or an increment of P1 billion.
- Capital funds grew by 5% and stood at P1.68 billion, with capital adequacy ratio at 13.75%, which is above the regulatory minimum of 10%.



## Strategic Alliance

The role of information technology is becoming more and more crucial as banks are relentlessly looking for ways to enhance their efficiency, productivity and competitiveness. During the year, we entered into a strategic partnership with Soluziona — one of the largest management and technology consulting firms in Spain, employing over 7,000 professionals in 27 countries — for the full outsourcing of the Bank's IT operations with the exception of information security.

IT outsourcing is a strategy used by many organizations around the world to transfer accountability of major, non-core functions over to "experienced and specialized IT service-providers" so that companies can better focus on their customers and core business activities. Through our strategic alliance with Soluziona, we expect to generate significant cost savings, drive customer satisfaction, and create competitive differentiation.

## Sale of Non-Performing Assets

Last April 2005, we sold and transferred some P1 billion of non-performing assets to two Special

Purpose Vehicles (SPV), pursuant to Republic Act 9182. As a result, we were able to substantially reduce non-performing loans and consequently improve our NPL ratio. We believe that we have fully addressed our non-performing loans and have met our twin objectives of improving asset quality and removing the profit drag from loan loss provisioning.

## Acquisition of First e-Bank Trust Business

To fast track the growth of our trust banking business, our strategy to quickly and efficiently acquire customers was, essentially, to purchase them from other institutions. Last year, we agreed to acquire the trust banking portfolio of First e-Bank. The deal, which will be completed in September 2005, also involved the transfer of the trust operations and marketing personnel of First e-Bank to Asiatruct Bank's Trust Banking Group. This move is expected to further strengthen our trust business and improve revenue streams.

## Best Performing Bank

Asiatruct Bank was given recognition as the "Best Performing Bank" in terms of highest ATM availability by Megalink for the year 2004-2005. Against 22 other Megalink member banks, Asiatruct Bank

ranked No.1 with a 99.84% ATM availability rate, posting the shortest downtime averaging 2.3 minutes per day throughout the year. This distinguished award is an affirmation of our continuing commitment to deliver reliable customer service.

## Key Business Strategies

Our goal is to be the country's premier financial institution for the small and medium enterprises. To this end, we will concentrate on five key strategies across all our business lines: (1) niche deeper in the small and medium enterprise market; (2) cultivate customer relationships; (3) build a winning platform for community banking; (4) deliver superior customer service; (5) develop a profit mindset.

## Niche Deeper in the Small and Medium Enterprise Market

Our strategy of choice for SME banking is to carve out market niches by gaining as efficiently as possible, a sustainable competitive advantage through measures our competitors will find hard to follow. Our value proposition is to make it easier for small and medium enterprises to do business by crafting innovative and customized solutions that best suit their needs.

We have identified specific sectors and sub-sectors in high growth industries that we plan to aggressively pursue. We also intend to corner our natural market, composed of small and medium-sized businesses in the communities where we operate. Moreover, we aim to snowball from our existing clients by following the flow of money in the value chain. This strategy will allow us to know their suppliers and customers, as well as their cash flows, which will give us the opportunity not only to consolidate the banking business of our existing clients but also to capture the business of their suppliers and customers. We believe that our flexibility and experience will give us advantages in meeting their needs.

### Cultivate Customer Relationships

The customer has always been and remains to be at the center of our universe. In all of our business lines, we are reorganizing our operations to establish an even greater emphasis on our customers, and a responsive sales and service culture within the Bank. We are developing an improved retail banking structure that centers on forming stronger, more intimate and profitable relationships with our customers. Teams of dedicated Relationship Managers will be tasked to provide entrepreneur-clients with value-added services and tailor-fitted solutions.

In 2006, expanding core banking relationships will be a high priority to generate more low-cost deposits and fee income. We are

mindful of our responsibility to our customers and our resolve to earn their trust. As we deliver our services, our commitment is to build customer goodwill and relationships. This emphasis on earning customer confidence and trust is integral to the spirit and character of Asiatruster Bank, and in which we place high value as we extend our network and our reputation into new communities and new markets.

### Build a Winning Platform for Community Banking

Vital, healthy communities are essential to developing vital, healthy businesses. We are committed to helping build the communities in which we do business by mobilizing both financial and human resources to assist in their social and economic development.

Asiatruster Bank will focus on community involvement and personal service — serving the needs of individuals, families, and businesses, protecting savings and promoting growth within the community. Each community has its own peculiarities, and we are accustomed to these differences. Taking an active part in community activities will bring us ever closer to the communities we serve. This will enhance our visibility, help us stay current with local goings-on, and will give us an introduction to potential customers. We expect to draw most of our customer deposits and conduct most of our lending transactions from and within the Bank's primary service areas. Lending Centers

will be established in strategic branch locations and will concentrate on commercial loans to local small and medium businesses along with real estate and consumer loans. We believe that this strategy, encompassing the service aspects of community banking, will differentiate Asiatruster Bank from its competitors.

### Deliver Superior Customer Service

Customer loyalty and trust are built over time. They often are associated with the quality of service that a customer receives. A satisfied customer is a customer that will stay. Higher customer retention translates to higher profitability. It costs less to serve repeat customers, and holding on to existing customers will not cost as much as attracting new ones. Besides, loyal customers are the most vocal in telling others about their service experience.

Because service excellence is directly linked to heightened customer satisfaction, increased customer retention, and augmented revenues and profits, we are redefining our service concept, upgrading our service standards, and improving our quality controls to assure our customers of consistent and high quality service across all our branches. We will reexamine our relationship with customers and use customer service as a strategic tool for increasing sales and reducing cost of sales, and for maintaining profitable relationships. All customer interfaces will be given attention as these contribute to the Bank's corporate

identity, affecting the way it is perceived and remembered by the customer. In steps large and small, we seek to make customer experience a better one. That is what we are building and this becomes part of our challenge for 2006 and beyond.

### Develop a Profit Mindset

Our primary objective in each of our businesses is to achieve good returns. With this, we will take a more disciplined approach in assessing and pricing risk. We will also continue to provide products and services that are of superior quality and value to businesses and consumers alike at a reasonable return — thereby building franchise value, providing for shareholder appreciation and supporting local community needs.

We must, as we intend to, simulate more growth — not for the sake of growth alone — but to allow us to take maximum advantage of the unique franchise we hold in the SME market. We seek quality growth — one that is profitable and sustainable, and builds over time. Getting there requires an indefatigable focus on execution, unflinching management of

risk, a culture of discipline, and a good performance management system. To stay as competitive as possible, we will zero in on achieving cost effectiveness in operations, technology, distribution and marketing, while maintaining flexibility and responsiveness in serving our customers.

### Tier II Capital

Asiatruster Bank is set to raise around P550 million in new capital through its Tier II capital offering. The proceeds will allow the Bank to significantly expand its business, greatly improve its earnings potential while maintaining our capital adequacy ratio above the minimum prescribed level. This capital raising activity will come at the heels of another major move of Asiatruster Bank to fortify its balance sheet. The Bank will soon undergo the required due diligence process by PhilRatings in order to establish the appropriate credit rating of its Tier II capital note issue. We are confident that, like the other recent Tier II capital offerings in the market, Asiatruster Bank's issue will garner a good rating.

### Acknowledgement

During the year, our Board of Directors welcomed the addition of Ma. Cristina G. Munoz and Juan Victor S. Tanjuatco as independent Directors. Both bring energy and a wealth of banking experience. We now have five independent Directors, four of whom are bankers. We extend special appreciation for their service to two Directors who resigned from the Board in 2005: Raul A. Boncan, a Director since 1990, who was appointed as Member of the Monetary Board; and Gilda E. Pico, a Director since 1985, who assumed the position of President and CEO of the Land Bank of the Philippines. Both brought a unique combination of grace and wisdom to our deliberations.

We are moving forward with confidence and optimism. We have developed a customer-focused strategy for growth, and our success depends upon our ability to execute well, and pay attention to every asset, every branch, every employee, and every detail. We are therefore setting the highest expectations and standards for ourselves. Thank you for your continued support.



GLORIA M. GARCIA

Chairperson



DIONISIO C. ONG

President and Chief Executive Officer



*Few institutions are as reflective of a community as the community bank simply because it uses sound deposit and lending practices to create economic prosperity directly in the areas the bank serves. We are pleased and proud to be recognized as true community bankers by so many of our loyal customers.*

The rewards and satisfaction of our business come when we know that we've helped the communities we serve to better themselves in countless ways. Whether it's a Teller processing a customer

deposit, an Account Officer arranging a business loan, a Relationship Manager giving financial advice, or a Branch Manager taking part in community activities, the people of

Asiatrusted Bank are its real strength. “Always At Your Service” begins with our people. They’re the vehicle to our vision and the core of our culture. Every act of service is the result of the shared efforts and goodwill of many Asiatrusted Bankers. Their contributions illustrate the power of people making an extra effort, making their respective communities better places in which to work and live. Our people aren’t outside the community looking in. They’re in the community making it work for everyone. And we know that, through the people and businesses we’ve helped, communities are strengthened and more secure.

Each community has its own characteristics, and we are attuned to these differences. Our branches purposefully reach out to their communities by taking an active role in promoting their social and economic welfare. For example, during the Christmas season, our mall branches hold Counterfeit Detection seminars for retail establishments so they can learn through the guidance of professional experts on how best to detect bogus money. Or in areas where small and medium businesses are especially thriving, our branches conduct seminars to aid and educate the entrepreneur in financial planning and management.

Our branches are also immersed in various civic, church, and school projects and activities such as the annual traditional May pilgrimage in Antipolo and the Mooncake Festival in Binondo,

the promotion of savings awareness and environment protection, the sponsorship of educational scholarships, arts and sporting events, the donation of graduation medals and school billboards, and the like.

Asiatrusted Bank’s deep sense of community continues to bring us ever closer to the communities we serve. This community focus is a plus factor for Asiatrusted Bank as well as the community. It promotes visibility for Asiatrusted Bank and it helps us stay current with local activities. It also gives us an introduction to potential customers — from small businesses and families to community and business leaders.

*The rewards and satisfaction of our business come when we know that we’ve helped the communities we serve to better themselves in countless ways.*





*“Always At Your Service” is all about passion and commitment to please each individual customer and develop healthy relationships that build customer loyalty and foster more business.*

the ideals of “Always At Your Service” to come alive — responsiveness, reliability, responsibility, accountability — and the responses they produce, extremely positive. Second, we want to gain an accurate view of their needs and a precise understanding of how they can be met that we will help customers become financially successful and they, in turn, will reward us with more of their business. Customer trust and confidence are not earned overnight. It takes dedicated work in acquiring and maintaining an understanding of customers’

We’ve also known for many years that we’re not really in the money business. Money is a commodity. We’re in the service business. Service is not a commodity. It’s the value added. The quality of our service keeps customers coming back for more. We intend to distinguish ourselves from our competitors in two important ways. First, we want to put the customer at the center of everything we do.

When we deal with customers, we want

financial objectives, tailoring and packaging products to meet their needs, and delivering solutions in a timely and cost-effective manner. And when customers’ needs and expectations are met, they come back again and again. They also act as goodwill ambassadors, telling people how delighted they are with their service experience, and soon many of these people become Asiatrust Bank customers too.

“Always At Your Service” is all about passion and commitment to please each individual customer and develop healthy relationships that build customer loyalty and foster more business.



## Statement of Management's Responsibility for Financial Statements

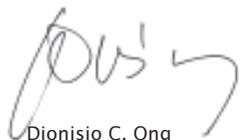
The Management of Asiatrust Development Bank Inc. is responsible for all information and representation contained in the financial statements as of June 30, 2005 and 2004 and for each of the three years of the period ended June 30, 2005. The financial statements have been prepared in conformity with 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 the transactions are properly authorized and recorded, assets are safeguarded against unauthorized use of 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 than involves Management or other employees who exercise significant roles in internal controls.

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

SyCip, Gorres, Velayo & Co., the independent auditors appointed by the stockholders have examined the financial statements of the Bank in accordance with auditing standards generally accepted in the Philippines and have expressed their opinion on the fairness of presentation upon completion of such audit in their report to the stockholders.



Dionisio C. Ong  
Chief Executive Officer



Roland M. Garcia  
Chief Operating Officer



Ernesto D. Manansala  
Chief Finance Officer

## Report of Independent Auditors

The Stockholders and the Board of Directors  
Asiatrust Development Bank, Inc.  
1424 Quezon Avenue, Quezon City

We have audited the accompanying statements of condition of Asiatrust Development Bank, Inc. as of June 30, 2005 and 2004, and the related statements of income, changes in capital funds and cash flows for each of the three years in the period ended June 30, 2005. 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 5 to the financial statements, losses amounting to P= 860.2 million in 2005 and P= 129.3 million in 2004 arising from the sale of certain nonperforming assets (NPAs) of the Bank to special purpose vehicles (SPVs) were deferred over a ten-year period in accordance with regulatory accounting policies prescribed by the Bangko Sentral ng Pilipinas for banks and financial institutions availing of the provisions of Republic Act No. 9182, "The Special Purpose Vehicle Act of 2002." Accounting principles generally accepted in the Philippines require that these losses be charged to current operations and that the accounts of the SPV be consolidated into the Bank's accounts. The effects of these matters on the financial statements are discussed in Note 5 to the financial statements.

In our opinion, except for the effects on the 2005 and 2004 financial statements of the matters discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Asiatrust Development Bank, Inc. as of June 30, 2005 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2005 in conformity with accounting principles generally accepted in the Philippines.



Renato J. Galve  
Partner  
CPA Certificate No. 37759  
SEC Accreditation No. 0081-A  
Tax Identification No. 102-087-055  
PTR No. 9404006, January 3, 2005, Makati City

October 20, 2005

## Statements of Condition

	2005	June 30 2004 (As restated - Note 2)
<b>RESOURCES</b>		
<b>Cash and Other Cash Items</b> (Note 10)	<b>₱207,816,226</b>	₱181,642,102
<b>Due from Bangko Sentral ng Pilipinas</b> (Note 10)	<b>263,911,997</b>	165,908,952
<b>Due from Other Banks</b>	<b>386,546,051</b>	153,984,587
<b>Interbank Loans Receivable and Securities Purchased Under Resale Agreements</b> (Note 3)	<b>135,000,000</b>	520,000,000
<b>Trading Account Securities</b> (Note 4)	<b>335,421,180</b>	59,728,298
<b>Available-for-Sale Securities</b> (Note 4)	<b>39,957,018</b>	220,501,043
<b>Investments in Bonds and Other Debt Instruments</b> - net (Note 4)	<b>2,329,092,219</b>	2,087,287,864
<b>Loans</b> - net (Notes 5 and 14)	<b>6,276,479,707</b>	6,225,747,009
<b>Property and Equipment</b> - net (Note 6)		
At appraised values	<b>180,282,602</b>	175,769,954
At cost	<b>159,329,236</b>	161,434,430
<b>Real and Other Properties Owned or Acquired</b> - net (Note 7)	<b>859,958,358</b>	1,018,410,336
<b>Other Resources</b> - net (Note 8)	<b>2,028,754,252</b>	1,240,378,114
	<b>₱13,202,548,846</b>	₱12,210,792,689
<b>LIABILITIES AND CAPITAL FUNDS</b>		
<b>Liabilities</b>		
<b>Deposit liabilities</b> (Notes 10 and 14)		
Demand	<b>₱105,851,072</b>	₱86,269,460
Savings	<b>6,654,039,699</b>	5,724,469,751
Time	<b>3,389,914,663</b>	3,334,453,644
	<b>10,149,805,434</b>	9,145,192,855
<b>Interbank Loans Payable</b>	<b>-</b>	150,000,000
<b>Bills Payable</b> (Note 11)	<b>1,110,470,459</b>	1,106,690,145
<b>Accrued Expenses and Other Liabilities</b>	<b>264,396,217</b>	211,905,667
	<b>11,524,672,110</b>	10,613,788,667
<b>Capital Funds</b>		
Common stock	<b>1,040,132,250</b>	1,040,132,250
Capital paid in excess of par value	<b>143,018,392</b>	143,018,392
Appraisal increment (Notes 6 and 13)	<b>48,337,079</b>	47,585,903
Surplus reserve (Notes 12 and 16)	<b>22,288,966</b>	20,292,227
Surplus (Notes 12 and 16)	<b>424,089,664</b>	353,459,490
Net unrealized gain (loss) on available-for-sale securities (Note 4)	<b>10,385</b>	(7,484,240)
	<b>1,677,876,736</b>	1,597,004,022
	<b>₱13,202,548,846</b>	₱12,210,792,689

See accompanying Notes to Financial Statements.

## Statements of Income

	Years Ended June 30		
	2005	2004	2003
<b>INTEREST INCOME ON</b>			
Loans (Note 14)	₱ 737,609,802	₱ 645,478,038	₱ 632,034,964
Trading and investment securities	208,736,775	148,926,086	61,258,877
Due from other banks and interbank loans receivable	20,283,030	13,396,772	18,853,018
	<b>966,629,607</b>	<b>807,800,896</b>	<b>712,146,859</b>
<b>INTEREST EXPENSE ON</b>			
Deposit liabilities (Note 14)	481,148,136	379,871,957	308,783,158
Bills payable and other borrowings	98,511,560	74,425,996	80,029,562
	<b>579,659,696</b>	<b>454,297,953</b>	<b>388,812,720</b>
<b>NET INTEREST INCOME</b>	<b>386,969,911</b>	<b>353,502,943</b>	<b>323,334,139</b>
<b>PROVISION FOR PROBABLE LOSSES</b> (Note 9)	-	23,377,298	14,000,000
<b>NET INTEREST INCOME AFTER PROVISION FOR PROBABLE LOSSES</b>	<b>386,969,911</b>	<b>330,125,645</b>	<b>309,334,139</b>
<b>OTHER INCOME</b>			
Service charges, fees and commissions	139,789,865	129,311,701	117,389,379
Trading and foreign exchange gain (loss) - net (Note 4)	(132,351)	41,427,808	86,754,654
Miscellaneous	7,195,689	12,802,211	8,833,505
	<b>146,853,203</b>	<b>183,541,720</b>	<b>212,977,538</b>
<b>OTHER EXPENSES</b>			
Compensation and employee benefits (Note 17)	163,229,754	170,899,526	164,052,803
Occupancy and equipment-related expenses (Note 19)	80,341,170	74,250,570	91,216,311
Advertising and publicity	46,856,964	30,644,567	58,589,455
Depreciation and amortization (Note 6)	40,738,296	44,879,179	57,281,464
Banking and supervision fees	22,005,159	18,782,029	13,027,880
Travel and transportation	21,934,782	19,823,008	19,897,827
Entertainment, amusement and recreation (Note 15)	20,780,594	19,817,915	19,259,021
Postage, telephone and cable	17,445,760	8,813,322	14,110,402
Management and other professional fees	16,150,396	11,476,472	18,419,357
Taxes and licenses (Note 15)	14,328,598	10,353,272	19,419,792
Litigation expenses	9,830,373	10,270,123	19,888,620
Miscellaneous (Note 8)	33,167,191	21,277,679	11,864,157
	<b>486,809,037</b>	<b>441,287,662</b>	<b>507,027,089</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>47,014,077</b>	<b>72,379,703</b>	<b>15,284,588</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 15)	<b>(28,061,953)</b>	100,794	(24,119,857)
<b>NET INCOME</b>	<b>₱75,076,030</b>	<b>₱ 72,278,909</b>	<b>₱ 39,404,445</b>
<b>Earnings per Share</b> (Note 20)	<b>₱ 0.72</b>	<b>₱ 0.69</b>	<b>₱ 0.38</b>

See accompanying Notes to Financial Statements.

## Statements of Changes in Capital Funds

	Years Ended June 30		
	2005	2004	2003
			(As restated - Note 2)
<b>CAPITAL STOCK</b>			
Common stock - ₱10 par value			
Authorized - 200,000,000 shares			
Issued - 104,013,225 shares (Note 20)	₱ 1,040,132,250	₱ 1,040,132,250	₱ 1,040,132,250
<b>CAPITAL PAID IN EXCESS OF PAR VALUE</b>	<b>143,018,392</b>	143,018,392	143,018,392
<b>APPRAISAL INCREMENT</b> (Notes 6 and 13)			
Balance at beginning of year, as previously stated	73,209,081	31,142,596	17,980,360
Effect of change in accounting for income taxes	<b>(25,623,178)</b>	(10,899,909)	(6,293,126)
Balance at beginning of year, as restated	47,585,903	20,242,687	11,687,234
Additions - net of deferred tax liability	2,061,301	28,060,862	9,273,100
Transfer of appraisal increment absorbed through depreciation - net of deferred income tax	<b>(1,310,125)</b>	(717,647)	(717,647)
Balance at end of year	<b>48,337,079</b>	47,585,902	20,242,687
<b>SURPLUS RESERVES</b>			
Balance at beginning of year	20,292,227	19,283,566	18,502,009
Transfer from surplus for:			
Self-insurance (Note 12)	500,000	500,000	500,000
Trust business (Note 16)	1,496,739	508,661	281,557
Balance at end of year	<b>22,288,966</b>	20,292,227	19,283,566
<b>SURPLUS</b>			
Balance at beginning of year	353,459,490	281,085,170	241,358,210
Net income	75,076,030	72,278,909	39,404,445
Transfer from appraisal increment (Note 6)	2,015,577	1,104,072	1,104,072
Transfer to surplus reserves for:			
Self-insurance (Note 12)	<b>(500,000)</b>	(500,000)	(500,000)
Trust business (Note 16)	<b>(1,496,739)</b>	(508,661)	(281,557)
Amortization of deferred loss on sale to SPV charged against surplus (Note 8)	<b>(4,464,694)</b>	-	-
Balance at end of year	<b>424,089,664</b>	353,459,490	281,085,170
<b>NET UNREALIZED GAIN (LOSS) ON AVAILABLE FOR-SALE SECURITIES</b> (Note 4)	<b>10,385</b>	(7,484,240)	270,744
	<b>₱ 1,677,876,736</b>	₱ 1,597,004,021	₱ 1,504,032,809

See accompanying Notes to Financial Statements.

## Statements of Cash Flows

	2005	Years Ended June 30	
		2004	2003
			(as restated - Note 2)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱ 47,014,077	₱ 72,379,703	₱ 15,284,588
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:			
Depreciation and amortization (Note 6)	40,738,296	44,879,179	57,281,464
Amortization of software cost (Note 8)	10,402,715	11,060,117	13,881,825
Provision for probable losses (Note 9)	-	23,377,298	14,000,000
Loss (gain) on sale of real and other properties owned or acquired (ROPOA)	(3,294,568)	(378,505)	(6,065,177)
Loss (gain) on sale of property, plant and equipment	99,000	-	-
Unrealized gain in market value of trading account securities (Note 4)	4,888,195	(355,107)	(1,414,000)
Changes in operating resources and liabilities:			
Decrease (increase) in:			
Trading account securities	(280,581,077)	(31,251,226)	35,424,093
Loans	(673,922,116)	(1,074,680,178)	252,660,488
Other resources	19,109,443	(99,142,047)	(322,621,982)
Increase (decrease) in:			
Deposit liabilities	1,004,612,579	1,072,719,276	1,088,775,782
Accrued expenses and other liabilities	50,266,149	(80,247,750)	130,053,499
Net cash generated from (used in) operations	219,332,693	(61,639,240)	1,277,260,580
Income taxes paid	(22,031,598)	(17,973,535)	(3,834,545)
Net cash provided by (used in) operating activities	(113,558,704)	(79,612,775)	1,273,426,035
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of ROPOA	33,347,255	74,828,245	168,987,293
Additions to property and equipment	(46,628,207)	(47,230,316)	(73,212,758)
Proceeds from disposal of property and equipment	3,383,457	3,139,947	-
Decrease (increase) in:			
Available-for-sale securities	173,049,400	(194,974,343)	517,521,578
Investments in bonds and other debt instruments	(242,494,681)	(1,275,609,517)	(663,344,345)
Net cash used in investing activities	(79,342,776)	(1,439,845,984)	(50,048,232)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in:			
Interbank loans payable	(150,000,000)	(50,000,000)	(91,082,000)
Bills payable	3,780,314	432,256,281	(463,007,949)
Net cash provided by (used in) financing activities	(146,219,686)	382,256,281	(554,089,949)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(28,261,367)	(1,137,202,478)	669,287,854
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
Cash and other cash items	₱ 181,642,102	₱ 219,590,663	₱ 219,690,052
Due from Bangko Sentral ng Pilipinas	165,908,952	317,810,164	171,034,823
Due from other banks	153,984,587	283,034,301	212,371,190
Interbank loans receivable and securities purchased under agreements to resell	520,000,000	1,338,302,991	886,354,200
	1,021,535,641	2,158,738,119	1,489,450,265
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
Cash and other cash items	207,816,226	181,642,102	219,590,663
Due from Bangko Sentral ng Pilipinas	263,911,997	165,908,952	317,810,164
Due from other banks	386,546,051	153,984,587	283,034,301
Interbank loans receivable and securities purchased under agreements to resell	135,000,000	520,000,000	1,338,302,991
	₱ 993,274,274	₱ 1,021,535,641	₱ 2,158,738,119

See accompanying Notes to Financial Statements.



**GLORIA M. GARCIA**  
*Chairperson*  
*Chairperson, Trust Committee*



**DIONISIO C. ONG**  
*Chairman, Executive Committee*  
*Member, Trust Committee*



**ROLAND M. GARCIA**  
*Chairman, Corporate Governance Committee*  
*Member, Executive Committee*  
*Member, Risk Management Committee*



**JOSE F. UNSON**  
*Independent Director*  
*Chairman, Audit Committee*



**AURORA R. ARNAEZ**  
*Independent Director*  
*Member, Corporate Governance Committee*



**ENRIQUE M. HERBOSA, SR.**  
*Member, Executive Committee*  
*Member, Trust Committee*

# board of directors



**MA. CRISTINA G. MUNOZ**  
*Independent Director*  
Member, Risk Management Committee  
Member, Audit Committee



**JUAN VICTOR S. TANJUATCO**  
*Independent Director*  
Chairman, Risk Management Committee  
Member, Executive Committee



**FE T. PALILEO**  
*Member, Trust Committee*



**PEDRO V. LUCERO**  
*Independent Director*  
Member, Executive Committee  
Member, Audit Committee  
Member, Corporate Governance Committee



**MARIANITA O. MENDOZA**



**AKIRA TSUSAKA**  
*Board Adviser*



**ATTY. EDWIN C. YAN**  
*Corporate Secretary*

# executive officers

*(from left to right)*

**ROLAND M. GARCIA**

Executive Vice President &  
Chief Operating Officer

**GLORIA M. GARCIA**

Chairperson

**DIONISIO C. ONG**

President & Chief Executive Officer



**EDUARDO B. CHAVES**

FVP, Trust Banking Sector

**MA. RODORA E. BANARES**

SVP, Retail Banking Sector

**ERNESTO D. MANANSALA**

SVP, Finance & Controllership Group &  
Chief Finance Officer

**JOSEPH C. CHUA**

SVP, Business Development Sector

JOSELITO T. SANTOS

VP, Acquired Assets & Administration Group

FELIPE M. BAYNO, JR.

VP, Human Resources Management Group

KEN ARTHUR J. TIAMBENG

VP, Information Systems Group

ALBERTO P. MAGLAQUE

FVP, Internal Audit Group and Chief  
Compliance Officer



PETER BLAIR S. AGUSTIN

SAVP, Asset Recovery Sector

FELIZARDO M. MANGUBAT

VP, Business Development Group

JOSELITO B. ESPIRITU

VP, Account Management Sector

CLAUDINE B. PARADA

VP, Treasury Sector

# total banking services

## DEPOSITS AND INVESTMENTS

- Easy Manager
- Regular Current Account
- Passbook Savings Account
- Premium Savings Account
- Multi-Profit Special Savings Account
- Kayamanan Savings Account
- Regular ATM Account
- Premium ATM Account
- Easy Time Deposit
- Dollar Savings Deposit
- Dollar Time Deposit
- Commercial Papers
- Treasury Bills
- Fixed Rate Treasury Notes
- Retail Treasury Bonds
- US Dollar Denominated Bonds
- Repurchase Agreements
- Promissory Notes

## CASH MANAGEMENT SOLUTIONS

- Easy CheckWriter
- Easy Payroll
- Cash and Check Deposit Pick-Up
- Post-Dated Check Warehousing
- Corporate Check-Cutting
- HMO Collection Manager
- Bills Payment
- Auto-Sweep Facility
- e-Statement

## SME LOANS

- Industrial Loan
- Agricultural Loan
- Quedan Loan
- Guarantee Programs
- Real Estate Development Loan
- Construction Loan
- Contract-to-Sell Financing
- Project Finance
- Micro-Finance
- Omnibus Credit Line
- Revolving Credit Line
- Check Discounting
- Inventory Financing
- Fleet & Floor Stock Financing
- Equipment Financing
- Foreign Letter of Credit
- Domestic Letter of Credit
- Stand-By Letter of Credit
- Trust Receipts Loan
- Export Packing Credit
- Export Bills Purchase
- Domestic Bills Purchase
- Bridge Financing
- Back-to-Back Loan

## CONSUMER FINANCE

- Home Loan
- SSS Direct Lending
- Pag-Ibig Housing Loan
- Vehicle Loan
- Moneyline – Personal Line of Credit
- VISA Credit Card
- Salary Loan

## INVESTMENT BANKING & ADVISORY

- Loan Syndication
- Loan Arrangement
- Financial Advisory
- Management Consultancy
- Debt Underwriting
- SME Help Desk

## TRUST SERVICES

- Investment Management
- Unit Investment Trust Fund
- Retirement Benefit Plan
- Employee Benefit Plan
- Personal Living Trust
- Administratorship
- Custodianship
- Escrow
- Pre-Need Fund Trusteeship
- Mortgage Trust

## AUXILIARY SERVICES

- Foreign Exchange Dealership
- Telegraphic Transfer
- Phone Banking
- SMART Mobile Banking
- SSS / Philhealth Remittance
- Traveller's Check
- Manager's Check
- Gift Check
- Customized Check
- Safety Deposit Box
- Night Depository Box
- Western Union Money Transfer
- Uniteller Money Transfer

# branch directory

## **Main Office Branch**

1424 Quezon Avenue  
Quezon City  
Tel. Nos.: 924-5625; 924-5620  
Telefax: 924-5630

## **Antipolo Branch\***

M.L. Quezon Street  
Antipolo City  
Tel. Nos.: 696-5403; 696-5404  
Telefax: 696-5402

## **Ayala Branch**

G/F, Unit 1D, Multinational  
Bancorporation Center  
6805 Ayala Avenue, Makati City  
Tel. Nos.: 885-7030; 885-7036  
Telefax: 885-7039

## **Bacoor Branch**

286 Rotonda Highway  
Panapaan, Bacoor, Cavite  
Tel. Nos.: (046) 970-0249  
Telefax: (046) 970-0254

## **Banawe Branch**

740 A&B Andres So Bldg.  
Banawe St., SFD, Quezon City  
Tel. Nos.: 416-1744  
Telefax: 416-1294

## **Binondo Branch\***

401 Juan Luna Street  
cor. San Fernando Street  
Binondo, Manila  
Tel. Nos.: 231-2024; 231-2150  
Telefax: 231-2010

## **Camarin Branch\***

Beside Residenza Homes,  
in front of Villa  
Magdalena III, Camarin Road  
Caloocan City  
Tel. Nos.: 961-4551  
Telefax: 961-4550

## **Cubao Branch**

G/F Western Marketing Bldg.  
179 P. Tuazon Blvd. cor. 8th Ave.  
Cubao, Quezon City  
Tel. Nos.: 995-8681  
Telefax: 995-8682

## **Del Monte Branch**

564 Del Monte Avenue  
cor. Araneta Avenue, Quezon City  
Tel. Nos.: 741-9504; 741-9503  
Telefax: 741-9502

## **Ermita Branch**

G/F E. Antonino Building,  
T.M. Kalaw St.  
cor. J. Bocobo St., Ermita, Manila  
Tel. Nos.: 522-0387; 522-0376  
Telefax: 522-0223

## **Ever-Commonwealth Branch\*\***

2nd/F, Ever Gotesco Mall  
Commonwealth Avenue, Quezon City  
Tel. Nos.: 951-2739; 431-4377  
Telefax: 951-2737

## **Herrera Branch**

G/F Cristina Condominium, Herrera St.  
cor. Sotto St., Legaspi Village,  
Makati City  
Tel. Nos.: 830-2057; 830-2059  
Telefax: 830-2061

## **J. Abad Santos Branch**

Unit D. Dynasty Tower  
J. Abad Santos Avenue  
cor. Bambang, Manila  
Tel. Nos.: 253-8338  
Tel Fax: 253-8322

## **Kalookan Branch**

G/F, Howard Towers,  
6th St. cor. Rizal Avenue Ext.  
Caloocan City  
Tel. Nos.: 359-6065  
Telefax: 359-6039

## **Masinag Branch\***

Kingsville Arcade  
Marcos Highway  
Mayamot, Antipolo City  
Tel. Nos.: 646-5821; 646-5292  
Telefax: 646-3538

## **Muntinlupa Branch**

Lower G/F, Unit 2 Richville Corporate  
Tower, Alabang- Zapote Road  
Madrigal Business Park,  
Muntinlupa City  
Tel. Nos.: 842-4205; 842-4220  
Telefax: 842-4220

## **Meycauayan Branch**

Along Malhacan Road  
Barangay Malhacan  
Meycauayan, Bulacan  
Tel. Nos.: (044) 935-2291; 840-4449  
Telefax: 924-5612

## **N. Domingo Branch**

G/F Quadrillion Mansion  
N. Domingo Street  
cor. M. Paterno Street, San Juan  
Tel. Nos.: 725-7508  
Telefax: 726-4312

## **New Manila Branch**

1052 E. Rodriguez, Sr. Avenue  
Quezon City  
Tel. Nos.: 724-6455  
Telefax: 724-3968

## **Novaliches Branch\***

R & J Building, Sauyo Road  
Novaliches, Quezon City  
Tel. Nos.: 938-0141  
Telefax: 419-2795

## **Ortigas Branch**

Unit 3A Emerald Mansion  
Garnet Road, Ortigas Center  
Pasig City  
Tel. Nos.: 636-6336; 636-6340  
Telefax: 636-6398

## **Pasay Branch**

2303 Taft Avenue  
Pasay City  
Tel. Nos.: 551-2822  
Telefax: 833-1096

## **Roosevelt Branch\***

Leyba Bldg., No. 349 Roosevelt Ave.  
Quezon City  
Tel. Nos.: 374-9930; 376-2032  
Telefax: 376-2031

## **San Juan Branch**

450 P. Guevarra St. cor. Wilson St.  
San Juan  
Tel. Nos.: 705-0107; 705-0104  
Telefax: 705-0106

## **San Pedro Branch**

Quezon Corner Mabini St.  
Brgy San Antonio, San Pedro Laguna  
Telefax: 868-0897; 868-0897

## **Santiago, Isabela Branch**

New Public Market  
Maharlika Highway, Santiago City  
Tel. Nos.: (078) 682-8433; 682-8255  
Telefax: (078) 682-3803

## **Tutuban Center Mall Branch\*\***

PNR Tutuban Station  
Tutuban Center Mall  
C.M. Recto, Tondo, Manila  
Tel. Nos.: 230-4041; 230-4039  
Telefax: 230-4035

## **Valenzuela Branch**

255 McArthur Highway, Karuhatan  
Valenzuela City  
Tel. Nos.: 292-5887  
Telefax: 292-5888

\* *Saturday Banking*

\*\* *Saturday & Sunday Banking*

longest banking hours: 8:30 am to 6:30 pm



*Always  your service*

Asiatrust Bank Center

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