



# **EXPORT AND INDUSTRY BANK, INC.**

(Company's Full Name)

**EXPORTBANK PLAZA, EXPORTBANK DRIVE CORNER CHINO ROCES AVENUE, MAKATI CITY**

(Company's Address)

**878-0531/878-0538**

(Telephone Number)

**December 31**

(Fiscal year ending)

(month & day)

**05 December 2008**

(Annual Meeting)

**SEC FORM 17-A Annual Report**

(Form Type)

\_\_\_\_\_  
Amendment Designation (If applicable)

**31 December 2007**

(Period Ended Date)

\_\_\_\_\_  
(Secondary License Type & File Number)

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LCU

\_\_\_\_\_  
(Cashier)

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DTU

**93830**  
(SEC Number)

\_\_\_\_\_  
Central Receiving Unit

\_\_\_\_\_  
File Number

\_\_\_\_\_  
Document I.D.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **31 December 2007**
2. SEC Identification Number **93830** 3. BIR Tax Identification No. **480000509006**
4. Exact name of issuer as specified in its charter **EXPORT AND INDUSTRY BANK, INC. (EIB)**
5. **Makati City, Philippines** 6.  (SEC Use Only)  
Province, Country or other jurisdiction of Industry Classification Code:  
incorporation or organization
7. **Exportbank Plaza, Exportbank Drive corner Chino Roces Avenue, Makati City** **1200**  
Address of principal office Postal Code
8. **(+632) 887-9100; (+632) 878-0531; (+632) 878-0538**  
Issuer's telephone number, including area code
9. Former name, former address and former fiscal year, if changed since last report: **N.A.**

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA:

Title of Each Class	Number of Shares of Common Stock Outstanding	Amount of Debt Outstanding
<b>Common A Shares</b>	<b>2,753,248,756 (₱0.25 par value)</b>	<b>None</b>
<b>Common B Shares</b>	<b>16,184,561,404 (₱0.25 par value)</b>	<b>None</b>

11. Are any or all of these securities listed on a Stock Exchange? Yes [  ] No [  ]  
If yes, state the name of such stock exchange and the classes of securities listed therein:

**Philippine Stock Exchange – ALL Common “A” and ONLY 12.0MM Common “B” Shares**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports): Yes [  ] No [  ]

(b) has been subject to such filing requirements for the past ninety (90) days: Yes [  ] No [  ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

**The information required by this item is contained in Annex 1 of this Report.**

**Documents Incorporated by Reference:**

**Audited Financial Statements for the period ended 31 December 2007**

## PART I - BUSINESS AND GENERAL INFORMATION

### ITEM 1. BUSINESS

#### a. Business Development

**EXPORT AND INDUSTRY BANK, INC. (“Exportbank”)** is engaged in the business of commercial banking and of trust and funds management. It exercises all the powers of a commercial bank, trust company and corporation in general<sup>1</sup>, as provided for under the General Banking Act, as amended, the rules and regulations of the *Bangko Sentral ng Pilipinas* (BSP), the Corporation Code of the Philippines and other applicable laws. It is listed in the Philippine Stock Exchange and traded under the stock symbols “EIBA” and “EIBB”.

Exportbank initiated steps to undergo quasi-reorganization in 2005 which entails, among others, capital infusion from new investors and existing shareholders alike and the sale of its Non-Performing Assets (NPAs). The capital infusion was primarily aimed at strengthening Exportbank’s capital base to meet the new requirements of PAS 39 and other international accounting standards which the BSP began implementing. The sale of its NPAs would, on the other hand, enable Exportbank to significantly reduce its NPA ratio, improve profitability and along with the completion of the additional capital infusion, reflect a stronger statement of condition and a risk-based adequacy ratio well within the BSP prescribed ratio for commercial banks.

Thus, in the latter part of 2005, Exportbank received the initial capital infusion of ₱600.0 Million which was recorded under capital funds as Deposit for Future Stock Subscription.

On 29 December 2005, the Philippine Deposit Insurance Corporation (PDIC) granted Exportbank further assistance anchored on the sale of its NPAs with a gross book value of ₱10.0 Billion. It gave Exportbank financial assistance in the form of (a) a ten (10)-year income support mechanism pegged at ₱7.0 Billion and (b) a ten (10)-year subordinated debt in the amount of ₱2.0 Billion qualified as Tier 2 capital.

In addition to PDIC’s financial assistance, the BSP likewise granted Exportbank rehabilitation assistance and certain regulatory relief which include (a) the staggered booking of the write-off of deferred income tax and goodwill accounts totaling ₱1.90 Billion over ten (10) years; (2) the staggered booking of the write-off of taxes and other related expenses totaling to ₱719.70 Million in connection with the sale of the NPAs over fifteen (15) years under a programmed amortization with provision for acceleration; (c) the staggered booking of losses on the sale of the said NPAs over fifteen (15) years, likewise under a programmed amortization with provision for acceleration.

In order to implement all the foregoing, the Board of Directors of Exportbank in its meeting on 29 December 2005 approved the following amendments to its Articles of Incorporation, to wit:

1. Decrease in par value of the Exportbank’s common shares from ₱1.00 to ₱0.25 per share, and correspondingly decrease its authorized capital stock from ₱7.50 Billion divided into 6.0 Billion common shares and 1.5 Billion preferred shares to ₱2,188,312,189.00 divided into common shares of ₱688,312,189.00 consisting of 2,753,248,756 common shares with a par value of ₱0.25 per share and preferred shares of ₱1.50 Billion consisting of 1.50 Billion preferred shares with a par value of ₱1.00 per share;

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<sup>1</sup> Articles of Incorporation, Second, as amended.

2. To allow the entry of additional capital, increase in the authorized capital stock from ₱2,188,312,189.00 (divided into common shares of ₱688,312,189.00 consisting of 2,753,248,756 common shares with a par value of ₱0.25 per share and preferred shares of ₱1.50 Billion consisting of 1.50 Billion preferred shares with a par value of ₱1.00 per share) to ₱7.50 Billion, divided into ₱6.0 Billion of common shares consisting of 24.0 Billion common shares divided into 2,753,248,756 common “A” shares and 21,246,751,244 common “B” shares, all with a par value of ₱0.25 per share, and ₱1.50 Billion of preferred shares with a par value of ₱1.00 per share; and,
3. Classification of Exportbank’s common shares into Common “A” shares and Common “B” shares. Common “A” shares shall consist of the common shares issued as of the date of the approval by the SEC of the new par value of the common shares at ₱0.25 per share (the “cut-off date”). Dividends payable to Common A shares shall be applied to reduce or offset receivables due from holders of Common A shares arising from (a) losses on the sale of NPAs (loans, receivables, and real estate properties acquired by Exportbank) existing as of 31 December 2005, excluding the NPAs originated by or acquired from UBI and UII; (b) valuation adjustments on Loans and Receivables (included in Investments in Bonds and Other Debt Instruments [IBODI] in the 2005 statement of condition existing as of said cut-off date as may be required by Exportbank’s external auditor or by the BSP; (c) losses arising from the operation of Exportbank from 01 January 2006 to 31 March 2006, as reflected in its audited financial statements as of 31 March 2006; and, (d) other actual or contingent liabilities of Exportbank for taxes, damages, and other costs and expenses arising from the merger with UBI and UII which are not covered by the NPA pool for UBI and UII shareholders, and as reflected in the audited financial statements of Exportbank issued from time to time, and are thus attributable to Common A shareholders. Common A shareholders and Common B shareholders shall not have any specific right or claim to the share of Exportbank in the gains resulting from the subsequent sale of these NPAs by their buyer/s pursuant to Exportbank’s agreement/s with the said buyer/s or in any interest or increments on said IBODI, other than the right to dividends that may be declared out of Exportbank’s surplus.

The above matters were presented and approved by Exportbank’s shareholders in a special meeting called for the purpose on 25 January 2006.

Following the approval of Exportbank’s Amended Articles of Incorporation by both the BSP<sup>2</sup> and the SEC<sup>3</sup>, Exportbank’s capital stock, additional paid in capital and deficit were adjusted accordingly and a portion of the reduction in the capital stock was used to eliminate a significant portion of the deficit.

Sometime in April 2006, Exportbank received from new investors and existing shareholders alike the balance of the ₱3.0 Billion additional capital infusion amounting to ₱2.40 Billion. Around this time too, Exportbank entered into a Sale and Purchase Agreement with a foreign financial institution for the sale of certain real properties of Exportbank with a gross book value of ₱5.20 Billion and of its Non-Performing Loans (NPLs) with a gross book value of ₱5.0 Billion, all for a consideration of ₱1.85 Billion and ₱1.15 Billion, respectively.

In early May 2006, Exportbank again entered into an agreement with another special purpose company

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<sup>2</sup> Granted on 23 March 2006.

<sup>3</sup> Granted on 24 April 2006.

for the sale of its NPAs with gross book value of ₱3.24 Billion for a total consideration of ₱515.0 Million.

On 26 May 2006, Exportbank held its Annual Stockholders' Meeting and elected the members of the Board of Directors for the term 2006-2007 which included the representatives of Exportbank's new investors. In the same meeting, the stockholders approved the appointment of Punongbayan and Araullo (P&A) as Exportbank's new external auditor, with Mr. Francis Alabalate as Partner-in-Charge, in compliance with BSP regulations on the rotation of external auditors every five (5) years. At the Organizational Meeting of the Board held on the same day, the Board unanimously elected Exportbank's corporate officers, with Mr. Jaime C. Gonzalez as its new Chairman of the Board.

On 20 October 2006, the ₱7.0 Billion income support and the ₱2.0 Billion subordinated debt from the PDIC were released to Exportbank.

On March 2007, Mr. Nilo L. Pacheco, Jr. was appointed as Exportbank's new President and he assumed the position on 24 April 2007. A revamp of Exportbank's senior management ensued thereafter.

In January 2008, the PSE approved the listing of Exportbank's 12.0 Billion Common B shares issued in favor of its new investors and existing shareholders alike.

From negative financial results in prior years, Exportbank immediately bounced back and posted a remarkable positive turnaround by the end of 2006. This unprecedented turnaround is attributed to build-up of strong revenue generation which by the second half of 2006 was more than adequate to offset the losses incurred in the first five (5) months of the year.

The activities for 2007 began with a focus on maximizing this position of strength of having a clean balance sheet and solid capital base. Exportbank's human resource capital was re-energized with new shareholders and their representatives to the Board. Present key executive and management positions are characterized by a combined breadth and depth of experience and expertise in various facets of Exportbank. A customer-centric and performance-driven service orientation developed across the organization to ensure a unified execution of Exportbank's business initiatives.

Consistent with its business plan on the basis of which new investors infused additional capital into Exportbank, its remaining non-core assets, which include various condominium units and parking slots located in Exportbank Plaza (Item 12), were sold in favor of EIB Realty Developers, Inc. As the conditions of the sale have an impact on the financial statements of Exportbank, the trading of its common shares were suspended on 05 May 2008.

### **Profile – Major Shareholders**

#### ***Lippo Group***

*Regional business authority*

The Lippo Group's involvement is channeled through the Hong Kong-based Lippo China Resources Ltd. which has a consolidated net asset value of approximately HK\$5.50 Billion as of 31 December 2006. Founded by its Chairman, Dr. Mochtar Riady, the Lippo Group has over ten (10) publicly listed companies in different territories including Hong Kong, Indonesia, the Philippines and Singapore.

The Group is primarily involved in investment holding, property investments and development,

financial services and retailing business. The group's activities are focused mainly in Asia.

***Raiffeisen Zentralbank Österreich AG (RZB) of Austria***

*Expert in emerging markets*

Founded in 1927, Raiffeisen Zentralbank Österreich AG (RZB Group) is the third largest bank in Austria with a balance sheet total of €115.60 Billion as of December 2006. RZB is also one of Austria's leading commercial and investment banks with a strong involvement in Central and Eastern Europe.

RZB provides its services all over the world and is active in a number of international financial centers and in the growth markets in Asia. It has the strongest Asian presence of any Austrian bank and underscores RZB's role as an invaluable bridge between East and West. In the Philippines, RZB has made its presence through its investment in Exportbank where it plays an active role in putting its best practices to Exportbank's unique advantage.

RZB has branches in Singapore and Beijing as well as representative offices in Hong Kong, Zhuhai, Seoul, Mumbai and Ho Chi Minh City. It is also well-positioned in other financial centers, with a finance company in New York and a branch in London. It serves more than 12.0 Million customers through its more than 2,800 outlets worldwide, employing over 55,000 staff.

***American Orient Capital Partners Group***

*Investment and financial advisory specialist*

American Orient Capital Partners (AOCP) is an investment and financial advisory services firm covering the Asia Pacific region. With over 120 years cumulative professional experience of its senior management team, AOCP provides high value added advisory services in mergers and acquisitions (M&A), corporate and debt restructuring, private placement of debt and equity capital, and leveraged buy-outs. The firm also manages principal investment and third party private equity funds in special situations throughout the region. Utilizing its offices in the Hong Kong, Philippines, India and Singapore as well as the network of relationships of its shareholders, AOCP, over the past years, has successfully completed transactions with total value in excess of US\$10.0 Billion.

The combination of extensive local knowledge, excellent contacts and technical expertise enables AOCP to provide uncompromisingly high standards of services to its clients.

***Yao Group***

*Trailblazing entrepreneur*

Represented by Special Envoy for Chinese Tourism and 2005 Ernst & Young Master Entrepreneur of the Year, Ambassador Alfredo Macam Yao has carved a name in Philippine business in various fields such as printing, packaging, food and beverage manufacturing, chemicals, toiletries, real estate development and banking. The Yao Group's business story embodies the essence of today's new and emerging entrepreneurs.

The Yao Group has been recognized for its trailblazing endeavors in such highly popular consumer goods as the "Zest-O" and Orchard Fresh fruit juice brands, One Iced Tea, Beam Toothpaste and Quickchow Noodles, among others. They hold the local franchise for the RC Cola softdrink.

An entrepreneur par excellence, Ambassador Yao has exemplified sound management practices in finance, marketing, human resources and sales. He brings to Exportbank a wealth of experience and excellence in business.

## **b. Business**

**Exportbank** has recognized the premium middle market as its primary and natural constituency. The scope of this market niche will be developed through the convergence of four major building blocks: a) high growth sectors; b) turnover and asset size in excess of ₱100.0 Million; c) strategic sites in major business locations; and, d) value-chain business relationships.

The upper tier corporate names will continue to be actively pursued as Exportbank offers real opportunity for entry level relationships to achieve greater coverage of the premium middle market segment.

### **Value Chain Framework**

Exportbank opens more opportunities for growth as it charts the supply and market chains of its core customers. Strategic linkages formed on the supply side include the suppliers of raw materials, equipment, power and other valued service providers. The market side may range from institutional partners, wholesalers, dealers and retailers. Exportbank's business sectors adopt this value chain approach to build the necessary synergies to tap, develop and expand to a significant share of the premium middle market.

### **Focused Execution for Sustainable Growth**

Exportbank remains focused on its primary business imperatives for sustainable growth and long-term stability – build strong revenue and profits, achieve cost-efficient operations, and lead with exemplary customer service. It is determined to achieve a balanced funds profile as it increases its low-cost deposits, increase fee-based activities from treasury and other bank services, and expand its loan portfolio through brisk and prudent credit initiatives.

Exportbank's Retail Banking Group continues to calibrate its sales force to expand its base for low-cost deposits. A strategically re-organized Treasury team is in place to aggressively and with sharper focus acquire, build and maintain a diversified customer base with timely and customized treasury offerings. The sales and customer relationship segment has gained ground into both upper tier companies and the premium middle market segment to build Exportbank's loan portfolio.

A self-imposed review of processes continues to be undertaken across the organization to further streamline operational linkages and realign the various functional areas. This will be complemented by adopting appropriate technology systems to create a more cohesive and efficient operational platform. System applications in the key functional areas of CASA management, risk management, treasury functions, data management and trade transactions are in place to integrate more closely front-line and back-end processes.

Exportbank has achieved a standard of professional, competent, committed and responsible service through the constructive synergy of empowered personnel, responsive products and

services, and reliable and efficient service delivery. Its training modules are designed to instill corporate values and develop staff competencies. Products and services are developed and/or enhanced with the objective of increasing market coverage, contributing to financial gains while managing down costs. Service delivery through various channels has been defined by its seamless and efficient execution.

### **Building a Franchise Value**

The creation of value to Exportbank's stakeholders – the shareholders, customers, officers and staff, valued business partners and the community in general – is the organization's unifying objective. The paramount building blocks to progress will continue to be pushed to performance with the leadership and support at all levels of management. Exportbank is resolute in carving a mark of distinction in its chosen path in as short a time as possible.

### **Branch Network**

Exportbank has established branch offices in key cities in Metro Manila as well as in selected provinces nationwide. At present, it has forty-five (45) branches as listed in Item 2 of this Report.

#### **c. Subsidiaries and Affiliates**

Exportbank's Management has decided to streamline the operations of its group of companies and to retain only the businesses which will support and complement its overall corporate objectives and eliminate duplicate and non-vital businesses.

As of the date of this Report, among Exportbank's existing subsidiaries and affiliates are as follows:

- **EIB Savings Bank, Inc.** (the "Savings Bank") is a domestic private development bank incorporated sometime in October 1997. It is wholly-owned owned by Exportbank. Its principal place of business is located at Cebu South Road, Bulacao, Talisay City. The purpose for which the Savings Bank was formed is to carry on and engage in the business of a thrift banking institution including, with prior approval of the Monetary Board, trust and funds management operations, and to have and exercise all powers of a thrift bank and trust company and corporations in general, as provided under Republic Act No. 7906, the General Banking Act, as amended, and other applicable laws and the rules and regulations of the BSP.
- **EIB Securities, Inc.** ("*e.securities*") is 100% owned by Exportbank. It was incorporated in December 1995 and was licensed by the Securities and Exchange Commission to deal and trade in equity and debt securities and other financial instruments traded in the stock exchange. *e.securities* has a seat in the Philippine Stock Exchange. Exportbank approved to continue the operations of *e.securities* to serve as its securities brokerage arm and the strategy was to sell the company, operating with a license, staff and a known clientele, to interested investors. Subsequent economic and political events resulting in less encouraging prospects for the securities brokerage business have made it difficult for Exportbank to divest its shareholdings in *e.securities*. Recent lackluster performance of the PHISIX has also proven detrimental in Exportbank's efforts to look for potential strategic investors. Nevertheless, the divestment of its shareholdings in *e.securities* remains to be the priority of Exportbank.

- **ValueGen Financial Insurance Company, Inc.**, formerly ValueLife Financial Insurance Company, Inc. (“Valuegen”) was incorporated in November 1996 and was granted by the Insurance Commission (IC) on 02 June 1998 a license to transact business of both life and non-life insurance in the Philippines. Valuegen is 45.45% owned by Exportbank. Similar with *e.securities*, the resumption of business operations was on the premise that it would functionally exist and build its business in order to attract strategic investors, as such course of action would prove to be, not only less difficult, but more prudent and practical compared to an outright divestment from a company that ceased to exist and/or have remained dormant for a certain period. In the process, Exportbank decided to spin-off the life insurance business of Valuegen from the non-life insurance business in order to have more flexibility and facility in the divestment of its shareholdings. On 01 July 2005, Valuegen was issued a non-life insurance license by the IC. On 28 November 2005, **Banlife Insurance Co., Inc.**, which is 100% owned by Valuegen, was set up and issued a life insurance license.
- **EIB Realty Developers, Inc. (EIBR)** is a publicly listed real estate development company which was incorporated in the Philippines on 10 August 1994 to engage in real estate development including building and development of residential, industrial and commercial properties. EIBR constructed Exportbank Plaza where Exportbank holds its offices and One McKinley Place Condominium, which is a 50:50 joint venture undertaking of EIBR and the Philippine Townships, Inc. (formerly RFM Properties and Holdings, Inc.). EIBR has had minimal operations from 2004 to 2007. In the latter part of 2007, EIBR sold its equity investment in One McKinley Place to its joint venture partner. With the capital infusion of new investors into EIBR in August 2008, Exportbank now owns less than 20%<sup>4</sup> of EIBR.
- **ValueFinance, Inc. (“ValueFinance”)** is wholly-owned by Exportbank and was organized in December 1994. Its operations were revived in 2003 to engage in the business of extending credit facilities to consumers and to industrial, commercial and agricultural enterprises by direct lending or by discounting or factoring commercial papers, notes, contracts and accounts receivable or by buying and selling contracts, leases, real estate and chattel mortgages and other evidences of indebtedness, or by financing leasing of movable as well as immovable property. However, in line with Exportbank’s divestment plan for its subsidiaries, its consumer and retail loan portfolio were transferred to ValueLife and to Exportbank. Although the company had ceased operations on 31 March 2004, it continues to have equity investments in ValueGen to the extent of 55.5%.

The following subsidiaries of Exportbank which have been dissolved or are in the process of dissolution/liquidation are: Urban Building Technologies Inc.<sup>5</sup>, Urbancorp Technologies Corporation, Urbancorp Realty Holdings, Inc., and Urbancorp Insurance Brokers, Inc.

Exportbank’s other affiliate companies are: Urban Property Holdings, Inc. (realty company), EIB “SPV-AMC (Asset Management Co.)” Inc., EB Management Capital “SPV-AMC (Asset Management Co.)”, Inc. and Banlife Insurance Company (life insurance company).

Urban Property Holdings, Inc. is a 55%-owned subsidiary of EIBR. It was established for the primary purpose of developing a 331,760 m<sup>2</sup> property located in Calamba, Laguna.

In March 2006, Exportbank sold EIB “SPV-AMC (Asset Management Co.)” Inc. and EB Management

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<sup>4</sup> Previously 71.75%.

<sup>5</sup> The SEC approved its dissolution on 17 March 2005.

Capital “SPV-AMC (Asset Management Co.)”, Inc. with a total carrying value of ₱62.50 Million for both.

**d. Competition**

Among the products and services offered by Exportbank are the following:

**Deposit Services**

- a) EXPERTeller (Statement Savings Account)
- b) Payroll Savings Account
- c) Regular Savings Account
- d) Fixed Rate Checking Account
- e) Expert Peso Time Deposit
- f) Expert Savings II
- g) Expert Dollar Savings
- h) Expert Dollar Time Deposit
- i) SSS Pensioners Savings Account
- j) PRA USD Time Deposit

**Corporate and Consumer Loans**

- a) Omnibus Lines
- b) Time Loan
- c) Discounting Line
- d) Bills Purchase Lines
- e) Back-to-Back Loans
- f) Term Loan
- g) Home Loan

**Trade Finance**

- a) Pre-Shipment Financing
  - Documentary Credits (Import and Domestic Letters of Credit)
  - Trust Receipt Facility
  - Export Packing Credit / Export Advance Loans (PHPeso or US Dollar)
- b) Post-shipment Financing
  - Export Bills Purchase
- c) Other Trade Services
  - Documentary Collection
  - Telegraphic Transfer Arrangement
  - Standby Letters of Credit
  - Issuance of Shipment Bond/Bank Guarantee

**Financial Instruments Trading Distribution – Treasury**

- a) Foreign-Exchange Services
- b) Treasury Bills, Fixed Rate Treasury Notes
- c) Retail Treasury Bonds

- d) Repurchase (R/P), Reverse Repurchase (RRP) Agreements
- e) Short Term / Long Term Commercial Paper & Corporate Bonds
- f) ROP Bonds
- g) US Treasuries
- h) USD-Denominated Bonds

### **Investment and Funds Management – Trust Banking**

- a) Unit Investment Trust Funds
  - Expert Fund (Peso Fund)
  - Expert Green Fund (US Dollar Fund)
- b) Living Trust (Revocable and Irrevocable)
- c) Investment Management Account (IMA)
- d) Insurance Trust
- e) Retirement / Pension Trust
- f) Trusteeship of Pre-need Plans
- g) Escrow
- h) Custodianship
- i) Mortgage Trust Indenture
- j) Estate Planning
- k) Wealth Management

### **Transaction Banking**

- a) ExperTeller Convenience Banking
- b) Retail Services
  - SSS Payments
  - Philhealth payments
  - Smart payments
  - Telegraphic Transfer
  - Safety Deposit Box
  - Manager's Checks, Traveller's Checks
- c) Corporate Services
  - Payroll
  - Deposit Pick-up
  - EDI-SSS Net
  - Bancnet POS Services

The savings and time deposits are Exportbank's principal products which are invested either in Loans or Trading and Investment Securities.

Exportbank recently launched ***Expert Payroll***. It is a PC-based payroll system that facilitates standard and complex computations and other payroll services such as government report generation, bonuses, tax computations and leave conversion. It also provides a convenient way of crediting salaries to employees' accounts every payroll period making it safer and more convenient for both employers and employees.

Other than ***Expert Payroll***, there is nothing to report on any publicly-announced new product or service, the degree to which said product has progressed or whether further engineering is necessary.

Exportbank competes head on with other banks, both domestic and foreign and whether universal, commercial or thrift banks. The market for banking services is subject to normal price, service, and quality competition.

There is nothing to disclose regarding the principal terms and expiration dates of all patents, trademarks, copyrights, licenses, franchises, concessions and royalty agreement held.

### **Customers**

Exportbank's clientele consists of high net worth individuals, prime corporate accounts, exporters, SMEs and individual/retail accounts. It is regulated by the BSP and is subject to its rules and regulations such as, but not limited to, the Single Borrower's Limit and the DOSRI requirements. It has been in compliance with BSP rules. There is nothing to disclose as to the effect of existing rules or probable governmental regulations on the business of Exportbank.

### **e. Management & Manpower**

As of 31 December 2007, Exportbank had a manpower complement of five hundred and two (502) employees composed of one hundred ninety (190) associates and three hundred and twelve (312) officers. Exportbank recognizes the vital role of its manpower in attaining its goals and maintaining its competitive edge.

Exportbank's employees are not covered by collective bargaining agreements.

There is nothing to disclose as of the date of this Report regarding any supplemental benefits or incentive arrangements which Exportbank has or will have with its employees.

### **f. Domestic Operations**

Exportbank's revenues, profitability and identifiable assets attributable to domestic operations for the years 2006 and 2007 are as follows: (figures in thousands)

<u>PARENT</u>	<u>2007</u>	<u>2006</u> (As Restated)
<b>FOR THE YEAR</b>		
Gross Interest Income	1,682,995	955,873
Net Interest Income/(Expense)	100,586	(635,025)
Other Income	1,265,263	3,403,768
Net Income/(Loss)	77,603	140,461
<b>AT YEAR-END</b>		
Total Resources	37,993,608	34,152,979
Loan Portfolio	14,606,618	8,074,798
Investment & Trading Portfolio	8,686,130	9,294,934
Deposits	17,323,003	15,249,827
Capital Funds	5,366,143	5,276,214

GROUP

	<u>2007</u>	<u>2006</u> (As Restated)
FOR THE YEAR		
Gross Interest Income	1,689,207	967,032
Net Interest Income/(Expense)	106,741	(602,940)
Other Income	1,266,204	3,453,370
Net Income/(Loss)	76,759	(156,351)
AT YEAR-END		
Total Resources	38,246,562	34,525,241
Loan Portfolio	14,639,563	8,156,322
Investment & Trading Portfolio	8,686,130	9,445,615
Deposits	17,322,977	15,124,209
Capital Funds	5,617,181	5,528,096

Exportbank does not have branches or offices outside of the Philippines.

**g. Research and Development**

For year 2007, Exportbank's research and development expenses which were primarily for licenses, acquisition of new systems and information technology development amount to ₱24.301 Million.

**ITEM 2. PROPERTIES**

	<u>2007</u>	<u>2006</u>
Land	24,985	28,364
Building and improvements	129,983	612,876
Furniture, Fixtures and Equipment	778,730	755,650
Leasehold Rights & Improvement	<u>51,771</u>	<u>28,644</u>
<b>SUBTOTAL (₱)</b>	985,469	1,425,534
Accumulated Depreciation (₱)	(604,300)	(685,329)
<b>TOTAL (₱)</b>	<b>381,169</b>	<b>740,205</b>

As of the date of this Report, Exportbanks's properties consist of the following:

**Exportbank Alabang** is a two-story property located at the Mapfre Asian Corporate Center Madrigal Business Park, Acacia Avenue, Ayala Alabang, Muntinlupa. The ground floor measures 199.73m<sup>2</sup> and the second floor measures 437.47m<sup>2</sup>. Part of the 2<sup>nd</sup> floor serves as Exportbank's Business Recovery Center and at the same time as alternative executive offices. A portion of the 2<sup>nd</sup> floor is being leased by another company.

**Exportbank Greenhills** is located at the Victoria Condominium, 41 Annapolis Street, San Juan City and has a floor area of 273.81m<sup>2</sup>, more or less. It is maintained as Exportbank's branch in that area.

**Exportbank Cebu Business Park** is located at the Ayala Life-FGU Center Cebu Business Park, Mindanao Avenue corner Biliran Road, Cebu City. Exportbank owns the ground floor with an area of 157.3m<sup>2</sup> where it maintains a branch, and four (4) units at the 14<sup>th</sup> floor with a total area of 344.60m<sup>2</sup>.

**Export and Industry Bank Building** is a three-storey edifice located at Quezon corner Delgado Streets, Iloilo City, the total floor area of which is approximately 1,280m<sup>2</sup>, including the mezzanine and the garage. The ground floor is utilized for Exportbank's branch operations while the 2<sup>nd</sup> and 3<sup>rd</sup> floors are for lease.

**Empire Tower** is a commercial unit located at the ground floor of AIC Empire Tower located at ADB Avenue corner Garnet and Sapphire Roads, Ortigas Centre, Pasig, Metro Manila with an area of 151.40m<sup>2</sup>, more or less, inclusive of one (1) parking slot.

### Limitations on Ownership

The foregoing properties of Exportbank are not the subject of mortgages or potential losses.

### Property Acquisitions

Property acquisitions projected in the next twelve (12) months shall consist only of properties which will be conveyed to Exportbank *via dacion en pago* arrangement as a means of settlement of outstanding loan obligations of its borrowers.

### Leased Properties

Exportbank is leasing the following properties for its branch operations:

<b>Branch</b>	<b>Area (m<sup>2</sup>)</b>	<b>Lease Amount (₱/month)</b>	<b>Expiry Date</b>
<b>1. Banawe</b> ACE Tower 1 Bldg. #211, Banawe Street, Quezon City	135	123,641.07	14 April 2012
<b>2. Caloocan</b> Augusto Building, 478 Rizal Avenue Extension Grace Park, Caloocan City	171	153,346.18	31 December 2012
<b>3. Juan Luna</b> 694-696 Juan Luna and Sta. Elena Streets, Binondo, Manila	138	216,452.54	31 August 2009
<b>4. Las Pinas</b> 267 Alabang-Zapote Road, Pamplona, Las Pinas City	240	101,640.00	30 September 2012
<b>5. LRT Monumento</b> Level 2, Ever Gotesco Grand Central, Rizal Avenue, Caloocan City	38	202,569.14	31 May 2009
<b>6. Malabon</b> 14 Gov. Pascual Avenue, Concepcion, Malabon	300	194,911.06	15 February 2012
<b>7. San Pedro</b> MMG Bldg. National Hi-way, San Antonio, San Pedro, Laguna	144	80,000.00	30 November 2008
<b>8. Ortigas</b> G/F Pacific Center Building, San Miguel Avenue, Ortigas Center, Pasig City	152	117,420.00	30 November 2012

<b>9. Rockwell</b> G/F SJG Center, 8461 Rockwell Drive, Kalayaan Avenue corner Don Pedro Street, Makati City	90	74,257.58	31 October 2008
<b>10. Rufino Pacific</b> G/F Rufino Pacific Tower Building, Ayala Avenue, corner Rufino Street, Makati City	150	126,000.00	28 February 2009
<b>11. Salcedo</b> G/F Salcedo Towers, 169 H.V. Dela Costa Street, Salcedo Village, Makati City	166	137,625.08	31 March 2011
<b>12. Angeles</b> 343 Sto. Rosario Street, Angeles City, Pampanga	300	67,318.35	14 August 2010
<b>13. Bacolod</b> MFC Building, Lacson corner Henares Streets, Bacolod City	304	117,305.44	28 February 2009
<b>14. Baguio Branch</b> G/F, La Azotea Building, 108 Session Road, Baguio City	51	43,143.77	31 December 2008
<b>15. Binondo Branch</b> G/F Level Downtown Center Building, 520 Quintin Paredes Street, Binondo, Manila	300	241,077.38	31 July 2013
<b>16. Cabanatuan</b> G/F Unit B Gonzales Building, 377 Diversion Road, Maharlika Hi-way, Cabanatuan City	110	30,000.00	31 March 2009
<b>17. Cagayan de Oro</b> Jofelmor Building, Mortola corner J.R. Borja Streets Cagayan de Oro City	162	81,928.00	15 June 2009
<b>18. Calamba Branch</b> Main Alley 1, Pamilihan sa Parian Commercial Complex, South National Highway, Barangay Parian, Calamba City	64	28,160.00	Month-to-Month
<b>19. Cebu</b> 116 Gorordo Avenue, Lahug, Cebu City	1,632	160,524.00	31 August 2009
<b>20. Cubao Farmers</b> 3/F New Farmers Plaza, EDSA corner Gen. Roxas Avenue, Cubao, Quezon City	39	69,428.80	Month-to-Month
<b>21. Dagupan</b> Abarabar Building, Perez Boulevard, Dagupan City	200	74,491.56	30 April 2009
<b>22. Davao</b> Aldevinco Commercial Building, #4 C.M. Recto Street, Davao City	198	60,500.00	31 August 2009
<b>23. East Avenue</b> G/F Lyman Building, 18 East Avenue corner V. Luna Road, Quezon City	60	45,158.40	07 January 2009
<b>24. Imus</b> 155 Nueno Avenue, Barangay Poblacion 4, Imus, Cavite	120	38,547.19	15 October 2010
<b>25. Legaspi Branch</b> Evekal Building, 855 Pasay Road corner Amorsolo Street, Legaspi Village, Makati City	228	179,706.00	Month-to-Month
<b>26. Mabalacat Branch</b> Mabalacat Public Market, McArthur Highway, Mabalacat, Pampanga	130	26,620.00	31 October 2009
<b>27. Navotas Branch</b> 514 North Bay Boulevard corner Lacson Street, Navotas, Metro Manila	233	44,158.50	15 May 2009

<b>28. Valenzuela Branch</b> Unit 108, Stripmall-Ellimac Building, McArthur Highway, Barangay Dalandanan, Valenzuela City	49	44,771.00	Month-to-Month
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As of the date of this Report, the following are Exportbank's newly-opened branches:

<b>Sto. Cristo</b> Ground Floor, Kim Siu Ching Foundation Bldg. 483 Sto. Cristo corner Jabonero Sts. Binondo Manila108,	188.88	46,225.98	31 December 2012
<b>Valenzuela</b> 95 McArthur Hi way, Marulas Valenzuela City, Metro Manila	250	50,000.00	16 December 2018
<b>Acropolis</b> 80 E. Rodriguez Jr. Avenue, Libis, Quezon City, Metro Manila	255	120,487.50	15 December 2012
<b>Ortigas Greenhills</b> Ortigas Avenue corner Wilson St. San Juan Metro Manila	247	170,550.00	15 December 2012
<b>Roosevelt</b> Roosevelt Avenue, San Francisco Del Monte, Quezon City	250	50,000.00	15 December 2012
<b>Del Monte</b> Ground Floor FRS Building 497 Del Monte Avenue, Quezon City	238.55	152,527.00	15-Apr-2013
<b>Jupiter</b> No. 40 Jupiter Street corner Paseo de Roxas Bel Air Village Makati	177.00	88,500.00	28-Feb-2013
<b>Biñan Carmona</b> Ground Floor, Great Wall Aluminum Building 9767 National Highway, Barrio Maduya, Carmona, Cavite	177.00	88,500.00	28-Feb-2013
<b>Tutuban Prime Block</b> LH-PL23 & LH-PL25, Prime Block Mall, Tutuban Center, CM Recto Ave. Manila	131.35	70,000.00	30-Jul-2014
<b>Masangkay</b> 953-955 G. Masangkay Street Binondo Manila	185.32	80,000.00	15-Apr-2013
<b>Timog</b> Units 1 and 2 Timog Commercial Complex, Timog Ave. corner Panay Ave. Quezon City	172.61	93,000.00	1-May-2012
<b>UN Avenue</b> G/F Victoria Building 429 UN Avenue corner LM Guerrero St. Ermita Manila	325	110,200.00	14-Jun-2018
<b>Boni Avenue</b> Ground Floor Lourdes Building 667 Boni Avenue Mandaluyong City, Metro Manila	183	84,463.90	20-Jun-2013
<b>NAIA Road</b> 707-3 Columbia Complex Building, Ninoy Aquino Avenue, Barangay Sto. Niño, Parañaque City	269.22	100,000.00	100,000.00
<b>Cebu Plaridel</b> 137 Plaridel St. Cebu City	200	120,000.00	31 March 2013
<b>Davao Jacinto</b> CM Recto corner Jacinto St. Davao City	450	80,000.00	30 November 2017

<b>BF Homes</b> Ground Floor, Aurora IV Building, No. 30 Aguirre Ave. Corner Lirag St. BF Homes Phase 2 Parañaque City	200.00	110,000.00	15 June 2013
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The lease of all of the above properties is renewable upon mutual agreement of the parties.

### ITEM 3. LEGAL PROCEEDINGS

Exportbank is a complainant/petitioner or defendant/respondent in various legal actions arising from the ordinary course of its business.

The most relevant of these cases is the action<sup>6</sup> filed sometime in 1996 by Atty. Magdaleno Peña before the Regional Trial Court (RTC) of Bago City against then Urban Bank, Inc. (UBI) and some of its directors and officers (collectively, the “defendants”). This suit is for collection of agent’s commission and attorney’s fees, plus damages.

In a Decision dated 28 May 1999, the court ruled in favor of Atty. Peña and issued a writ of execution against the defendants. He was awarded the following:

1. ₱24,000,000.00 as compensation for plaintiff’s services plus legal interest from the time of demand until fully paid;
2. ₱3,000,000.00 as reimbursement of plaintiff’s expenses;
3. ₱1,000,000.00 as and for attorney’s fees;
4. ₱500,000.00 as exemplary damages;
5. Cost of suit.

Upon filing a Notice of Appeal of the foregoing Decision, the matter was elevated on 23 June 1999 to the Court of Appeals (CA)<sup>7</sup> which allowed the implementation of the writ of execution against Exportbank among other defendants pending appeal. Atty. Peña thereafter levied upon certain properties of then UBI, which included certain units of Exportbank Plaza (then Urban Bank Plaza).

On September 2001, after the functional merger among then Export and Industry Bank, Inc., UBI and Urbancorp Investments, Inc., with UBI as the surviving corporation but renamed Export and Industry Bank, Inc. (now “Exportbank”), Exportbank sought the Supreme Court’s approval of its *supersedeas* bond in the amount of ₱40.0MM to stay the execution of the writ issued by the lower court.

On 19 November 2001, the Supreme Court approved Exportbank’s *supersedeas* bond, and on 13 November 2002, resolved to stay/suspend the one (1) year period within which the properties levied by Atty. Peña may be redeemed, as well as the consolidation of the titles thereof in favor of the buyers.

In a Decision dated 06 November 2003, the CA found no basis for the monetary awards in favor of Atty. Peña as contained in the 28 May 1999 Decision of the RTC of Bago City, and merely awarded him ₱3.0MM as reasonable compensation for his efforts. Exportbank did not appeal said Decision of the CA.

Atty. Peña’s Motion for Reconsideration was denied by the CA in a Resolution dated 08 March 2004.

<sup>6</sup> Docketed as Civil Case No. 754.

<sup>7</sup> Docketed as CA GR CV No. 65756.

On 25 March 2004, Atty. Peña filed a Motion for Extension of Time to file a Petition for Review on Certiorari with the Supreme Court and filed his Petition for Review on Certiorari<sup>8</sup> dated 23 April 2004 on 03 May 2004.

On 26 May 2004, the Supreme Court issued a Resolution denying Atty. Peña's Motion for Extension of Time to File a Petition for Review on Certiorari on the ground that it lacked statements of material dates of receipt of the assailed CA Resolution and of the filing of the Motion for Reconsideration thereof. Accordingly, the Supreme Court, in the same Resolution, also denied the Petition for Review on Certiorari for Atty. Peña's failure to take the appeal within the reglementary period of fifteen (15) days in view of the denial of the Motion for Extension to File a Petition for Review on Certiorari.

Atty. Peña filed an Urgent Omnibus Motion for Reconsideration of the Resolution of the Supreme Court dated 26 May 2004 but the same was denied in a Resolution dated 20 October 2004 on the ground that no substantial arguments were raised to warrant reconsideration thereof. The denial had become final.

However, in a Resolution dated 14 February 2005, the Supreme Court resolved to grant Atty. Peña's Urgent Omnibus Motion for Reconsideration, reinstated his Petition for Review on Certiorari and required the respondents/defendants to file their respective comments thereon.

Exportbank filed its Comment on 19 September 2005 alleging, among others, that the Petition was insufficient in form and in substance, the same having been filed out time and seeking to review findings of fact of the Court of Appeals.

The case is deemed submitted for decision by the Supreme Court.

The only issue on hand is which of the Decisions of the RTC of Bago City dated 28 May 1999 awarding Atty. Peña the aggregate amount of ₱27.50MM<sup>9</sup> plus legal interest and of the CA dated 06 November 2003 granting him a mere ₱3.0MM as reasonable compensation, should be upheld.

The ₱40.0MM *supersedeas* bond filed by Exportbank in 2001 to answer for its liability to Atty. Peña on this case remains valid to date.

There is still no resolution of the issue by the Supreme Court as of the date of this Report.

In the opinion of Management, the ultimate liability, if any, resulting from these matters will not have a material effect on Exportbank's consolidated financial position.

#### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

There were no matters submitted to a vote of security holders during the fiscal year covered by this Report other than those matters relating to the Annual Stockholders' Meeting held on 23 August 2007.

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<sup>8</sup> Docketed as GR No.162562.

<sup>9</sup> Consisting of ₱24.0MM as compensation, ₱3.0MM as reimbursement, ₱1.0MM as attorney's fees and ₱500,000.00 as exemplary damages.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY & RELATED STOCKHOLDER MATTERS

#### a. Market Information

As of the date of this Report, all of Exportbank's Common "A" shares and 12.0MM<sup>10</sup> of its Common "B" shares are traded in the Philippine Stock Exchange.

As of 31 December 2007, the share price of Exportbank's Common shares closed at ₱0.38.

	2007	2006
PER COMMON SHARE		
Earnings/(Loss)	(₱0.004)	₱0.010
Cash Dividends Declared	none	none
Stock Dividends Declared	none	none
Book Value	₱0.297	₱0.381

The following are the highlights of trading during every quarter for the past three (3) years:

	2007		2006		2005	
	High	Low	High	Low	High	Low
First Quarter	.56	.50	0.47	0.46	1.00	0.67
Second Quarter	.55	.54	0.39	0.39	0.55	0.50
Third Quarter	.50	.40	0.42	0.40	0.59	0.58
Fourth Quarter	.43	.38	0.48	0.47	0.61	0.60

Upon Exportbank's initiative, the trading of its shares was suspended on 05 May 2008 in view of the sale of its remaining non-core assets as stated in Item 12 of this Report. Exportbank shall request the lifting of the suspension upon filing of all its structured reports with its regulatory agencies.

#### b. Security Holders

The number of shareholders of record as of 31 December 2007 is 3,195 of which only twenty (20) are Common B shareholders.

Exportbank's common shares of stock are not subject to pre-emptive rights of the stockholders and may therefore be issued in such quantities as such times as the Board of Directors may determine. No transfer of voting stock shall be allowed if it will reduce the ownership of Filipino citizens to less than the percentage required by law.

The Top 20 stockholders of Exportbank as of 31 December 2007 are as follows:

NAME OF STOCKHOLDER	NUMBER OF SHARES		TOTAL	PERCENTAGE
	Class A	Class B		
1. Ridderbrecht B.V.		2,199,000,000	2,199,000,000	11.61%

<sup>10</sup> Out of 16,184,561,404 total outstanding and issued Common "B" shares.

2. Lead Bancfund Holdings, Inc.		1,900,000,000	1,900,000,000	10.03%
Apex Bancrights Holdings, Inc.		1,900,000,000	1,900,000,000	10.03%
3. Extra Year Investments Limited		1,799,000,000	1,799,000,000	9.50%
4. Asiawide Refreshments		1,600,000,000	1,600,000,000	8.45%
5. Medco Asia Investment Corp.	21,300,000	1,464,285,600	1,485,585,600	7.84%
6. Alfredo M. Yao	1,000,000	1,200,000,000	1,201,000,000	6.34%
7. Zest-O Corporation		1,120,275,804	1,120,275,804	5.92%
8. Elite Holdings, Inc.		940,560,000	940,560,000	4.96%
9. Kingmild Limited		500,000,000	500,000,000	2.64%
Conreal Holdings Limited		500,000,000	500,000,000	2.64%
10. Medco Holdings, Inc.	463,292,500		463,292,500	2.45%
11. Excalibur Holdings, Inc.		446,960,000	446,960,000	2.35%
12. Jaime C. Gonzalez		399,000,000	399,000,000	2.11%
13. Harmony Bancshares Holdings, Inc.		211,480,000	211,480,000	1.12%
14. Golden Harmony Limited	131,206,000		131,206,000	0.69%
15. Classic Premium Ltd.	116,270,000		116,270,000	0.61%
16. EIB Securities, Inc. (Under PDTC <sup>11</sup> )	80,209,239		80,209,239	0.42%
17. Philippine Exporters Confederation, Inc.	72,850,000		72,850,000	0.39%
18. Hilltop Pacific, Inc.	58,102,000		58,102,000	0.31%
19. Venture Securities, Inc. (under PDTC)	55,236,196		55,236,196	0.29%
20. Solar Securities, Inc. (PDTC)	41,744,042		41,744,042	0.22%

### c. Dividends

There were no cash or stock dividends declared or issued during the year 2007.

When declaring dividends, Article IX, Section 2 of Exportbank's By-laws provides that –

“Dividends shall be declared from the surplus or undivided profits of the Bank, including stock dividends from paid-in surplus, at such time and in such amounts as the Board of Directors may determine. Dividends declaration shall not in any manner reduce the paid-in capital of Exportbank, and shall be subject to the regulations of the *Bangko Sentral ng Pilipinas*. Unless otherwise resolved by the Board of Directors, any fraction of a share owing to a stockholder resulting from a declaration of stock dividends shall be paid in cash based on the par value of the said share.

“Declaration of stock dividends shall be submitted to a stockholders' meeting for approval within forty [40] banking days from such declaration by the Board of Directors. The record date for stock dividends shall not be earlier than the date of approval by the stockholders.

<sup>11</sup> Philippine Depository and Trust Corporation.

“Declarations of cash dividends shall have a record date which shall not be less than ten [10] banking days but not more than forty [40] banking days from date of declaration by the Board of Directors.”

**d. Recent Sales of Unregistered Securities**

There were no sales of unregistered securities of Exportbank within the past three (3) years which were not registered under the Securities Regulation Code.

**ITEM 6. MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF ACTION**

**Key Performance Indicators:**

	<b>December 2007</b>	<b>December 2006</b>
<u>Capital Adequacy</u>		
Capital to Risk Assets Ratio	24.40%	23.31%
<u>Asset Quality</u>		
Non-Performing Loan (NPL) Ratio	3.97%	7.20%
Non-Performing Asset (NPA) Ratio	1.08%	1.55%
<u>Liquidity</u>		
Liquid to Total Assets Ratio	45.31%	40.00%
Quick Asset to Total Deposits	101.19%	89.58%

Exportbank’s Basel 1 Capital Adequacy Ratio (CAR) stood at 24.40% from last year’s level of 23.31%, which is way above the 10% and 8% minimum requirements of the BSP and of the Bank for International Settlement (BIS). On consolidated basis, qualifying capital increased by ₱779.0 Million from a level of ₱4.0 Billion in 2006 to ₱4.8 Billion in 2007. Likewise, risk assets increased by 14.15% from ₱17.1 Billion to ₱19.6 Billion in 2007. Said ratio was computed by dividing the Total Qualifying Capital over the Total Risk weighted Assets as follows:

	<u>2007</u>	<u>2006</u>
Total Qualifying Capital	₱4.776Bn	₱ 3.997Bn
Total Weighted Risk Assets	<u>19.576Bn</u>	<u>17.149Bn</u>
Ratio	24.40%	23.31%

As of end-December 2007, Exportbank posted a minimal 3.97% non-performing loan (NPL) ratio compared to the previous year of 7.2%. Although the non-performing loans increased by 13% from ₱260.0 Million to ₱294.0 Million, gross loan portfolio doubled to ₱7.392 Billion in 2007 from ₱3.616 Billion in 2006 brought by the reverse repurchase agreements (RRPs) entered into with the BSP that were funded by customer placements booked as bills payable. The NPL Ratio is computed as follows:

	<u>2007</u>	<u>2006</u>
Total Non-Performing Loans	₱0.294Bn	₱0.260Bn
Total Gross Loans	<u>7.392Bn</u>	<u>3.616Bn</u>

Ratio	3.97%	7.20%
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The ratio of Exportbank's non-performing assets (NPAs) to gross assets likewise went down from 1.52% in 2006 to 1.06% in 2007. In absolute amounts, NPAs declined by 24% from ₱562.0 Million to ₱428.0 Million. The NPA ratio was calculated as follows:

	<u>2007</u>	<u>2006</u>
Non-Performing Loans	₱0.294Bn	₱0.260Bn
ROPA	<u>.134Bn</u>	<u>0.302Bn</u>
Total Non-Performing Assets	.428Bn	0.562Bn
Gross Assets (gross of allowance)	<u>39.546Bn</u>	<u>36.264Bn</u>
Ratio	1.08%	1.55%

Liquidity ratios indicate the proportion of assets which can be readily converted into cash over the total assets to meet withdrawals and other day-to-day operational and liquidity requirements. Liquid assets include cash and other cash items, deposits in banks, interbank loans receivables, reverse repurchase agreements with the BSP and debt securities. Below are the computations of the Liquidity and Quick Assets ratios:

	<u>2007</u>	<u>2006</u>
Total Liquid Assets	₱ 17.529Bn	₱13.661Bn
Total Assets	<u>38.688Bn</u>	<u>34.153Bn</u>
Liquidity Ratio	45.31%	40.00%

	<u>2007</u>	<u>2006</u>
Total Quick Assets	₱17.529Bn	₱13.661Bn
Total Deposits	<u>17.323Bn</u>	<u>15.250Bn</u>
Quick Assets Ratio	101.19 %	89.58%

If we net out the reverse repurchase agreements with the BSP and government securities which are directly matched with some borrowings, the liquidity ratio and the quick assets ratio would be 15.25% and 34.06% in 2007 respectively and 17.72% and 23.80% in 2006 respectively.

## Financial Condition and Results of Operation

### (a) Full Fiscal Years

Below are the financial highlights of Exportbank and its subsidiaries (hereinafter, collectively referred to as the "Group") for 2005, 2006 and 2007:

**2007-** The Exportbank Group's total assets grew by 10.8% from ₱34.5 Billion in 2006 to ₱38.2 Billion in 2007. Loans and other receivables grew by 81.4% from ₱8.16 Billion in 2006 to ₱14.8 Billion in 2007 attributable largely to the RRP's with the BSP that were funded by customer placements booked as bills payable and shift of some long term government securities to overnight RRP. The latter resulted in the decline in the investment and trading securities portfolio from ₱9.4 Billion to ₱8.7 Billion in 2007. Bank premises and investment properties went down by as much as ₱2.5 Billion, bulk of which is due to the sale of the remaining non-core assets of Exportbank. On the other hand, some ₱463 Million worth of equity investments and properties have been reclassified to non-current asset held for sale, pending

finalization of sale terms with interested buyers. Total liabilities went up by 12.5% from ₱29.0 Billion in 2006 to ₱32.6 Billion in 2007 due largely to the increase in deposit liabilities by ₱2.2 Billion (from ₱15.1 Billion to ₱17.3 Billion). Borrowings is also up by 57.4% or ₱3.4 Billion resulting from the customer placements used to fund some RRP's with the BSP. Accrued taxes and expenses went down by ₱1.3 Billion partially due to the settlement of tax liabilities of then Urban Bank, Inc. which was assumed by Exportbank upon its merger in 2002 and the payment of its other expenses and taxes. Other liabilities went down by ₱0.158 billion due to the offsetting of collections made in behalf of the some special purpose vehicle companies against receivables from said companies on the sale of NPAs in 2006.

In terms of profitability, Exportbank posted a net income of ₱77.70 Million compared to ₱140.50 Million in 2006. Net interest income reversed from a negative ₱635.0 Million to a positive ₱100.5 Million in 2007 as a result of receipt of the income support from the PDIC in October 2006 and the substantial drop in interest rates given to deposits (despite the ₱2.20 Billion increase in deposits that was invested in earning assets, interest expense remained flat). Impairment losses in 2007 was only ₱53.80 Million compared to ₱513.0 Million in the previous year resulting from the discounts incurred by Exportbank on the sale of its NPAs to SPV companies in 2006. In 2007, Exportbank recognized minimal trading gains as there were very limited trading opportunities. Exportbank recognized gains on the sale of remaining non-core assets amounting to ₱836.40 Million. The ₱2.90 Billion miscellaneous income in 2006 partially resulted from the recognition of an income receivable from Common A shareholders resulting from losses on the sale of Exportbank's remaining NPAs amounting to ₱1.0850 Billion and the 1<sup>st</sup> quarter 2006 operating losses amounting to ₱621.0 Million as per the Amended Articles of Incorporation which states that said losses are chargeable to said shareholders. Aside from these, there are also other non-recurring income recognized in 2006 such as fees generated from the service agreement entered into by Exportbank with the said SPVs on the sale of its NPAs amounting to ₱127.0 Million, the realization of the capitalized interests on sold NPLs amounting to ₱135.0 Million as well as the recognition of the share of Exportbank in the distribution of the Non-Performing Assets Pool based on the Memorandum of Agreement with shareholders of then Urban Bank, Inc. and Urbancorp Investments, Inc. in 2001. Overhead expenses remained flat in 2007 compared to 2006 despite overall increase in business generation efforts and increase in net interest income.

### **Financial Risk Management Policies and Objectives**

Exportbank continues to implement the Risk Management Plan (RMP) established two (2) years ago along the Basel 2 ERM framework. Starting September 2007 and in line with BSP capital management guidelines, Exportbank initially adopted the Standardized Approach to the computation, allocation and reporting of regulatory capital using new risk weights assigned to various types of credit, market and operational exposures while closely reviewing and monitoring the business strategy, compliance, fiduciary, reputation and other risks.

As of 31 December 2007, Exportbank's risk based capital adequacy ratio (RBCAR) under the revised Basel 2 approach (calculated as the ratio of qualifying capital to the sum of risk weighted credit, market and operational risk exposure) was at a level of 24.4%, substantially in compliance versus the BIS and BSP minimum requirements of 8% and 10% respectively.

Throughout 2007, our corporate risk governance structure has become increasingly focused towards weighing risks and returns to optimize the utilization of capital and diversifying risk with the end of raising shareholder value. The new business focusing on housing finance, consumer, trade, and transaction banking enables Exportbank to efficiently deploy capital into areas where the balance of risk and return is most advantageous versus the desired hurdle rates of our stakeholders. Risk governance is led by the Board of Directors through the Risk Management Committee (RIMCo), the Executive

Committee (ExCom) and the Asset and Liability Committee (ALCo) which review risk tolerances and oversee the management of credit, market and operational risks.

**a. Credit Risk and Concentration of Assets and Liabilities and Off Balance Sheet Items**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by setting limits for individual borrowers and groups of borrowers, facility types and industry segments. The Group also monitors credit exposures and continually assesses the creditworthiness of counter-parties through an internal credit risk rating system (ICRRS). In addition, the Group obtains security where appropriate, enters into collateral arrangements with counter-parties, enrolls its exposures to government guarantee programs such as Philexim, SBGFC and HGC and limits the duration of exposures. The RIMCo and the ExCom set credit policy guidelines and standards and establish limits for corporate, financial institution and retail exposure for confirmation of the Board of Directors.

Pursuant to Circular No. 414, Exportbank also established a credit risk concentration policy on credit exposure to various economic sectors including ceilings on exposure to real estate and connected lending. To diversify its exposure across the banking book, Exportbank through the ALCo and the RIMCo also established issuer risk limits for investments in securities at the portfolio and issuer level. The aforementioned policies and limits are subject to periodic review in response to changing credit quality of obligors as well as significant changes in the industry and macroeconomic conditions affecting the borrowers and counterparties.

**b. Market Risk**

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates and other market price changes of financial assets. The Group's market risk originates from its proprietary and commercial positions in foreign exchange, fixed income securities, their derivatives and structured financial instruments.

The Risk and Operations Management Group is responsible for the identification, measurement, management and control of market risk under the supervision of the RIMCo. Market risk and capital management is implemented under the Standardized Approach methodology in combination with the internal model or Value at Risk (VaR) based Risk Management framework which started in 2003 using risk measurement and control tools risks per currency, security including their derivatives such as forwards and swaps at the standalone and portfolio levels.

In calculating VaR, the Parent Company uses a 99% confidence level and a 10-day holding period. This means that, statistically, the Group's losses on trading operations will exceed VaR on 1 out of 100 trading business days. The validity of the VaR model is verified through back testing, which examines how frequently actual daily losses exceed daily VaR. The Parent Company measures and monitors the VaR and profit and loss on a daily basis.

During the year, the average value-at-risk for Exportbank's FX trading portfolio for one-day holding period was ₱0.85 Million. The maximum and minimum values were ₱3.90 Million and ₱0.016 Million respectively. As for the Held for Trading (HFT) securities portfolio, the average, maximum and minimum daily VAR for 2007 were ₱0.390 Million, ₱2.20 Million and

₱0.198 Million respectively.

**c. Interest Rate Risk**

The Group follows a prudent policy on managing its resources and liabilities so as to ensure that exposure to fluctuations in interest rates is kept within acceptable limits.

A substantial proportion of the Group's total loan portfolio is for a term of less than one (1) year, while the majority of the balance of its medium-term portfolio is on a floating-rate basis. As of 31 December 2007, 49% of the Group's total loan portfolio comprised of floating rate loans (increasing from the 31% year ago level) which are repriced periodically by reference to the transfer pool rate or any benchmark market reference rate which reflects Exportbank's internal cost of funds. As a result, Exportbank's exposure to interest rate fluctuations and other market risks is significantly reduced. Exportbank aims to further reduce its negative interest rate sensitivity gap and consequent exposure to rising interest rates by lengthening the maturity of its deposit base and raising transactional balances from customers. No interest is paid on demand accounts, which as of 31 December 2007 accounted for 4.5% of total deposits, except for a demand account product which pays a rate of interest equal to that payable on regular savings accounts of Exportbank. Rates on savings accounts and time deposit accounts, which constituted 74.9% and 20.6%, respectively, of total deposits as of 31 December 2007 are set by different criteria. Savings account rates are set by reference to prevailing market rates, while rates on time deposits and special savings accounts are usually priced by reference to rates applicable to prevailing rates on Philippine Treasury Bills and other money market instruments or, in the case of foreign currency deposits, Singapore interbank offered rate (SIBOR) and other benchmark dollar deposit rates in the Asian and international money markets with similar maturities.

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

**Table 1**

	<b>Group</b>		
	<b>Less than 3 months</b>	<b>3 months to 1 year</b>	<b>Greater than 1 year</b>
<b>Peso Resources</b>			
Due from BSP	1.67%	-	-
Due from banks	1.29%	4.76%	-
Interbank loans – Peso	5.25%	-	-
Financial assets at fair value			
Through profit or loss	-	-	7.15%
Available for sale	-	-	7.52%
Loans and receivables	14.65%	12.09%	10.21%
Unquoted securities	-	5.94%	8.50%
<b>Liabilities</b>			
Deposit liabilities	4.64%	2.37%	6.30%
Bills payable	5.06%	-	8.69%
Subordinated Debt	-	-	1.00%

	Group		
	Less than 3 months	3 months to 1 year	Greater than 1 year
<b>Foreign Currency Resources</b>			
Due from banks	0.32%	-	-
Interbank loans – Dollar	4.80%	-	-
Financial assets at fair value through profit or loss	5.12%	-	6.97%
Available-for-sale	6.50%	3.62%	6.71%
Loans and other receivables	8.19%	7.10%	8.55%
<b>Liabilities</b>			
Deposit liabilities	4.03%	2.47%	3.25%
Bills payable	5.61%	4.82%	-

#### d. Liquidity Risk

Liquidity risk is the risk that there are insufficient funds available to adequately meet the credit demands of the Group's customers and repay deposits on maturity. The Group manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met and by maintaining a balanced loan portfolio which is repriced on a regular basis. In addition, the Group seeks to maintain sufficient liquidity to take advantage of interest rate and exchange rate opportunities when they arise. The analysis of the concentration of the Group's assets, liabilities and off-statement of condition items as of 31 December 2007 and 2006 are presented below:

**Table 2**

	Up to 1 month	1 to 3 months	3 months to one year	More than 1 year	Total
<b>Assets</b>					
Loans	₱6,495,519	₱258,082	₱980,115	₱6,905,847	₱14,639,563
Investments	247,797	-	264,270	8,174,063	8,686,130
Placements	2,791,925	469,767	-	-	3,261,692
Other resources	697,648	-	971,136	9,990,393	11,659,177
<b>Total Assets</b>	<b>₱10,232,889</b>	<b>₱727,849</b>	<b>₱2,215,521</b>	<b>₱25,070,303</b>	<b>₱38,246,562</b>
<b>Liabilities and Capital</b>					
Deposit Liabilities	₱11,920,914	₱1,773,111	₱2,924,346	₱704,606	₱17,322,977
Bills payable	4,181,264	28,040	26,342	5,210,972	9,446,918
Unearned income	-	-	-	4,029,716	4,029,716
Other Liabilities	1,250,528	84,970	91,726	402,846	1,830,070
Total liabilities	17,352,706	1,886,121	3,042,414	10,348,140	32,629,381
Capital	-	-	-	5,617,181	5,617,181
<b>Total Liabilities and Capital</b>	<b>17,352,706</b>	<b>1,886,121</b>	<b>3,042,414</b>	<b>15,965,321</b>	<b>38,246,562</b>
On-book gap	(₱7,119,817)	(₱1,158,272)	(₱826,893)	₱9,104,982	₱ -
Cumulative on-book gap	(7,119,817)	(8,278,089)	(9,104,982)	-	-
Contingent resources	₱366,987	₱ -	₱ -	-	₱366,987
Contingent liabilities	519,734	102,570	134,745	6,192	763,241
<b>Total gap</b>	<b>(₱152,747)</b>	<b>(₱102,570)</b>	<b>(₱134,745)</b>	<b>(₱6,192)</b>	<b>(₱396,254)</b>

Total gap	(₱7,272,564)	(₱8,533,406)	(₱9,495,044)	₱396,254	₱	-
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**e. Foreign Exchange Risk**

The Group manages its exposure to effects of fluctuations in the foreign currency exchange rates by maintaining foreign currency exposure within the existing regulatory guidelines and at a level that it believes to be relatively conservative for a financial institution engaged in that type of business.

Foreign currency liabilities generally consist of foreign currency deposits in the bank's FCDU, account made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency denominated borrowings appearing in the regular books of the Parent Company.

Foreign currency deposits are generally used to fund the Parent Company's foreign currency denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency resources with the foreign currency liabilities held through FCDUs. In addition, the BSP requires a 30% liquidity reserve on all foreign currency liabilities held through FCDUs.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its resources and liabilities is within limits for financial institution engaged in the type of business in which the Group is engaged.

The breakdown of the Group's financial resources and liabilities as to foreign and peso-denominated balances as of 31 December 2007 is as follows:

**Table 3**

	Foreign Currency	Peso	Total
<b>Resources:</b>			
Cash and other cash items	₱-	₱267,018	₱267,018
Due from BSP	-	2,796,386	2,796,386
Due from other banks	389,753	75,553	465,306
Financial assets at fair value through profit and loss	294,282	301,902	596,184
Available-for-sale investments	411,343	7,678,603	8,089,946
Loans and other receivables - net	1,609,204	13,030,359	14,639,563
	<b>Foreign Currency</b>	<b>Peso</b>	<b>Total</b>
<b>Liabilities</b>			
Deposit liabilities	₱2,441,160	₱14,881,817	₱17,322,977
Bills and acceptances payable	111,832	9,334,786	9,446,618
Accrued taxes, interest and other expenses	12,793	944,032	956,825
Other liabilities	243,385	629,860	873,245

**f. Cash Flow Interest Rate Risk**

Exportbank prepares gap analysis to measure the sensitivity of its resources, liabilities and off-

statement of condition positions to interest rate fluctuations. The focus of analysis is the impact of changes in interest rates on accrual or reported earnings. This analysis would give management a glimpse of maturity and re-pricing profile of its interest sensitive resources and liabilities. An interest rate gap report is prepared by classifying all assets and liabilities into various time buckets according to contracted maturities or anticipated repricing dates, and other applicable behavioral assumptions. The difference in the amount of resources and liabilities maturing or being repriced in any time period category would then give the Group an indication of the extent to which it is exposed to the risk of potential changes in net interest income.

**g. Insurance Risk**

The risk under insurance contract is the possibility of occurrence of insured event and uncertainty of the amount and timing of resulting claim. The principal risk faced by Exportbank's subsidiary under such circumstances is that the actual claims exceed the carrying amount of insurance liabilities. This could occur due to any of the following:

- Occurrence risk – the possibility that the number of insured events will differ from those expected.
- Severity risk – the possibility that the cost of the events will differ from those expected
- Development risk – the possibility that changes may occur in the amount the insurer's obligation at the end of the contract period.

The subsidiary manages insurance risk through establishment of policies and guidelines that address the selection of reinsurers, retention limits, diversification strategies, claims handling, information systems and reporting procedures. All these are aimed at mitigating insurance risks.

**h. Underwriting Risk**

Underwriting risk for individual application of insurance policies is reviewed by the subsidiary's trained lay underwriters to make sure that the policies are properly rated. The underwriting authorities are clearly delineated in consultation with the subsidiary's reinsurers. For underwriting risk of the group insurance accounts, the subsidiary has set parameters to properly assess groups as to ratings, and the setting of No Evidence Limit (NEL) is assigned to the subsidiary's Chief Lay Underwriter and Medical Director.

**i. Reinsurance Risk**

Exportbank's subsidiary has set retention limits to make sure that the cash and surplus position are not unduly dislocated in case big claims occur. Catastrophe losses are likewise adequately reinsured.

Reinsurance is not used to manage insurance risk. This does not discharge the subsidiary's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the subsidiary remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

## **Key Variable and Other Qualitative and Quantitative Factors**

- a. Material changes in balance sheet items and income statement are as follows:
1. Investment Securities went down by ₱759.0 Million due to the shift of some long term government securities to overnight RRP.
  2. Loans and other receivables went up by ₱6.50 Billion is attributable largely to the RRP with the BSP that were funded by customer placements booked as bills payable and shift of some long term government securities to overnight RRP.
  3. Bank premises and investment properties went down by as much as ₱2.50 Billion the bulk of which is due to the sale of the remaining non-core assets of Exportbank.
  4. Non-Current Assets Held for Sale went up by ₱463.0 Million due to the reclassification of some equity investments and properties to non-current asset held for sale, pending finalization of sale terms with interested buyers.
  5. Deposits went up by ₱2.20 Billion brought about by the renewed confidence by the depositing public on Exportbank.
  6. Bills Payable went up by ₱3.40 Billion resulting from the customer placements used to fund some RRP with the BSP.
  7. Accrued taxes and expenses went down by ₱1.30 Billion partially due to the settlement of the tax liabilities of then Urban Bank, Inc. which was assumed by Exportbank upon its merger in 2002 as well as the payment of its other expenses and taxes.
  8. Other liabilities went down by ₱0.158 Billion due to the offsetting done against receivables from special purpose vehicles companies pertaining to the sale of NPAs in 2006.
- b. There is no seasonal aspect that has a material effect on the financial statements.
- c. There are no known trends, events or uncertainties that will have a material impact on income.
- d. Exportbank's sources of liquidity are deposits, inter-bank transactions and swaps.
- e. There are no known trends, events or uncertainties that will have a material impact on Exportbank's liquidity.
- f. There are no material commitments as yet for capital expenditures pending the completion of the rationalization of the operations of Exportbank.
- g. To date, there is nothing to disclose regarding any event that will trigger direct or contingent financial obligation that is material to Exportbank, including any default or acceleration of an obligation.
- h. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of Exportbank with unconsolidated entities or other persons created during the reporting period.

**2006** – The Group's total assets stood at ₱34.5 Billion, while total liabilities and equity amounted to ₱29.0 Billion and ₱5.50 Billion, respectively, as of 31 December 2006. Exportbank's total resources increased by ₱9.90 Billion or by 40.29% over the December 2005 levels. Liquid assets went up by ₱1.0

Billion or 39%, while trading and investment securities likewise went up by as much as ₱7.30 Billion as a result of the additional capital infusion by the existing and new investors of Exportbank of ₱2.40 Billion during the first semester of 2006, as well as the receipt of the income support from the PDIC pursuant to the Memorandum of Agreement (MOA) dated 29 December 2005 in 20 October 2006. Loans and Other Receivables went up by ₱4.50 Billion from ₱4.30 Billion in 2005 to ₱8.80 Billion in 2006, ₱1.0 Billion of which is due to the increase in Exportbank's lending activities to generate profits. Furthermore, as stated in the Amended Articles of Incorporation of Exportbank dated 24 April 2006, the 1<sup>st</sup> quarter 2006 losses amounting to ₱621.0 Million and the losses on the sale of Exportbank's remaining NPAs amounting to ₱1.085 Billion were charged against the Common A shareholders which were taken up as receivables from said shareholders. ₱1.40 Billion, on the other hand, pertains to the receivables from the sale of Exportbank's NPAs pending completion of the closing requirements. With the sale of Exportbank's NPAs amounting to ₱13.30 Billion during the first semester of 2006 to special purpose vehicle companies (SPVs), the non-current assets held for sale went down by ₱10.0 Billion, net of provisions. Investment properties increased by ₱228.0 Million as a result of the cancellation of the sale of some of Exportbank's properties to other buyers. The increase of ₱7.0 Billion in Other Resources represents the discount on the sale of the NPAs mentioned above which Exportbank will amortize over a fifteen (15) year period pursuant to the regulatory relief extended to the Group by the BSP per MB Resolution No. 694 dated 26 May 2005. Total liabilities went up by ₱3.90 Billion from ₱25.0 Billion in 2005 to ₱29.0 Billion in 2006. Deposit liabilities increased by 40.57% or ₱4.30 Billion from ₱10.80 Billion in 2005 to ₱15.10 Billion in 2006, while bills payable with the PDIC likewise increased by ₱7.40 Billion as a result of the income support given by the PDIC to Exportbank pursuant to the MOA dated 29 December 2005. Other borrowings on the other hand went down by ₱7.0 Billion as Exportbank settled most of its interbank borrowings. Other Liabilities on the other hand went up by ₱57.0 Million as a result of the partial collection on the sale of the NPAs mentioned above, which were booked as security deposit until finalization of the sale. Total equity increased by ₱6.0 Billion from deficit of (₱436) Million to ₱5.50 Billion in 31 December 2006. The 31 December 2005 equity was restated to include prior period adjustments amounting to ₱3.70 Billion pertaining to impairment losses to comply with the new PFRS and PAS requirements, resulting to a decrease in equity from the original amount of ₱3.293 Billion to negative ₱436.0 Million as of said date. On the other hand, with the approval of the Amended Articles of Incorporation by both the BSP and the Securities and Exchange Commission in March and April 2006, respectively, the par value of Exportbank's common shares were reduced from ₱1.00 to ₱0.25, with the resulting ₱2.064 Billion additional paid in capital applied against the previous years' deficit. Said reduction in the par value allowed the entry of the additional capital of ₱3.0 Billion, of which ₱600.0 Million was received in 2005 and the balance of ₱2.40 Billion was received in April 2006. The whole ₱3.0 Billion additional capital was issued Common B shares of Exportbank. Likewise, the preferred shares series L, M and N were converted into common shares in May 2006 amounting to ₱1.046 Billion for an equivalent of 4.184 Billion shares. Furthermore, with the sale of the ₱10.0 Billion worth of NPAs to SPVs in 2006, the related allowance amounting to ₱3.10 Billion was closed to surplus in April 2006 as allowed under PDIC Board Resolution No. 2005-05-058 dated 25 May 2005.

In terms of profitability, the parent company (Exportbank) did a successful turnaround from a net loss of (₱1.70) Billion in 2005 to a full year 2006 net income of ₱130.0 Million. Moreover, Exportbank was able to register ₱323.0 Million in net income from the time of its re-capitalization in May 2006. The contraction in earning and liquid assets brought about by the escalating non-performing assets coupled with steady increase in Exportbank's liabilities and higher cost of funds resulted to a negative revenue from funds of ₱1.1020 Billion in 2005, which was significantly reduced to half in 2006 for a level of ₱667.0 Million. Impairment losses on account of the heavy discounts suffered by Exportbank on the sale of its NPAs to SPVs in 2006 amounted to ₱1.0 Billion compared to just ₱79.0 Million in 2005 required under the new accounting standards to be set up. However, as stated in the Amended Articles of Incorporation, the losses on the sale of Exportbank's remaining NPAs amounting to ₱1.085 Billion

and the 1<sup>st</sup> quarter 2006 operating losses amounting to ₱621.0 Million are for the account of the Common A shareholders only, and were, therefore, taken up as receivable from such shareholders and were likewise recorded as part of other income in 2006. Other income resulted as well from the fees generated from the service agreement entered into by Exportbank with the SPVs on the sale of the NPAs which amounted to ₱127.0 Million, the realization of the capitalized interests on sold NPLs amounting to ₱135.0 Million, as well as the recognition of the share of Exportbank in the distribution of the Non-Performing Assets Pool based on the Memorandum of Agreement with shareholders of then Urban Bank, Inc. and Urbancorp Investments, Inc. in 2001. Several organizational costs such as taxes, filing fees, legal and audit fees were booked in 2006 as Exportbank prepared itself for the capital infusion, the sale of the NPAs and the release of the PDIC income support and subordinated debt in the second semester of 2006, resulting to higher overhead costs of ₱1.10 Billion compared to ₱862.0 Million in 2005. The ₱297.0 Million difference between Exportbank's net income of ₱132.0 Million against the Group's net loss in 2006 of ₱167.0 Million is attributable to the recovery of losses from its subsidiaries which were eliminated upon consolidation of the Group's net income.

**2005** – The Group's total assets as of 31 December 2005 as originally reported stood at ₱27.717 Billion, while total liabilities and equity amounted to ₱24.423 Billion and ₱3.293 Billion, respectively. However, upon the re-capitalization and the resulting quasi-reorganization of Exportbank's capital as described above in April 2006, several prior period adjustments amounting to ₱3.748 Billion have been taken up which had the effect of restating the 31 December 2005 deficit and equity from the original reported amount of ₱3.293 Billion to negative ₱436.0 Million. The prior period adjustments pertain to additional provisions for impairment of certain assets in accordance with PAS 39 on Recognition and Measurement of Financial Assets, PAS 40 on Investment Properties and PAS 27 on Investments in Subsidiaries. With this, total resources as restated stood at ₱24.624 Billion while liabilities and equity amounted to ₱25.06 Billion and negative ₱436.20 Million respectively as of 31 December 2005.

Total resources went down by 20.51% or ₱6.30 Billion compared to the 31 December 2004 level of ₱30.979 Billion. Said decrease was brought about by the decline in the levels of liquid assets and due from banks accounts amounting ₱2.10 Billion, as well as of some ₱171.0 Million worth of securities held for trading, which were utilized to fund maturing deposits and other liabilities of Exportbank. ₱3.603 Billion worth of Held to Maturity securities were reclassified to Loans and Receivables in compliance with PAS 39, which requires for the reclassification of unquoted debt securities to Loans and Receivables account. On the other hand, ₱5.413 Billion worth of non-performing loans and receivables to be sold to various SPV companies, originally intended to be sold to PDIC under the MOA dated 29 December 2005, remained booked as loans and receivables until such time of actual sale and transfer thereof in April 2006. With the said sale of its NPLs, Exportbank remarkably reduced its NPLs to just ₱244.0 Million or 1.74% in 2005 compared to 2004 level of ₱1.564 Billion, net of NPLs which are fully provided for. On the other hand, ₱797.0 Million worth of loans and other receivables were collected during the year 2005. Other receivables such as deferred charges, accounts receivables, sales contract receivables and accrued interest receivables totaling to ₱836.0 Million have been reclassified from other resources to loans and receivables also in compliance with PAS 39. On the other hand, investment properties with net book value of ₱5.770 Billion sold to the SPVs have been reclassified to non-current assets held for sale in compliance with PFRS 5 on non-current assets held for sale. Exportbank's premises increased by ₱127.60 Million from ₱775.0 Million in 2004 to ₱902.0 Million in 2005. This was brought about by the acquisition of the new core banking program of Fiserv International called International Comprehensive Banking System (ICBS) in October 2005. Furthermore, as mentioned previously, additional provisions for impairment were booked as prior period adjustments in 2006 amounting to ₱3.0 Billion representing decline in fair values of the various assets to comply with the requirements of PAS 39, 40 and 27.

Total liabilities however went down by ₱909.0 Million or 3.5% from ₱25.970 Billion in 2004. Deposits and other bills payables went down by ₱2.340 Billion or 9.6% due to the maturity of several term deposits and inter-bank liabilities, which were settled by Exportbank to reduce its high cost liabilities to boost its profitability. Other liabilities went up due to the take up of additional tax assessments in 2005 related to Urban Bank, Inc covering the years 1994 to 1997 amounting to ₱667.0 Million. Said taxes are chargeable against the proceeds of the Non-Performing Assets Pool of then Urban Bank, Inc. and Urbancorp Investments, Inc. shareholders as agreed upon in the Memorandum of Agreement dated 27 June 2001. In the second semester of 2005, major shareholders infused additional equity amounting to ₱600.0 Million to further strengthen the capital base of Exportbank. This was initially taken up as deposit for stock subscription pending approval by the Securities and Exchange Commission of Exportbank's application to increase its authorized capital. Such SEC approval was secured by Exportbank only on 24 April 2006. Likewise, with the booking of prior period adjustments in 2006, total liabilities went up by ₱636.0 Million to reflect the requirements of PAS 39, 40 and 27.

Total equity, however, went down by ₱5.40 Billion from the 2004 level of ₱5.009 Billion to December 2005 restated level of negative ₱436.0 Million. As mentioned previously, certain prior period adjustments amounting to ₱3.70 Billion were taken up in April 2006 to comply with the requirements of PAS 39, 40 and 27, resulting to higher deficit in 2005. In our previous quarterly reports we mentioned that the consequences of the contraction of Exportbank's earning and liquid assets resulting from the payout of the Liability Servicing Program (LSP) of former depositors and creditors of Urban Bank, Inc. and Urbancorp Investments, Inc. totaling ₱15.80 Billion during the last three (3) years, became apparent in the year 2005. The LSP started in 2001 and lasted until 2004 for the ordinary depositors and creditors; however, for the remaining big two depositors and financial institutions, payout will run until 2007, amounting to ₱912.0 Million, of which ₱313.0 Million has been settled in 2005. Such contraction in earning and liquid assets coupled with steady increase in the Exportbank's liabilities and higher cost of funds resulted to a negative revenue from funds of ₱1.0360 Billion in 2005 compared to 2004 of ₱267.0 Million. There was also extraordinary income booked in 2004 related to the capital appreciation of certain securities amounting to ₱554.0 Million which did not recur in 2005. In 2004, the Exportbank group of companies also reversed allowances set up on certain receivables, which have been collected in the same year amounting to ₱277.0 Million. On the other hand, Exportbank's overhead decreased by 5.70% or ₱57.09 Million from ₱1.001 Billion in 2004 to ₱943.7 Million in 2005, mainly due to the foreign exchange loss incurred in 2004 amounting to ₱139.893 Million compared to ₱34.849 Million in 2005. With the above, the Exportbank Group reported a net loss of ₱1.60 Billion in 2005 and a net loss of ₱460.07 Million in 2004.

## ITEM 7. FINANCIAL STATEMENTS

Exportbank's consolidated financial statements for the period ended as of 31 December 2007 as audited by the accounting firm Punongbayan and Araullo, the details of which are stated below, are incorporated herein by reference.

Accountant	:	Punongbayan & Araullo
Mailing Address	:	20/F Tower 1, The Enterprise Center 6766 Ayala Avenue, Makati City
Certifying Partner	:	Mr. Francis B. Albalate
C.P.A. Reg. No.	:	0088499
TIN No.	:	120-319-015
PTR No.	:	0986657, 04 January 2008, Makati City

SEC Accreditation No. : 0104-AR-1  
BIR Account No. : 08-002511-5-2005 (27 December 2005 to 2008)

## **ITEM 8. CHANGES IN & DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING & FINANCIAL DISCLOSURE**

Article VI, Section 2 of Exportbank's By-laws provides that "the external auditor or auditors of (Export)bank shall be appointed at the regular stockholders' meeting to act for the ensuing year. The compensation for the external auditors shall be determined by the stockholders at the regular meeting but the stockholders may delegate this power to the Board of Directors."

The Audit Committee of Exportbank recommends independent auditor/s for appointment by its stockholders and reviews arrangements and the overall scope of external audit. Should unexpected circumstances arise causing major changes in the planned audit scope, the Audit Committee makes itself available for consulting. It examines and discusses matters of concern regarding external financial statement audits or other audits, with the external auditors and the Management of the Exportbank.

During its Annual Stockholders' Meeting held on 23 August 2007, Punongbayan & Araullo (P&A) was appointed as Exportbank's external auditor for 2007. P&A was also Exportbank's external auditor for 2006 and was appointed as such during the Annual Stockholders' Meeting held on 26 May 2006. There had been no disagreements with P&A on accounting issues or financial disclosures during this period.

Exportbank's external auditor for 2004 and 2005 was Sycip Gorres Velayo & Co. (SGV) and neither has there been any disagreement with SGV during the said period.

P&A will be requested to send its representatives at Exportbank's annual stockholders' meeting which is scheduled on 05 December 2008, Friday, 8:30 AM at the Makati Sport's Club, Makati City for purposes of addressing accounting concerns and related questions which may be raised by the stockholders during the said meeting.

### Fees and Other Arrangements

The external auditor's fees are based on the estimated time that would be spent on an engagement and Exportbank is charged at hourly rates vis-à-vis the experience level of the professional staff members who will be assigned to work on the engagement. Fees are also generally based on the complexity of the issues involved and the work to be performed, as well as the special skills required to complete the work.

SGV's fees for the services rendered to Exportbank and its group of companies for the years 2004 and 2005 are ₱1.80MM and ₱2.40MM, respectively. For 2006 and 2007, P&A's fees, which are exclusive of VAT and out of pocket expenses, are ₱2.50MM and ₱2.36MM, respectively, broken down, as follows: Export and Industry Bank, Inc. (₱1,000,000.00 for both years), Banclife Insurance Co., Inc. (₱30,000.00 and ₱70,000.00), EIB Realty Developers, Inc. (₱110,000.00 for both years), EIB Savings Bank, Inc. (₱250,000.00 for both years), EIB Securities, Inc. (₱170,000.00 for both years), ValueGen Financial Insurance Co., Inc. (₱280,000.00 for both years), EIB Trust Banking Group (₱190,000.00 and ₱200,000.00), ValueFinance, Inc. (₱90,000.00 and ₱80,000.00), Urban Property Holdings, Inc. (₱45,000.00 and ₱40,000.00), and for dissolved or non-operational companies which include EIB Forex Corporation, Urbancorp Insurance Brokers, Inc., Urbancorp Realty Holdings, Inc. and Urbancorp Technologies Corporation (₱40,000.00 each for both years).

## PART III - CONTROL AND COMPENSATION INFORMATION

### ITEM 9. DIRECTORS, INCLUDING INDEPENDENT DIRECTORS, AND EXECUTIVE OFFICERS

#### a. Directors and Positions Held/Business Experience for the Past Five (5) Years

<u>Name</u>	<u>Position</u>	<u>Age</u>
Jaime C. Gonzalez	Director/Chairman	63
Alfredo M. Yao	Director/Vice Chairman	65
Albert S. Cheok	Director/Chairman	58
Nilo L. Pacheco, Jr.	Director/President	53
Dionisio E. Carpio, Jr.	Director	62
Sai Chong Cheng	Director	60
Douglas Chew	Director	57
Marie Constance Y. Gonzalez	Director	58
Jaideep Krishna	Director	47
John Luen Wai Lee	Director	59
Antonio I. Panajon	Director	60
Joseph N. Pineda	Director	45
Edna Daguinsin Reyes	Director	61
Rainer Silhavy	Director	49
Jeffrey S. Yao	Director	40
Roberto A. Atendido	Independent Director	61
Imelda S. Singzon	Independent Director	58
George V. Cunanan	(from 01 January 2007 to 31 August 2008)	
Paterno H. Dizon	(from 01 January 2007 to 22 August 2007)	
Ignacio D. Maramba	(from 01 January 2007 to 31 December 2007)	

**Jaime C. Gonzalez**, Filipino, is currently the Chairman of Exportbank and its group of companies which include EIB Securities, Inc., EIB Savings Bank, Inc., Valuegen Financial Insurance Co., Inc., Banclife Insurance Co., Inc. and EIB Realty Developers, Inc. He is the co-founder and presently Chairman and CEO of AO Capital Partners Limited, Inc. He formerly held a senior executive position in a major international investment bank in Asia. He was formerly the Vice Chairman and President of the Philippine International Trading Corporation, the trading arm of the Philippine Government, and was Special Trade Negotiator of then Ministry of Industry and Trade. Mr. Gonzalez also serves on the boards of a number of publicly listed companies which include Euromoney Institutional Investor plc (a publicly listed company in the London Stock Exchange), IPVG Corp. and others. He is a graduate of the Harvard Business School.

**Alfredo M. Yao**, Filipino, is currently the Vice Chairman of Exportbank and a Director of EIB Savings Bank, Inc., ValueGen Financial Insurance Co., Inc. and Banclife Insurance Company, Inc. He is also presently the Chairman of the Philippine Business Bank (a thrift bank), Semexco Marketing Corp., Zest-O Corporation, and Asiawide Refreshment Corporation. He is the General Manager of Solmac Marketing, Inc. and also the President of Harman Foods (Phils.), Inc., Amchem Marketing Corp., Unipel Industries, Inc. and American Brands, Inc. He has a PhD in Business Administration *Honoris Causa*

from the Polytechnic University of the Philippines.

**Albert S. Cheok**, Australian citizen, is also a Vice Chairman of the Exportbank and is the senior representative of the Lippo Group in the Philippines. He was formerly the Chairman of the Bangkok Bank Berhad of Malaysia, an Executive Director of the Hong Kong Banking Commission (the predecessor of the Hong Kong Monetary Authority) and the Supervisor of Banks of the Reserve Bank of Australia. He graduated from the University of Adelaide, Australia, with First Class Honors degree in Economics and he is a Certified Public Accountants Fellow in Australia.

**Nilo L. Pacheco, Jr.**, Filipino, was, prior to assuming the presidency on 24 April 2007, an Executive Vice President and the Head of the Consumer Finance Center of Union Bank of the Philippines following its merger with the International Exchange Bank (IBank) in June 2006. His considerable background in banking dates back to 1987 when he was a Senior Vice President and Treasurer of the United Coconut Planters Bank until 1995. Mr. Pacheco, Jr. holds a Bachelor of Arts degree in Mathematics (*magna cum laude*) from De La Salle University and he took an Advanced Management Program from the Harvard Business School.

**Dionisio E. Carpio, Jr.**, Filipino, is presently a Director of Exportbank and its group of companies which include EIB Savings Bank, Inc., EIB Securities, Inc., Valuegen Financial Insurance Co., Inc., Banlife Insurance Co., Inc. and EIB Realty Developers, Inc. He is also a Director and executive officer of Medco Asia Investment Corp. and a Director of Medco Holdings, Inc. He has over twenty-five (25) years experience in investment advisory and trust fund management services as well as in investment banking and securities brokerage. Mr. Carpio holds a Masters degree in Business Management from the Asian Institute of Management.

**Sai Chong Cheng**, British, is Exportbank's Senior Vice President in charge of Centralized Processing. He was previously connected with Lippo Bank, Los Angeles as Assistant Vice President and the Hong Kong Chinese Bank Ltd. in Hong Kong as Manager. Mr. Cheng has over thirty-five (35) years working experience in banking specializing in Trade Finance. He is also presently a consultant of Medco Holdings, Inc.

**Douglas Chew**, Singaporean, is Exportbank's Executive Vice President for Risk and Operations Management Group. He was previously the General Manager and a member of the Board of Directors of Raiffeisen Zentralbank Osterreich AG (RZB-Austria), Singapore Branch. Prior to joining RZB-Austria, he was connected with Banque Worms, Chemical Bank and Bank of Montreal. He obtained his degree in Business Administration from the University of Singapore.

**Marie Constance Y. Gonzalez**, Filipino, is the President of Art Exchange, Inc. and Patnubay sa Kaunlaran ng Cavite at Batangas Foundation, Inc. She also serves as Director of First Resources Management and Securities Corporation and V.Y. Trading, Inc. Previously, she was the Chairperson of the Ospital ng Tagaytay and a founding partner of the Auction House, Inc. Ms. Gonzalez graduated high school from the International School of Manila and holds a Bachelor of Arts degree in Psychology and Economics from Newton College of the Sacred Heart (now Boston College) in Newton, Massachusetts, USA. She is a candidate for a Masteral degree in Social Psychology from the Ateneo de Manila University. She is also a Fellow of the Gemmological Association of Great Britain. Ms. Gonzalez is the wife of Chairman Jaime C. Gonzalez.

**Jaideep Krishna**, Indian nationality, is a Hong Kong resident. Prior to joining DB Zwirn Asia Partners Limited as its Head of Asia - Illiquid Investments in May 2006, Mr. Krishna was a Partner of Actis Capital of London and the Head of its Special Situations Group. He was also at one time connected with

Citibank-Citicorp Investment Bank, Banque Nationale de Paris and Hong Kong and Shanghai Banking Corporation Limited.

**John Luen Wai Lee**, British, is the Managing Director of Lippo Asia Ltd. with headquarters in Hong Kong. Prior to joining the Lippo Group, he was the partner in charge of mergers and acquisition in a leading international accounting firm in Hong Kong. He has extensive experience in corporate finance and in working on new listings and takeovers, including the flotations and acquisitions of consolidated enterprises and finance and property companies. He has overall management responsibility for the corporate finance activities of Lippo Asia Ltd. Mr. Lee is a Chartered Accountant.

**Antonio I. Panajon**, Filipino, is currently the President of Asiawide Refreshments Corporation (Makers of RC Cola) and QY Pharma Corporation. Prior to joining said company, he was the President and CEO of Cosmos and Bottling Corporation from 1990 to 2001 and Executive Vice President and COO of Pepsi Cola Bottling Company from 1974 to 1989.

**Joseph N. Pineda**, Filipino, is presently a Vice President and the Deputy Chief Finance Officer of San Miguel Corporation. He is also the Vice President for its Special Projects Group. He graduated from San Beda College with a degree on AB Economics and has MBA units from De La Salle University.

**Edna Daguinsin-Reyes**, Filipino, has over twenty-five (25) years experience in a Manila Offshore Branch of an American bank and a local commercial bank. She was Vice President and General Manager of P.T. Lippo Bank of Indonesia Manila Offshore Branch until 1999. She was elected to the Board of Medco Asia Investment Corp. in 1995 and Medco Holdings, Inc. in 1999 and continues to sit in both boards up to the present. Ms. Reyes initially joined Exportbank as Group Head for Transaction Banking Group and concurrently as member of its Board of Directors until her resignation in September 2002. She was re-elected to Exportbank's Board in February 2004 and was appointed as its Compliance Officer in July 2004.

**Rainer Silhavy**, Austrian, is holding the positions of Deputy Chairman of the Supervisory Board of PT Lippobank, Indonesia, Director and Member of the Supervisory Board of Centrograde Singapore Pte Ltd., and General Manager and CEO of Raiffeisen Zentralbank Osterreich AG (RZB-Austria), Singapore Branch, concurrently. He obtained a degree in Social Science and Economics from the University of World Trade Vienna, Austria.

**Jeffrey S. Yao**, Filipino, is a stakeholder of Solmac Marketing, Inc., Harman Foods (Phils.) Inc., Amchem Marketing, Inc., Semexco Marketing Corp., SMI Development Corp., Zesto Corporation and American Brand (Phils.), Inc. He obtained his degree in Management Engineering from Ateneo de Manila University. Mr. Yao is the only son of Vice Chairman Alfredo M. Yao.

**Roberto A. Atendido**, Filipino, was again elected as Director of the Philippine Stock Exchange, Inc. for the term 2008-2009. Presently, he is the President of Asian Alliance Investment Corp., Asian Alliance Holdings, Medi-Data, Inc. and Charterland Development Corp. He also serves as Director of Global Ideology, Inc., Paxys, Inc. and Premiere Entertainment Production. Mr. Atendido is a graduate of BS Management Engineering from the Ateneo de Manila University. He obtained a Masters degree in Business Administration from the Asian Institute of Management in 1973.

**Imelda S. Singzon**, Filipino, is presently an Executive Vice President of the Philippine Deposit Insurance Corporation (PDIC) and is the Chairperson of the PDIC Board of Trustees Provident Fund. She is a graduate of the University of the Philippines with a Bachelor of Science degree in Statistics and

is a candidate for a Masteral degree in Demography from the same university.

Exportbank's Directors are generally elected at the annual stockholders' meeting and hold office until the succeeding annual meeting and until their respective successors shall have been elected and qualified.

**b. Corporate and Executive Officers and Positions Held/Business Experience for the Past Five (5) Years**

The following are the principal officers of Exportbank as of the date of this Report:

Chairman of the Board	-	Jaime C. Gonzalez
Vice Chairman	-	Alfredo M. Yao
Vice Chairman	-	Albert S. Cheok
President	-	Nilo L. Pacheco, Jr.
Corporate Secretary	-	Daisy P. Arce
Assistant Corporate Secretary	-	Riva Khristine V. Maala
Executive Vice President & Treasurer	-	Benedicto Jose R. Arcinas
Executive Vice President	-	Douglas Chew
Executive Vice President	-	Juan Victor S. Tanjuatco
Chief Compliance Officer	-	Edna Daguinsin-Reyes
Senior Vice President	-	Sai Chong Cheng
Senior Vice President	-	Jorge S. Payawal
Senior Vice President	-	Alex Luis M. Pesigan
Senior Vice President	-	Ralph B. Cadiz
First Vice President	-	Leila L. Dejan
Vice President	-	Juan Carlos R. Abad
Vice President	-	Victor Niño G. Buena
Vice President	-	Pedro M. Cadavida, Jr.
Vice President	-	Karen K. Canlas
Vice President	-	Teresita Q. de Ocampo
Vice President	-	Randall Rogelio A. Evangelista
Vice President	-	Marianne H. C. Fullon
Vice President	-	Jonathan Y. Gohh
Vice President	-	Adeline L. Grimares
Vice President	-	Andres F. Ibarra
Vice President	-	Jose R. Ledesma
Vice President	-	Geronima Ana G. Tan
Vice President	-	Joseph Gerald D. Tiamson
Vice President	-	Violeta M. Tirol
Vice President	-	Ma. Noemi A. Trinidad
Vice President	-	Aurea I. Yamsuan
Assistant Vice President	-	Helen T. Abdon
Assistant Vice President	-	Hermelita H. Ambrocio
Assistant Vice President	-	Jessie C. Bandol
Assistant Vice President	-	Ismael C. Billena, Jr.
Assistant Vice President	-	Grace M. Borja
Assistant Vice President	-	Fenelito S. Cabrera
Assistant Vice President	-	Alvin S. Dimla

Assistant Vice President	-	Rodil S. Eslava
Assistant Vice President	-	Joseph B. Estavillo
Assistant Vice President	-	Carlos Oliver L. Leytte
Assistant Vice President	-	Virginia Christine F. Lopez
Assistant Vice President	-	Emelita Y. Manalang
Assistant Vice President	-	Francisco D. Maramba
Assistant Vice President	-	Rodolfo C. Mariano
Assistant Vice President	-	Marites P. Ong
Assistant Vice President	-	Mark Anthony A. Padua
Assistant Vice President	-	Lyza C. Pamulaklakin
Assistant Vice President	-	Ricarte Q. Pinlac
Assistant Vice President	-	Ma. Carmina P. Poblete
Assistant Vice President	-	Dino Bernardo T. Quiroz
Assistant Vice President	-	Amalia D. Ribas
Assistant Vice President	-	Isidro G. Sanvictores, Jr.
Assistant Vice President	-	Katrina B. Sanvictores
Assistant Vice President	-	Donato Santiago F. Solis
Assistant Vice President	-	Allan B. Sumagaysay
Assistant Vice President	-	Johanna C. Tan
Assistant Vice President	-	Ma. Eloisa T. Tavera
Assistant Vice President	-	Ma. Ayesha H. Aguiting
Assistant Vice President	-	Rogelio N. Aquino
Assistant Vice President	-	Nida L. Bernardo
Assistant Vice President	-	Jenny C. Chua Chan
Assistant Vice President	-	Elsie A. Ching
Assistant Vice President	-	Annalyn D. Delos Santos
Assistant Vice President	-	Desiree M. Fanlo
Assistant Vice President	-	Zosimo C. Lim
Assistant Vice President	-	Reynaldo D. Ong
Assistant Vice President	-	Annie Rose C. Paraan
Assistant Vice President	-	Vivian C. Rada
Assistant Vice President	-	Maria Dinna E. Torres

**Atty. Daisy P. Arce** – Atty. Arce, Filipino, is the Corporate Secretary of Exportbank and its group of companies. She holds a Bachelor of Laws degree from the Ateneo de Manila University. She was a partner at Quasha Ancheta Peña & Nolasco Law Offices and now has her own practice.

**Atty. Riva Khristine V. Maala** – Atty. Maala, Filipino, is the Assistant Corporate Secretary of Exportbank and its group of companies. She holds a Bachelor of Arts degree in Philosophy (*cum laude*) and a Bachelor of Laws degree, both from the University of the Philippines. Prior to joining Exportbank in October 2001, she was an Associate Attorney of Fortun Narvasa and Salazar Law Offices.

**Benedicto Jose R. Arcinas**, Filipino, is Exportbank’s Executive Vice President/Treasurer and the Head of the Treasury Group. He holds a BS Business Economics degree from the University of the Philippines and Masters of Science in Management from the Arthur D. Little Management Education Institute, Cambridge, Massachusetts, USA. He has over seventeen (17) years of banking experience in funds management and treasury of various banks such as Metrobank, Philippine Banking Corporation, then PCI Bank and Insular Bank of Asia & America.

**Juan Victor S. Tanjuatco**, Filipino, is the Executive Vice President of Exportbank and overall in-charge

of the Retail Banking Group which includes Branch Banking, Corporate Loans, Consumer Loans, Central Branch Operations and Marketing & Product Management. He holds a Bachelor of Arts degree in Economics from the Ateneo de Manila University (*cum laude*) and Masters in Business Administration major in Finance from the Wharton School, University of Pennsylvania. He is a member of MENSA. He had a long and distinguished career with Credit Agricole Indosuez (previously known as Banque Indosuez) holding senior international positions in New Zealand and Hongkong in corporate banking, bank operations and credit management. He was a former Director of Insular Savings Bank and Asiatrust Development Bank. He currently holds directorship positions in various institutions such as Ketmar Fastfood Corporation, IP Ventures Group, Inc., Valuegen Financial Insurance Company, Inc. and Banlife Insurance Company, Inc.

**Jorge S. Payawal**, Filipino, is a Senior Vice President and the Head of the Audit Group. He has over thirty (30) years of banking experience and has spent thirteen (13) years honing his audit skills in international assignments both in the United States and in Asian countries. He moved back to the Philippines in 1991 and started building his competencies on risk management and risk-based audit in the last five (5) years. Prior to joining Exportbank, he was a free lance Consultant conducting risk assessment business process reviews and control advisory services to various banks and non-financial institutions. He obtained his BSC Accounting & Auditing degree from San Beda College and graduated *cum laude*. Mr. Payawal is also a Certified Public Accountant and a Chartered Bank Auditor.

**Alex Luis M. Pesigan**, Filipino, is the Senior Vice President/Chief of Staff of Retail Banking Group. He has over twenty-nine (29) years of banking experience in branch and central operations. Prior to joining Exportbank, he was a First Vice President of the Central Processing Services of Union Bank of the Philippines (formerly International Exchange Bank) for over twelve (12) years. He was also employed by Citytrust Banking Corporation for almost seventeen (17) years. He obtained his degree in BS Statistics from the University of the Philippines.

**Ralph B. Cadiz**, Filipino, is a Senior Vice President and the Head of Branch Banking under the Retail Banking Group. He has over seventeen (17) years of banking experience in branch banking, consumer loans, and sales and marketing. Prior to joining Exportbank, he previously worked with Security Bank Corporation as Vice President and the Head of the Consumer Lending Division for one (1) year. He was also employed with International Exchange Bank (now Union Bank) for nine (9) years. Mr. Cadiz obtained his Bachelor of Science degree in Commerce, Major in Business Administration from the University of Santo Tomas.

**Leila L. Dejan**, Filipino, is a First Vice President and the Head of Central Branch Operations of the Retail Banking Group. She has over thirty-three (33) years of banking experience in branch marketing, quality assurance and head office credit analysis, policy, service and process quality. Prior to joining Exportbank, she was a Vice President of International Exchange Bank under Branch Operations Center as Quality Assurance Sector Head. She was also employed by Citytrust Banking Corporation and by FNCB Finance assigned at Cagayan de Oro and Davao City, respectively. She obtained her BSC Accounting degree from the University of Ateneo de Davao and graduated *cum laude*.

**Juan Carlos R. Abad**, Filipino, is the Regional Sales Head of Makati and South Area (Branch Banking), Retail Banking Group. He has over twelve (12) years of banking experience in branch banking. Prior to joining Exportbank, he previously worked with Citibank Savings, Inc. as Branch Manager. He was also employed by various banks such as RCBC, Asiatrust Development Bank and the Philippine National Bank. He has a degree in BSC Business Management and Masters in Business Administration from the De La Salle University.

**Victor Niño G. Buena**, Filipino, is the Head of Applications Development, Information Technology Group. He has over fifteen (15) years of banking and eleven (11) years of non-banking experience. Prior to joining Exportbank, he was a Senior Technical Consultant for Fiserv (Aspac) in Singapore and in Manila. He was a programmer/analyst for Australasian-IT Software services in Singapore, Misys Banking Systems, Monark Equipment Corp., Eli Lilly Phils. and De Faro Software Research, Inc. He obtained his degree in BS Math Major in Actuarial Science from the University of Santo Tomas and has completed MBA units at the Ateneo De Manila Graduate School of Business.

**Pedro M. Cadavida, Jr.**, Filipino, is the Head of Transaction Processing (Centralized Processing) of the Risk & Operations Management Group. He has over twenty-nine (29) years of banking experience. He is a BSC Accounting graduate from the University of Santo Tomas and has earned his MBA and Ph.D. degrees from the same university.

**Karen K. Canlas**, Filipino, is the Head of Corporate Banking (Elite Banking) of the Treasury Group. She has over twelve (12) years of banking experience. She previously worked with Equitable PCIBank as Relationship Manager/Senior Manager for three (3) years and was employed by various corporations prior to the same, such as Bank of Commerce, Global Business Bank and then Urban Bank, Inc. She graduated from the De La Salle University with the degree of AB Economics.

**Teresita Q. de Ocampo**, Filipino, is the Head of Financial Control and Reports Group. She previously worked with Equitable Banking Corporation as Assistant Manager (accountant) for almost ten (10) years. She obtained her BSC Accounting degree from St. Scholastica's College and is a Certified Public Accountant.

**Randall Rogelio A. Evangelista**, Filipino, is the Head of Information Technology Group. He has over fourteen (14) years of banking experience in the field of information technology. Prior to joining Exportbank, he worked with Security Bank Corporation as Vice President and Division Head for Information Technology – Operations. He was also employed with International Exchange Bank (now Union Bank) for eight (8) years and with United Coconut Planters Bank for five (5) years. He obtained his degree in BS Electronics & Communications Engineering from Mapua Institute of Technology.

**Ms. Marianne H. C. Fullon**, Filipino, is the Head of Human Resource Management Group. She has over ten (10) years of banking experience in human resource, recruitment, compensation and organizational development. She is a Partner at Payroll Service Providers, Inc. Prior to joining Exportbank, she was employed by International Exchange Bank, United Coconut Planters Bank and Union Bank of the Philippines. Ms. Fullon received a degree in AB Psychology from the University of the Philippines.

**Jonathan Y. Gohh**, Filipino, is the National Sales Manager (Branch Banking) of the Retail Banking Group. He managed his own car repair shop, Saturn Autospec, Inc., for ten (10) years. He also worked for Honda Cars Kalookan, Inc. as its General Manager and CEO for almost four (4) years and at Honda Cars Quezon City, Inc. as its Chief Financial Officer for nine (9) months. He obtained a degree in Commerce majored in Finance from the University of British Columbia, Vancouver, Canada and Masters of Business Administration from the Wharton School, University of Pennsylvania.

**Adeline L. Grimares**, Filipino, is the Head of Credit Risk Management of the Risk & Operations Management Group. She has over twenty (22) years of banking experience. Prior to joining Exportbank, she was an Assistant Vice President, Credit Evaluation Division Head of the Philippine Savings Bank.

She has also worked at the United Coconut Planters Bank, Insular Savings Bank and in International Corporate Bank. She graduated from the De La Salle University with a BSC degree in Management of Financial Institutions.

**Andres F. Ibarra**, Filipino, is a Vice President and a Customer Relationship Manager of Corporate Banking 1 (Corporate Loans), Retail Banking Group. He has over twenty-five (25) years of banking experience. He was a former director of Bank of Commerce and has worked for then Urban Bank, Inc. and the Bank of Boston. He is an AB Economics graduate of the Ateneo de Manila University.

**Jose R. Ledesma**, Filipino, is the Sales Head of the VisMin Region (Branch Banking) of the Retail Banking Group. He has over thirty-two (32) year of banking experience. He previously worked with Union Bank, Delgado Branch in Iloilo as a Branch Manager. He graduated from the University of San Agustin, Iloilo, with a degree in BSC Management.

**Ms. Geronima Ana G. Tan**, Filipino, is the Head of the Masangkay Branch. She has over thirty-nine (39) years of banking experience in branch banking and operations and sales and marketing. Prior to joining Exportbank, she previously worked with Union Bank of the Philippines (merged with International Exchange Bank) as Branch Manager for eleven (11) years. She was also employed by Allied Bank for six (6) years, Solid Bank for fourteen (14) years and Associated Bank for eight (8) years. She obtained her degree in Business Administration from the University of the East.

**Joseph Gerard D. Tiamson**, Filipino, is the Head of the Trust Banking Group. He has over nineteen (19) years banking experience. He had previously worked for Standard Chartered Bank as General Manager for Wealth Management and Shared Distribution Value Centers and was a Director of Bancnet. He also worked as an Assistant Vice President for the Union Bank of the Philippines and was Unit Head of Service Pool & Technology, Global Finance Division for Citibank N.A. He earned his degree in BS Business Management from the Ateneo de Manila University.

**Violeta M. Tirol**, Filipino, is a Regional Sales Head of Metro Manila – East Area (Branch Banking) of the Retail Banking Group. She has over twenty-six (26) years of banking experience. Prior to joining Exportbank, she worked as Branch Cashier of Iloilo Branch of the Union Bank of the Philippines. She graduated with the degree in BS Psychology from the University of San Agustin, Iloilo.

**Ma. Norma A. Trinidad**, Filipino, is the Head of Elite Banking of the Treasury Group. She has over twenty-six (26) years of banking experience. She previously worked with Bankwise, Inc. as Executive Vice President/Treasurer and with then Urban Bank, Inc. as First Vice President/Trust Officer. She graduated from St. Scholastica's College with a BSC Marketing Management degree and has earned MBA units from the Ateneo Graduate School of Business.

**Aurea I. Yamsuan**, Filipino, is the Head of the General Services Group. She has over twenty-eight (28) years of non-banking experience. She was previously an Assistant Vice President of Rockwell Land Corporation, the General Manager of Rockwell Integrated Property Services, Inc., the Property Manager of Rockwell Residential Condominium Corporation, as well as a member of the Board of Trustees of Rockwell Center Association, Inc. and 38 Rockwell Drive Condominium Corporation. She obtained her AB Economics degree from the De La Salle University.

**Helen T. Abdon**, Filipino, is the Head of Trust Sales & Customer Relationship Management Division of the Trust Banking Group. She has over twenty-five (25) years of banking experience. Prior to joining Exportbank, she was the First Vice President/Trust Officer and Head of Trust and Investments

Department of Insular Life Savings & Trust Company, the Head of Administration & Investments Division of Philippine Commercial & International Bank (PCIB), and the Trust Administrator of the Philippine Bank of Commerce. She is a graduate of St. Theresa's College with a degree of Bachelor of Arts Major in Mathematics.

**Hermelita H. Ambrocio**, Filipino, is the Head of Quality Assurance, Retail Banking Group. She has over twenty (20) years of banking experience in the branch operations, quality assurance and operations risk. Prior to joining Exportbank, she worked with Standard Chartered Bank as Unit Operations Risk Manager under Consumer Banking Operations, at International Exchange Bank in quality assurance and at Citytrust Banking Corp. in branch operations. She obtained her degree in BSBA Marketing and Management from Lyceum of the Philippines.

**Jessie C. Bandol**, Filipino, is a Trust Marketing Officer of the Trust Banking Group. He has over ten (10) years of banking experience. He previously worked as Trust Marketing Officer for the Rizal Commercial Banking Corporation, as Trust & Investment Manager for Standard Chartered Bank and as Relationship Officer for the International Exchange Bank. He graduated from the Quezon City Medical Center Colleges with a degree in BS Nursing.

**Atty. Ismael C. Billena, Jr.** Filipino, is the Head of Legal and Remedial Management Group. He has been a lawyer for twelve (12) years with expertise in litigation. He has over five (5) years of banking experience, particularly in litigation and collection, having started his banking career at China Banking Corporation's Legal Department. He started with Exportbank as Legal Officer until he rose to become its Head of the Legal and Remedial Management Group last 16 August 2007. He used to be a legal consultant of the Bankers Association of the Philippines and has worked with Ortega Del Castillo Bacorro Odulio Calma and Carbonell Law Firm as Associate Attorney and with Justice Ruben T. Reyes of the Court of Appeals/Supreme Court as Executive Assistant. He obtained a Bachelor of Science degree in Economics from the University of the Philippines and a Bachelor of Laws from San Sebastian College. He also has a Master of Laws (International Business Law) degree from the University of Manchester, England, United Kingdom.

**Grace M. Borja**, Filipino, is the Technical Trainor and the Head of Training and Organization Development of the Human Resources Management Group. She has over twenty-five (25) years of banking experience in branch operations and marketing. Prior to joining Exportbank, she worked with International Exchange Bank (now Unionbank of the Philippines) in the Human Resource Management Cluster Center for Learning, Retail Banking Operations and Sales Training Sector for seven (7) years. She was also employed by UCPB for almost four (4) years. She obtained her BS Banking & Finance degree from the College of the Holy Spirit.

**Fenelito S. Cabrera**, Filipino, is an Assistant Compliance Officer. He was employed by Global Business Bank, Inc. (formerly The Philippine Banking Corp.) for almost twenty-six (26) years and handled Treasury (international and local) and Loans Division of the merged Philbank and Globalbank, and other functions in Operations (international/foreign and branch). He graduated from Southern Luzon Colleges with a BSC Accounting degree.

**Alvin S. Dimla**, Filipino, is the Chief Security Officer of Exportbank. He had previously served as a Military Officer for eleven (11) years of the Armed Forces of the Philippines. He graduated from the Philippine Military Academy with a degree in BS Management.

**Rodil S. Eslava**, Filipino, is the Head of Treasury Settlements (Centralized Processing), Risk &

Operations Management Group. He has over twenty (25) years of banking experience. He was formerly an Assistant Vice President of Chinatrust (Phils.) Commercial Bank Corp. under the Treasury Operations Services Division. He was also employed by Solidbank Corporation, and Interbank where he held various positions in the head office and branch operations. He obtained his degree in BSBA Accounting from University of the East and is a Certified Public Accountant.

**Joseph B. Estavillo**, Filipino, is an Audit Manager of the Audit Group. He has over twenty-three (23) years of banking experience in operations risk, banking operations, and operational process analysis. Prior to joining Exportbank, he was formerly an Assistant Vice President/Risk Consultant and Head of Operational Risk of the Rizal Commercial Banking Corp. He was also employed by Metropolitan Bank and Trust Company (formerly Solidbank), Bank of Commerce and Bank of Boston of the Philippines/Commercial Bank of Manila. He obtained his BSBA Economics degree from San Sebastian College.

**Carlos Oliver L. Leytte**, Filipino, is a Trust Marketing Officer of the Trust Banking Group. He has over eight (8) years of banking experience. He previously worked for the Rizal Commercial Banking Corporation, for Banco de Oro Universal Bank, for Standard Chartered Bank, for China Banking Corporation, and for Eli Lilly Philippines. He graduated from San Beda College with a degree in BS Business Management and Entrepreneurship and received his Masters in Business Administration from the Ateneo Graduate School of Business.

**Virginia Christine F. Lopez**, Filipino, is a Trust Marketing Officer of the Trust Banking Group. She has over twenty-two (22) years of banking experience. She used to work with Insular Life Savings & Trust Company as First Vice President of the Private Funds Department. She also worked with Security Bankard Trust Co. as Assistant Manager of its Correspondent Banking Department and with the Bank of the Philippine Islands as Management Trainee under the Bank Officer's Development Program. She is a graduate of Maryknoll College with a degree in AB Mass Communications.

**Emelita Y. Manalang**, Filipino, is the Recruitment Head of Human Resources Management Group. She has over twenty-five (25) years of banking experience in recruitment, benefits planning and payroll administration. Prior to joining Exportbank, she previously worked with Union Bank of the Philippines as Benefits Planning and Payroll Administration Head for almost fifteen (15) years. She was also employed by Citytrust Banking Corp. (now Bank of the Philippine Islands) for almost ten (10) years. Ms. Manalang obtained her BSC Management degree from the College of the Holy Spirit.

**Francisco D. Maramba**, Filipino, is the Customer Relationship Manager for Wholesale Banking (Corporate Loans), Retail Banking Group. He has over fifteen (15) years of banking experience. He was previously a Senior Assistant Vice President of the Philippine National Bank, an Assistant Vice President of the United Coconut Planters Bank, and an Assistant Manager of PDCP Development Bank. He graduated from De La Salle University with a degree in BSC Business Management.

**Rodolfo C. Mariano**, Filipino, is an Assistant Compliance Officer. He has over twelve (12) years of banking experience in compliance, controllership and auditing. Prior to joining Exportbank, he worked with Security Bank Corporation as Deputy Compliance Officer for almost six (6) years and as Compliance Officer of its subsidiary. He was also with the Controllership for four (4) years. He had been employed by Metropolitan Bank & Trust Co. and Banco De Oro Savings & Mortgage Bank as Auditor. He obtained his degrees in BSC Accountancy and AB Philosophy from De La Salle University. He has completed MBA units from the same university.

**Marites P. Ong**, Filipino, is the Head of Trade Finance (Centralized Processing), Risk and Operations Management Group. She has over fifteen (15) years banking experience in trade finance, international operations (import and export) and remittance. Being a pioneer in Exportbank, she started as its Import Negotiator Staff until she rose to become an Assistant Vice President and the Head of Trade Finance. Prior to joining Exportbank, she previously worked with Equitable Banking Corporation in the International Dept. – Import Section for almost two (2) years. She was also employed by Lai-Lai International Hotel for a year. Ms. Ong obtained her degree in BS Tourism from the Centro Escolar University.

**Mark Anthony A. Padua**, Filipino, is the Head of the Regular Banking Unit of the Treasury Group. He has over sixteen (16) years of banking experience specifically in Treasury. Prior to joining Exportbank, he worked with Australia and New Zealand Bank. He was also employed by various banks such as Security Bank Corporation, Standard Chartered Bank, Solid Bank Corp., UCPB and Banco De Oro Universal Bank. He obtained his BS Industrial Engineering degree from the De La Salle University.

**Lyza C. Pamulaklakin**, Filipino, is the Head of Cash Management, Retail Banking Group. She has over fifteen (15) years of banking experience in the banking technology and operations. Prior to joining Exportbank, she worked as Customized Services Sr. Team Leader of Union Bank of the Philippines/ International Exchange Bank for almost ten (10) years. She obtained her degree in BSC Accounting from the College of the Holy Spirit.

**Ricarte Q. Pinlac**, Filipino, is the Corporate Governance Secretariat. He has over sixteen (16) years of banking experience. He was a former Product Manager/Sales & Marketing Manager of Executive Power Center (An American-Owned Company), the Regional Manager of Lifetime PlansInc./Pacific Plans. He was also employed by Centennial Savings Bank and Korea Exchange Bank where he held the positions of Compliance Officer & Internal Auditor, respectively. He obtained his degree in BSC Business Administration and Masters in Business Administration from the University of Santo Tomas.

**Maria Carmina P. Poblete**, Filipino, is the Sales Trainor of Training and Organization Development, Human Resources Management Group. She has over fourteen (14) years of banking experience in branch sales/marketing and loans. Prior to joining Exportbank, she previously worked with Security Bank Corporation as Business Manager for one of its branches. She was also employed by International Exchange Bank and Far East Bank & Trust Company. Ms. Poblete obtained her degree in BSC Marketing from the College of the Holy Spirit.

**Dino Bernardo T. Quiroz**, Filipino, is the Customer Relationship Manager for Commercial Banking II (Corporate Loans), Retail Banking Group. He previously worked as a Relationship Manager of Equitable PCIBank, Corporate Banking Group for almost six (6) years and with RCBC for four (4) years. He graduated from the University of the Philippines with a degree in BS Business Economics.

**Amalia D. Ribas**, Filipino, is the MIS and Corporate Planning Head of the Financial Control and Reports Group. She has over nineteen (19) years of banking experience in financial accounting, management reporting, strategic planning and budgeting and data warehousing. Prior to joining Exportbank, she worked with East West Banking Corp. in its MIS and Business Intelligence Department for three (3) years and in the Budget and Strategic Planning Department for eight (8) years. She was also employed by Far East Bank and Trust Company for eight (8) years. Ms. Ribas obtained her degree in BS Accounting from the College of the Holy Spirit.

**Isidro G. Sanvictores, Jr.**, Filipino, is the Head of Operations Network and Telecomms of the

Information Technology Group. He has over twenty-six (26) years experience in information technology, network, telecommunication and project management. Prior to joining Exportbank, he worked with Banco de Oro Universal Bank for eight (8) years in IT operations, and for PhilCom Corporation and Philippine Global Communications, Inc. He received his BS Electrical Engineering degree from Mapua Institute of Technology.

**Katrina B. Sanvictores**, Filipino, is a Sales Officer of the Rufino Branch, Retail Banking Group. She has over ten (10) years of banking experience. Prior to working for Exportbank, she was Vice President of Marketing at Orient Multifoods Manufacturing Corporation. She graduated with a degree in AB Applied Economics from the De La Salle University

**Donato Santiago F. Solis**, Filipino, is an Administrative Manager of the General Services Group. He has over twenty (20) years experience in design, construction, operation, maintenance of electric power systems, project management, facilities maintenance and property management. Prior to joining Exportbank, he previously worked with Rockwell Land Corporation as Head of Electrical Services/Tenancy Fit-out Coordination. He was also employed by D.M. Consunji, Inc., Subic Naval Facilities, Subic Bay, Philippines and O.V. Roy Construction, Inc. He obtained his BS Electrical Engineering degree from Mapua Institute of Technology. Mr. Solis is a licensed Professional Electrical Engineer.

**Johanna C. Tan**, Filipino, is an Account Officer for Corporate Loans, Retail Banking Group. She has over eleven (11) years of banking experience. Prior to joining Exportbank, she worked with Philippine Commercial Capital, Inc. as Vice President and Department Head of Credit Supervision & Research Group. She was also employed previously by Citigroup, Banco De Oro, Asia United Bank and Philippine Bank of Communications. She obtained her Bachelor of Science degree in Computer Science from AMA Computer University.

**Allan B. Sumagaysay**, Filipino, is the Head of Loans Processing (Centralized Processing), Risk and Operations Management Group. He has over twenty-six (26) years experience in banking, particularly in audit, treasury settlements, international operations (remittance and cables operation), commercial loans, credit examination and branches operations. He previously worked with Asiatrust Development Bank for eight (8) months but was re-hired by Exportbank. He was also employed by the International Corporate Bank for twelve (12) years. Mr. Sumagaysay obtained his BSC Accounting degree from Polytechnic University of the Philippines and is a Certified Public Accountant.

**Ma. Eloisa T. Tavera**, Filipino, is the Head of Compensation and Benefits, Human Resources Management Group. She has over twelve (12) years of banking experience. Prior to joining Exportbank, she worked for Sports & Games Entertainment, East West Bank and Capitol Development Bank. She obtained her degree in AB Behavioral Science and her Masters in Human Resources Management from the University of Santo Tomas (under thesis).

### **Significant Employees:**

The following are the other significant or key personnel of Exportbank who are expected to make a significant contribution to its business:

**Ma. Ayesha H. Aguiting**, Filipino, is the Branch Head of the Salcedo Branch, Retail Banking Group. She has over five (5) years of banking experience. She previously worked as Senior Manager of Asiatrust Bank and as Business Manager of Union Bank of the Philippines. She graduated from the

University of the Philippines with a degree in BS Social Works.

**Rogelio N. Aquino**, Filipino, Assistant Vice President, is the Branch Head of Las Piñas Branch, Retail Banking Group. He previously worked with Union Bank of the Philippines as an Assistant Vice President/Business Manager of the Greenbelt Branch and other various positions for twenty-one (21) years before joining Exportbank. He graduated with a degree in BSC Accounting from the Philippine College of Commerce.

**Nida L. Bernardo**, Filipino, is the Regional Sales Head of Metro Manila – North Area (Branch Banking), Retail Banking Group. She has over twenty-seven (27) years of banking experience. She worked with BPI Family Bank as Manager of the LRT Gotesco Branch before joining Exportbank. She graduated from the University of the East with a degree in BSBA Accounting.

**Jenny Co Chua Chan**, Filipino, is the Head for Cebu Plaridel Branch (Branch Banking), Retail Banking Group. She has over fifteen (15) years of banking experience, particularly in branch banking and sales and marketing. Prior to joining Exportbank, she worked with Chinatrust Commercial Bank as Business Manager, Robinsons Savings Bank, ABN-AMBRO Savings Bank, RCBC Savings Bank, Union Bank of the Philippines and RCBC – Manalili Branch. She obtained her Bachelor of Science degree in Commerce, Major in Accounting from the University of San Carlos.

**Elsie A. Ching**, Filipino, is the Regional Sales Head of the Binondo Area (Branch Banking), Retail Banking Group. She has over twenty-eight (28) years of banking experience particularly in branch banking. Prior to joining Exportbank, she had worked with Union Bank of the Philippines (merged with International Exchange Bank) as Branch Head for four (4) years and for various banks such as Chinabank, Citytrust Banking Corp. and Metropolitan Bank & Trust Company. Ms. Ching obtained her BSBA Marketing degree from the University of the East.

**Annalyn D. Delos Santos**, Filipino, is the Head of the Rufino Branch (Branch Banking), Retail Banking Group. She has over thirteen (13) years of banking experience. She was previously a Branch Manager of the Security Bank Corporation and two (2) branches of the International Exchange Bank. She had also worked as Sales Officer for the International Exchange Bank for two (2) years. She graduated with a degree in BS Business Administration from the *Pamantasan ng Lungsod ng Maynila* and worked for an MBA from the same university.

**Desiree M. Fanlo**, Filipino, is the Head of the Davao Branch (Branch Banking), Retail Banking Group. She has over twenty-seven (27) years of banking experience. She was previously a Senior Manager of then Urban Bank, Davao Branch. She graduated from the University of Mindanao with a degree in BSC Accounting.

**Zosimo C. Lim**, Filipino, is the Branch Head of Cebu Business Park (Branch Banking), Retail Banking Group. He has over twenty-six (26) years of banking experience. Prior to joining Exportbank, he was previously the Business Manager of Union Bank of the Philippines, Cebu Colon Branch. He was also employed by Pilipinas Bank, Producers Bank and Citytrust Banking Corp. He graduated from the University of San Jose Recolletos, Cebu City with a degree in BSC Accounting.

**Reynaldo D. Ong**, Filipino, is a Sales Officer of the Cabanatuan Branch (Branch Banking), Retail Banking Group. He has over thirty-eight (38) years of banking experience. He previously worked as a Senior Manager of PDCP Bank (FirstBank) before joining Exportbank. He graduated from the Far Eastern University with a BSC Accounting degree.

**Annie Rose C. Paraan**, Filipino, is the Regional Sales Head of North Luzon Area (Branch Banking), Retail Banking Group. She has over twenty-nine (29) year of banking experience in branch banking and credit card businesses. Prior to joining Exportbank, she previously worked with Metropolitan Bank & Trust Co. as Senior Manager/Branch Head. She was also employed by Equitable Card Network, Inc., Baguio City, EquitablePCIBank and Prudential Bank. Ms. Paraan obtained a degree in BSC Business Management and Master of Science in Business Administration degree from Saint Louis University, Baguio City.

**Vivian C. Rada**, Filipino, is the Branch Head of Roosevelt Branch (Branch Banking), Retail Banking Group. She has over nineteen (19) years of banking experience. She was a former Vice President/Area Head of PSBank and was also employed by Planters Development Bank, Asiatrust Development Bank, and Global Business Bank (Formerly Asianbank Corp.). She obtained her degree in BSBA Accounting from the University of the East and is a Certified Public Accountant.

**Maria Dinna E. Torres**, Filipino, is the Manager for Buendia Avenue- Pasong Tamo Branch ((Branch Banking), Retail Banking Group. She has over sixteen (16) years of banking experience in sales and marketing. Prior to joining Exportbank, she previously worked with Citibank Savings, Inc. and with Rizal Commercial Banking Corporation. She holds a Bachelor of Science degree in Economics from the University of the Philippines.

#### **Term of Office:**

The corporate officers of Exportbank are appointed/elected by the Board of Directors at the organizational meeting following the stockholders' meeting for a term of one (1) year and until their successors are appointed/elected and have qualified in accordance with its By-laws. The Board of Directors may, from time to time, appoint such other officers as it may determine to be necessary or proper.

#### **Family Relationship**

The abovementioned names of incumbent directors, executive officers or persons nominated or chosen to become directors or executive officers of Exportbank are not related to each other except for incumbent Chairman Jaime C. Gonzalez and his wife Director Marie Constance Y. Gonzalez and Vice Chairman Alfredo M. Yao and his son Director Jeffrey S. Yao.

#### **Involvement in Certain Legal Proceedings**

The above-named directors and executive officers of Exportbank have not been involved, during the past five (5) years, in any bankruptcy proceeding, any conviction in a criminal proceeding, or any order or judgment enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities, nor in any proceeding involving violation of securities or commodities laws or regulations.

### **ITEM 10. EXECUTIVE COMPENSATION**

#### **a. Compensation of Directors and Executive Officers**

Section 11, Article IV of Exportbank's By-laws provides –

“The Chairman, Vice Chairman and President shall be entitled to such fixed and incremental compensation as shall be periodically determined by the Board of Directors; provided, that the determination of the appropriate compensation shall be made by the Board of Directors at least once a year.

“Other officers and staff shall be entitled to such fixed and incremental compensation as shall be periodically determined by (the) Human Resources Management, Compensation and Remuneration Committee, concurred in by the Vice Chairman, and confirmed by the Executive Committee or the Board of Directors, as the case may be, depending on the position.

“A director shall not be precluded from serving (Export)bank in any other capacity as an officer, agent or otherwise, and receiving compensation therefor.”

#### Compensation for 2007

<i>Name and Principal Position</i>	<i>Year</i>	<i>Salary</i>	<i>Bonus</i>	<i>Other</i>
Directors and Executives	2005	₱11.635MM	₱2.909MM	None
	2006	₱16.622MM	₱3.765MM	None
	2007	₱29.782 MM	₱8.288MM	None

Mr. Jaime C. Gonzalez – Chairman  
 Mr. Nilo L. Pacheco, Jr. – President  
 Mr. Douglas Chew – Executive Vice President  
 Mr. Benedicto Jose R. Arcinas – Executive Vice President<sup>12</sup>  
 Mr. Juan Victor S. Tanjuatco. – Executive Vice President  
 Mr. Jorge S. Payawal – Senior Vice President  
 Mr. Alex Luis M. Pesigan – Senior Vice President<sup>13</sup>  
 Mr. Sai Chong Cheng – Senior Vice President  
 Mr. Gerardo V. Munda – First Vice President<sup>14</sup>  
 Ms. Leila L. Dejan – First Vice President<sup>15</sup>

<i>Name and Principal Position</i>	<i>Year</i>	<i>Salary</i>	<i>Bonus</i>	<i>Other</i>
Officers (as a group unnamed)	2005	₱78.643MM	₱19.661MM	None
	2006	₱95.937MM	₱16.612MM	None
	2007	₱94.431 MM	₱23.608MM	None

<sup>12</sup> Assumed office in June 2007.

<sup>13</sup> Assumed office in September 2007.

<sup>14</sup> Resignation effective as of 15 June 2008.

<sup>15</sup> Assumed office in July 2007.

### Estimated Compensation for 2008

<i>Name and Principal Position</i>	<i>Year</i>	<i>Salary</i>	<i>Bonus</i>	<i>Other</i>
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Directors and Executives –	2008	₱35.055MM	₱8.764MM	None
Officers (as a group unnamed)		₱138.80MM	₱34.70MM	

#### **b. Standard Arrangement/Material Terms of Any Other Arrangement/Terms and Conditions of Employment Contract with Above Named Corporate/Executive Officers**

##### Standard Arrangements

Section 10, Article III of Exportbank's By-laws provide that "the Board of Directors is empowered and authorized to fix and determine the compensation of its members xxx." Pursuant to this provision, to compensate the members of the Board, a *per diem* of ₱7,500.00 is given to each director for each board of director's meeting (special or regular) attended.

##### Other Arrangements

With the exception of the Executive Directors<sup>16</sup>, each director is also paid a *per diem* of ₱2,500.00 for each committee meeting he has attended, of which he is a member. These committees are the Executive Committee, Credit Committee, Risk Management Committee, Trust and Investments Committee, Audit Committee, Human Resources Management, Compensation and Remuneration Committee, Nomination Committee, Asset and Liability Committee and Corporate Governance Committee.

##### Warrants and Options Outstanding: Repricing

Article X of Exportbank's By-laws provides that

"The Board of Director shall establish and manage a Management Incentive Plan for the exclusive benefit of the officers and supervisors of the Bank. The Plan shall operate as a profit sharing trust plan, to which the Bank shall contribute a share of its earnings, and which shall primarily invest in the common capital stock of the Bank and in equity undertakings by the Bank. It shall serve as the collective medium for the Bank's officers and supervisors to be effective co-owners sharing in the risks and gains of the Bank. The Plan shall be administered by a Board of Trustees elected/appointed from among the officers and/or supervisors of the Bank.

"The Plan shall be in such form and under such terms and conditions as shall be prescribed by the Board of Directors. Such Plan and subsequent amendments, upon the approval of the Board shall be deemed incorporated as an integral part of this provision."

At present, there is no implementing guidelines and procedure for the above plan approved by Exportbank's Board of Directors.

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<sup>16</sup> They are President Nilo L. Pacheco, Jr., Executive Vice President Douglas Chew, Senior Vice President Sai Chong Cheng, and Chief Compliance Officer Edna Daguinsin-Reyes.

**ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT<sup>17</sup>**

**a. Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Voting Shares (as of 30 September 2008)**

<i>Title of Class</i>	<i>Name &amp; Address of Record Owners and Relationship with Issuer</i>	<i>Citizenship</i>	<i>Amount &amp; Nature of Ownership</i>	<i>% of Ownership</i>
Common B	<b>Ridderbrecht B.V.</b> <i>Stockholder</i> 1043 BW Amsterdam, Naritaweg 165 Telestone 8 1043 BW Amsterdam	Netherlands	2,199,000,000 <sup>18</sup> <u>Record</u> <sup>19</sup>	11.61%
Common B	<b>Lead Bancfund Holdings, Inc.</b> <i>Stockholder</i> 31/F Rufino Pacific Tower 6784 Ayala Avenue Makati City	Filipino	1,900,000,000 <sup>20</sup> <u>Record and Beneficial Owner</u>	10.03%
Common B	<b>Apex Bancrights Holdings, Inc.</b> <i>Stockholder</i> 31/F Rufino Pacific Tower 6784 Ayala Avenue Makati City	Filipino	1,900,000,000 <sup>21</sup> <u>Record and Beneficial Owner</u>	10.03%
Common B	<b>Extra Year Investments Ltd.</b> <i>Stockholder</i> PO Box 957 Offshore Incorporations Center, Road Town, Tortola	British Virgin Islands	1,799,000,000 <sup>22</sup> <u>Record</u> <sup>23</sup>	9.50%

<sup>17</sup> Figures are based on the total common voting shares of Exportbank as of 30 September 2008. Preferred shares, which are non-voting, are not included and are not factored in the computation of percentages.

<sup>18</sup> The shares will be voted by Mr. Jaideep Krishna, or in his absence, by Mr. Jaime C. Gonzalez, both with business address at Export and Industry Bank, Inc., 37/F Exportbank Plaza, Exportbank Drive corner Chino Roces Avenue, Makati City.

<sup>19</sup> The registered shareholder and beneficial owner is Ellebasi S.á.r.l. (Luxembourg).

<sup>20</sup> The shares, together with those of Medco Asia Investment Corporation, will be voted by Mr. John L.W. Lee, or in his absence, by either Mr. Albert S. Cheok, Mr. Dionisio E. Carpio, Jr. or Mr. Sai Chong Cheng, all with business address at Export and Industry Bank, Inc., 37/F Exportbank Plaza, Exportbank Drive corner Chino Roces Avenue, Makati City.

<sup>21</sup> *Ibid.*

<sup>22</sup> The shares will be voted by Mr. Rainer Silhavy, or in his absence, by Mr. Douglas Chew, both with business address at Export and Industry Bank, Inc., 37/F Exportbank Plaza, Exportbank Drive corner Chino Roces Avenue, Makati City.

<sup>23</sup> The registered shareholder is Mr. Lee Jim Yong Jimmy and the beneficial owner is Raiffeisen Zentralbank Oesterreich Altengesellschaft.

	British Virgin Islands			
Common B	<b>Asia Wide Refreshments Corp.</b> <i>Stockholder</i> Philippine Business Bank Bldg. Corner 8 <sup>th</sup> Avenue and Rizal Avenue, Caloocan City	Filipino	1,600,000,000 <sup>24</sup> <u>Record and Beneficial Owner</u>	8.45%
Common A	<b>Medco Asia Investment Corp.</b> <i>Stockholder</i> 31/F Rufino Pacific Tower 6784 Ayala Avenue, Makati City	Filipino	21,300,000 <u>Record and Beneficial Owner</u>	7.84%
Common B			1,464,285,600 <u>Record and Beneficial Owner</u>	
Common A	<b>Alfredo M. Yao</b> <i>Stockholder/Vice Chairman</i> 84 Dapitan Street, Quezon City	Filipino	1,000,000 <u>Record and Beneficial Owner</u>	6.34%
Common B			1,200,000,000 <u>Record and Beneficial Owner</u>	
Common B	<b>Zest-O Corporation</b> <i>Stockholder</i> 574 EDSA Quezon City 6784 Ayala Avenue, Makati City	Filipino	1,120,275,804 <u>Record and Beneficial Owner</u>	5.92%

**b. Security Ownership of Management (as of 30 September 2008)**

Common B	<b>Jaime C. Gonzalez</b> Director/Chairman of the Board	Filipino	399,000,000 <u>Record and Beneficial Owner</u>	2.11 %
Common A	<b>Alfredo M. Yao</b> Director/Vice Chairman	Filipino	1,201,000,000 <u>Record and Beneficial Owner</u>	6.34 %
Common A	<b>Albert S. Cheok</b> Director/Vice Chairman	Australian	1,000,000 <u>Record and Beneficial Owner</u>	0.05 %

<sup>24</sup> The shares, together with those of Zest-O Corporation, will be voted by Mr. Alfredo M. Yao, or in his absence, by Mr. Jeffrey S. Yao, both with business address at Export and Industry Bank, Inc., 37/F Exportbank Plaza, Exportbank Drive corner Chino Roces Avenue, Makati City.

Common B	<b>Nilo L. Pacheco, Jr.</b> Director/President	Filipino	1,000,000 <u>Record and Beneficial Owner</u>	0.05 %
Common A	<b>Dionisio E. Carpio, Jr.</b> Director	Filipino	1,000,001 <u>Record and Beneficial Owner</u>	0.05 %
Common A	<b>Sai Chong Cheng</b> Director/Senior Vice President	British	1,000,001 <u>Record and Beneficial Owner</u>	0.05 %
Common A	<b>Douglas Chew</b> Director/Executive Vice President	Singaporean	1,000,000 <u>Record and Beneficial Owner</u>	0.05 %
Common B	<b>Marie Constance Y. Gonzalez</b> Director	Filipino	1,000,000 <u>Record and Beneficial Owner</u>	0.05 %
Common B	<b>Jaideep Krishna</b> Director	Indian	1,000,000 <u>Record and Beneficial Owner</u>	0.05 %
Common A	<b>John Luen Wai Lee</b> Director	British/HK National	1,000,000 <u>Record and Beneficial Owner</u>	0.05 %
Common A	<b>Antonio I. Panajon</b> Director	Filipino	1,000,000 <u>Record and Beneficial Owner</u>	0.05 %
Common A	<b>Joseph N. Pineda</b> Director	Filipino	1,000,000 <u>Record and Beneficial Owner</u>	0.05 %
Common A	<b>Edna Daguinsin-Reyes</b> Director/Chief Compliance Officer	Filipino	1,000,001 <u>Record and Beneficial Owner</u>	0.05 %
Common B	<b>Rainer Silhavy</b> Director	Austrian	1,000,000 <u>Record and Beneficial Owner</u>	0.05 %
Common A	<b>Jeffrey S. Yao</b> Director	Filipino	1,000,000 <u>Record and Beneficial Owner</u>	0.05 %

Common A	<b>Roberto A. Atendido</b> Independent Director	Filipino	1,000,000 <u>Record and Beneficial</u> Owner	0.05 %
Common B	<b>George V. Cunanan</b> <sup>25</sup> Independent Director	Filipino	1,000,000 <u>Record and Beneficial</u> Owner	0.05 %
Common A	<b>Imelda S. Singzon</b> <sup>26</sup> Independent Director	Filipino	1,000,000 <u>Record and Beneficial</u> Owner	0.05 %
None	<b>Benedicto Jose R. Arcinas</b> Treasurer	Filipino	0	N.A.
None	<b>Daisy P. Arce</b> Corporate Secretary	Filipino	0	N.A.
None	<b>Riva Khristine V. Maala</b> Assistant Corporate Secretary/ Corporate Information Officer	Filipino	0	N.A.
Common A	<b>Andres F. Ibarra</b> Vice President	Filipino	62,000 <u>Record and Beneficial</u> Owner	0.00 %
Common A	<b>Pedro M. Cadavida, Jr.</b> Vice President	Filipino	1 <u>Record and Beneficial</u> Owner	0.00 %

**c. Voting Trust Holders of 5% or More**

The is no voting trust holder registered in the books of Exportbank who holds 5% or more of the outstanding capital stock.

**d. Changes in Control**

In order to give way to the additional capital infusion into Exportbank of at least ₱3.0 Billion, the stockholders, during its Special Stockholders' Meeting held on 25 January 2006, approved the

<sup>25</sup> Resigned as of 31 August 2008.

<sup>26</sup> Elected during the 07 March 2008 Board of Directors' Meeting effective immediately.

amendment of Exportbank's Articles of Incorporation consisting of the following:

- a) The reduction in the par value of Exportbank's common shares from ₱1.00 per share to ₱0.25 per share, with the consequent decrease of its authorized capital stock from ₱7.50 Billion divided into 6.0 Billion common shares and 1.5 Billion preferred shares both with the par value of ₱1.00 per share, to ₱2,188,312,189.00 divided into 2,753,248,756 common shares with the par value of ₱0.25 per share, and 1,500,000,000 preferred shares with the par value of ₱1.00 per share; and,
- b) The increase of the authorized capital stock from ₱2,188,312,189.00 divided into 2,753,248,756 common shares with a par value of ₱0.25 per share and 1,500,000,000 preferred shares with a par value of ₱1.00 per share, to ₱7,500,000,000.00 divided into 2,753,248,756 Common "A" shares and 21,246,751,244 Common "B" shares (a total of 24,000,000,000 common shares), both with a par value of ₱0.25 per share, and 1,500,000,000 preferred shares with a par value of ₱1.00 per share.

On 10 April 2006, the Securities and Exchange Commission (SEC) approved the amendment of the Exportbank's Articles of Incorporation insofar as the reduction in the par value of its common shares and the decrease in its authorized capital stock. On the other hand, the increase in the authorized capital stock and the reclassification of Exportbank's common shares into Common "A"<sup>27</sup> and Common "B"<sup>28</sup> were approved on 24 April 2006.

As a result of the additional capital infusion, the shareholdings of the stockholders existing prior to the SEC approval of the amendment of Exportbank's Articles of Incorporation were effectively diluted. A new control group consisting of certain existing major shareholders of the Exportbank and other local investors who infused said additional capital now hold more or less ninety percent (90%) of the Exportbank's outstanding capital stock.

An Annual Stockholders' Meeting was held on 26 May 2006 and as expected, the new control group caused the election of their respective nominees to the Board of Directors for the term 2006-2007 until their respective successors are duly elected and qualified.

At the Organizational Meeting of Exportbank's Board of Directors held on the same day as the Annual Stockholders' Meeting, the Board unanimously elected the following as corporate officers of the Exportbank for the year 2006-2007:

Chairman of the Board	-	Mr. Jaime C. Gonzalez
Vice Chairman and Treasurer	-	Mr. Alfredo M. Yao
Vice Chairman	-	Mr. Albert S. Cheok
President	-	Mr. Benjamin P. Castillo
Corporate Secretary	-	Atty. Daisy P. Arce
Assistant Corporate Secretary	-	Atty. Riva Khristine V. Maala

On 31 October 2006, Mr. Castillo resigned as President and Director of Exportbank and Chairman Gonzalez became Acting President on 01 November 2006 in a concurrent capacity.

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<sup>27</sup> Refers to common shares issued and outstanding in Exportbank's books as of the date of the approval of the SEC of the new par value of Exportbank's common shares at ₱0.25 per share, *i.e.* 10 April 2006.

<sup>28</sup> Refers to common shares issued after 10 April 2006.

Mr. Nilo L. Pacheco, Jr. was elected as President on 02 March 2007 and assumed the Presidency on 24 April 2007.

Mr. Alfredo M. Yao was concurrently Vice President and Treasurer of Exportbank from 26 May 2006 until 27 April 2007. Mr. Benedicto Jose R. Arcinas was appointed Treasurer of Exportbank on 25 May 2007 and assumed the position on 01 June 2007.

In the forthcoming annual meeting scheduled on 05 December 2008, there will be no discussion on any arrangement which may result in any change in control of Exportbank.

## **ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

In the ordinary course of business, Exportbank has loans and other transactions with its affiliates and with certain directors, officers, stockholders and related interests (DOSRI).

Pursuant to policies embodied under the Manual of Regulations for Banks, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The General Banking Act and BSP regulations limit the amount of loans to each subsidiary and affiliate to 25% of the capital funds. In the aggregate, DOSRI loans generally should not exceed Exportbank's capital funds or 15% of the total loan portfolio, whichever is lower. Additionally, the amount of individual loans to DOSRI of which seventy percent (70%) must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in Exportbank.

Exportbank sold in favor of EIB Realty Developers, Inc. its remaining non-core assets, which include various condominium units and parking slots located in Exportbank Plaza, the details of which are discussed in pages 75, 82 and 112 of the Audited Financial Statements hereto attached and forms an integral part hereof.

## **PART IV – CORPORATE GOVERNANCE**

### **ITEM 13. CORPORATE GOVERNANCE**

Exportbank is committed to the highest standards of corporate governance. Exportbank believes that ethical practice, transparency and accountability should be a responsibility of all, officers and staff alike. This is essential to creating enduring relationships with all stakeholders and in optimizing long-term shareholder value.

Guided by the rules set the Securities and Exchange Commission and in keeping with new international regulations, Exportbank crafted its own Corporate Governance Code and strictly abides by it. Compliance with the Code is monitored according to the Corporate Governance Monitoring and Evaluation System.

Members of the Board of Directors and senior officers of Exportbank are required to attend a course on corporate governance in order to understand and implement its basic principles consistently, evenly and satisfactorily throughout the corporate organization.

In line with its commitment to corporate governance, Exportbank has institutionalized a structure for compliance. Under this structure, the Board delegates specific responsibilities to the Executive Committee, Corporate Governance Committee, Risk Management Committee, Audit Committee, Trust and Investment Committee, Human Resources Management, Compensation and Remuneration Committee, Nomination Committee, and Assets and Liabilities Committee.

The Corporate Governance Committee assists the Board in fulfilling its corporate governance responsibilities. This Committee rigorously promotes, monitors and enforces the Exportbank's Corporate Governance Code. Its functions have been expanded to include overseeing and monitoring the overall compliance of Exportbank with the Compliance Program and the Anti-Money Laundering Program of the *Bangko Sentral ng Pilipinas* (BSP). To ensure the Committee's effectiveness and independence, two (2) independent directors are members of the Committee and the Committee is chaired by an independent director.

As of the date hereof, Exportbank has been cited by the SEC and the Philippine Stock Exchange, Inc. for its delayed submission of this Report and its Quarterly Reports for the periods ended 31 March 2008 and 30 June 2008. The delay stemmed from the sale of Exportbank's remaining non-core assets, which include various condominium units and parking slots located in Exportbank Plaza, in favor of EIB Realty Developers, Inc. The sale was executed<sup>29</sup> in accordance with Exportbank's business plan on the basis of which its new investors infused additional capital in 2006. Selling these non-core assets would unlock their value and enable Exportbank to concentrate on its core competencies.

As the conditions of the sale have an impact on the financial statements of Exportbank, its Annual Report and Audited Financial Statements for the period ending 31 December 2007 were not finalized within the legally prescribed period. Inasmuch as the 2007 Audited Financial Statements of Exportbank will be used in the preparation of its SEC Form 17-Q for the first and second quarters of 2008, the same was likewise not finalized.

Exportbank continues to strengthen its corporate governance by regularly updating this Code to conform to leading principles and practices, as well as to the latest laws, rules and regulations, and various circulars of the BSP. The foregoing deviations are not deliberate and were constrained by the circumstances.

## **PART V - EXHIBITS AND SCHEDULES**

### **ITEM 13. EXHIBITS AND REPORTS ON SEC FORM 17-C**

- a. Exhibits** – Please see accompanying Index to Exhibits.
- b. Reports on SEC Form 17-C**

SEC Form 17-C (Current Report) which had been filed in the last quarter of 2007 up to 30 September 2008 includes the execution of a Memorandum of Agreement between Exportbank and I-Pay Commerce Ventures, Inc. (28 September 2007); the retirement of Atty. Cesar P. Sunaz as Exportbank's Trust Officer and Head of the Trust Banking Group and the assumption of the vacated positions by Mr. Joseph Gerard D. Tiamson (25 October 2007); the amendment of the Corporate Governance Code (09 November 2007); the resignation of Mr. Ignacio D. Maramba as Independent Director effective on 31 December 2007 (10

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<sup>29</sup> 28 December 2007.

December 2007); the scheduling of the annual stockholders' meeting on 30 May 2008 (28 January 2008); the election of Ms. Imelda S. Singzon as an Independent Director in replacement of Mr. Maramba, the venue of the annual stockholders' meeting and the resignation of Ms. Ma. Lilibeth C. Paradero as the Head of the Human Resources and Management Group (07 March 2008); the appointment of Mr. Randall Rogelio A. Evangelista as Head of the Information Technology Group in replacement of Mr. Josemaria P. Valdez who has resigned effective on 15 May 2008 and the postponement of the annual stockholders' meeting to an indefinite date (23 April 2008); the amendment of the Corporate Governance Code (05 June 2008); and, the resignation of Mr. George V. Cunanan as Independent Director effective as of 31 August 2008 and the holding of the annual stockholders' meeting on 05 December 2008, 8:30 A.M. at the Makati Sports Club, Makati City (24 September 2008).

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**SIGNATURE PAGE**

Pursuant to the requirements of Section 17 of the Securities Regulations Code and Section 141 of the Corporation Code, this Report is signed on behalf of the issuer in **Makati City** on this \_\_\_ day of **October 2008**.

**EXPORT AND INDUSTRY BANK, INC.**

*Issuer*

By:

  
**JAIME C. GONZALEZ**

*Chairman of the Board*

CTC No. 13266524/01.15.08/Manila

  
**NILO L. PACHECO, JR.**

*President*

CTC No. 07783602/01.10.08/Manila

  
**TERESITA Q. DE OCAMPO**

*Chief Financial Officer*

CTC No. 12237570/01.04.08/Manila

**OCT 13 2008**

SUBSCRIBED AND SWORN to before me this \_\_\_<sup>th</sup> day of **October 2008** at Makati City, Philippines, affiants exhibiting their respective Community Tax Certificates as above indicated.

Doc. No. 332;  
Page No. 67;  
Book No. 10;  
Series of 2008.

  
**ISMAEL C. BILLENA, JR.**

NOTARY PUBLIC

Until Dec. 31, 2009

PTR No. 0984575J; 1.2.2008 Makati

Roll of Attorneys No. 40560

Life Member Roll No. 03766

IBP # 605573; 01.08.04 Manila 4

**AGGREGATE MARKET VALUE OF VOTING STOCK  
HELD BY TOP TEN NON-AFFILIATES  
as of 31 December 2007**

<u>Shareholders</u>	<u>Number of Shares</u>	<u>Market Price of Shares* (₱)</u>	<u>Total Amount (₱)</u>
1. E.Securities (Under PDTC)	80,209,239	0.38	30,479,510.82
2. Venture Securities, Inc. (Under PDTC)	55,236,196	0.38	20,989,754.48
3. First Integrated Capital Securities, Inc.	41,310,000	0.38	15,697,800.00
4. Tower Securities, Inc.	41,164,042	0.38	15,642,335.96
5. Solar Securities, Inc.	36,699,723	0.38	13,945,894.74
6. Regina Capital Development Corporation	27,192,867	0.38	10,333,289.46
7. Abacus Securities Corporation	26,914,109	0.38	10,227,361.42
8. New World Securities Co., Inc.	25,000,300	0.38	9,500,114.00
9. Standard Securities Corporation	23,510,014	0.38	8,933,805.32
10. Yao & Zialcita, Inc.	23,060,272	0.38	8,762,903.36

\* Closing Price as of 31 December 2007.

**EXPORT AND INDUSTRY BANK, INC.****AGING OF ACCOUNT RECEIVABLE**

As of December 31, 2007

(In Thousand Pesos)

	<b>31-60</b>	<b>61-90</b>	<b>91-180</b>	<b>180-360</b>	<b>Over 1 Year</b>	<b>Total</b>
<b>Loans/Trade</b>					2,007	2,007
<b>Atm</b>	34,973					34,973
<b>SPV Co.</b>	725	414	2,259	6,548	6,480	16,426
<b>Tenants- EIB Plaza</b>	2,220				1,224	3,444
<b>Branches</b>	250					250
<b>Others</b>	10,594	48	1,775	93,598	223,244	329,259
	<b>48,761</b>	<b>462</b>	<b>4,034</b>	<b>100,147</b>	<b>232,955</b>	<b>386,359</b>

## EXPORT AND INDUSTRY BANK, INC.

### INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES FORM 17-A, ITEM 7

#### Consolidated Financial Statements\*

##### Page No.

Statement of Management's Responsibility for Financial Statements	64
Report of Independent Public Accountants	
Consolidated Balance Sheet as of December 31, 2006 and 2005	
Consolidated Statement of Income and Retained Earnings for the years Ended December 31, 2006 and 2005	
Consolidated Statements of Cash Flows for the years ended December 31, 2006 and 2005	
Notes to Financial Statements	

#### Supplementary Schedules

A. Marketable Securities	NA
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders	NA
C. Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments	NA
D. Indebtedness of Unconsolidated Subsidiaries and Affiliates	NA
E. Property, Plant and Equipment	NA
F. Accumulated Depreciation	NA
G. Intangible Assets-Other Assets	NA
H. Long Term Debt	
I. Indebtedness to Affiliates and Related Parties (Long-Term Loans From Related Companies)	NA
K. Guarantees of Securities of Other Issuers	NA
L. Capital Stock	
M. Aggregate market value of voting stock held by Top 10 non-affiliates	Annex 1

#### Supplementary Annex

N. Aging of Accounts Receivable	Annex 2
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# EXPORT AND INDUSTRY BANK

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


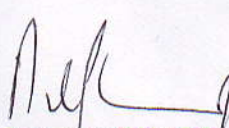

The Management of **EXPORT AND INDUSTRY BANK, INC.** (the "Bank") is responsible for all information and representation contained in the financial statements for the years ended 31 December 2007 and 2006. The financial statements have been prepared in accordance with the financial reporting standards in the Philippines for banks and financial institutions 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, and 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 weakness in the internal controls; and, (iii) any fraud that involves Management or other employees who have significant roles in internal control.

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

Punongbayan & Araullo, the independent auditor appointed by the stockholders, has examined the financial statements of the Bank in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

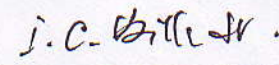
Signed under oath by the following:

		
<b>JAIME C. GONZALEZ</b> <i>Chairman of the Board</i>	<b>NILO L. PACHECO, JR.</b> <i>President</i>	<b>TERESITA Q. DE OCAMPO</b> <i>Chief Financial Officer</i>
CTC 13266524/01.15.08/Manila	CTC 07783602/01.10.08/Manila	CTC 12237570/01.04.08/Manila

OCT 13 2008

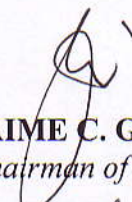
SUBSCRIBED AND SWORN to before me this 13<sup>th</sup> day of **October 2008**, affiants exhibiting their respective Community Tax Certificates as above indicated.

Doc. No. 331  
Page No. 67  
Book No. 111  
Series of 2008.

  
**ISMAEL C. BILLENA, JR.**  
NOTARY PUBLIC  
Until Dec. 31, 2009  
PTR No. 0984575J; 1.2.2008 Makati  
Roll of Attorneys No. 40560  
Life Member Roll No. 03766  
IBP # 605573; 01.08.04 Manila 4

## UNDERTAKING

**EXPORT AND INDUSTRY BANK, INC. (“Exportbank”)** undertakes to provide, without charge, a copy of its Annual Report, SEC Form 17-A, to any person soliciting a copy thereof upon written request addressed to the Office of the Corporate Secretary or the Financial Control and Reports Group of Exportbank with principal office address at the Exportbank Plaza, Exportbank Drive corner Chino Roces Avenue, Makati City.



**JAIME C. GONZALEZ**  
*Chairman of the Board*



**NILO L. PACHECO, JR.**  
*President*



**TERESITA Q. DE OCAMPO**  
*Chief Financial Officer*