

"A"

COVER SHEET

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S.E.C. Registration Number

B A N C O D E O R O U N I V E R S A L B A N K

(COMPANY'S FULL NAME)

1 2 A D B A V E N U E O R T I G A S C E N T E R

M A N D A L U Y O N G C I T Y

(BUSINESS ADDRESS: NO. STREET CITY/TOWN/PROVINCE)

ALBERTO D. REYES/RUBY A. CRUZ

Contact Person

702-6000 LOC 5325/5326

Company Telephone Number

0 6

Month

3 0

Day

S E C 1 7 - Q

Form Type

0 5

Month

2 6

Day

Annual Meeting

Secondary License type, if applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

1,823

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be Accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Stamps

Remarks: Pls. Use black ink of scanning purposes

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer..... **BANCO DE ORO UNIVERSAL BANK**

Signature and Title..... **LUCY CO DY**
SVP/COMPTROLLER

Date..... **October 14, 2005**

Principal Financial /Accounting
Officer/Comptroller..... **LUCY CO DY**

Signature and Title..... SVP/COMPTROLLER

Date..... **October 14, 2005**

Note: Original signed

SEC FORM 17-Q

I hereby certify that all the information set forth in the above report are true and correct of my own knowledge.

LUCY CO DY (SVP Comptroller)
Authorized Signatory
(PRINTED NAME & DESIGNATION)

REPUBLIC OF THE PHILIPPINES }
CITY OF MANDALUYONG } S.S.

SUBSCRIBED AND SWORN TO before me this 14th day of October,

2005, the above affiant exhibiting to me his/her described Competent Evidence of Identity ("CEI"):

Name	CEI	Date & Place Issued
Lucy Co Dy	Passport – JJ891301	06.06.2002/Manila

Atty. CRISTINA G. NGO

Notary Public until 12/31/05, Mandaluyong City
No. 12 ADB Avenue Ortigas Center, Mandaluyong Ci
Roll No. 38228, IBP Lifetime Member No. 02468
PTR No. 0293755, Mandaluyong City. 01/05/04

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Book No. XVII
Series of 2005

* To be signed by any of the following officers pursuant to a Board Resolution filed with the Commission

1. Chief Operating Officer
2. Chief Financial Officer
3. Comptroller or Treasurer

Note: Original signed

BANCO DE ORO UNIVERSAL BANK & SUBSIDIARIES
12 ADB Ave. Ortigas Center, Mandaluyong City

CONDENSED STATEMENT OF INCOME & EXPENSES
(In Thousand Pesos)

	For the six-month Period ended <u>Jun 30, 2005</u>	For the six-month Period ended <u>Jun 30, 2004</u>	Quarter ending <u>Jun 30, 2005</u>	Quarter ending <u>Jun 30, 2004</u>
Interest Income				
Receivable from customers	P 2,923,709	P 2,525,322	P 1,492,099	P 1,320,770
Trading account securities and investments	3,607,484	2,243,014	1,967,745	1,196,222
Interbank loans receivable	355,275	445,857	176,727	173,060
Due from other banks	104,439	70,578	61,118	37,293
Total Interest Income	<u>6,990,907</u>	<u>5,284,771</u>	<u>3,697,689</u>	<u>2,727,345</u>
Interest Expenses				
Deposit liabilities	2,841,990	2,313,628	1,458,533	1,173,362
Bills payable and other borrowings	865,243	694,614	503,445	379,358
Total Interest Expenses	<u>3,707,233</u>	<u>3,008,242</u>	<u>1,961,978</u>	<u>1,552,720</u>
Net Interest Income	<u>3,283,674</u>	<u>2,276,529</u>	<u>1,735,711</u>	<u>1,174,625</u>
Provision for Probable Losses	713,527	346,702	365,928	206,817
Net Interest Income after Provision for Probable Losses	<u>2,570,147</u>	<u>1,929,827</u>	<u>1,369,783</u>	<u>967,808</u>
Other Income				
Trading Gain	676,352	385,139	427,213	136,997
Service charges and fees	661,724	434,815	366,754	238,969
Trust income/loss	211,125	174,139	106,555	90,765
Other income	308,045	47,026	154,281	7,891
Total Other Income	<u>1,857,246</u>	<u>1,041,119</u>	<u>1,054,803</u>	<u>474,622</u>
Other Expenses				
Compensation and fringe benefits	956,918	746,988	574,173	438,035
Occupancy, premises and equipment related expenses	322,795	287,142	166,524	142,041
Taxes and licenses	324,123	251,528	193,089	109,108
Insurance	133,202	107,696	64,712	52,338
Security, clerical and messengers	120,512	97,265	61,370	58,491
Litigation/asset acquired	123,578	73,173	80,329	26,665
Other expenses	1,229,237	668,444	653,753	286,984
Total Other Expenses	<u>3,210,365</u>	<u>2,232,236</u>	<u>1,793,950</u>	<u>1,113,662</u>
Income before Income Tax	1,217,028	738,710	630,636	328,768
Provision for Income Tax	44,325	-92,342	28,915	-99,239
Net Income	<u>1,172,703</u>	<u>831,052</u>	<u>601,721</u>	<u>428,007</u>
Average common stock	915,824	908,190	915,824	908,190
Earnings per share (See annex A)				
Basic	1.18	0.92	0.60	0.48
Diluted	1.15	0.92	0.56	0.48

Note: This financial statement is in accordance with generally accepted accounting principle (GAAP).

BANCO DE ORO UNIVERSAL BANK & SUBSIDIARIES
12 ADB Ave Ortigas Center, Mandaluyong City

CONDENSED STATEMENT OF CONDITION
(In Thousand Pesos)

	As of Jun 30, 2005	Audited As of Dec 31, 2004
RESOURCES		
Cash and other cash items	P 2,302,842	P 5,626,974
Due from Bangko Sentral	9,610,465	1,971,323
Due from other banks	3,518,657	4,240,866
Interbank call loans receivable	9,258,788	10,253,376
Trading accounts securities-net	36,193,131	21,199,470
Investments in bonds and other debt instruments-net	49,432,865	56,394,989
Receivable from customers-net	65,993,959	60,022,423
Bank premises, furniture, fixtures and equipment-net	1,203,843	1,169,193
Equity investments-net	1,534,338	1,608,530
Real and other properties owned or acquired-net	5,220,571	5,349,804
Other resources-net	10,823,097	11,309,962
TOTAL RESOURCES	195,092,556	179,146,910
LIABILITIES AND EQUITY		
Deposit liabilities		
Demand	2,841,326	3,620,563
Savings	85,410,281	77,673,044
Time	50,685,243	46,758,096
TOTAL DEPOSIT LIABILITIES	138,936,850	128,051,703
Bills payable	28,497,066	24,424,524
Accrued interest, taxes and other expenses payable	1,771,100	1,440,559
Other liabilities	5,144,831	5,953,548
TOTAL LIABILITIES	174,349,847	159,870,334
Minority interest	-51,916	-18,404
Equity	20,794,625	19,294,980
TOTAL LIABILITIES AND EQUITY	195,092,556	179,146,910
CONTINGENT ACCOUNTS		
Trust department accounts	79,717,077	88,466,004
Spot/futures exchange bought	21,873,069	24,235,119
Spot/futures exchange sold	23,575,448	21,230,875
Unused commercial letters of credit	6,733,459	5,812,902
Bills for collection	1,904,117	886,813
Other contingent accounts	15,407,871	14,957,246
TOTAL CONTINGENT ACCOUNTS	149,211,041	155,588,959

Note: This Financial Statement is in accordance with generally accepted accounting principle (GAAP)

BANCO DE ORO UNIVERSAL BANK & SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
COMPARATIVE QUARTERS ENDED June 30, 2005 & 2004
(In Thousand Pesos)

	<u>Jun 30, 2005</u>	<u>Jun 30, 2004</u>
Capital Stock		
Beginning Balance	9,331,895	9,081,895
Issuance of additional shares of stock	314,036	0
Balance end of Qtr. June	<u>9,645,931</u>	<u>9,081,895</u>
Add'l Paid In Capital		
Balance beginning	4,418,063	1,850,013
IPO Related Expenses	569	569
IFC loan converted into common shares	208,834	0
Balance end of Qtr. June	<u>4,627,466</u>	<u>1,850,582</u>
Surplus Reserves		
Balance beginning	66,511	66,511
Transfer from Surplus Free	37,552	0
Balance end of Qtr. June	<u>104,063</u>	<u>66,511</u>
Surplus Free		
Balance beginning	5,458,993	3,934,970
Net Income	1,172,703	831,052
Transfer to Surplus Reserves	-37,552	0
Declaration of Cash Dividends	-590,323	0
Auditor's adjusting entries	-3,259	-53,154
Balance end of Qtr. June	<u>6,000,562</u>	<u>4,712,868</u>
Unrealized Decline in value of ASS		
Balance ending	<u>410,067</u>	<u>-38,659</u>
Equity Share in reserve for foreign exchange fluctuation	<u>6,536</u>	<u>4,418</u>
Total Equity	<u>20,794,625</u>	<u>15,677,615</u>

BANCO DE ORO UNIVERSAL BANK & SUBSIDIARIES
STATEMENT OF CASH FLOWS
As of June 30, 2005 and June 30, 2004
(In Thousand Pesos)

	Jun 30, 2005	Jun 30, 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Income after tax	1,172,703	831,052
Prior Year Adjustment		
Decrease (Increase In)		
Receivable from customers	-5,971,536	-2,710,139
Trading account securities	-14,993,661	-1,525,825
Interbank term loan receivable	994,588	2,748,770
Due from other banks	722,209	-31,082
Net unrealized Gain/(loss) on ASS	434,637	-4,995
Real and other properties owned or acquired	129,233	-547,276
Due from BSP	-7,639,142	-2,166,422
Other assets	486,865	-418,091
Investment in bonds and other debt instruments	6,962,124	-7,392,500
	-18,874,683	-12,047,560
Increase (Decrease) in:		
Deposit Liabilities	10,885,147	7,066,374
Accrued Interest, taxes & other expenses payable	330,541	-285,455
Other Liabilities	-808,717	-98,872
	10,406,971	6,682,047
Net cash used in operating activities	-7,295,009	-4,534,461
Cash flows from investing activities:		
Equity Investment	74,192	136,060
Bank Property & Equipment	-34,650	-46,102
Net cash used in investing activities	39,542	89,958
Cash flows from financing activities:		
Capital Stock	314,036	
Surplus	-421,731	-52,585
Bills Payable	4,072,542	3,185,094
Net Cash from financing activities	3,964,847	3,132,509
Minority Interest	-33,512	-285,243
Net increase in cash and cash equivalent	-3,324,132	-1,597,237
Cash and cash equivalents at beginning of the year	5,626,974	3,249,916
Cash and cash equivalent at the end of June 30, 2005/June 30,2004	2,302,842	1,652,679

Note: This financial statement is in accordance with generally accepted accounting principle (GAAP)

BANCO DE ORO UNIVERSAL BANK & SUBSIDIARIES
12 ABD Ave. Ortigas Center, Mandaluyong City

AGING OF ACCOUNTS RECEIVABLE
As of June 30, 2005
(In Thousand Pesos)

Type of Accounts	Current	61 – 180 Days	181 - 360 Days	Over 360 Days	Items in Litigation	Total
A. Interbank Call Loans	9,258,788	0	0	0	0	9,258,788
Interbank Call Loan Receivable-Fx. Regular	98,310					98,310
Interbank Call Loan Receivable Fcdu(Fx Banks-Abroad)	9,160,478					9,160,478
B. Receivable from Customers	65,313,255	1,260,812	159,021	2,351,637	1,077,354	70,162,079
Loans & Discounts	50,462,399	978,046	96,932	1,552,114	1,000,213	54,089,704
Agra-Agri Loans	3,504,037	192,499	26,000	95,473		3,818,009
Development Incentive Loans	97,193					97,193
Bills Purchases	1,412,275			12,396		1,424,671
Customers Liability on draft under LC/TR	8,849,362	53,661	16,223	184,916	59,556	9,163,718
Customers Liability for this bank's acceptances	363,168					363,168
Restructured Loans	624,821	36,606	19,866	506,738	17,585	1,205,616
C. Accounts Receivable	293,014	28,022	84,624	897,058	0	1,302,718
Accounts Receivable-Suppliers	6	290	40	21,853		22,189
Accounts Receivable-Subsidiaries	171	-2		740		909
Accounts Receivable-Trust	54,416		56,665	94,513		205,594
Accounts Receivable-Others	238,421	27,734	27,919	779,952		1,074,026
TOTAL	74,865,057	1,288,834	243,645	3,248,695	1,077,354	80,723,585

BANCO DE ORO UNIVERSAL BANK & SUBSIDIARIES
Computation of Weighted Number of Common Shares
(In Thousands)

No. of Shares-Common As of June	Balance of Common Shares		Average Number of Common Shares
January 2004	908,190		
February 2004	908,190		
March 2004	908,190		
April 2004	908,190		
May 2004	908,190		
June 2004	908,190		
Weighted Average			908,190
Net Income for the quarter June 30, 2004			831,052
Divided by Weighted Average number of common shares			908,190
Basic Earnings per share			0.92
January 2005	908,190		
February 2005	908,190		
March 2005	908,190		
April 2005	908,190	137 days	687,415
May 2005	939,593		
June 2005	939,593	44 days	228,409
Weighted Average			915,824
Basic Earnings per share			
Consolidated Net Income for the quarter June 2005			1,172,703
Less: Dividends in arrears on Preferred Shares			
(25,000,000 shares @ \$2)	\$50,000		
(\$50M x 6.5% x 181/360)	\$1,634		
Multiply by PDS rate	55.919		91,373
			1,081,330
Divided by the weighted average number of outstanding common shares			915,824
Basic Earnings per share			1.18
Diluted Earnings Per Share			
Consolidated Net Income for the quarter June 30, 2005			1,172,703
Add: Interest Expense from Jan. 1 to June 30 paid to IFC	15,363		
Less: Tax benefits from Interest Expense	4,916		10,447
Less: Dividends in arrears on Preferred Shares			-91,373
Total Consolidated net income for DEPS computation			1,091,777
Weighted Average number of outstanding common shares	915,824		915,824
Add: Convertible loans from IFC			
Peso book value of loan as of June 30, 2005	524,440		
Conversion price	16.70		
Number of shares to be issued upon conversion			31,404
Total number of share for DEPS computation			947,228
Diluted Earnings Per Share			1.15

CHECKLIST OF REQUIRED DISCLOSURES

BANCO DE ORO UNIVERSAL BANK

For the Quarter ended: June 30, 2005

FINANCIAL INFORMATION

- 6. Disclosure that the issuer's interim financial report is in compliance with generally accepted accounting principles.**

Remarks: The Bank's interim financial statements is in compliance with generally accepted accounting principles (GAAP).

- 7.a A statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change.**

Remarks: The Bank's interim financial statements have been prepared using the same accounting policies and methods of computation as compared with the most recent annual financial statements.

- 7.b Explanatory comments about the seasonality or cyclicity of interim operations.**

Remarks: There is no seasonality or cyclicity in the Bank's operations.

- 7.c The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents.**

Remarks: International Finance Corporation (IFC) converted its \$10M debt to common equity last May 17, 2005, which resulted in an increase in capital of P522.9M and a corresponding decrease in subordinated debt.

- 7.d The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.**

Remarks: NONE

- 7.e Issuances, repurchases, and repayments of debt and equity securities.**

The Bank issued 31,403,592 shares to International Finance Corporation (IFC) amounting to P522.9M last May 17, 2005 as partial conversion of its loan to equity resulting in a decrease in subordinated debt

- 7.f Dividends paid (aggregate or per share) separately for ordinary shares and other shares**

The Bank booked dividends payable of P590.3 million last June 23, 2005, equivalent to P0.65 per common share.

7.g Segment revenue and segment result for business segments or geographical segments whichever is the issuer's primary basis of segment reporting. (This shall be provided only if the issuer is required to disclose segment information in its annual financial statements).

Remarks: NONE. The Bank does not yet report revenues and expenses by business segment.

7.h Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

Remarks: NONE

7.i The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

Remarks: NONE

7.j Changes in contingent liabilities or contingent assets from December 2004.

- **Total Contingent accounts declined by 4.1% or P6.378B as compared to last December 31, 2004 brought about by the following:**
 - **Trust Accounts dropped by 9.9% or P8.749B due to the continuing run-off in the Bank's Common Trust Funds (CTF) in view of the new rules on Unit Investment Trust Funds (UITF).**
 - **Spot/forward exchange Bought went down by 9.8% or P2.362B from lower levels of interbank swap borrowing transactions in BDO.**

- **Spot/forward exchange Sold grew by 11% or P2.345B from increased levels of interbank swap lending transactions.**
- **Unused commercial letters of credit increased by 16% or P921M on account of increased trade transactions.**
- **Bills for collection was up by 115% or P1.017B due to the increase in volume of outward bills sent for collection**
- **Other contingent accounts grew by 3% or P451M, mainly from the decline in the volume of interest rate swap receivable/payable**

MANAGEMENT'S DISCUSSION & ANALYSIS

I. Balance Sheet – June 2005 vs. December 2004

- **Total Resources expanded by 9% to P195.093B, primarily due to growth in deposits and borrowings, which were utilized for loans and investments.**
- **Cash & Other Cash Items decreased by 59% to P2.303B as the Bank reduced cash on hand to maximize earning potential on its reserve assets.**
- **Due from BSP account thus increased by 388% to P9.610B on account of transfers from Cash & Other Cash Items and Trading Account Securities.**
- **Due from Other Banks declined by 17% to P3.519B, primarily on lower foreign currency denominated placements.**
- **Interbank Loans Receivable likewise fell by 10% to P9.259B as the bank shifted from bank lending to fixed-income securities.**
- **Investment in Bonds and Other Debt Instruments (IBODI) contracted by 12% to P49.433B as the Bank reclassified a portion of its investment portfolio to Trading Account Securities in anticipation of the BSP Circular 476 on accounting for investments in securities.**
- **Trading Account Securities (TAS) rose by 71% to P36.193B from the reclassification mentioned above, growth in funding and asset re-allocation.**

- **Receivables from Customers** went up by 10% to P65.994B due to increased loan demand from corporate and consumer clients.
- **Deposit Liabilities** increased by 8% to P138.937B, due to growth in branch-generated funding.
- **Bills payable** moved up by 17% to P28.497B, as borrowings were utilized as an alternative funding source.
- **Accrued Interest, Taxes & Other Expenses Payable** grew by 23% to P1.771B because of increased levels of liabilities and operating expenses.
- **Other Liabilities** went down by 14% to P5.145B mainly due to the decline in Unsecured Subordinated Debt to IFC, which was converted to common stock in May.
- **Minority Interest** deteriorated by 182% to (P52M) on account of the Bank's increased share in the net losses of BDO Card Corporation.
- **Equity** expanded by 8% to P20.795B from increased net income, capital stock issuance to IFC, and revaluation of Available for Sale Securities (AFS).

II. Balance Sheet – June 2005 vs. June 2004

- **Resources** increased by 22% or P35.737B from last year's level of P159.356B, mainly from growth in deposits and equity.
- **Cash & Other Cash Items** increased by 39%, in line with the growth in deposit levels.
- **Due from BSP account** rose by 131% on account of asset re-allocation and increased levels of reserves consistent with the growth in deposits.
- **Interbank Loans Receivable** decreased by 22%, as funds were channeled to investments, which provided better returns.
- **Trading Account Securities** grew by 243% due to the reclassification of IBODI in anticipation of BSP Circular 476 as well as the growth in the Bank's funding.
- **Receivables from Customers** increased by 12% as a result of increased corporate and consumer loans.
- **Bank premises & FFE** moved up by 18% due to the growth in the branch network and consumer banking business.

- **Other resources expanded by 11%, mainly accrued interest receivable, credit card receivables, foreign currency notes and coins (FCNC) and miscellaneous assets.**
- **Deposit Liabilities increased by 26% or P28.945B due to growth in branch-generated funding.**
- **Accrued Interest, Taxes & Other Expenses payable rose by 59% from increased levels of liabilities and operating expenses.**
- **Minority Interest declined by 3347% due to continued losses from BDO Card Corporation.**
- **Equity grew by 33% caused by the increase in net income, the issuance of USD50M preferred shares last October 2004, and the issuance of P522M common shares to IFC last May 2005.**

III. Income Statement – June 2005 vs June 2004

- **Net Income for the first half of the year reached P1.173B, an increase of P342M or 41% over the comparable period last year**
- **Interest Income increased by 32% to P6.991B, brought about by higher loan and investments levels.**
- **Interest Expense was up by 23% to P3.707B, from increased deposit & borrowing volumes.**
- **As a result of higher volumes of earning assets, Net Interest Income increased by 44% to P3.284B**
- **The Bank set aside P714M as Provisions for Probable Losses, more than double than the P347M provided last year.**
- **Other Income items:**
 - **Trading Gain rose by 76% as the Bank took advantage of the low interest environment to expand dealership activities.**
 - **Service Charges & Fees were up by 52%, primarily from branches' deposit-related fees and loan service charges.**
 - **Trust Income grew by 21% on account of higher volume of funds managed by the group.**
 - **Other Income was better by 555% mainly due to foreign exchange gains.**
 - **Operating Expenses were up by 44%, as follows:**

- Compensation Cost increased by 28%, due to a higher manpower count brought about by business expansion
 - Occupancy, premises & equipment-related expenses increased by 12% due to the increase in the branch network. BDO now has 185 branches nationwide.
 - Taxes & Licenses grew by 29% brought about by higher Gross Receipts and Documentary Stamp Taxes.
 - Insurance went up by 24% due to higher fixed asset levels.
 - Security, Clerical & Messengerial rose by 24% on account of business expansion and increase in the branch network.
 - Litigation/Assets Acquired went up by 69% due to expenses related to ROPOA disposal.
 - Other expenses jumped by 84% primarily from provisions for integration expenses for the United Overseas Bank Philippines (UOBP) branches.
- Provision for Income Taxes increased by 148% due to higher levels of FCDU assets.

2. Discussion of the company's and its majority-owned subsidiaries' top five (5) key performance indicators. It shall include a discussion of the manner by which the company calculates or identifies the indicators presented on a comparable basis.

1.) Return on Average Equity (Annualized)	Jun-05	Jun-04	Inc/(Dec)
Net Income / Average Total Capital Account			
1,172,703	/	20,044,803	11.70%
831,052	/	15,290,879	10.87% 0.83%

2.) Return on Average Assets (Annualized)	Jun-05	Jun-04	Inc/(Dec)
Net income / Average total asset			
1,172,703	/	187,119,733	1.25%
831,052	/	154,178,034	1.08% 0.17%

3.) Net Interest Margin (Annualized)

Net interest income / Average earning asset

3,283,674	/	163,078,543	4.03%		
2,276,529	/	133,650,667		3.41%	0.62%

4.) Capital adequacy ratio

Total qualifying capital / Total Risk weighted Assets (In MM Php)

19,972	/	84,322	23.70%		
16,296	/	76,730		21.20%	2.50%

5.) Earning per share

Net income / Average Common Stock

1,081,330	/	915,824	1.18		
831,052	/	908,190		0.92	0.26

1. Return on average equity (ROE) increased from 10.87% last year to 11.70% this year as a result of higher volumes and improved margins.
2. Return on Average Assets (ROA) rose from 1.08% last year to 1.25% this year due to increased efficiency in the utilization of resources.
3. Net interest margin went up from 3.41% last year to 4.03% this year as a result of the substantial increase in low-cost funds and loan expansion.
4. Capital adequacy ratio improved from 21.2% a year ago to 23.7% this year due to the increase in capital from the retained earnings and USD50M preferred shares issuance last October 2004.
5. Earnings per share for the semester increased from ₱0.92 to ₱1.18 caused by the improvement in Net Income.

3.a Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

Remarks: NONE

3. b Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

Remarks : NONE

3.c Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Remarks: NONE

3.d Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

Remarks: NONE

3.e Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

Remarks: NONE

3.f Any significant elements of income or loss that did not arise from the issuer's continuing operations.

Remarks: NONE

3.g The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item;

The term “material” in this section shall refer to changes of items amounting to five percent (5%) of the relevant accounts or such lower amount, which the registrant deems material on the basis of other factors.

Vertical Analysis-Material Changes

I. Balance Sheet – June 2005 vs. December 2004

- **IBODI to Total Resources went down from 31.5% to 25.3% due to the reclassification of IBODI to TAS in anticipation of BSP Circular 476.**
- **TAS to Total Resources correspondingly increased from 11.8% to 18.6% from the reclassification mentioned above.**

II. Balance Sheet – June 2005 vs. June 2004

- **IBODI to Total Resources declined from 32.1% to 25.3% due to the reclassification of IBODI to TAS in anticipation of BSP Circular 476.**
- **TAS to Total Resources thus grew from 6.6% to 18.6% from the reclassification mentioned above.**

III. Income Statement – June 2005 vs. June 2004

- **Interest Income on Receivables from Customers as a percentage of Total Interest Income declined from 47.8% to 41.8% due to faster growth of other asset forms.**
- **Interest Income on Trading Account Securities and Investments as a percentage of Total Interest Income improved from 42.4% to 51.6% from higher investment levels.**
- **The proportion of Service Charges and Fees to Total Other Income went down from 41.8% to 35.6% as other sources of fee income registered faster growth.**
- **The proportion of Trust Income/Loss to Total Other Income fell from 16.7% to 11.4% due to the faster growth from other sources of fee income.**
- **Other Income as a percentage of Total Other Income went up from 4.5% to 16.6% due to the increase in foreign exchange gain.**

3.h Any seasonal aspects that had a material effect on the financial condition or results of operations.

Remarks: NONE

a. Classification of Financial Instruments

The following accounts will be included under the respective financial instrument classification:

I. LOANS AND RECEIVABLE

1. Interbank Term Loans Receivable – Local/Foreign
2. Demand Loans
3. Credit Card Receivable
4. Time Loans
5. Loans and Discounts – FCDO/RBU
6. Agrarian Reform Loans
7. Other Agricultural Credit Loans
8. Development Incentive Loans
9. Bills Purchased
10. Foreign Bills Purchased
11. Past Due Loans and Discounts FCDO/RBU
12. Items in Litigation FCDO/RBU
13. Restructured Loans FCDO/RBU
14. TAS Loans – GSP – Repurchase Agreement w/ BSP
15. Items in Litigation
16. Export Bills Purchased
17. Domestic Bills Purchased
18. Past Due Bills Purchased
19. Import Bills LCY/FCY
20. Import Bills under TR LCY/FCY
21. Domestic Bills under TR
22. Past Due Import and Domestic Bills LCY/FCY
23. CLBA Outstanding Domestic/Foreign

II. HELD TO MATURITY

- 1. Investment in Bonds and Other Debt Instruments**
 - a. Private
 - b. Government
 - c. Foreign

III. AVAILABLE FOR SALE SECURITIES

- 1. Available for Sale Securities**
 - a. Government
 - b. Foreign

IV. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS

1. Term placements with Local and Foreign Banks
2. Trading Account Securities (Resident/Non-Resident)
3. Real and Other Property Owned and Acquired (ROPOA)

V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT/LOSS

1. Unsecured Subordinated Debt FX Regular

b. Discussion of the conversion plan, which shall include a description of the following procedures:

i. Review of all contracts to identify any imbedded derivatives;

The Bank has reviewed existing contracts and identified imbedded derivatives. The different derivatives structure is divided into components. Each component is then priced based on acceptable market valuation. The value of each component is then aggregated to arrive at a value, which is converted in price terms.

ii. Evaluation of financial risk exposures relative to the adoption of the standard and the manner of managing the risks;

Previously, risk exposures from these transactions were quantified based on their impact to the earnings profile of the bank, in particular, net interest income. With the implementation of the new accounting standard, financial exposures, specifically derivative transactions, should be evaluated on a portfolio basis using fair market valuation, which would affect the trading income of the Bank. In line with this, it would be necessary to establish portfolio trading limits (e.g., notional amounts, stop loss limits, and VAR limits) which are based on the Bank's risk criteria.

iii. Development of fair valuation capabilities;

The Bank is capable of pricing its structured products portfolio using available tools. Market rates are taken either from Bloomberg or Reuters. Mark-to-market valuation is performed on a daily basis. Prices are uploaded to Opics (BDO's Treasury platform system) together with foreign exchange rates, bonds, swaps and other closing prices.

To be able to adopt the effective interest rate method in recognizing interest income, the Bank has to prepare its existing systems and link it to the source of benchmark rates such that valuation can be performed by the system and not done manually.

The Bank currently bases the adequacy of its allowance for probable losses for loans on BSP's recommended valuation reserves and management's criteria on account classification. It is still in the process of establishing policies, procedures and necessary systems related to the reporting of allowance for probable losses for other valuation reserves.

iv. Assessment of the impact on financial ratios and loan covenants;

The impact of any reclassification can be better quantified after the implementing guidelines for PAS 39 have been finalized. BDO has not yet assessed the effect on financial ratios as the Bank is still in the process of establishing the policies, procedures and systems for the adoption of these new standards.

v. For large entities, whether there is a need to establish a transition team;

Representatives from the following departments will compose the

- a. Comptrollership
- b. Treasury
- c. Credit and Risk
- d. Compliance
- e. Investor Relations and Corporate Planning

vi. Information to interested or affected parties;

The impact of the changes in the reporting standards will be disclosed in the Bank's 2005 audited financial statements.

c. Any intention to avail of the "hedge accounting" privilege under the PAS 39 and the timing thereof, including the required hedging documentation and process requirements

Yes, the Bank intends to avail of the "hedge accounting" privilege under PAS 39. The Bank is evaluating available systems in the market, which will be capable of handling hedge accounting.