

COVER SHEET

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S.E.C. Registration Number

B A N C O D E O R O - E P C I , I N C .

(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

15,012

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 – EPCI, INC.**

Signature and Title..... 
LUCY CO DY
EVP/COMPTROLLER

Date..... **August 14, 2007**

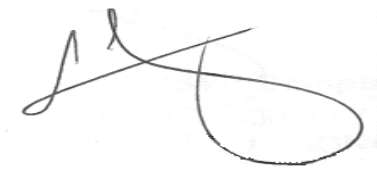

Principal Financial /Accounting Officer/Comptroller..... **LUCY CO DY**

Signature and Title..... 
LUCY CO DY
EVP/COMPTROLLER

Date..... **August 14, 2007**

SEC FORM 17-Q

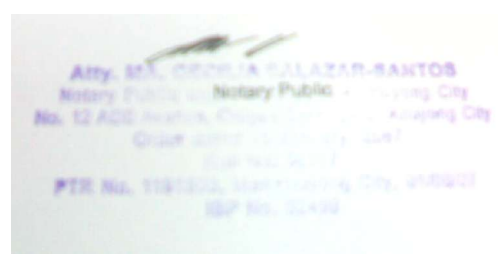
I hereby certify that all the information set forth in the above report are true and correct of my own knowledge.


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

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

SUBSCRIBED AND SWORN TO before me this _____ day of August, 2007, the above affiant exhibiting to me his/her described Competent Evidence of Identity (“CEI”):

Name	CEI	Date & Place Issued
Lucy Co Dy	Passport – TT0770339	09.07.2006/Manila



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Book No. **II**
Series of **2007**

* 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

BANCO DE ORO – EPCI, INC. & SUBSIDIARIES
12 ADB Ave Ortigas Center, Mandaluyong City

CONDENSED STATEMENT OF CONDITION
(Amounts in Thousands of Pesos)

		<u>As of</u> <u>Jun 30, 2007</u>		<u>Pro Forma</u> <u>As of</u> <u>Dec 31, 2006</u>
<u>RESOURCES</u>				
CASH AND OTHER CASH ITEMS	P	10,188,561	P	17,967,438
DUE FROM BANGKO SENTRAL NG PILIPINAS		68,945,128		42,236,370
DUE FROM OTHER BANKS		22,504,657		12,990,874
INVESTMENT SECURITIES				
Financial Assets at Fair Value Through Profit or Loss		18,282,407		30,695,243
Available-for-Sale Securities – net		88,170,000		63,652,199
Held-to-Maturity Investments – net		57,639,836		84,525,579
LOANS AND OTHER RECEIVABLES – net		268,741,080		316,039,315
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – net		11,451,674		10,026,121
EQUITY INVESTMENTS - net		1,701,496		1,660,369
REAL AND OTHER PROPERTIES ACQUIRED				
Non-Current Assets Held for Sale		3,428,363		3,611,056
Investment Properties		17,379,590		19,222,528
OTHER RESOURCES - net		39,393,575		28,194,948
TOTAL RESOURCES	P	<u>607,826,367</u>	P	<u>630,822,040</u>
<u>LIABILITIES AND CAPITAL FUNDS</u>				
DEPOSIT LIABILITIES				
Demand	P	25,543,563	P	23,271,324
Savings		317,620,061		320,997,696
Time		116,328,594		125,833,501
Total Deposit Liabilities		<u>459,492,218</u>		<u>470,102,521</u>
BILLS PAYABLE		49,387,135		70,126,228
DERIVATIVE LIABILITIES		1,687,706		1,620,789
OTHER LIABILITIES		41,102,181		35,831,026
Total Liabilities		<u>551,669,240</u>		<u>577,680,564</u>
CAPITAL FUNDS		<u>56,157,127</u>		<u>53,141,476</u>
TOTAL LIABILITIES AND CAPITAL FUNDS	P	<u>607,826,367</u>	P	<u>630,822,040</u>
<u>CONTINGENT</u>				
Trust department accounts	P	191,167,593	P	171,341,909
Unused commercial letters of credit		25,589,308		17,809,908
Outstanding guarantees issued		1,894,674		3,326,080
Export L/Cs Confirmed		69,235		25,445
Bills for collection		8,767,327		11,285,292
Late deposits/payment received		1,278,049		1,150,368
Others		237,112,825		148,355,051
TOTAL CONTINGENT ACCOUNTS	P	<u>465,879,011</u>	P	<u>353,294,053</u>

Note: This Financial Statement is in accordance with Philippine Financial Reporting Standards(PFRS)

BANCO DE ORO – EPCI, INC. & SUBSIDIARIES
12 ADB Ave. Ortigas Center, Mandaluyong City

CONDENSED STATEMENT OF INCOME & EXPENSES
(Amounts in Thousands of Pesos Except Per Share Data)

	For the six-month Period ended <u>Jun 30, 2007</u>	For the six-month Period ended <u>Jun 30, 2006</u>	For the Quarter ending <u>Jun 30, 2007</u>	For the Quarter ending <u>Jun 30, 2006</u>
INTEREST INCOME ON				
Loans and Receivables	P 9,438,205	P 10,582,124	P 3,964,793	P 4,922,020
Investment Securities	5,694,403	7,445,350	2,565,013	4,428,270
Due from Other Banks	1,376,817	315,952	788,420	169,104
Others	<u>1,940,218</u>	<u>264,027</u>	<u>1,714,782</u>	<u>167,816</u>
Total Interest Income	<u>18,449,643</u>	<u>18,607,453</u>	<u>9,033,008</u>	<u>9,687,210</u>
INTEREST EXPENSE ON				
Deposit liabilities	6,377,855	6,814,420	3,034,487	3,533,123
Bills Payable and Others	<u>1,108,458</u>	<u>2,556,543</u>	<u>22,993</u>	<u>1,283,741</u>
Total Interest Expense	<u>7,486,313</u>	<u>9,370,963</u>	<u>3,057,480</u>	<u>4,816,864</u>
NET INTEREST INCOME	10,963,330	9,236,490	5,975,528	4,870,346
IMPAIRMENT LOSSES	<u>3,061,061</u>	<u>1,138,100</u>	<u>2,435,828</u>	<u>612,621</u>
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	<u>7,902,269</u>	<u>8,098,390</u>	<u>3,539,700</u>	<u>4,257,725</u>
OTHER INCOME				
Trading Gain	2,595,436	1,193,714	1,421,886	-57,598
Service charges and fees	4,177,127	3,304,700	1,896,949	1,691,783
Trust Fees	349,143	758,098	204,453	408,770
Foreign Exchange Gain – net	469,729	423,919	91,293	329,364
Miscellaneous – net	<u>1,455,964</u>	<u>447,396</u>	<u>1,032,707</u>	<u>330,032</u>
Total Other Income	<u>9,047,399</u>	<u>6,127,827</u>	<u>4,647,288</u>	<u>2,702,351</u>
OTHER EXPENSES				
Employee Benefits	3,704,928	3,229,813	1,997,346	1,808,227
Occupancy	1,690,068	1,146,548	1,064,017	613,615
Taxes and licenses	1,485,980	1,114,084	623,150	527,024
Security, Clerical, Messengerial and Janitorial	472,835	395,281	235,059	204,629
Insurance	502,214	413,323	249,813	202,094
Documentary Stamps Used	349,397	302,592	160,344	138,443
Advertising	323,673	195,062	176,366	95,454
Litigation/Assets Acquired	300,092	326,297	116,069	135,634
Representation and Entertainment	377,073	329,604	179,895	170,023
Repairs and Maintenance	462,479	334,092	219,211	170,671
Miscellaneous	<u>3,224,028</u>	<u>2,792,926</u>	<u>1,376,797</u>	<u>1,203,459</u>
Total Other Expenses	<u>12,892,767</u>	<u>10,579,622</u>	<u>6,398,067</u>	<u>5,269,273</u>
INCOME BEFORE TAX	4,056,901	3,646,595	1,788,921	1,690,803
TAX EXPENSE (INCOME)	880,868	1,050,832	423,267	537,716
NET INCOME AFTER TAX	P <u>3,176,033</u>	P <u>2,595,763</u>	P <u>1,365,654</u>	P <u>1,153,087</u>
AVERAGE COMMON STOCK	2,270,628	2,260,963	2,270,628	2,260,963
INCOME PER SHARE (See annex A)				
Basic	1.40	1.15	0.60	0.51
Diluted	1.38	1.14	0.59	0.51

Note: This Financial Statement is in accordance with Philippine Financial Reporting Standards(PFRS)

BANCO DE ORO – EPCI, INC. & SUBSIDIARIES
12 ADB Ave. Ortigas Center, Mandaluyong City

STATEMENT OF CASH FLOWS
As of June 30, 2007 and June 30, 2006
(Amounts in Thousands of Pesos)

	Jun 30, 2007	Jun 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Income after tax	3,176,033	2,595,763
Prior Year Adjustment		
Decrease (Increase In)		
Due from BSP	-26,708,758	-14,683,104
Due from Other Banks	-9,513,783	2,283,719
Financial Assets at Fair Value Through Profit or Loss	12,412,836	-3,163,001
Available-for-Sale Securities	-24,517,801	-12,132,570
Held- to-Maturity	26,885,743	-35,011,733
Loans and Other Receivables	47,298,235	-6,056,259
Non Current Assets Held for Sale	182,693	201,909
Investment Property	1,842,938	383,442
Other Resources	-11,198,627	-2,045,227
	16,683,476	-70,222,824
Increase (Decrease) in:		
Deposit Liabilities	-10,610,303	62,584,734
Derivatives	66,917	-145,372
Other Liabilities	5,271,155	3,873,964
Net Unrealized (G/L) on AFS	-972,863	-2,107,905
	-6,245,094	64,205,421
Net cash used in operating activities	13,614,415	-3,421,640
CASH FLOWS FROM INVESTING ACTIVITIES:		
Equity Investment	-41,127	-600,859
Appraisal Increment Reserves	1,166,444	3,852
Bank Property & Equipment	-1,425,553	126,576
Net cash used in investing activities	-300,236	-470,431
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital Stock	3	223,968
Surplus	-353,966	1,205,233
Bills Payable	-20,739,093	-2,872,158
Net Cash from financing activities	-21,093,056	-1,442,957
NET INCREASE IN CASH AND OTHER CASH ITEMS	-7,778,877	-5,335,028
CASH AND OTHER CASH ITEMS AT BEGINNING OF YEAR	17,967,438	14,162,456
CASH AND CASH EQUIVALENT AT THE END OF QUARTER	10,188,561	8,827,428

Note: This Financial Statement is in accordance with Philippine Financial Reporting Standards(PFRS)

BANCO DE ORO – EPCI, INC. & SUBSIDIARIES
12 ADB Ave. Ortigas Center, Mandaluyong City

STATEMENT OF CHANGES IN EQUITY
COMPARATIVE QUARTERS ENDED June 30, 2007 & 2006
(Amounts in Thousands of Pesos)

	<u>Jun 30, 2007</u>	<u>Jun 30, 2006</u>
CAPITAL STOCK		
Beginning Balance	P 22,706,293	P 22,481,994
Issuance of Common Shares		224,299
Balance end of Qtr. June	P <u>22,706,293</u>	P <u>22,706,293</u>
COMMON STOCK OPTION		
Beginning Balance	P 28,914	P 13,634
Balance end of Qtr. June	P <u>28,914</u>	P <u>13,634</u>
Treasury Shares – At Cost		
Balance Beginning	P -161	P -1,428,265
Balance end of Qtr. June	P <u>-161</u>	P <u>-1,428,265</u>
ADDITIONAL PAID IN CAPITAL		
Balance beginning	P 14,981,574	P 17,963,797
Additional Paid in Capital on Common Stock issued during the year	0	375,701
Balance end of Qtr. June	P <u>14,981,574</u>	P <u>18,339,498</u>
SURPLUS RESERVES		
Balance beginning	P 934,927	P 772,512
Transfer from Surplus Free	24,000	31,662
Balance end of Qtr. June	P <u>958,927</u>	P <u>804,174</u>
SURPLUS FREE		
Balance beginning	P 10,729,117	P 4,590,075
Net Income	3,176,033	2,595,763
Transfer to Surplus Reserves	-24,000	-31,662
Declaration of Cash Dividends	-769,618	0
Auditor's adjusting entries	178,615	258,150
Balance end of Qtr. June	P <u>13,290,147</u>	P <u>7,412,326</u>
PARENT COMPANY'S SHARE HELD BY A SUBSIDIARY		
Balance end of Qtr. June	P <u>0</u>	P <u>-7,396,929</u>
ACCUMULATED TRANSLATION ADJUSTMENT		
Balance end of Qtr. June	P <u>0</u>	P <u>-29,142</u>
APPRAISAL INCREMENT RESERVES		
Balance end of Qtr. June	P <u>1,166,444</u>	P <u>1,361,791</u>
UNREALIZED DECLINE IN VALUE OF ASS		
Balance end of Qtr. June	P <u>2,337,995</u>	P <u>-77,333</u>
MINORITY INTEREST		
	P <u>686,994</u>	P <u>539,921</u>
TOTAL EQUITY	P <u>56,157,127</u>	P <u>42,245,968</u>

BANCO DE ORO – EPCI, INC. & SUBSIDIARIES
12 ABD Ave. Ortigas Center, Mandaluyong City

AGING OF LOANS AND ACCOUNTS RECEIVABLE

As of June 30, 2007

(Amounts in Thousands of Pesos)

TYPE OF ACCOUNTS	CURRENT	61 – 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	ITEMS IN LITIGATION	TOTAL
A. INTERBANK CALL LOANS RECEIVABLES	P 21,897,686	P 0	P 0	P 0	P 0	P 21,897,686
Interbank Call Loan Receivable-Local Banks	3,392,004					3,392,004
Interbank Call Loan Receivable-Fx. Regular	8,786					8,786
Interbank Call Loan Receivable Fcdu(Fx Banks-Abroad)	18,496,896					18,496,896
B. LOANS AND RECEIVABLES	P 250,735,820	P 6,241,215	P 3,973,747	P 7,738,807	P 2,072,556	P 270,762,145
Loans & Discounts	165,521,694	3,619,499	903,954	3,700,598	1,727,824	175,473,569
Agra-Agri Loans	24,909,659	370,833	51,679	538,606	98,751	25,969,528
Development Incentive Loans	1,818,554	9,515	566	31,820	37,062	1,897,517
Bills Purchases	15,979,183	8,152	0	12,396	3,363	16,003,094
Customers Liability on draft under LC/TR	21,462,246	821,130	1,121,546	1,082,465	64,167	24,551,554
Customers Liability for this bank's acceptances	2,229,277	0	0	0	0	2,229,277
Credit Card Receivables	7,730,112	620,109	127,343	147,957	0	8,625,521
Restructured Loans	2,946,570	763,514	1,734,775	1,841,771	125,890	7,412,520
Other Loan & Receivables	4,327,784	28,463	33,884	383,194	15,499	4,788,824
Reverse Repurchase Agreement	3,810,741	0	0	0	0	3,810,741
C. ACCOUNTS RECEIVABLE	P 3,783,408	P 37,294	P 72,881	P 2,906,020	P 0	P 6,799,603
TOTAL	P 276,416,914	P 6,278,509	P 4,046,628	P 10,644,827	P 2,072,556	P 299,459,434

BANCO DE ORO – EPCI, INC. & SUBSIDIARIES
12 ABD Ave. Ortigas Center, Mandaluyong City

COMPUTATION OF WEIGHTED NUMBER OF COMMON SHARES
(Amounts in Thousands of Pesos Except Per Share Data)

NO. OF SHARES – COMMON As of June	Balance of Common Shares		Average Number of Common Shares
January 2006	2,248,198		
February 2006	2,248,198		
March 2006	2,270,628	78 days	968,837
April 2006	2,270,628		
May 2006	2,270,628		
June 2006	2,270,628	103 days	1,292,126
Weighted Average			<u>2,260,963</u>
Basic Earnings per share			
Consolidated Net Income			2,595,763
Divided by the weighted average number of outstanding common shares			<u>2,260,963</u>
Basic Earnings per share			<u>1.15</u>
Diluted Earnings Per Share			<u>1.14</u>
January 2007	2,270,628		
February 2007	2,270,628		
March 2007	2,270,628		
April 2007	2,270,628		
May 2007	2,270,628		
June 2007	2,270,628		2,270,628
Weighted Average			<u>2,270,628</u>
Basic Earnings per share			
Consolidated Net Income for the six-months period ending June 2007			3,176,033
Divided by the weighted average number of outstanding common shares			<u>2,270,628</u>
Basic Earnings per share			<u>1.40</u>
Diluted Earnings Per Share			
Consolidated Net Income for the six-months period ending June 2007			3,176,033
Add: Interest Expense on convertible loan	16,327		
Less: Tax benefits from Interest Expense	<u>5,714</u>		<u>10,613</u>
Total Consolidated net income for DEPS computation			3,186,646
Weighted Average number of outstanding common shares	2,270,628		2,270,628
Add: Convertible loans from IFC			
Peso book value of loan as of June 30, 2007	460,471		
Conversion price	<u>16.70</u>		
Potential Common Shares from assumed conversion of convertible loans			27,573
Potential Common Shares from assumed conversion of stock option plan			2,702
Total weighted average Common Shares after conversion			<u>2,300,903</u>
Diluted Earnings Per Share			<u>1.38</u>

CHECKLIST OF REQUIRED DISCLOSURES

BANCO DE ORO – EPCI, INC.

For the six months ended: June 30, 2007

FINANCIAL INFORMATION

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

The Bank's interim financial statements is in compliance with Philippine Financial Reporting Standards.

- 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.**

The Bank used the Pooling of Interest method for the merger between Banco de Oro Universal Bank and Equitable PCI Bank, Inc. This is also the basis for the preparation of prior periods' comparative financial statements.

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

Remarks: There is no seasonality or cyclical nature 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: NONE

- 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.**

Remarks: NONE

- 7.f**

Dividends paid (aggregate or per share) separately for ordinary shares and other shares

The Bank's Board of Directors approved the declaration of a P0.80 per share cash dividends. The record date was January 22, 2007 and the cash dividends were paid on February 8, 2007.

- 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 quarterly 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.

On July 26, 2007, the Board of Directors of Banco de Oro – EPCI, Inc. approved the following:

- Declaration of a cash dividend of P0.80 per common share of BDO. Record and Payment dates will be set after securing approval from the BSP.
- With prior approval of the BSP, issuance of 31,403,592 new common shares of BDO to the International Finance Corporation (IFC) pursuant to IFC's conversion of its remaining US\$10M convertible loan to BDO. The Bank is still waiting for PSE approval for the listing of the shares.

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 31,2006 (Pro-forma).

- Total Contingent Accounts went up by 32% to P465.879B primarily due to the following:
 - Trust Department Accounts increased by 12% to P191.168B from higher levels of funds managed.
 - Unused Commercial Letters of Credit and Export L/Cs Confirmed grew by 44% and 172%, respectively, to P25.589B and P69M on account of a higher level of trade transactions.
- Outstanding Guarantees Issued decreased by 43% to P1.895B due to lower levels of guarantees for foreign loans shipperside bonds and airway bills.
- Bills for Collection went down by 22% to P8.767B owing to a decline in bills, drafts and checks sent for collection.
- Late Deposit / Payments Received was up by 11% to P1.278B as more transactions were received from clients after clearing cut-off time.
- Other Contingent Accounts grew by 60% to P237.113B mainly due to increased levels of forward exchange transactions.

MANAGEMENT'S DISCUSSION & ANALYSIS

I. Balance Sheet – June 2007 vs. December 2006 (Pro-forma)

- Total Resources slightly declined by 4% to P607.826B, primarily owing to an 8% decrease in liquid assets as the Bank reduced its reliance on high cost funds.
- Cash and Other Cash Items was trimmed by 43% to P10.189B as the Bank maximized earnings on reserve assets. Additionally, the year-end 2006 level was unusually high due to cash deposits by clients, from sales generated during the Christmas season.
- Due from BSP account consequently grew by 63% to P68.945B, coming from the Bank's cash account
- Due from Other Banks went up by 73% to P22.505B on account of higher levels of foreign currency denominated placements and working balances with correspondent banks.
- Investment Securities went down by 8% to finance the settlement of a portion of the Bank's high cost funding. Financial Assets through Profit or Loss and Held-to-Maturity Securities dropped by 40% and 32% to P18.282B and P57.640B, respectively, while Available for Sale Securities increased by 39% to P88.170B due to a rebalancing of the investment portfolio.
- Net Loans and Other Receivables declined by 15% to P268.741B owing to a 61% drop in Interbank Loans and Securities Purchased Under Reverse Repurchase Agreements. Gross receivables from customers, on the other hand, grew by 4% as the Bank continued to expand its loan portfolio.
- Bank Premises rose by 14% to P11.452B as the Bank expanded its branch network and invested in new equipment in anticipation of higher business volumes.
- Non-current Assets Held for Sale and Investment Properties dropped by 5% and 10% to P3.428B and P17.380B, as the Bank disposed of several foreclosed properties.
- Other Resources went up by 40% to P39.394B on account of an increase in deferred charges on IT expenditures and miscellaneous assets.
- Deposit Liabilities went down by 2% to P459.492B as the Bank did not renew a portion of its high cost deposits, to improve interest margins.
- Bills Payable likewise dropped by 30% to P49.387B due to liquidation of foreign borrowings and investor repos.
- Other Liabilities increased by 15% to P41.102B from higher levels of accruals as well as outstanding checks and accounts payables and miscellaneous assets.
- Capital Funds went up by 6% to P56.157B primarily owing to the Net Income for the first half of the year.

II. Balance Sheet – June 2007 vs. June 2006 (Pro-forma)

- Total Resources expanded by 2% from the previous year's level of P593.769B, owing to a growth in earning assets funded by an increase in deposits.
- Cash and Other Cash Items increased by 15%, owing to the growth in deposit levels and branch network.
- Due from BSP went up by 163% on account of the Bank's Reserve Deposit Account and Special Deposit Account with BSP as well as higher level of reserves consistent with the deposit growth.

- Due from Other Banks went up by 199%, primarily foreign currency denominated placements and working balances with foreign banks.
- Investment Securities dropped by 25% to P164.092B to fund the reduction in high cost borrowings and also on account of the reallocations of earning assets to placements with BSP and other banks. Financial Assets at Fair Value Through Profit or Loss and Held-to-Maturity Securities declined by 51% and 43%, respectively, while Available-for-Sale Securities increased by 11% due to a rebalancing of the investment portfolio.
- Net Loans and Other Receivables inched up by 2% despite a 33% decline in Interbank Loans and Securities Purchased Under Reverse Repurchase Agreements. Gross receivables from customers grew by 11% year-on-year from loan marketing efforts.
- Equity Investments declined by 30% primarily owing to a reclassification of certain equity investments to Available for Sale Securities.
- Investment Properties went down by 11% as the Bank disposed of a portion of its foreclosed assets.
- Deposit Liabilities grew by 7% from effective deposit marketing as well as an expanded branch network.
- Bills Payable dropped by 41% primarily due to a reduction in high-cost borrowings and investor repos.
- Derivative Liabilities increased by 20% from a higher level of Treasury's investment products with embedded derivatives.
- Other Liabilities grew by 10% coming from a year-on-year rise in unearned income and accruals consistent with the increased level of assets, liabilities and operating expenses.
- Capital Funds went up by 33% owing to the profitable operations of the Bank as well as the sale of EPCI treasury shares previously held by a subsidiary.

III. Income Statement – June 2007 vs. June 2006 (Pro-forma)

- Net Income registered a 22% growth, reaching P3.176B for the first half of the year from P2.596B for the same period last year.
- Net Interest Income climbed 19% to P10.963B, as interest margins improved despite a slight growth in earning assets.
- The Bank set aside P3.061B as Provision for Impairment Loss, 169% higher than the same period last year as the Bank took a more conservative stance on impairment provisioning by aligning EPCI's provisioning with BDO's provisioning policy.
- Other Income expanded by 48% to P9.047B due to the following:
 - Trading Gain surged by 117% to P2.595B from profit-taking on the Bank's trading portfolio.
 - Service Charges and Fees rose by 26% to P4.177B brought about by increased business from investment banking, transaction banking, consumer banking, insurance and OFW remittances.
 - Trust Fees dropped by 54% to P349M on account of lower year-on year average volume of assets managed, primarily Unit Investment Trust Funds.
 - Foreign Exchange Gain increased by 11% to P470M due to increased volume of trade transactions and OFW remittances.
 - Miscellaneous Income grew by 225% to P1.456B mainly owing to one-time gains on sale of certain assets.
- Operating Expenses was higher by 22% to P12.893B brought about by the following:
 - Employee Benefits increased by 15% on a higher manpower count from business expansion.

- Occupancy and equipment-related expenses went up by 47% as the Bank expanded its branch network through the deployment of former UOBP branches.
- Insurance expenses, Repairs & Maintenance, as well as Security, Clerical, Messengerial & Janitorial expenditures rose by 22%, 38% and 20%, respectively, owing to the expansion and conversion of branches and growth in other fixed assets.
- Taxes and Licenses as well as Documentary Stamps Used went up by 33% and 15%, respectively, owing to increased business volume as well as the settlement of previous assessments.
- Litigation/Assets Acquired expenses dropped by 8% after considerable ROPA-related expenditures last year.
- Advertising, Representation and Miscellaneous Expenses grew by 66%, 14% and 15%, supporting the increased business volume.
- Tax Expense went down by 16% to P881M due to a higher increase in operating expenses relative to taxable income.

1. 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.

	2Q2007	2Q2006	Inc/(Dec)
	(Pro-forma)		
1.) Return on Average Equity (Annualized)			
Net Income / Average Total Capital Account			
3,176,033 / 54,649,302	11.62%		
2,595,763 / 41,285,513		12.57%	-0.95%
2.) Return on Average Assets (Annualized)			
Net Income / Average Total Assets			
3,176,033 / 619,324,179	1.03%		
2,595,763 / 561,087,979		0.93%	0.10%
3.) Net Interest Margin (Annualized)			
Net Interest Income / Average Earning Assets			
10,963,330 / 526,732,597	4.16%		
9,236,490 / 472,331,167		3.91%	0.25%
4.) Capital Adequacy Ratio (with market risk)			
Total Qualifying Capital / Total Risk Weighted Assets (in MM PhP)			
57,315 / 367,487	15.60%		
49,500 / 331,646		14.93%	0.67%

5.) Earnings per share

Net Income / Average Common Stock

3,176,033 / 2,270,628	1.40		
2,595,763 / 2,260,962		1.15	0.25

1. Annualized return on average equity (ROE) decreased by 0.95% brought about by broader capital base resulting from the sale of previously held treasury shares.
2. Annualized return on average assets (ROA) inched up by 0.10% due to increased efficiency in utilization of resources.
3. Annualized Net Interest Margin went up by 0.25% from a remixing in the Bank's funding sources.
4. Capital Adequacy Ratio increased by 0.67% to 15.60%, as the increase in capital outpaced the growth in risk-weighted assets.
5. Earnings per Share increased by P0.25 to P1.40 due to the increase 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.

The Bank expects to incur capital expenditures related to the conversion of former EPCI branches, head office renovation and upgrading of IT systems. Funding will be sourced internally.

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.

The Bank booked significant one-time gains from the sale of certain listed equity securities, explaining the increase in the reported Miscellaneous Income.

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 2007 vs. December 2006

Remarks: NONE

II. Balance Sheet – June 2007 vs. June 2006

- Due from BSP as a percentage of Total Resources increased from 4.4% to 11.3% owing to the Bank’s Reserve Deposit Account and Special Deposit Account with BSP as well as higher requirements following the increase in deposit levels.
- Held-to-Maturity Securities dropped from 17.0% to 9.5% of Total Resources due to a reclassification to Available for Sale Securities.
- Bills Payable dropped from 14.0% to 8.1% of Total Resources owing to reduced dependence on borrowings due to good deposit growth.

III. Income Statement – June 2007 vs. June 2006

- Interest Income on Loans and Receivables as a percentage of Total Interest Income declined from 56.9% to 51.2% on account of lower levels of Interbank Loans and lower interest rates.
- Interest Income on Investment Securities to Total Interest Income likewise declined from 40.0% to 30.9% due to a reduced portfolio of Financial Assets Through Profit or Loss and Held-to-Maturity Securities.
- Interest Income on Due from Banks accounted for 7.5% of Total Interest Income from 1.7% for the same period last year owing to higher levels of working balances and placements with BSP and other banks.
- Other Interest Income to Total Interest Income went up to 10.5% from 1.4% on account accretion on a receivable from the SM Group in relation to the sale of EPCI treasury shares previously held by a subsidiary.
- Interest Expense on Deposit Liabilities as a percentage of Total Interest Expense increased from 72.7% to 85.2% due to higher deposit levels.
- Interest Expense on Bills Payable to Total Interest Expense conversely decreased from 27.3% to 14.8% owing to the reduction of high cost borrowings.
- Trading Gain to Other Income expanded from 19.5% to 28.7% of Other Income as the Bank took profits from its trading portfolio.
- Service Charges & Fees decreased from 53.9% to 46.2% as Trading Gain and Miscellaneous Income contributed significantly to Other Income for the first half of the year.

- **Trust Fees as a percentage of Other Income dropped to 3.9% from 12.4% on account of lower year-on year average volume of assets managed.**
- **Miscellaneous Income rose from 7.3% to 16.1% of Other Income as the Bank recognized one-time gains on certain assets sold.**
- **Tax Expense as a percentage of Income Before Tax went down from 28.8% to 21.7% due to higher levels of operating expenses relative to taxable income.**

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

Remarks: NONE