



Via ODiSy

February 26, 2008

**PHILIPPINE STOCK EXCHANGE, INC.**

Philippine Stock Exchange Centre  
Exchange Road, Ortigas Center  
Pasig City

Attention: Atty. Pete M. Malabanan  
Head, Disclosure Department

Gentlemen:

During its regular meeting held last Saturday, 23 February 2008, the Board of Directors of *Banco De Oro Unibank, Inc.* (BDO) approved the following:

- (1) Public Issuance of Unsecured Subordinated Debt eligible as Lower Tier 2 Capital

Subject to the prior approval of the Bangko Sentral ng Pilipinas (BSP), BDO's Board approved a program for the public issuance in tranches of up to P15 billion of unsecured subordinated debt eligible as Lower Tier 2 Capital, over a period of one year. The first tranche is planned at P5 billion, and is meant to partially refinance an existing US\$200 million Tier 2 issue callable by July 2008. This will allow further expansion of BDO's consumer loan portfolio, and boost its capital adequacy ratio, which stood at 15.3% as of 4Q07. Management has mandated The Hongkong & Shanghai Banking Corporation, ING Bank N.V. and Standard Chartered Bank to arrange the new Tier 2 issue.

- (2) Merger of Equitable Savings Bank (ESB) with BDO

BDO's Board of Directors likewise approved *subject to prior approval of the BSP* the merger of its wholly-owned subsidiary, ESB, with BDO. This



merger will further rationalize the Group's corporate structure as operations will be streamlined with the consolidation. Cost savings will be realized from unified branding and advertising, while the productivity of ESB's outlets will be enhanced by the ability to offer a wider array of products as branches of a universal bank.

(3) Record and Payment Dates for P0.80 per share Cash Dividend Fixed

Following BDO's receipt of BSP approval for its cash dividend of eighty centavos (P0.80) per share declared last 26 July 2007, BDO's Board fixed 11 March 2008 as the Record Date to determine shareholders entitled to said cash dividend and 08 April 2008 as Payment Date.

The attached statement shall be released to the press.

*Thank you.*

Very truly yours,

A handwritten signature in black ink, appearing to read 'ELMER B. SERRANO'.

**ELMER B. SERRANO**  
Corporate Information Officer

## **BDO posts P6.5B profit in 2007**

Banco De Oro Unibank Inc. (BDO) recorded an audited net income of P6.5 billion in 2007, representing a 2% growth over the pro-forma 2006 level of P6.4 billion. This is based on the combined accounts of BDO and the former Equitable PCI Bank (EPCI), which merged effective last 31 May 2007. This result is lower than the Bank's income guidance of P7.0 billion, primarily due to non-recurring expenses related to integration and the settlement of taxes under the BIR's abatement program. The Bank's performance can be attributed to the beneficial impact of the merger, broad-based improvements in key business lines and a rebalancing in the asset and liability mix even with ongoing integration efforts and a challenging business environment.

Net Interest Income rose 11% to P21.4 billion given a better loan and deposit mix. Gross customer loans grew 15%, driven by brisk demand for higher-margin consumer loans, despite the flat movement in Net Loans and Other Receivables, which settled at P311.6 billion. Total Deposits declined by 5% to P445.4 billion despite the healthy growth in low-cost deposits, as the Bank reduced its dependence on high cost funding. This resulted in further improvement in the funding mix, and contributed to better interest margins.

Non-Interest Income declined 4% to P16.9 billion as gains from fee-based income were offset by lower treasury and other income. Service Charges and Trust Fees jumped 14% to P9.6 billion with larger contributions from branch banking, remittances, credit cards, cash management and bancassurance. Trading and foreign exchange gains decreased to P4.6 billion given greater market volatility.

Operating costs expanded 12% to P25.5 billion with integration costs of the merged Bank and extraordinary expenses related to the tax abatement program. Impairment provisions contracted 20% to P4.1 billion despite aligning towards more conservative provisioning policies and continuing clean up efforts.

BDO is presently among the top three domestic banks with Total Assets of P617.3 billion and Total Capital Funds of P60.4 billion. The Bank is among the market leaders in its core business lines, with an extensive network of over 665 domestic branches and more than 1,200 ATMs nationwide.

Meanwhile, the Board of Directors of BDO approved a program to issue in tranches up to P15 billion of unsecured subordinated debt eligible as Lower Tier 2 Capital, for a period of one year. The first tranche is planned at P5 billion, and is meant to partially refinance an existing US\$200 million Tier 2 issue callable by July 2008. This will allow further expansion of BDO's consumer loan portfolio, and boost its capital adequacy ratio, which stood at 15.3% as of 4Q07. Management has mandated The Hongkong & Shanghai Banking Corporation, ING Bank N.V. and Standard Chartered Bank to arrange the new Tier 2 issue.

The Bank's Board of Directors likewise approved the consolidation of its wholly-owned subsidiary Equitable Savings Bank (ESB), with the parent company. This will further rationalize the Group's corporate structure as operations will be streamlined with the consolidation. Cost savings will be realized from unified branding and advertising, while the productivity of ESB's outlets will be enhanced by the ability to offer a wider array of products as branches of a universal bank.

The Bank also announced the record and payment dates of its P0.80 cash dividend declaration. Stockholders as of March 11, 2008 shall be entitled to the dividend, payable on April 8, 2008.