BANCO DE ORO

12 ADB Avenue, Ortigas Center
Mandaluyong City, Metro Manila, Philippines
www.bancodeoro.com.ph

2006 Annual Report

Building *for the* Future

BDO BANCO DE ORO

A Member of SM Investments Corporation

CORE VALUES

Commitment to Customers

We are committed to deliver products and services that surpass customer expectations in value and every aspect of customer service, while remaining to be prudent and trustworthy stewards of their wealth.

Commitment to a Dynamic and Efficient Organization

We are committed to creating an organization that is flexible, responds to change and encourages innovation and creativity. We are committed to the process of continuous improvement in everything we do.

Commitment to Employees

We are committed to our employees' growth and development and we will nurture them in an environment where excellence, integrity, teamwork, professionalism and performance are valued above all else.

Commitment to Shareholders

We are committed to provide our shareholders with superior returns over the long term.

CORPORATE MISSION

To be the preferred bank in every market we serve by consistently providing innovative products and flawless delivery of services, proactively reinventing ourselves to meet market demands, creating shareholders value through superior returns, cultivating in our people a sense of pride and ownership, and striving to be always better than what we are today... tomorrow.

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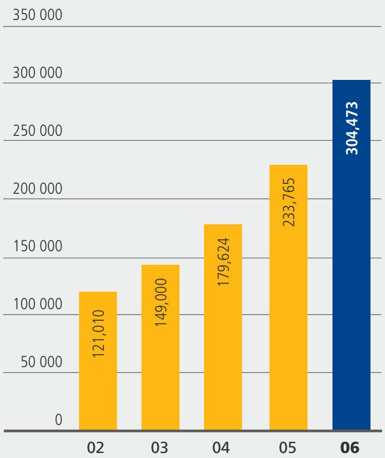
Designed and Concept: Xpress Media Philippines, Inc. +63 (2) 6876595

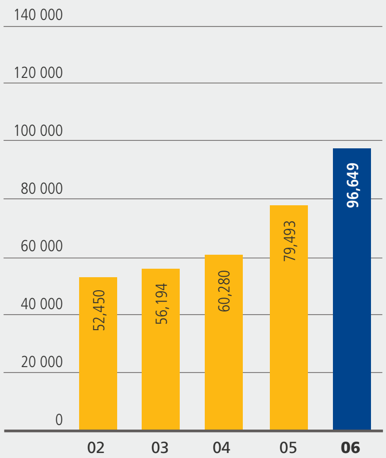
FINANCIAL HIGHLIGHTS

in '000	2005	**2006**	%INCREASE
RESOURCES	233,764,786	**304,473,488**	30.25%
NET LOANS	79,492,984	**96,649,449**	21.58%
DEPOSIT LIABILITIES	160,237,871	**230,027,772**	43.55%
CAPITAL FUNDS	20,234,304	**24,428,784**	20.73%
NET INCOME	2,543,517	**3,128,294**	22.99%

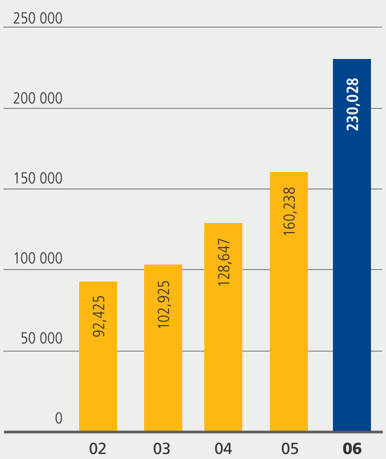
RESOURCES
In Million Pesos



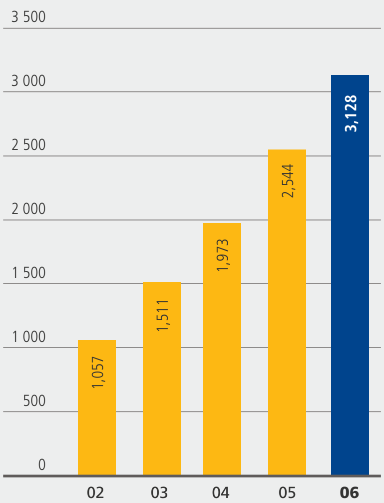
NET LOANS
In Million Pesos



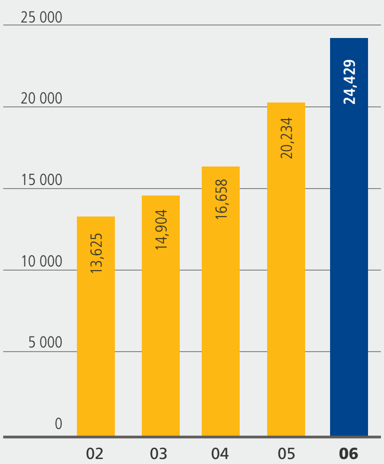
DEPOSIT LIABILITIES
In Million Pesos



NET INCOME
In Million Pesos



CAPITAL FUNDS
In Million Pesos



MESSAGE FROM THE CHAIRMAN EMERITUS

Success does not happen overnight. The same is true with the path to progress taken by Banco de Oro (BDO). Over the years, it has carved for itself a niche in the banking industry, one marked by consistency in growth, profitability and asset quality. The year 2006 was no exception. Once again, we registered record profits of Php 3.1 billion, a 23% growth over last year, and we outperformed the industry in resources, loans and deposit growth. Such performance is now marked by material profit contributions from products that were not even in existence five years ago.

Now, the Bank is on the verge of breaking into the ranks of the elite in the Philippine banking industry with the merger of BDO with Equitable PCI Bank (EPCI). BDO-EPCI will become the second largest bank in the country with leadership positions in a number of businesses servicing our consumer, middle market and corporate market clients. It is no doubt a redefining moment for the Bank. The next stage in our Bank's development starts here.

While we have accomplished a lot in the past, let's remind ourselves that it is by no means a guarantee of our future success. Let's therefore guard against complacency and continue to build on our success to date. To our officers and staff, congratulations on your accomplishments. To my fellow shareholders, thank you for your continued trust and confidence. We can now look forward to taking our performance to the next level. Together, we can make BDO the best bank in the Philippines.

MESSAGE FROM THE PRESIDENT

The year 2006 may well be a defining moment in the Bank's history. Our major shareholder, the SM Group, completed a successful tender offer for the rest of the Equitable PCI Bank (EPCI) shares, paving the way for the merger of Banco de Oro (BDO) with EPCI with BDO as the surviving entity. With the merger, the combined BDO-EPCI will become one of the largest banks in the country with a 700-strong branch network and leadership positions in a number of business lines. The transaction signals a shift in the Bank's strategy from being a geographic niche player to a full-service nationwide bank.

From an operational perspective, the Bank achieved record profits in 2006, registering a net income of P3.1Billion or 23% over the previous year. The Bank once again outpaced the industry on most key measures. Resources are up 30% from previous year buoyed by a 22% growth in loans and a 44% growth in deposits. Profitability is enjoying strong contributions from our fee and service-based businesses to complement our traditional lending and deposit taking activity. Our asset quality remains strong, and our NPL and NPA ratios are among the lowest in the industry. All in all, our long-term strategy of building industry-leading profitability, growth and asset quality remains on track.

We enter 2007 with the challenge of steering the combined BDO-EPCI into the same path of profitability and performance. While the combined entity offers a lot of promise, getting there is not without risks. I am confident however that we have the right team in place and with your support, there's no reason why we will not be successful.

As always, we thank you for your continued confidence and trust. We look forward to the future with optimism and together, we will continue to make strides in making our Bank the best bank in the country.

Investor sentiment consequently improved further given the country's enhanced fundamentals, and all three major credit rating agencies moved to upgrade the sovereign credit rating outlook to Stable

REVIEW OF 2006 OPERATIONS

The year 2006 is considered a landmark year, as the fruits of the government's fiscal recovery plans became evident. The improvement in revenue collection during the year allowed the government to reduce its borrowing requirements, resulting in a fiscal deficit well within planned levels, and keeping domestic interest rates low. Investor sentiment consequently improved further given the country's enhanced fundamentals, and all three major credit rating agencies moved to upgrade the sovereign credit rating outlook to Stable. This development, in turn, further fueled the resurgence of both the bond and equity markets, which provided substantial returns to investors during the year.

Growth in gross domestic product strengthened to 5.4% in 2006 from 5.0% in 2005. Inclusive of net factor income from abroad, which expanded by 15.4%, gross national product or GNP expanded by 6.2% from only 5.6% in 2005. Private consumption – making up 71.3% of GNP – remained the spearhead of growth, as family incomes, boosted by OFW earnings, fed consumer sales.

On the fiscal front, the government contained the budget deficit to only P62.2 billion (1.04% of GDP), barely half the P125 billion (2.1% of GDP) ceiling for 2006 and much smaller than the P146.8 billion (2.7% of GDP) incurred in 2005. The sterling performance was brought about by both controlled spending and improved revenue collections, with the EVAT surpassing its target for the year.

Inflation

The average inflation rate for the year dropped to 6.2% from 7.6% in 2005. The higher CPI base in 2005, the decline in the prices of global crude oil, and the moderating effect of an appreciating peso were the main factors behind this decline. Moreover, adequate supplies of food staples owing to good harvests, and subdued demand, contributed to the trend.

Foreign Exchange Rate

The peso exhibited an appreciating trend throughout the year, improving from the year-average rate in 2005 of P55.09 to only P51.31 last year – an appreciation of 6.9%. With inflows from OFW remittances reaching a new record of $12.8 billion from $10.7 billion in 2005, the peso-dollar rate ended the year at P49. Heightened investor and creditor confidence, as reflected in the credit rating outlook upgrade by Moody's to B1 last November, and the weakening US dollar also contributed to the peso's strength.

Interest Rates

Set against declining inflation, an appreciating peso, a lenient monetary policy, improving fiscal position, restored investor and creditor confidence, high market liquidity, and the consequent reduction in new offerings of government securities, yields on peso debt papers plunged by an average of 315.6 basis points across all tenors over the year. In the primary market, the average auction rate of the 91-day Treasury bill declined from an average of 6.4% in 2005 to 5.4% this year, a drop of 101 basis points.

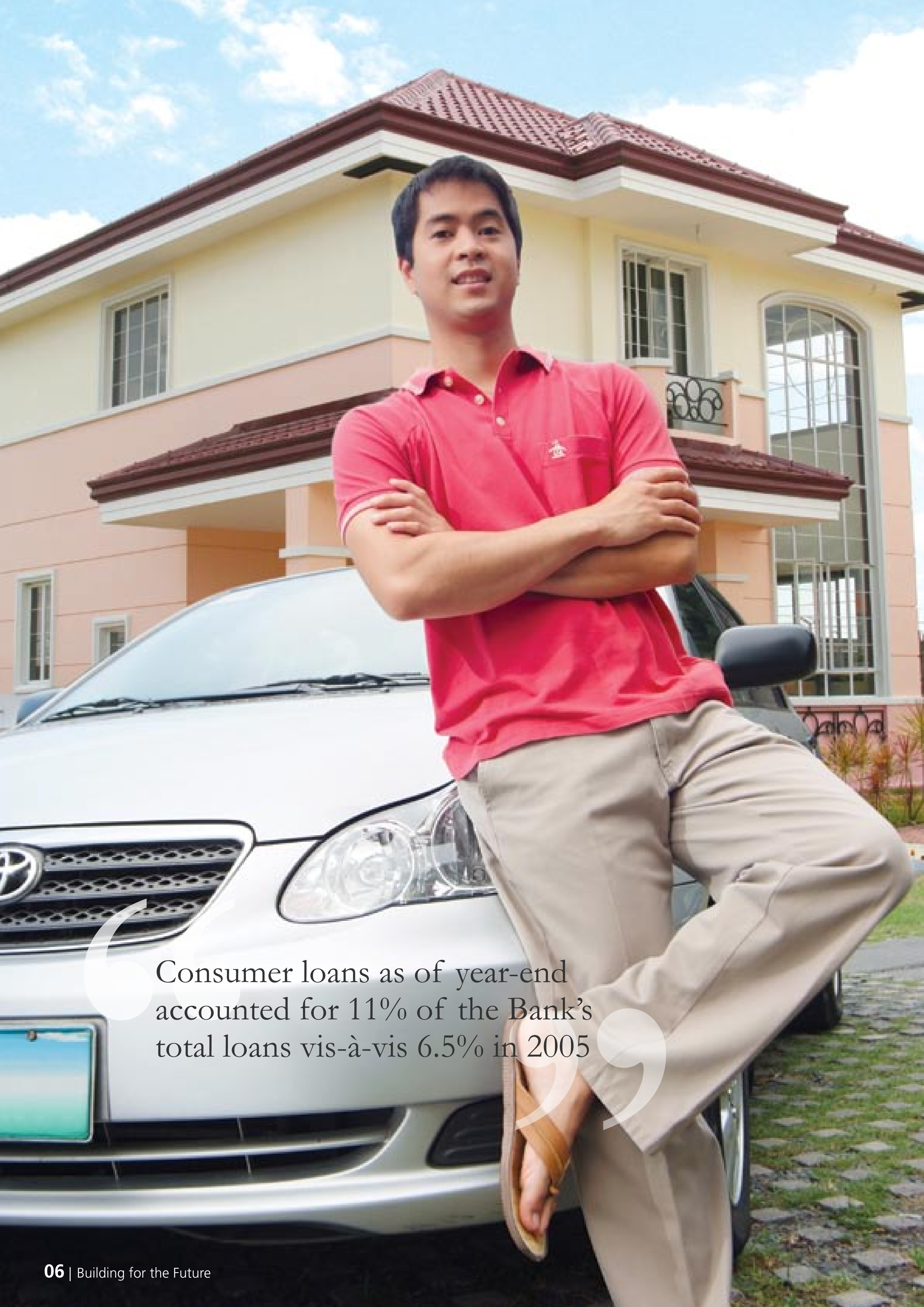
> “The Year 2006 is considered a landmark year”

OUTLOOK FOR 2007

The Philippine economy is expected to continue its growth in 2007. Election and infrastructure spending are expected to fuel national and sectoral growth, while declining interest rates and rising OFW remittances should continue to benefit the real estate and consumer sectors.

The deceleration in inflation is expected to be sustained this year with the annual rate seen to drop further to around 4.0% to 5.0%. A more stable fuel price environment brought about by adequate supplies, as well as expected lower demand from the major world economies are seen to prevail over most of the coming year. The primary risk to stable oil prices though is the ongoing tension in Iran and Iraq and the rest of the Middle East.

The currency is expected to benefit from the continued flow of OFW remittances, seen at around $14 billion, and potential credit rating upgrades due to further improvements in the fiscal sector. These could bring the exchange rate down to around P46 by yearend.



Consumer loans as of year-end accounted for 11% of the Bank's total loans vis-à-vis 6.5% in 2005

Domestic interest rates are still on a downtrend, but may move in a more limited magnitude compared to 2006. Monetary relaxation by the BSP, as seen by the retention of the tiering scheme, the continued reduction of GS auction volumes, potential credit rating upgrades, and sustained high market liquidity are seen as the major factors to a stable interest rate scenario.

BANCO DE ORO OPERATIONAL HIGHLIGHTS

Banco de Oro (BDO) continued its historically strong performance in 2006. Net income registered at P3.13 billion, a 23% increase from the prior year's P2.54 billion. Total assets, likewise, grew by 30% to P304.47 billion, owing to a strong performance across all of the Bank's business lines. Gross customer receivables increased by 22% while total deposits grew considerably by 44%. Fee-based services also expanded as the Bank launched new products and services and increased coverage in its chosen markets. Despite the significant growth of the Bank's balance sheet, asset quality was still among the best in the industry while capital adequacy remained at a comfortable level with a year-end ratio of 15.9%.

During the year, several strategic initiatives were undertaken by the Bank:

- Issuance of US$115 million Global Depositary Receipts (GDRs). This increased international investor awareness of the Bank and allowed BDO to access a much broader investor base. The listing of the GDRs in the London Stock Exchange provided an alternative venue to trading the underlying BDO shares in the Philippine Stock Exchange.

- Issuance of P5.0 billion Series 3 Long-Term Negotiable Certificates of Time Deposits (LTNCDs). This provided a longer-term source of funds for the Bank's growing consumer portfolio, thus further improving the Bank's liquidity position and maturity profile.

- Acquisition of United Overseas Bank of the Philippines' (UOBP) retail business and subsequent redeployment of 45 former UOBP branches in strategic business areas.

- Opening of 14 new BDO On-Site outlets, which gives non-depositor clients additional venues for availing of ancillary services even beyond regular banking hours.

- Launch of the BDO Asenso Kabayan program, which aims to make BDO the preferred bank of Overseas Foreign Workers and their beneficiaries by providing them convenient and dependable one-stop shop banking. Available bank products and services include remittances, consumer loans, peso and dollar savings accounts, ATM and cash cards, and acceptance of bills payment.

In September 2006, SM Investments Corporation (SMIC) initiated a tender offer for Equitable PCI Bank (EPCI) shares, eventually resulting in the acquisition of the EPCI shareholdings of the Government Service Insurance System, EBC Investments, Incorporated and a portion of publicly held shares. This provided SMIC majority control of EPCI and allowed BDO to move for a merger of both institutions. On December 27, 2006, the shareholders of both BDO and EPCI approved the Plan of Merger putting into motion the biggest merger in Philippine banking industry.

Account Management

Corporate banking (Corbank), aside from expanding its premium client base, sought to maximize overall relationship contribution and increase BDO's share of the banking business of existing corporate customers. Accordingly, Corbank grew its loan portfolio by 19% in 2006 on the back of strong participation in infrastructure and privatization transactions.

Commercial banking, or middle-market lending, likewise increased its loan portfolio, albeit at a slightly slower but steadier pace of 14%. Expanded market coverage continues to be the driver of middle-market lending for BDO. The enhanced branch network and the regional lending offices played crucial roles in tapping loan clients in key urban areas outside Metro Manila.

Consumer Lending

Consumer lending, offering auto and mortgage financing, as well as credit card and personal loans, continued to gain market share as total portfolio more than doubled in 2006. Consumer loans as of year-end accounted for 11% of the Bank's total loans vis-à-vis 6.5% in 2005. Credit card fees more than tripled as total credit cards-in-force grew by 70% to more than 240,000.

"The BDO International ATM Card clinched the Platinum Award for "Best MasterCard Electronic Card" under the MasterCard Asia/Pacific Marketing Leadership Awards 2006"

> Credit card fees more than tripled as total credit cards-in-force grew by 70% to more than 240,000.

In September 2006, the Bank launched the BDO Platinum MasterCard designed for its premium customers, offering unparalleled features such as: an exceptionally high spending limit, concierge services, card-related emergency services and travel accident coverage among others.

Branch Banking

Branch Banking registered a substantial 40% growth in low-cost deposits and a 30% increase in fee-based services as the Bank continued to expand its distribution network with the conversion and redeployment of 45 additional branches from the UOBP acquisition. The additional branches and ATM facilities activated last year enhanced client coverage and client accessibility to products and services offered by the Bank. The redeployment of the remaining UOBP branch licenses in 2007 will further develop the Bank's distribution network, improve market coverage and increase the potential for cross-selling other products.

Treasury

With a backdrop of a low interest rate environment, Treasury's income was boosted by a 72% increase in trading gains compared to the previous year, driven by higher securities turnover volume and an expansion in the Bank's investments portfolio. The Bureau of Treasury recognized the Bank as one of the best performing government securities eligible dealer in both primary and secondary markets. Net interest income from investing activities likewise remained strong in 2006, supporting the Bank's overall profitability.

Treasury also played a significant role in the issuance of the P5.0 billion Series 3 LTNCDs. This transaction provided a more stable funding source at a lower cost and at the same time improved the Bank's liquidity and maturity profile.

Trust

Trust continued its steady growth with a 5% increase in fees despite a slight decline in total trust assets, owing to a partial shift by investors from Unit Investment Trust Funds (UITFs) to the more traditional deposit products of the Bank. Despite this, BDO continues to be the market leader in terms of UITFs. Furthermore, investment management accounts, traditional trust and fiduciary services grew at an aggregate 35% over 2005 levels, maintaining BDO's position as the third largest in terms of total trust assets.

Trust Banking also led the industry in terms of investment performance of retirement funds based on the latest (84th) Watson Wyatt survey. BDO Trust took the top rank in all three measures namely the full-year 2005 average return, the three-year average return and the five-year average return. This indicates the consistency and sustainability of BDO's performance over the years.

Transaction Banking

Transaction Banking posted a 37% increase in income with the retail payments and electronic banking services revenues growing by 58% while the corporate cash management business improved by 31%. The strong performance was a result of increases in both the transaction volume and transaction count of 30% and 18%, respectively.

To keep up with the growing demands of electronic banking services, the second generation Corporate Internet Banking Facility was launched in June 2006. The envisioned internet portal for corporate clients initially offers standard banking and cash management services such as fund transfers, wire transfer requests, payroll services and post-dated check warehousing among others.

The Bank also launched the BDO MasterCard Paypass ATM Card and the BDO International ATM Card. Paypass is the first-in-the-industry debit card providing cardholders with the ability to "Tap & Go" for a faster, secure way to pay small-ticket items. The BDO International ATM Card, which allows BDO depositors access to over one million ATMs in 120 countries worldwide, clinched the Platinum Award under the MasterCard Asia/Pacific Marketing Leadership Awards 2006 – "Best MasterCard Electronic Card" category.

Private Banking

BDO Private Bank registered remarkable growth rates in 2006. Total resources grew by almost 50% to the year-end level of P22.2 billion. Assets under management grew by 33% as the client base expanded by 30%.

The Bank expresses its active support to overseas Filipinos through the provision of accessible banking services, affordable investment products and financing facilities

Gross revenues in 2006 increased by 11% to P820 million while net income registered at P457 million, translating to a return on average capital of 12.7%.

Total capital at year-end stood at P3.8 billion allowing the Private Bank to declare for the second consecutive year, cash dividends amounting to P500 million, vis-à-vis the P250 million in 2005.

Investment Banking

2006 was a banner year for BDO Capital & Investment Corporation (BDO Capital) as it garnered five awards from three prestigious international publications recognizing BDO Capital's achievements in the Philippine investment banking industry. BDO Capital was named as: Best Investment House and Best Equity House in the Philippines by ***Finance Asia;*** Best Equity House and Debt House in the Philippines by ***Asiamoney;*** and Best Domestic Investment Bank in the Philippines by ***The Asset Magazine.*** BDO Capital's strong presence in the capital markets in 2006 had allowed it to raise a combined P133 billion in equity and debt offerings for both private and government corporations. BDO Capital had major roles in fund-raising activities for power-related (Manila Electric Company, PNOC Energy Development Corporation, First Gen Corporation and Mirant Sweden International) and infrastructure (Manila North Tollways Corp., South Luzon Tollway Corp. and UEM-MARA Philippines Corp.) projects which are among the priority industries of the Philippine government.

Insurance

BDO Insurance Brokers, Inc. (BDOI) posted a 61% expansion in insurance premiums in 2006, with the bancassurance segment growing by 63%. This resulted in a 34% increase in commission income for the year. The company is looking at intensifying marketing and cross-selling efforts as the Bank continuously expands its distribution network.

Generali Pilipinas likewise registered a substantial 43% increase in premiums in 2006. Premiums from bancassurance, however, grew at a much faster rate of 77% to account for 55% of total premiums for the year vis-à-vis 45% in 2005. Total premiums generated by the company reached P1.9 billion in 2006.

Remittance

The strength of the Bank's remittance business showed in 2006 registering an uptake in transactions and US$ Volume by 76% and 40%, respectively. Net income of the business grew by 38%, continuing the momentum set forth in previous years. The unit increased its domestic payout channels by accrediting 8 rural banks, increasing the "last mile network" by 92. As a result, total remittance pick-up channels increased to 429 as of end 2006. Further expansion abroad resulted to 18 new overseas partners, broadening global access to Overseas Filipino Workers (OFW), especially in the Middle East. Operational efficiencies were also derived through the continuous upgrading of its web-based remittance system.

The remittance unit, together with other units of the Bank, spearheaded the creation of the BDO Asenso Kabayan program. The program aims to make banking accessible to OFWs and their beneficiaries, paving the way for the cross-selling of BDO's various financial products to Filipino Workers and their families. The comprehensive offering aims to further cultivate the Bank's presence in the remittance market by providing a suite of financial products tailor-fitted to the needs of remitters and their beneficiaries. The Asenso Kabayan program is a medium through which the Bank expresses its active support to overseas Filipinos through the provision of accessible banking services, affordable investment products and financing facilities.

Risk Management

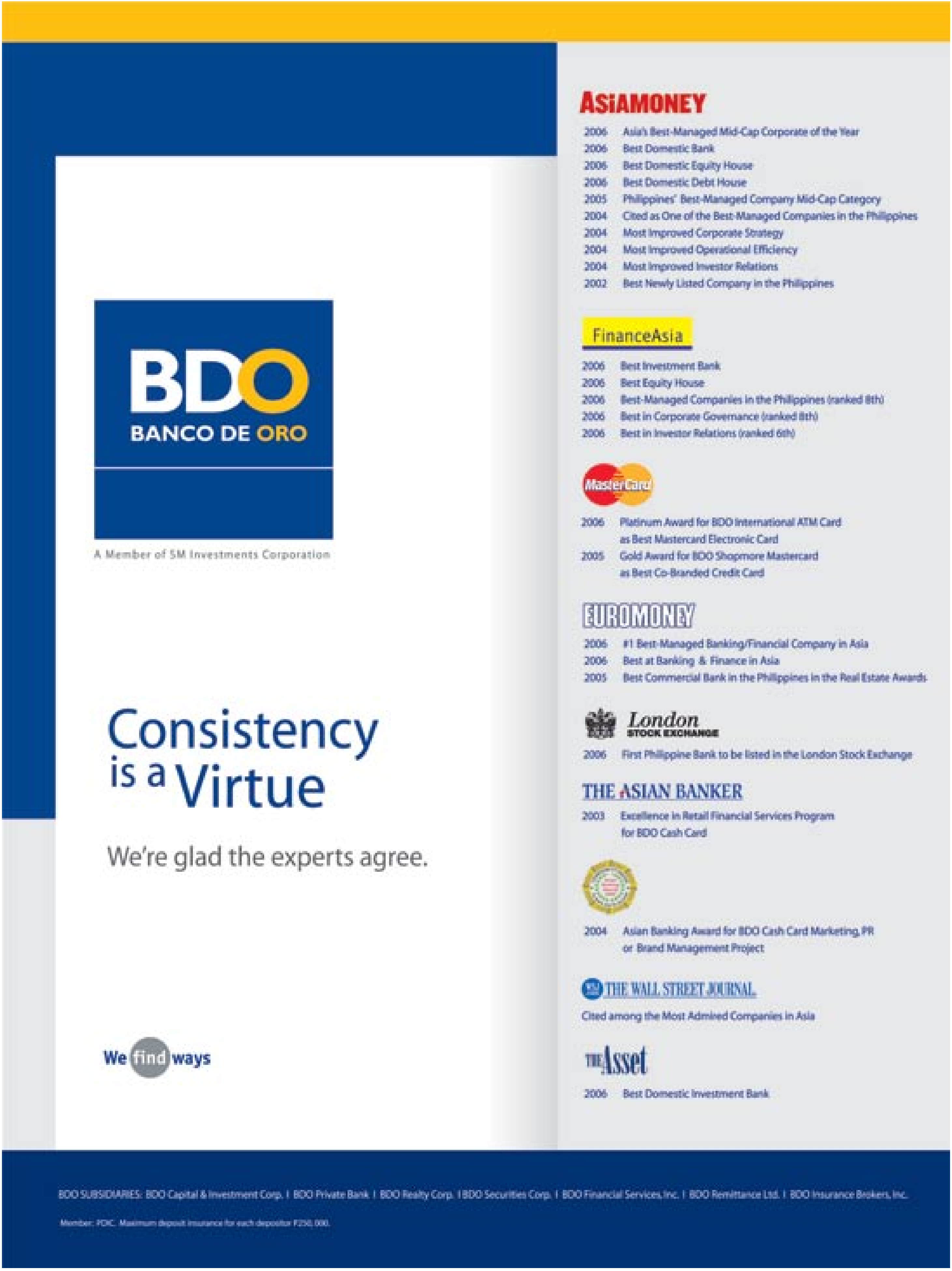
In 2006, the Credit and Risk Management Group (CRMG) focused its effort on further developing the Bank's credit, market and operational risk management systems, models and methodologies.

In the area of credit risk, CRMG enhanced the industry and portfolio studies to support the current market strategies of the Bank. The unit continued to support the lending groups' origination effort by implementing the "4 eyes" concept of review for all material commercial accounts. The consumer risk management function was enhanced by beefing-up the compliance review team and covering fraud risk under the Consumer/Credit Card Risk Management Unit.

In terms of market risk management, CRMG further enhanced its valuation and measurement models used in the trading book, allowing it to improve the risk parameters used for managing the lending and investing activities of the Bank. Market risk management will further be enhanced under the sponsorship of the International Finance Corporation.

In the area of operational risk management, CRMG put into motion during the year, the development and implementation of policies addressing the management of various operational risks. Priority areas included the Business Continuity Plan and Information Security Management, among others.

During the year, CRMG also set up the Risk Analytics Unit, which will be responsible for scorecard generation, VAR modeling, Basel 2 implementation, and enhanced enterprise-wide Risk Management MIS and Analysis, to support the growing complexity and volume of business of the Bank.


BDO
BANCO DE ORO
A Member of SM Investments Corporation
Consistency is a Virtue
We're glad the experts agree.
We find ways
ASIAMONEY
2006 Asia's Best-Managed Mid-Cap Corporate of the Year
2006 Best Domestic Bank
2006 Best Domestic Equity House
2006 Best Domestic Debt House
2005 Philippines' Best-Managed Company Mid-Cap Category
2004 Cited as One of the Best-Managed Companies in the Philippines
2004 Most Improved Corporate Strategy
2004 Most Improved Operational Efficiency
2004 Most Improved Investor Relations
2002 Best Newly Listed Company in the Philippines
FinanceAsia
2006 Best Investment Bank
2006 Best Equity House
2006 Best-Managed Companies in the Philippines (ranked 8th)
2006 Best in Corporate Governance (ranked 8th)
2006 Best in Investor Relations (ranked 6th)
MasterCard
2006 Platinum Award for BDO International ATM Card as Best Mastercard Electronic Card
2005 Gold Award for BDO Shopmore Mastercard as Best Co-Branded Credit Card
EUROMONEY
2006 #1 Best-Managed Banking/Financial Company in Asia
2006 Best at Banking & Finance in Asia
2005 Best Commercial Bank in the Philippines in the Real Estate Awards
London STOCK EXCHANGE
2006 First Philippine Bank to be listed in the London Stock Exchange
THE ASIAN BANKER
2003 Excellence in Retail Financial Services Program for BDO Cash Card
2004 Asian Banking Award for BDO Cash Card Marketing, PR or Brand Management Project
THE WALL STREET JOURNAL.
Cited among the Most Admired Companies in Asia
THE Asset
2006 Best Domestic Investment Bank
BDO SUBSIDIARIES: BDO Capital & Investment Corp. | BDO Private Bank | BDO Realty Corp. | BDO Securities Corp. | BDO Financial Services, Inc. | BDO Remittance Ltd. | BDO Insurance Brokers, Inc.
Member: PDIC. Maximum deposit insurance for each depositor P250,000.

Information Technology

The year 2006 was a time of strengthening the Information Technology (IT) infrastructure and application systems in anticipation of the expected growth in the Bank's businesses. Capacity was upgraded to prepare for the eventual merger of BDO and EPCI. New systems such as Cash Card, Retail Internet Banking, Corporate Internet Banking, Phone Banking were all implemented, replacing the old versions that could no longer handle the increase in transaction volumes. To increase operational efficiencies, systems such as Integrated Disbursement, Check Printing, Automated Funds Transfer were installed for the Bank's support units.

Business continuity testing was conducted on priority branches to ensure readiness of the Bank to resume branch operations in the event of a business disruption. IT also provided remote back-up facilities for OPICS and SWIFT to enable service continuity of Treasury and International Banking Unit, respectively.

Human Resource Management

With the Bank making significant inroads as a major player in the industry, the need to prepare the manpower core for their increasingly complex roles was a key priority area.

The Bank launched the Branch Simulation Program, which goes beyond the mock branch concept as it puts newly hired branch frontliners in a controlled branch environment that effectively trains them in record time and in record numbers. The Bank likewise facilitated a continuous run of training programs, including courses on system applications, bank products and services, and professional enhancement programs, to support the businesses' need for competent personnel.

During the year, the Bank successfully negotiated and closed the Collective Bargaining Agreement in record time. It also automated the database and peripheral subsystems of the HR Administration System to provide fast and accurate delivery of HR services.

Asset Quality

Non-performing Loans (NPLs) in 2006 went up by P763 million as the Bank aggressively expanded its loan portfolio. However, the NPL ratio (inclusive of Interbank Loans) was lower at 4.0% for 2006 vis-à-vis 4.4% for 2005. Furthermore, NPL coverage improved to 102.1% from 98.3% in 2005 as the Bank booked an additional P1.2 billion in loan loss reserves. A significant portion of these reserves was used to cover the collective assessment for estimated actuarial losses in loans over an economic cycle.

Acquired assets inched up by 2% primarily on account of asset-backed recoveries on NPLs. Non-Performing Assets (NPA) ratio of 3.5% was lower than 2005 level of 4.2%, while NPA cover improved to 57.7% from the previous year's 43.9%. Overall, asset quality remained one of the best in the industry.

Corporate Governance

The Corporate Governance Committee is composed of four members of the Board of Directors, including two independent directors who are both fellows of the Institute of Corporate Directors. One of the independent directors is the Chairman of the Committee.

The charter of the Committee follows the mandates of the Bangko Sentral, which include responsibilities for the review and evaluation of nominees for the Board (which is done through a specific Board committee), performance evaluation of the Board and the individual members, succession policies and the continuing education of the directors. The Board of Directors approved the charter of the Committee.

The Board has been fully briefed on the Committee's activities along these mandates. As required by the charter, the Committee has met at least quarterly. Periodic updates and reports are taken up at the regular monthly meetings of the Board where appropriate time is provided for the various committees. The Committee prepared the institution's Code of Conduct last year and was subsequently approved and adopted by the Board in February 2007.

> "The Bank successfully negotiated and closed the Collective Bargaining Agreement in record time."

BOARD OF DIRECTORS

Henry Sy, Sr.
Chairman Emeritus

Jesus A. Jacinto, Jr.
Vice Chairman

Ismael M. Estella
Director

Violeta O. LuYm
Director

Terrence Ong Sea Eng
Director

Antonio C. Pacis
Director and Corporate Secretary

Nestor V. Tan
Director and President

Christopher A. Bell-Knight
Director

Senen T. Mendiola
Director

Teodoro B. Montecillo
Independent Director

Jose T. Sio
Director

Jimmy T. Tang
Independent Director

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Banco de Oro Universal Bank and Subsidiaries is responsible for all information and representations contained in the financial statements for the years ended December 31, 2006 and 2005. The financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Bank's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Bank in accordance with generally accepted auditing standards in the Philippines 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.

Jesus A. Jacinto, Jr.	**Nestor V. Tan**	**Lucy Co Dy**
Vice Chairman	President	SVP- Comptroller

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Banco de Oro Universal Bank

We have audited the accompanying financial statements of Banco de Oro Universal Bank and subsidiaries (together hereinafter referred to as the "Group") and Banco de Oro Universal Bank (the "Parent Company"), which comprises of the statements of condition as at December 31, 2006 and 2005, and the income statements, statements of changes in capital funds and cash flow statements for each of the three years in the period ended December 31, 2006, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedure selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco de Oro Universal Bank and subsidiaries and of Banco de Oro Universal Bank as of December 31, 2006 and 2005, and of their financial performance and their cash flows for each of the three years in the period ended December 31, 2006 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Francis B. Albalate
Partner
CPA Reg. No. 0088499
TIN 120-319-015
PTR No. 0267678, January 2, 2007, Makati City
Partner SEC Accreditation No. 0104-AR-1
BIR AN 08-002511-5-2005 (December 27, 2005 to 2008)

February 24, 2007

STATEMENTS OF CONDITION

DECEMBER 31,2006 AND 2005
(AMOUNTS IN THOUSANDS OF PESOS)

	Notes	CONSOLIDATED 2006	CONSOLIDATED 2005	PARENT 2006	PARENT 2005
RESOURCES					
CASH AND OTHER CASH ITEMS	4	**P 9,303,950**	P 6,621,220	**P 9,298,008**	P 6,620,667
DUE FROM BANGKO SENTRAL NG PILIPINAS	4	**18,973,914**	4,277,317	**17,012,059**	3,664,748
DUE FROM OTHER BANKS	5	**6,494,530**	5,135,879	**4,360,149**	3,865,828
INVESTMENT SECURITIES					
Financial Assets at Fair Value Through Profit or Loss	6	**7,933,824**	7,739,317	**6,431,299**	6,275,745
Available-for-sale Securities - net	7	**54,031,463**	50,449,832	**47,758,985**	44,223,418
Held-to-maturity Investments - net	8	**44,888,856**	31,425,971	**40,823,042**	28,791,715
LOANS AND OTHER RECEIVABLES - Net	9	**137,029,238**	102,352,202	**133,810,660**	102,903,436
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	10	**1,889,942**	1,723,771	**1,817,051**	1,632,769
EQUITY INVESTMENTS - Net	11	**3,456,182**	3,551,936	**6,547,943**	6,449,625
REAL AND OTHER PROPERTIES ACQUIRED					
Non-current Assets Held for Sale		**3,611,056**	3,454,997	**3,611,056**	3,454,997
Investment Properties	12	**1,347,325**	1,396,305	**1,347,325**	1,396,305
OTHER RESOURCES - Net	13	**15,513,208**	15,636,039	**6,790,937**	6,493,168
TOTAL RESOURCES		**P 304,473,488**	P 233,764,786	**P 279,608,514**	P 215,772,421
LIABILITIES AND CAPITAL FUNDS					
DEPOSIT LIABILITIES	14				
Demand		**P 7,320,590**	P 4,726,890	**P 4,874,897**	P 4,119,938
Savings		**145,241,422**	99,460,005	**145,875,641**	99,811,520
Time		**77,465,760**	56,050,976	**71,554,968**	52,831,826
TOTAL DEPOSIT LIABILITIES		**230,027,772**	160,237,871	**222,305,506**	156,763,284
BILLS PAYABLE	15	**40,279,258**	45,831,188	**26,461,872**	33,493,924
DERIVATIVE LIABILITIES	6	**1,620,789**	1,153,191	**1,292,687**	989,710
OTHER LIABILITIES	16	**8,116,885**	6,308,232	**7,301,481**	5,755,751
TOTAL LIABILITIES		**280,044,704**	213,530,482	**257,361,546**	197,002,669
CAPITAL FUNDS	17	**24,428,784**	20,234,304	**22,246,968**	18,769,752
TOTAL LIABILITIES AND CAPITAL FUNDS		**P 304,473,488**	P 233,764,786	**P 279,608,514**	P 215,772,421

See Notes to Financial Statements.

INCOME STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

		CONSOLIDATED			PARENT		
	Notes	**2006**	2005	2004	**2006**	2005	2004
INTEREST INCOME ON							
Loans and Other Receivables	9	**P 9,386,702**	P 7,267,168	P 6,140,974	**P 9,341,633**	P 7,033,709	P 6,074,071
Investment Securities	7, 8	**8,933,793**	7,184,121	4,694,303	**7,545,784**	6,344,406	4,171,076
Due from Other Banks	5	**482,431**	257,405	154,812	**390,502**	219,589	137,860
Others	4	**496,441**	76,112	157,483	**488,036**	70,935	72,829
		19,299,367	14,784,806	11,147,572	**17,765,955**	13,668,639	10,455,836
INTEREST EXPENSE ON							
Deposit Liabilities	14	**8,298,726**	5,998,459	4,702,297	**7,999,365**	5,853,457	4,598,718
Bills Payable and Others	15, 22	**2,666,321**	1,943,639	1,484,261	**2,006,618**	1,613,042	1,410,367
		10,965,047	7,942,098	6,186,558	**10,005,983**	7,466,499	6,009,085
NET INTEREST INCOME		**8,334,320**	6,842,708	4,961,014	**7,759,972**	6,202,140	4,446,751
IMPAIRMENT LOSSES	8, 9, 12, 13	**980,896**	1,167,379	783,555	**981,908**	1,176,431	950,210
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**7,353,424**	5,675,329	4,177,459	**6,778,064**	5,025,709	3,496,541
OTHER OPERATING INCOME							
Trading Gain - net	6	**2,712,763**	1,575,117	994,964	**2,441,130**	1,446,700	900,496
Service Charges, Fees and Commissions		**1,758,670**	1,499,830	1,005,220	**1,363,016**	991,141	810,228
Trust Fees	21	**444,935**	422,777	375,516	**444,935**	422,777	375,516
Foreign Exchange Gain (Loss) - net		**113,075**	402,331	331	**47,817**	368,075	(58,783)
Miscellaneous - net	18	**125,720**	48,753	38,585	**162,335**	499,466	80,265
		5,155,163	3,948,808	2,414,616	**4,459,233**	3,728,159	2,107,722
OTHER OPERATING EXPENSES							
Employee Benefits	19	**2,812,501**	2,108,975	1,680,008	**2,615,282**	1,934,489	1,541,205
Occupancy	26	**1,117,914**	748,779	576,636	**1,062,033**	693,410	538,327
Taxes and Licenses		**995,867**	721,995	419,715	**861,360**	627,497	369,347
Security, Clerical, Messengerial and Janitorial		**434,640**	252,884	209,515	**421,946**	241,844	200,790
Insurance		**367,012**	282,429	223,600	**356,328**	282,408	218,924
Documentary Stamps Used		**364,658**	252,919	128,828	**363,998**	252,919	128,828
Advertising		**285,616**	269,074	87,000	**242,761**	157,868	29,982
Litigation/Assets Acquired		**238,808**	240,489	162,013	**238,808**	239,286	162,013
Representation and Entertainment		**219,784**	190,483	159,470	**187,703**	150,928	134,741
Repairs and Maintenance		**216,991**	133,045	130,761	**204,462**	123,222	117,995
Miscellaneous	18	**1,445,148**	1,348,261	881,025	**1,317,552**	1,144,876	737,566
		8,498,939	6,549,333	4,658,571	**7,872,233**	5,848,747	4,179,718
INCOME BEFORE TAX		**4,009,648**	3,074,804	1,933,504	**3,365,064**	2,905,121	1,424,545
TAX EXPENSE (INCOME)	20	**881,354**	531,287	(39,130)	**772,950**	434,759	(90,116)
NET INCOME		**P 3,128,294**	P 2,543,517	P 1,972,634	**P 2,592,114**	P 2,470,362	P 1,514,661
ATTRIBUTABLE TO:							
Equity holders of the parent		**P 3,128,294**	P 2,586,191	P 2,021,038			
Minority interest		**-**	(42,674)	(48,404)			
		P 3,128,294	P 2,543,517	P 1,972,634			
Earnings Per Share	24						
Basic		**P 3.27**	P 2.76	P 2.23	**P 2.71**	P 2.64	P 1.67
Diluted		**P 3.20**	P 2.70	P 2.16	**P 2.66**	P 2.58	P 1.62

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN CAPITAL FUNDS

FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(AMOUNTS IN THOUSANDS OF PESOS)

	Notes	CONSOLIDATED			PARENT		
		2006	2005	2004	**2006**	2005	2004
ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS							
CAPITAL STOCK	17						
Balance at Beginning of Year		**P 9,395,931**	P 9,081,895	P 9,081,895	**P 9,395,931**	P 9,081,895	P 9,081,895
Issuance of Additional Shares During the Year		**224,299**	314,036	-	**224,299**	314,036	-
Balance at End of Year		**9,620,230**	9,395,931	9,081,895	**9,620,230**	9,395,931	9,081,895
COMMON STOCK OPTION							
Balance at Beginning of Year							
As previously stated		**13,634**	-	-	**13,634**	-	-
Effects of transition to PFRS	2	**-**	27,268	27,268	**-**	27,268	27,268
As restated		**13,634**	27,268	27,268	**13,634**	27,268	27,268
Recognition (Conversion) of Common Stock Option	15	**15,280**	(13,634)	-	**15,280**	(13,634)	-
Balance at End of Year		**28,914**	13,634	27,268	**28,914**	13,634	27,268
TREASURY SHARES - At Cost	2						
Balance at Beginning of Year		**(31,967)**	(45,731)	(48,281)	**-**	-	-
Disposal During the Year		**3,742**	13,764	2,550	**-**	-	-
Balance at End of Year		**(28,225)**	(31,967)	(45,731)	**-**	-	-
ADDITIONAL PAID-IN CAPITAL							
Balance at Beginning of Year							
As previously stated		**2,064,277**	4,418,063	1,850,013	**2,064,277**	4,418,063	1,850,013
Effects of transition to PFRS	2	**-**	(2,568,050)	-	**-**	(2,568,050)	-
As restated		**2,064,277**	1,850,013	1,850,013	**2,064,277**	1,850,013	1,850,013
Additional Paid-in Capital on Common Stock Subscription During the Year		**375,701**	214,264	-	**375,701**	214,264	-
Balance at End of Year		**2,439,978**	2,064,277	1,850,013	**2,439,978**	2,064,277	1,850,013
SURPLUS RESERVES							
Balance at Beginning of Year							
As previously stated		**140,868**	104,063	66,511	**135,724**	104,063	66,511
Effects of transition to PFRS	2	**-**	5,143	5,143	**-**	-	-
As restated		**140,868**	109,206	71,654	**135,724**	104,063	66,511
Transfer from Surplus Free	21	**83,308**	31,662	37,552	**83,205**	31,661	37,552
Balance at End of Year		**224,176**	140,868	109,206	**218,929**	135,724	104,063
SURPLUS FREE							
Balance at Beginning of Year							
As previously stated		**7,256,061**	5,458,993	3,934,970	**6,071,909**	5,458,993	3,934,970
Effects of transition to PFRS	2	**-**	(103,237)	(59,675)	**-**	(1,214,235)	(712,700)
As restated		**7,256,061**	5,355,756	3,875,295	**6,071,909**	4,244,758	3,222,270
Net Income		**3,128,294**	2,543,517	1,972,634	**2,592,114**	2,470,362	1,514,661
Cash Dividends	15, 17	**(770,380)**	(611,550)	(454,621)	**(770,380)**	(611,550)	(454,621)
Transfer to Surplus Reserves	21	**(83,308)**	(31,662)	(37,552)	**(83,205)**	(31,661)	(37,552)
Balance at End of Year		**9,530,667**	7,256,061	5,355,756	**7,810,438**	6,071,909	4,244,758
FAIR VALUE GAIN (LOSS) ON AVAILABLE-FOR-SALE SECURITIES							
Balance at Beginning of Year							
As previously stated		**1,467,009**	(24,570)	(33,664)	**1,088,277**	(24,570)	(33,664)
Effects of transition to PFRS	2	**-**	333,168	34,476	**-**	278,637	(7,085)
As restated		**1,467,009**	308,598	812	**1,088,277**	254,067	(40,749)
Recovery in Value of Securities	7	**1,146,035**	1,158,411	307,786	**1,040,202**	834,210	294,816
Balance at End of Year		**2,613,044**	1,467,009	308,598	**2,128,479**	1,088,277	254,067
TOTAL CAPITAL FUNDS ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS		**24,428,784**	20,305,813	16,687,005	**22,246,968**	18,769,752	15,562,064
MINORITY INTEREST							
Balance at Beginning of Year							
As previously stated		**(71,509)**	-	-	**-**	-	-
Effects of transition to PFRS	2	**-**	(28,835)	19,569	**-**	-	-
As restated		**(71,509)**	(28,835)	19,569	**-**	-	-
Reversal (Share in Net Losses) During the Year		**71,509**	(42,674)	(48,404)	**-**	-	-
Balance at End of Year		**-**	(71,509)	(28,835)	**-**	-	-
TOTAL CAPITAL FUNDS		**P24,428,784**	**P**20,234,304	**P**16,658,170	**P22,246,968**	P18,769,752	**P**15,562,064
Net Gains Directly Recognized in Capital Funds		**P 1,146,035**	P 1,158,411	P 307,786	**P 1,040,202**	P 834,210	P 294,816

See Notes to Financial Statements.

CASH FLOW STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004
(AMOUNTS IN THOUSANDS OF PESOS)

	CONSOLIDATED			PARENT		
	2006	2005	2004	**2006**	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before tax	**P 4,009,648**	P 3,074,804	P 1,933,504	**P 3,365,064**	P 2,905,121	P 1,424,545
Adjustments for:						
Interest expense	**10,965,047**	7,942,098	6,186,558	**10,005,983**	7,466,499	6,009,085
Interest income	**(19,299,367)**	(14,784,806)	(11,147,572)	**(17,765,955)**	(13,668,639)	(10,455,836)
Fair value loss (gain)	**(380,213)**	(809,767)	495,315	**(340,271)**	(641,908)	167,477
Amortization of deferred charges	**36,921**	5,286	54,431	**36,540**	5,286	54,431
Equity in net loss of associates	**95,754**	96,619	51,913	**-**	-	-
Loss (gain) on sale of assets acquired and fixed assets	**11,369**	63,346	133,904	**(40,757)**	63,346	133,904
Depreciation and amortization	**515,877**	259,500	265,543	**494,426**	274,531	277,032
Operating loss before changes in operating resources and liabilities	**(4,044,964)**	(4,152,920)	(2,026,404)	**(4,244,970)**	(3,595,764)	(2,389,362)
Decrease (increase) in financial assets at fair value through profit or loss	**653,625**	7,816,257	(10,603,137)	**560,084**	6,628,228	2,799,020
Increase in loans and other receivables	**(43,568,129)**	(33,080,990)	(5,726,706)	**(38,401,901)**	(25,195,086)	(15,540,582)
Decrease (increase) in non-current assets held for sale	**(156,059)**	911,682	(139,975)	**(156,059)**	975,027	(139,975)
Decrease (increase) in investment properties	**48,980**	(715,609)	(651,166)	**48,980**	(673,830)	(385,212)
Decrease (increase) in other resources	**1,207,013**	(150,252)	65,390	**778,388**	(109,346)	(217,313)
Increase in deposit liabilities	**72,131,224**	27,347,358	24,509,903	**67,223,842**	26,495,918	23,007,954
Increase in derivative liabilities	**467,598**	541,924	616,393	**302,977**	662,279	742,292
Increase (decrease) in other liabilities	**275,645**	794,690	(1,693,850)	**49,617**	1,244,789	(728,116)
Cash generated from (used in) operations	**27,014,933**	(687,860)	4,350,448	**26,160,958**	6,432,215	7,148,706
Interest received	**18,760,226**	14,499,088	11,433,292	**17,226,812**	13,267,443	9,986,202
Interest paid	**(10,640,049)**	(7,616,084)	(6,186,558)	**(9,680,985)**	(7,505,146)	(6,224,546)
Cash paid for income tax	**(674,655)**	(139,914)	(213,865)	**(582,103)**	(263,967)	(195,905)
Net Cash From Operating Activities	**34,460,455**	6,055,230	9,383,317	**33,124,682**	11,930,545	10,714,457
CASH FLOWS FROM INVESTING ACTIVITIES						
Net acquisitions of bank premises, furniture, fixtures and equipment	**(757,892)**	(826,337)	(333,041)	**(699,590)**	(811,396)	(387,846)
Net proceeds from sale of property and equipment	**23,718**	816	4,648	**20,882**	10,912	919
Net additions to equity investments	**-**	(2,048,276)	(20,797)	**(98,318)**	(1,971,672)	(15,000)
Net decrease (increase) in held-to-maturity investments	**(8,286,247)**	(4,914,218)	17,594,883	**(8,242,697)**	(4,329,127)	16,656,219
Net decrease (increase) in available-for-sale financial assets	**1,512,453**	(11,251,812)	(27,739,392)	**1,452,684**	(8,333,720)	(25,914,493)
Net Cash Used in Investing Activities	**(7,507,968)**	(19,039,827)	(10,493,699)	**(7,567,039)**	(15,435,003)	(9,660,201)
CASH FLOWS FROM FINANCING ACTIVITIES						
Net proceeds from (payments of) bills payable	**(8,218,251)**	17,777,144	4,602,417	**(9,038,670)**	7,801,489	2,060,072
Sale (acquisition) of treasury stock	**3,742**	13,764	(45,731)	**-**	-	-
Dividends paid	**-**	(611,550)	(454,621)	**-**	(611,550)	(454,621)
Net Cash From (Used in) Financing Activities	**(8,214,509)**	17,179,358	4,102,065	**(9,038,670)**	7,189,939	1,605,451
NET INCREASE IN CASH AND CASH EQUIVALENTS	**P18,737,978**	P 4,194,761	P 2,991,683	**P16,518,973**	P 3,685,481	P 2,659,707
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**6,621,220**	5,627,066	3,249,916	**6,620,667**	5,626,974	3,249,915
Due from Bangko Sentral ng Pilipinas	**4,277,317**	1,971,323	1,991,978	**3,664,748**	1,741,549	1,788,248
Due from other banks	**5,135,879**	4,241,266	3,606,078	**3,865,828**	3,097,239	2,767,892
	16,034,416	11,839,655	8,847,972	**14,151,243**	10,465,762	7,806,055
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**9,303,950**	6,621,220	5,627,066	**9,298,008**	6,620,667	5,626,974
Due from Bangko Sentral ng Pilipinas	**18,973,914**	4,277,317	1,971,323	**17,012,059**	3,664,748	1,741,549
Due from other banks	**6,494,530**	5,135,879	4,241,266	**4,360,149**	3,865,828	3,097,239
	P34,772,394	P16,034,416	P11,839,655	**P30,670,216**	P14,151,243	P10,465,762

Supplemental Information on Noncash Financing and Investing Activities

The following are the significant noncash transactions in 2006 and 2005:

a. On May 6, 2006, the Bank's Board of Directors approved the declaration of cash dividends amounting to P0.80 per share or a total of P769,618, which was approved by the Bangko Sentral ng Pilipinas on December 28, 2006. The cash dividends were paid on February 8, 2007 (see Note 17.3).

b. On May 6, 2005, the Bank acquired certain assets totalling P8,469,410 and assumed certain liabilities totalling P8,469,410 from United Overseas Bank Philippines for a total cash consideration of P600,000 which was paid in 2006 (see Note 22.2).

c. Upon approval by the Bank's Board of Directors on February 11, 2005, the Bank converted US$10,000 convertible loan from International Finance Corporation and issued 31,402,592 common shares of the Bank. The BSP subsequently approved the conversion on May 3, 2005 (see Note 15)

d. In compliance with the new accounting standards, in 2005, the Group reclassified real and other properties acquired into available-for-sale financial assets, non-current assets held for sale and investment properties while accrued interest receivable and payable are now part of the balances of the related principal accounts.

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006, 2005 AND 2004
(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

1. CORPORATE INFORMATION

1.1 General

Banco de Oro Universal Bank (the "Bank") was incorporated in the Philippines on August 16, 1967 to engage in the business of banking. It was authorized to engage in trust operations on September 18, 1987 and in foreign currency deposit operations on November 23, 1990. On August 5, 1996, the Bangko Sentral ng Pilipinas (BSP) granted approval to the Bank to operate as an expanded commercial bank. The Bank commenced operations as such in September of the same year. At the end of 2006, the Bank has 230 branches, and 215 on-site and 307 off-site automated teller machines, all located nationwide.

The Bank has eight subsidiaries engaged in allied undertakings, namely:

Subsidiary	Nature of Business
BDO Capital & Investment Corporation (BDO Capital) – 100% owned	Investment house
BDO Private Bank, Inc. (BDO Private Bank) – 100% owned	Commercial bank
BDO Financial Services, Inc. (BDO Financial) – 100% owned	Foreign exchange dealer
BDO Realty Corporation (BDO Realty) – 100% owned	Real estate
BDO Insurance Brokers, Inc. (BDO Insurance) – 100% owned	Insurance broker
Onshore Strategic Assets, Inc. (Onshore) – 100% owned	Asset management
BDO Securities Corporation (BDO Securities) – 100% owned subsidiary of BDO Capital	Stock broker
BDO Remittance Limited (BDO Remittance) – 100% owned subsidiary of BDO Financial	Remittance

On February 1, 2006, BDO Card Corporation (BDO Card), formerly, a 60%-owned subsidiary, ceased its commercial operations. On the same date, the Bank acquired the remaining 40% of BDO Card's equity from the minority stockholders and subsequently, acquired all the assets and assumed certain liabilities of BDO Card as of January 31, 2006. BDO Card is in the process of being dissolved, and as of December 31, 2006, this process is still ongoing.

The Bank's registered address is at Benguet Center, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

The Bank and its subsidiaries (the "Group"), except for BDO Remittance which operates in Hongkong, operate within the Philippines.

The Bank's common shares are listed in the Philippine Stock Exchange (PSE).

1.2 Merger with Equitable PCI Bank, Inc. (EPCIB)

On November 6, 2006, the respective Boards of Directors of the Bank and Equitable PCI Bank, Inc. (EPCIB) approved and endorsed to their respective shareholders a Plan of Merger of the Bank and EPCIB with the Bank as the surviving entity (see Note 11). The merger shall be effected through a swap of shares whereby the Bank shall issue 1.8 of its shares for each EPCIB share.

The Plan of Merger was subsequently approved by the Bank's and EPCIB's shareholders in separate meetings on December 27, 2006. Thereafter, the Plan of Merger was submitted to the Securities and Exchange Commission (SEC) and BSP for approval. The Bank expects the legal merger to be effected within the first quarter of 2007.

1.3 Approval of Financial Statements

The consolidated financial statements of the Bank and its subsidiaries and financial statements of the Bank for the years ended December 31, 2006, 2005 and 2004 were authorized for issue by the Bank's Board of Directors (the "Board") on February 24, 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of Preparation

(a) Statement of Compliance with Philippine Financial Reporting Standards (PFRS)

The financial statements of Banco de Oro Universal Bank and its subsidiaries have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs are adopted by the Financial Reporting Standards Council (FRSC), formerly the Accounting Standards Council, from the pronouncements issued by the International Accounting Standards Board (IASB). PFRSs consist of:

a. PFRSs – corresponding to International Financial Reporting Standards;

b. Philippine Accounting Standards (PASs) – corresponding to International Accounting Standards; and,

c. Interpretations to existing standards – representing interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), of the IASB which are adopted by the FRSC.

These financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets. The measurement bases are more fully described in the accounting policies that follow.

(b) Transition to PFRS in 2005

In compliance with the pronouncements of the FRSC and the regulations of the SEC and the BSP, the Group adopted all the relevant PFRSs for the first time in its financial statements for the year ended December 31, 2005, with January 1, 2004 as its transition date.

The transition from the previous generally accepted accounting principles in the Philippines to PFRS was made in accordance with PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards.*

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

The transition to PFRS in 2005 resulted in the restatement of the balance of Capital Funds as of January 1, 2005 and 2004. The total adjustments to Capital Funds in 2005 and 2004, particularly in the balance of Common Stock Option, Additional Paid-in Capital, Surplus Reserves, Surplus Free, Fair Value Gain (Loss) on Available-for-sale Securities and Minority Interest, arising from the transition resulted in a decrease by P2,334,543 in 2005 and an increase by P26,781 in 2004 in the consolidated financial statements, and a decrease by P3,476,380 in 2005 and P692,517 in 2004 in the parent company financial statements and are broken down as follows:

	Relevant PFRS	Consolidated		Parent	
		2005	2004	2005	2004
Common Stock Option					
Segregation of equity portion of convertible unsecured subordinated debt	PAS 39	P 27,268	P 27,268	P 27,268	P 27,268
Additional Paid-in Capital					
Reclassification of premium on issuance of mandatory redeemable preferred shares to bills payable	PAS 32	(P 2,568,050)	P -	(P 2,568,050)	P -
Surplus Reserves					
Appropriation for general banking risk	PAS 30	P 5,143	P 5,143	P -	P -
Surplus Free					
Reversal of equity in net earnings of subsidiaries and associates	PAS 27, 28	P -	P -	(P 1,057,517)	(P 734,291)
Recognition of dividends from equity investments as income	PAS 27, 28	-	-	34,499	25,500
Recognition of impairment on equity investments	PAS 36	-	-	(207,186)	-
Recognition of dividends on preferred shares as interest expense	PAS 32	(37,589)	-	(37,589)	-
Recognition of transitional asset (liability) and reduction (increase) in defined benefit expense	PAS 19	157,744	3,394	158,661	(191)
Recognition of impairment loss on available-for-sale financial assets	PAS 39	(2,230)	(2,120)	-	-
Amortization of discount on IFC Loan	PAS 39	(9,048)	(3,718)	(9,048)	(3,718)
Adjustment on the amortization of auto loans	PAS 39	(2,719)	-	(2,719)	
Adjustment on the amortization of investments from straight line method to effective interest method	PAS 39	(20,484)	-	(20,484)	-
Adjustment on the amortization of transaction costs on the issuance of Senior Notes	PAS 39	2,632	-	2,632	-
Balance carried forward		P 88,306	(P 2,444)	(P 1,138,751)	(P 712,700)

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

	Relevant PFRS	Consolidated		Parent	
		2005	2004	2005	2004
Balance brought forward		P 88,306	(P 2,444)	(P1,138,751)	(P 712,700)
Recognition of embedded credit default swaps	PAS 39	(43,585)	-	-	-
Reversal of amortization of trading right	PAS 38	264	-	-	-
Recognition of previously unrecognized results of operations of BDO Remittance	PAS 27	(22,276)	-	-	-
Revaluation of derivatives	PAS 39	(16,290)	(88,084)	-	-
Reversal of allowance on ROPA	PAS 40	605,264	742,090	605,264	742,090
Depreciation on investment properties	PAS 40	(265,543)	(174,444)	(265,543)	(174,444)
Impairment loss on investment properties and non-current assets held for sale	PAS 36, 40, PFRS 5	(339,721)	(567,646)	(339,721)	(567,646)
Reversal of allowance for general loan losses	PAS 30, 39	5,143	5,143	-	-
Appropriation for general banking risk	PAS 30, 39	(5,143)	(5,143)	-	-
Derecognition of deferred tax assets	PAS 12	(109,656)	30,853	(75,484)	-
Total adjustments to surplus free		(P 103,237)	(P 59,675)	(P1,214,235)	(P 712,700)
Fair Value Gain (Loss) on Available-for-sale Securities					
Reversal of fair value gain of an investee accounted for at cost	PAS 39	P -	P -	P 7,172	P 5,069
Recognition of permanent impairment of available-for-sale financial assets	PAS 39	2,230	2,120	-	-
Fair value change related to reclassification of held-to-maturity investments to available-for-sale securities	PAS 39	330,938	32,356	271,465	(12,154)
Total adjustments to fair value gain (loss) on available-for-sale securities		P 333,168	P 34,476	278,637	(P 7,085)
Minority Interest					
Recognition of minority interest during the year	PAS 27	(P 28,835)	P 19,569	P -	P -
Total Adjustments to Capital Funds		**(P2,334,543)**	**P 26,781**	**(P3,476,380)**	**(P 692,517)**

In addition to the foregoing adjustments to Capital Funds, the structure of the statement of condition and income statement was also revised.

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

(c)Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional currency, and all values represent absolute amounts except when otherwise indicated (see also Note 2.20).

2.2 Impact of New Standards, and Amendments and Interpretations to Existing Standards that are Relevant to the Group

(a) Effective in 2006

In 2006, the Group adopted the amendments and interpretations to existing accounting standards issued by the IASB and adopted by the FRSC which are mandatory for accounting periods beginning on or after January 1, 2006. These amendments and interpretations are as follows:

PAS 19 (Amendment)	:	Employee Benefits
PAS 39 (Amendment)	:	The Fair Value Option
PAS 39 and PFRS 4 (Amendment)	:	Financial Guarantee Contracts
Philippine Interpretation IFRIC 4	:	Determination Whether an Arrangement Contains a Lease

Discussed below are the impact on the financial statements of each of these amendments and interpretations.

(i) PAS 19 (Amendment), *Employee Benefits.* The amendment introduces an option for an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements and imposes additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. Because the Group does not intend to change its current accounting policy for recognition of actuarial gains and losses and does not participate in any multi-employer plans, the adoption of this amendment did not result in a material adjustment to the financial statements.

(ii) PAS 39 (Amendment), *The Fair Value Option.* This amendment changes the definition of financial instruments classified as at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The adoption of this amendment did not result in a material reclassification of financial instruments because their current designation conforms with the amendments to PAS 39.

(iii) PAS 39 and PFRS 4 (Amendment), *Financial Guarantee Contracts.* The amendment requires the recognition of guarantee liability, at its fair value, of the parent company in relation to a third party loan to a subsidiary guaranteed by the parent company. The Group's adoption of the amendment did not result in a material adjustment to the financial statements as the Bank does not provide financial guarantee to its subsidiaries for a third party loan, if any.

(iv) Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. Philippine Interpretation IFRIC 4 requires the determination of whether an arrangement is or contains a lease based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset; and (b) the arrangement conveys a right to use the asset. Based on the management's current year assessment, the adoption of PFRIC 4 has no significant impact on the Group's current operations because there were no outstanding arrangements that were identified to be a lease or contains a lease.

Certain accounts in the 2005 financial statements have been reclassified to conform to the 2006 presentation and classification.

(b) Effective Subsequent to 2006

There are a few new standards, and amendments and interpretation to existing standards that are effective for periods subsequent to 2006. Of these new standards, and amendments and interpretations, the following are relevant to the Group but the Group has opted not to adopt them early.

PAS 1 (Amendment)	:	Presentation of Financial Statements
PFRS 7	:	Financial Instruments: Disclosures
Philippine Interpretation IFRIC 10	:	Interim Financial Reporting and Impairment

Below is a discussion of the possible impact of the foregoing standards, amendments and interpretations which the Group will apply in 2007 in accordance with their transitional provisions.

(i) PFRS 7, *Financial Instruments: Disclosures* and complementary amendment to PAS 1 (effective for annual periods beginning on or after January 1, 2007). PFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces PAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and disclosure requirements in PAS 32, *Financial Instruments: Disclosure and Presentation*. It is applicable to all entities that report under PFRS. The amendment to PAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group has assessed the impact of PFRS 7 and the amendment to PAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of PAS 1.

(ii) Philippine Interpretation IFRIC 10, *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after November 1, 2006). It prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group is currently evaluating the impact of this interpretation on its financial statements and has initially determined that such may not have significant effects on the financial statements for 2007, as well as for prior and future periods.

2.3 Basis of Consolidation

The Bank obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Bank, and its subsidiaries as enumerated in Note 1.1, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate an impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared, except for BDO Remittance, for the same reporting period as the parent company, using consistent accounting principles. BDO Remittance, however, has prepared its financial statements using the same accounting period as the parent for consolidation purposes.

The Bank accounts for its investments in subsidiaries, and minority interest as follows:

(a) Investments in Subsidiaries

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Bank obtains and exercises control through voting rights.

Subsidiaries are consolidated from the date the Bank obtains control until such time that such control ceases. In 2005 and 2004, the consolidated financial statements also include BDO Card, whose assets and liabilities were acquired by the Bank in 2006.

Acquired subsidiaries are subject to the application of the purchase method for acquisitions. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of condition at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

Goodwill (positive) represents the excess of acquisition cost over the Group's share in the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition. Negative goodwill represents the excess of Bank's share in the fair value of identifiable net assets of the subsidiary at date of acquisition over acquisition cost (see Note 2.11).

(b) Transactions with Minority Interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of equity investments to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases of equity shares from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired in the carrying value of the net assets of the subsidiary.

In the consolidated financial statements, the minority interest component is shown in the consolidated statements of changes in capital funds.

2.4 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

2.5 Financial Assets

Financial assets include cash and financial instruments. Financial assets, other than hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. Except for financial amounts at fair value through profit or loss, the designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Cash and cash equivalents comprise of cash and non-restricted balances with the BSP and amounts due from other banks.

All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs.

The foregoing categories of financial instruments are more fully described below.

(a) Financial Assets at Fair Value Through Profit or Loss

This category includes derivative financial instruments and financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as "held for trading" unless they are designated as hedges.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets originally designated as financial assets at fair value through profit or loss may not subsequently be reclassified.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to the debtor with no intention of trading the receivables. Included in this category are those arising from direct loans to customers, interbank loans and receivables, sales contracts receivable, and all receivables from customers and other banks.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses.

Impairment losses is the estimated amount of losses in the Group's loan portfolio, based on the evaluation of the estimated future cash flows discounted at the loan's original effective interest rate or the last repricing rate for loans issued at variable rates (see Note 2.18). It is established through an allowance account which is charged to expense. Loans and receivables are written off against the allowance for impairment losses when management believes that the collectibility of the principal is unlikely, subject to BSP regulations.

Securities Purchased Under Reverse Repurchase Agreement wherein the Bank and a subsidiary enter into short-term purchases of securities under reverse repurchase agreements of substantially identical securities with the BSP, are included in this category. The difference between the sale and repurchase price is recognized as interest and accrued over the life of the agreements using the effective interest method.

(c) Held-to-maturity Investments

This includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to maturity if the Group has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification.

Held-to-maturity investments consist of government and private debt securities. Should the Group sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale securities. The tainting provision will not apply if the sales or reclassifications of held-to-maturity investments are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; occur after the Group has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or are attributable to an isolated event that is beyond the control of the Group, is nonrecurring and could not have been reasonably anticipated by the Group.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows (see Note 2.18). Any changes to the carrying amount of the investment due to impairment are recognized in profit or loss.

(d) Available-for-sale Securities

This includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in capital funds, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the income statement when these are sold or when the investment is impaired.

In the case of impairment, any loss previously recognized in capital funds is transferred to the income statement (see Note 2.18). Losses recognized in the income statement on equity instruments are not reversed through the income statement. Losses recognized in prior period income statement resulting from the impairment of debt instruments are reversed through the income statement, when there is recovery in the amount of previously recognized impairment losses.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes the fair value by using valuation techniques, which include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in Trading Gain account in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized directly in capital funds, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in capital funds shall be recognized in profit or loss. However, interest calculated using the effective interest method is recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the entity's right to receive payment is established.

Non-compounding interest and other cash flows resulting from holding impaired financial assets are recognized in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Derecognition of financial assets occurs when the right to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.6 Derivative Financial Instruments and Hedge Accounting

The Group is a party to various foreign currency forward and swap contracts and cross-currency and interest rate swaps. These contracts are entered into as a service to customers and as a means of reducing or managing the Group's foreign exchange and interest rate exposures as well as for trading purposes.

Derivatives are initially recognized at fair value on the date on which derivative contract is entered into and are subsequently measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognizes profits at initial recognition.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond and credit default swap in a credit linked note, are considered as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement.

Except for derivatives that qualify as a hedging instrument, change in the fair value of derivatives are recognized in profit or loss. The method of recognizing the resulting fair value gain or loss on derivatives that qualify as hedging instrument depends on the hedging relationship designated by the Group. The Group designates certain derivatives as either: (1) hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge); or (2) hedges of highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) *Fair value hedge.* Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The positive and negative values of derivatives used as hedging instruments under fair value hedge is shown as part of Other Resources and Other Liabilities, respectively, in the statement of condition.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains as part of capital funds until the disposal of the equity security.

(b) *Cash flow hedge*. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in capital funds. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in capital funds are recycled to the income statement in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in capital funds at that time remains in capital funds and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in capital funds is immediately transferred to the income statement.

(c) *Derivatives that do not qualify for hedge accounting*. Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument which do not qualify for hedge accounting are recognized immediately in the income statement.

2.7 Bank Premises, Furniture, Fixtures and Equipment

Bank premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization and impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed on the straight-line method over the estimated useful lives of the depreciable assets as follows:

Buildings	10 to 15 years
Furniture, fixtures and equipment	5 years

Leasehold rights and improvements are amortized over the terms of the leases or the estimated useful lives of the improvements, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

The residual values and estimated useful lives of bank premises, furniture, fixtures and equipment are reviewed, and adjusted if appropriate, at each statement of condition date.

An item of bank premises, furniture, fixtures and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognized.

2.8 Equity Investments

In the consolidated financial statements, investments in associates are accounted for under the equity method of accounting and are initially recognized at cost, less any impairment loss (see Note 2.19). The Group's investment in associates includes goodwill, if any, (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.
In the Parent Company financial statements, the Bank's investments in subsidiaries and associates are accounted for at cost, less any impairment loss (see Note 2.19).

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which the Group obtains control. They are de-consolidated from the date that control ceases.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

2.9 Investment Properties

Investment properties are stated at cost. The cost of an investment property comprises its purchase price and directly attributable cost incurred. This also includes land and building acquired by the Bank from defaulting borrowers not held for sale in the next twelve months. For these assets, the cost is recognized initially at the outstanding loan balance including accrued interest receivable. Investment properties except land are depreciated over a period of ten years.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the income statement in the year of retirement or disposal.

2.10 Non-current Assets Held for Sale

Assets held-for-sale include real and other properties acquired through repossession or foreclosure that the Bank intends to sell within one year from the date of classification as held for sale.

Assets classified as held-for-sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale and their fair value less costs to sell. Assets classified as held-for-sale are not subject to depreciation or amortization. The profit or loss arising from the sale or revaluation of held-for-sale assets is included in the Other Income account in the income statement.

2.11 Business Combination

Business acquisitions are accounted for using the purchase method of accounting.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost a business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired (see Note 2.19).

Negative goodwill which is the excess of the Group's interest in the net fair value of acquired identifiable assets, liabilities and contingent liabilities over cost is recognized directly to income.

Transfers of assets between commonly controlled entities are accounted for under historical cost accounting.

2.12 Intangible Assets

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets acquired and branch licenses at the date of acquisition. Goodwill is classified as intangible asset with indefinite useful life, and thus, not subject to amortization but would require an annual test for impairment (see Note 2.19). Goodwill is subsequently carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash generating units is represented by each primary reporting segment.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. These costs are amortized on the basis of the expected useful lives of five years. Costs associated with maintaining computer software are expensed as incurred.

2.13 Financial Liabilities

Financial liabilities of the Group include deposit liabilities, bills payable, derivative liabilities and other liabilities.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the income statement.

Deposit liabilities and other liabilities are recognized initially at their fair value and subsequently measured at amortized cost less settlement payments.

Bills payable, except for government financial assistance (see note below), are recognized initially at fair value, which is the issue proceeds (fair value of consideration received) net of direct issue costs. Bills payable are subsequently stated at amortized cost; any difference between proceeds, net of transaction costs and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Preferred shares, which carry a mandatory coupon or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities and are presented as part of Bills Payable in the statement of condition. The dividends on these preferred shares are recognized in the income statement as interest expense on an amortized cost basis using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in capital funds, net of income tax effects.

Derivative liabilities are recognized initially at fair value and subsequently measured at fair value with changes in fair value recognized in the income statement.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are approved by the BSP.

Financial assistance from Philippine Depository Insurance Corporation (PDIC) is accounted for under PAS 20, *Accounting for Government Grants*, whereby the loan received is initially recorded at the amount borrowed with no re-measurement to fair value or imputation of market interest.

Financial liabilities are derecognized in the statement of condition only when the obligations are extinguished either through discharge, cancellation or expiration.

2.14 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of condition when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.15 Provisions

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and these can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of condition date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each statement of condition date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

2.16 Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria of income and expenses must also be met before revenue is recognized:

(a) *Interest* – Interest income and expenses are recognized in the income statement for all instruments measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) *Trading Gain* – Trading Gain is recognized when the ownership of the securities is transferred to the buyer (at an amount equal to the excess of the selling price over the carrying amount of securities) and as a result of the mark-to-market valuation of the securities at year end.

(c) *Service charges, fees and commissions* – Service charges, fees and commissions are generally recognized when the service has been provided. Loan syndication fees are recognized as revenue when the syndication has been completed and the Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on the completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Asset management fees related to investment funds are recognized ratably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

(d) *Profit from assets sold or exchanged* – Profits from assets sold or exchanged are recognized when the title to the assets is transferred to the buyer or when the collectibility of the entire sales price is reasonably assured. This is included in the Trading Gain account in the income statement.

Cost and expenses are recognized in the income statement upon utilization of the assets or services or at the date they are incurred.

2.17 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

Leases, which do not transfer to the Group substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are recognized as expense in the income statement on a straight-line basis over the lease term.

(b) *Group as Lessor*

Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease collections are recognized as income in the income statement on a straight-line basis over the lease term.

2.18 Impairment of Financial Assets

The Group assesses at each statement of condition date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about certain loss events, including, among others: significant financial difficulty of the issuer or debtor; a breach of contract, such as a default or delinquency in interest or principal payments; it is probable that the borrower will enter bankruptcy or other financial reorganization; the disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

(a) *Assets carried at amortized cost.* The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivable or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practicable, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's or BSP's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be consistent with changes in related observable data from period to period. The methodologies and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off, subject to BSP guidelines, against the related allowance for loan impairment. Such loans are written off after all the necessary procedures including approval from the management and the Board, has been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the impairment loss in the income statement.

If, in a subsequent period, the amount of the impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement.

(b) *Assets carried at fair value with changes charged to capital funds.* In the case of investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from capital funds and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

(c) *Assets carried at cost.* The Group assesses at each statement of condition date whether there is objective evidence that any of the unquoted equity securities and derivative assets linked to and required to be settled in such unquoted equity instruments, which are carried at cost and for which objective evidence of impairment exist. The amount of impairment loss is the difference between the carrying amount of the equity security and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset. Impairment losses on assets carried at cost cannot be reversed.

2.19 Impairment of Non-financial Assets

The Group's equity investments, intangible assets (recorded as part of Other Resources), bank premises, furniture, fixtures and equipment and investment properties are subject to impairment testing. Intangible assets with an indefinite useful life, those not yet available for use or goodwill are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.20 Functional Currency and Foreign Currency Transactions

(a) Functional and Presentation Currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Philippine peso, which is also the Group's functional currency. The financial statements of the foreign currency deposit units (FCDUs) of the Bank and a subsidiary, which are expressed in United States (U.S.) dollars as their functional currency, and of BDO Remittance, which is expressed in Hongkong dollars, are translated at the prevailing current exchange rates (for statement of condition accounts) and average exchange rate during the period (for income statement accounts) for consolidation purposes.

(b) Transactions and Balances

The accounting records of the Group are maintained in Philippine pesos except for the FCDUs and BDO Remittance which are maintained in U.S. and Hongkong dollars, respectively. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.21 Employee Benefits

(a) Retirement Benefit Obligations

Pension benefits are provided to employees through a defined benefit plan, as well as defined contribution plan.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of pension plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit pension plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of condition for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the statement of condition date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are not recognized as an expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past-service costs are recognized immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity, such as the Social Security System (SSS). The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred.

(b) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of condition date are discounted to present value.

(c) Bonus Plans

The Group recognizes a liability and an expense for bonuses based on the Group's bonus policy. The Group recognizes a provision where it is contractually obliged to pay the benefits.

(d) Executive Stock Option Plan

The Group grants stock option plan to its senior officers (from vice-president up) for their contribution to the Group's performance and attainment of team goals. The amount of stock option allocated to the qualified officers is based on the performance of the individual officers as determined by the management. The amount of stock option is determined based on the Group's performance in the preceding year and amortized over five years starting from the date of the approval of the Board. The number of officers qualified at the grant date is regularly evaluated during the vesting period (at least annually) and the amount of stock option is adjusted if in case there are changes in the number of qualified employees arising from resignation or disqualification. The annual amortization of stock option is shown as part of Employee Benefits in the income statement and the cumulative balance is shown as Common Stock Option in the statement of changes in capital funds.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the statement of condition date. These are included in Other Liabilities account at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.22 Income Taxes

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the statement of condition date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognized as a component of tax expense in the income statement.

Deferred tax is provided, using the balance sheet liability method, on temporary differences at the statement of condition date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the balance sheet liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of condition date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of condition date.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of resources or liabilities that is charged directly to capital funds are charged or credited directly to capital funds.

2.23 Capital Funds

Common stock is determined using the nominal value of shares that have been issued.

Common stock option pertains to the value of the segregated equity component of the convertible loan as required under PAS 32: *Financial Instruments: Disclosures and Presentation* and the cumulative amount of stock option arising from the stock option plan granted by the Group to its qualified officers.

Treasury shares include the cost of the Bank's shares of stock which were acquired by a subsidiary.

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital.
Surplus reserves pertain to a portion of the Group's income from trust operations set-up on a yearly basis in compliance with BSP regulations and appropriation for general banking risks.

Surplus free includes all current and prior period results as disclosed in the income statement.

Fair value gain (loss) on available-for-sale securities pertain to cumulative mark-to-market valuation of available-for-sale financial assets.

2.24 Earnings Per Share (EPS)

Basic earnings per common share is determined by dividing net income by the weighted average number of common shares subscribed and issued during the period, after retroactive adjustment for any stock dividend declared in the current period.

Diluted earnings per common share is also computed by dividing net income by the weighted average number of common shares subscribed and issued during the period. However, net income attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of potentially dilutive convertible loan and stock option plan granted by the Group to the qualified officers. Convertible loan is deemed to have been converted into common shares at the start of the conversion period. The stock option plan is deemed to have been converted into common stock in the year the stock option plan is granted.

2.25 Trust Activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.26 Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment losses on financial assets (loans and receivables, held-to-maturity investments and available-for-sale securities)

The Group reviews its loan and held-to-maturity investments portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio before the decrease can be identified with an individual item in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence such as foreign exchange rates, interest rates, volatility rates. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and equity.

Provisions for impairment losses amounted to P980,896 in 2006, P1,167,379 in 2005 and P783,555 in 2004 in the consolidated financial statements and P981,908 in 2006, P1,176,431 in 2005 and P950,210 in 2004 in the parent company financial statements.

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

(b) *Fair Value of Financial Assets and Liabilities*

The following table summarizes the carrying amounts and fair values of those financial resources and liabilities in 2006 not presented in the statement of condition at their fair value.

	Consolidated		Parent	
	Cost	Fair Value	Cost	Fair Value
Due from Other Banks and BSP	P 25,468,444	P 25,468,444	P 21,372,208	P 21,372,208
Available-for-Sale Securities – Unquoted	303,084	303,084	39,672	39,672
Held-to-Maturity Investments	45,732,682	48,411,316	41,666,868	43,944,087
Loans and Other Receivables	142,704,312	137,029,238	139,485,733	133,810,660
Deposit Liabilities	230,027,772	230,027,772	222,305,506	222,305,506
Bills Payable	40,279,258	40,279,258	26,461,872	26,461,872

(i) Due from other Banks and BSP

Due from BSP pertains to deposits made by the Group to BSP for clearing and reserve requirements. Due from other banks includes interbank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity, which for short term deposits approximates the nominal value.

(ii) Available-for-sale securities

The fair value of available-for-sale securities is determined by direct reference to published price quoted in an active market for traded securities. On the other hand, non-quoted available-for-sale securities are carried at cost because the fair value cannot be reliably determined either by reference to similar financial instruments or through valuation technique.

(iii) Held-to-maturity investments

Fair value for held-to-maturity assets is based on market prices. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics or through valuation techniques using discounted cash flow analysis.

(iv) Loans and other receivables

Loans and other receivables are net of provisions for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(v) Deposits and borrowings

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amounts of deposits and borrowings already approximate their fair values.

(c) *Fair Value of Derivatives*

The fair value of derivative financial instruments that are not quoted in an active market are determined through valuation techniques using the net present value computation.

Valuation techniques are used to determine fair values which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions could affect reported fair value of financial instruments. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each statement of condition date.

(d) *Useful Life of Bank Premises, Furniture, Fixtures and Equipment*

The Group estimates the useful lives of bank premises, furniture, fixtures and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of bank premises, furniture, fixtures and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of bank premises, furniture, fixtures and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of bank premises, furniture, fixtures and equipment would increase recorded operating expenses and decrease non-current assets.

Bank premises, furniture, fixtures and equipment net of accumulated depreciation, amortization and impairment losses amounted to P1,889,942 and P1,723,771 as of December 31, 2006 and 2005, respectively, in the consolidated financial statements and P1,817,051 and P1,632,769 as of December 31, 2006 and 2005, respectively, in the parent company financial statements (see Note 10).

(e) *Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at each statement of condition date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets amounted to P1,385,758 and P1,414,276 as of December 31, 2006 and 2005, respectively, in the consolidated financial statements and P1,358,555 and P1,388,425 as of December 31, 2006 and 2005, respectively, in the parent company financial statements
(see Note 20).

(f) *Impairment of Non-financial Assets*

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.19. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(g) *Retirement Benefits*

The determination of the Group's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 19 and include, among others, discount rates, expected return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The retirement benefit asset and net unrecognized actuarial gains amounted to P111,974 and P394,805, respectively, in 2006 and P185,232 and P34,270, respectively, in 2005 in the consolidated financial statements. In the parent company financial statements, the retirement benefit asset and net unrecognized actuarial gains amounted to P101,073 and P372,588, respectively, in 2006 and P166,103 and P23,119, respectively, in 2005
(see Note 19).

2.27 Critical Accounting Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) *Functional Currency*

The Group has determined that its functional currency is the Philippine peso which is the currency of the primary environment in which the Group operates.

(b) *Held-to-maturity Investments*

The Group follows the guidance of PAS 39, *Financial Instruments: Recognition and Measurement*, in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments at maturity other than for the allowed specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class to available-for-sale securities. However, the tainting provision will not apply if the sales or reclassifications of held-to-maturity investments are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; occur after the Group has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or are attributable to an isolated event that is beyond the control of the Group, is nonrecurring and could not have been reasonably anticipated by the Group. The investments would therefore be measured at fair value and not at amortized cost. If the entire class of held-to-maturity investments is tainted, the fair value would increase by P3,522,460 in the consolidated financial statements and P3,121,045 in the parent company financial statements, with a corresponding entry in the Fair Value Gain on Available-for-sale Securities account in the statement of changes in capital funds.

(c) *Impairment of Available-for-Sale Financial Assets*

The Group follows the guidance of PAS 39, *Financial Instruments: Recognition and Measurement*, in determining when an investment is permanently impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(d) *Distinction Between Investment Properties and Owner-managed Properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generated cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portion can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services of for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(e) *Operating and Finance Leases*

The Group has entered into various lease agreements either as a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

(f) *Classification of Acquired Properties and Fair Value Determination of Non-current Assets Held for Sale and Investment Property*

The Group classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as Non-current Assets Held-for-sale if the Group expects that the properties will be recovered through sale rather than use, as Investment Property if the Group intends to hold the properties for capital appreciation or as Financial Assets in accordance with PAS 39. At initial recognition, the Group determines the fair value of acquired properties through internally and externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property.

(g) *Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.15 and relevant disclosures are presented in Note 26.

2.28 Risk Management

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also trades in financial instruments where it takes positions in traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movements in equities and bonds and in currency and interest rate prices.

To manage the financial risk for holding financial assets and liabilities, the Group operates an integrated risk management system to address the risks it faces in its banking activities, including liquidity, interest rate, credit and market risks. The Group's risk management objective is to adequately and consistently evaluate, manage, control, and monitor the risk profile of the Group's statement of condition to optimize the risk-reward balance and maximize return on the Group's capital. The Group's Risk Management Committee (RMC) has overall responsibility for the Group's risk management systems and sets risks management policies across the full range of risks to which the Group is exposed. Specifically, the Group's RMC places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

Within the Group's overall risk management system, Assets and Liabilities Committee (ALCO) is responsible for managing the Group's statement of condition, including the Group's liquidity, interest rate and foreign exchange related risks. In addition, ALCO formulates investment and financial policies by determining the asset allocation and funding mix strategies that are likely to yield the targeted statement of condition results.

Separately, the Credit and Risk Management Group (CRMG) is tasked with managing the credit risk, which is the risk that the counterpart in a transaction may default, and market risk, which is the risk of future loss from changes in the pricing of financial instruments.

2.28.1 Market Risk

The Group's exposure to market risk, the risk of future loss from changes in the price of a financial instrument, relates primarily to its holdings in foreign exchange instruments, debt securities and derivatives. The Group manages its risk by identifying, analyzing and measuring relevant or likely market risks. The CRMG recommends various limits based on activity indicators to the Group's RMC. The RMC in turn passes its recommendations to the Board.

The Group's market risk management limits are generally categorized as limits on:

- Value-at-risk – the CRMG computes the value-at-risk benchmarked at a level which is 20% of projected earnings. The Group uses the value at risk (VaR) model to estimate the daily potential loss that the Group can incur from its trading book, based on a number of assumptions with a confidence level of 99%. The measurement is designed such that exceptions over dealing limits should only arise in very exceptional circumstances.

- Stop loss – the CRMG sets the amount of each risk-bearing activity at a percentage of the budgeted annual income for such activity.

- Nominal position – the CRMG sets the nominal amount of U.S. dollar denominated instruments at the BSP-mandated U.S. dollar overbought position limit.

- Trading volume – the CRMG sets the volume of transactions that any employee may execute at various levels based on the rank of the personnel making the risk-bearing decision.

- Earnings-at-risk – the CRMG computes the earnings-at-risk based on 20% of projected earnings.

The CRMG is also responsible for conducting stress tests (based on the value-at-risk model) on the Group's portfolio of financial instruments and reporting the results to the Board for a more concrete assessment of the risks. The CRMG ensures that all policies as approved by the Board are properly communicated to, and adopted by, the risk-taking personnel. The CRMG also conducts market risk analysis before new products are introduced.

In 2006, the Group applied a 99% confidence level and a 260-day observation period.

During the year, the average value-at-risk for the Group's trading portfolio for a one-day holding period was P408.72 million. The maximum and minimum values were P630.20 million (July 12, 2006) and P216.33 million (January 25, 2006), respectively.

For December 31, 2005, the respective items are as follows:

- Average value-at-risk for 260 days, P209 million; and
- Maximum and minimum values P69 million (January 24, 2005) and P341 million (February 8, 2005), respectively.

2.28.2 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 maturity groupings of resources, liabilities and off-statement of condition items as of December 31, 2006 and 2005 in accordance with account classification of the BSP, are presented below (amounts in millions):

Consolidated

	2006				
	One to three months	**Three months to one year**	**One to three years**	**More than three years**	**Total**
Resources					
Cash	P 3,247	P 41	P -	P 6,016	P 9,304
Loans	25,641	41,873	15,788	13,347	96,649
Investments	64,335	3,492	11,518	27,509	106,854
Placements	26,557	1,471	222	22,194	50,444
Other resources	6,254	4,751	2,007	28,210	41,222
Total Resources	126,034	51,628	29,535	97,276	304,473
Liabilities and Capital Funds					
Deposit liabilities	74,321	15,342	10,740	129,625	230,028
Bills payable	19,356	5,281	10,289	5,353	40,279
Other liabilities	1,002	6,339	1,133	1,264	9,738
Total Liabilities	94,679	26,962	22,162	136,242	280,045
Capital Funds	-	4,734	-	19,694	24,428
Total Liabilities and Capital Funds	94,679	31,696	22,162	155,936	304,473
On-book gap	31,355	19,932	7,373	(58,660)	-
Cumulative on-book gap	31,355	51,287	58,660	-	-
Contingent resources	30,327	3,752	7,191	1,602	42,872
Contingent liabilities	37,472	30,540	10,649	2,719	81,380
Total gap	24,210	(6,856)	3,915	(59,777)	(38,508)
Cumulative total gap	P 24,210	P 17,354	P 21,269	(P 38,508)	P -

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

Consolidated

	2005				
	One to three months	**Three months to one year**	**One to three years**	**More than three years**	**Total**
Resources					
Cash	P 1,197	P 22	P -	P 5,402	P 6,621
Loans	12,358	20,588	23,233	23,314	79,493
Investments	23,680	6,113	19,506	40,316	89,615
Placements	18,783	439	2,153	5,381	26,756
Other resources	9,083	2,708	1,215	18,274	31,280
Total Resources	65,101	29,870	46,107	92,687	233,765
Liabilities and Capital Funds					
Deposit liabilities	32,678	1,092	17,900	108,568	160,238
Bills payable	22,850	10,045	4,029	8,907	45,831
Other liabilities	473	5,901	557	531	7,462
Total liabilities	56,001	17,038	22,486	118,006	213,531
Capital Funds	-	2,771	-	17,463	20,234
Total Liabilities and Capital Funds	56,001	19,809	22,486	135,469	233,765
On-book gap	9,100	10,061	23,621	(42,782)	-
Cumulative on-book gap	9,100	19,161	42,782	-	-
Contingent resources	13,510	6,588	4,663	2,505	27,266
Contingent liabilities	11,311	21,437	4,592	3,622	40,962
Total gap	11,299	(4,788)	23,692	(43,899)	(13,696)
Cumulative total gap	P 11,299	P 6,511	P 30,203	(P 13,696)	P -

Parent Company

	2006				
	One to three months	**Three months to one year**	**One to three years**	**More than three years**	**Total**
Resources					
Cash	P 3,247	P 41	P -	P 6,010	P 9,298
Loans	25,609	40,049	15,467	19,554	100,679
Investments	57,462	2,972	9,999	24,580	95,013
Placements	22,461	1,471	222	22,194	46,348
Other resources	-	4,666	1,925	21,679	28,270
Total Resources	108,779	49,199	27,613	94,017	279,608
Liabilities and Capital Funds					
Deposit liabilities	69,215	15,246	8,823	129,022	222,306
Bills payable	10,779	591	9,739	5,353	26,462
Other liabilities	710	5,779	849	1,256	8,594
Total liabilities	80,704	21,616	19,411	135,631	257,362
Capital Funds	-	3,416	-	18,830	22,246
Total Liabilities and Capital Funds					
On-book gap	80,704	25,032	19,411	154,461	279,608
Cumulative on-book gap	28,075	24,167	8,202	(60,444)	-
	28,075	52,242	60,444	-	-
Contingent resources					
Contingent liabilities	25,888	3,277	953	1,602	31,720
Total gap	35,865	27,376	834	2,719	66,794
Cumulative total gap	18,098	68	8,321	(61,561)	(35,074)
Cumulative total gap	P 18,098	P 18,166	P 26,487	(P 35,074)	P -

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

Parent Company

	2005				
	One to three months	**Three months to one year**	**One to three years**	**More than three years**	**Total**
Resources					
Cash	P 1,197	P 22	P -	P 5,402	P 6,621
Loans	20,736	20,250	22,750	18,606	82,342
Investments	19,001	5,895	14,719	39,676	79,291
Placements	18,056	349	2,153	5,377	25,935
Other resources	639	2,701	1,119	17,124	21,583
Total Resources	59,629	29,217	40,741	86,185	215,772
Liabilities and Capital Funds					
Deposit liabilities	31,049	614	16,114	108,986	156,763
Bills payable	13,112	9,724	1,737	8,921	33,494
Other liabilities	469	5,367	378	531	6,745
Total liabilities	44,630	15,705	18,229	118,438	197,002
Capital Funds	-	2,843	-	15,927	18,770
Total Liabilities and Capital Funds	44,630	18,548	18,229	134,365	215,772
On-book gap	14,999	10,669	22,512	(48,180)	-
Cumulative on-book gap	14,999	25,668	48,180	-	-
Contingent resources	10,715	1,274	89	2,505	14,583
Contingent liabilities	8,544	16,129	112	3,622	28,407
Total gap	P 17,170	(P 4,186)	P 22,489	(P 49,297)	(P 13,824)
Cumulative total gap	P 17,170	P 12,984	P 35,473	(P 13,824)	P -

2.28.3 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.

The Group's net foreign exchange exposure is computed as its foreign currency assets less foreign currency liabilities. BSP regulations impose a cap of 2.5% of net worth, or U.S.$5 million, whichever is lower, on the consolidated excess foreign exchange holding of banks in the Philippines. In the case of the Group, its foreign exchange exposure is primarily limited to the day-to-day, over-the-counter buying and selling of foreign exchange in the Group's branches as well as foreign exchange trading with corporate accounts and other financial institutions. The Group, being a major market participant in the Philippine Dealing System (PDS), may engage in proprietary trading to take advantage of foreign exchange fluctuations.

The Group's foreign exchange exposure during the day is guided by the limits set forth in the Group's Risk Management Manual. These limits are within the prescribed ceilings mandated by the BSP. At the end of each day, the Group reports to the BSP on its compliance with the mandated foreign currency exposure limits. In addition, it also reports to the BSP on the respective foreign currency positions of its subsidiaries.

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

The breakdown of the financial resources and liabilities as to foreign and peso-denominated balances as of December 31, 2006 and 2005 are as follows:

Consolidated

	2006		
	Foreign Currency	**Peso**	**Total**
Resources:			
Due from BSP	P 2,445,772	P16,528,142	P 18,973,914
Due from other banks	5,754,089	740,441	6,494,530
Financial assets at fair value through profit or loss	3,136,335	4,797,489	7,933,824
Available-for-sale securities	33,687,619	20,343,844	54,031,463
Held-to-maturity investments	25,909,353	18,979,503	44,888,856
Loans and other receivables	43,465,690	93,563,548	137,029,238
Other Resources	1,543,218	7,955,669	9,498,887
Liabilities:			
Deposit liabilities	85,280,864	144,746,908	230,027,772
Bills payable	14,842,908	25,436,350	40,279,258
Derivative liabilities	590,298	1,030,491	1,620,789
Other liabilities	1,345,009	6,771,876	8,116,885

	2005		
	Foreign Currency	**Peso**	**Total**
Resources:			
Due from BSP	P 1,031,177	P 3,246,140	P 4,277,317
Due from other banks	4,616,562	519,317	5,135,879
Financial assets at fair value through profit or loss	964,311	6,775,006	7,739,317
Available-for-sale securities	40,278,432	10,171,400	50,449,832
Held-to-maturity investments	11,095,414	20,330,557	31,425,971
Loans and other receivable	31,749,068	70,603,134	102,352,202
Other resources	1,420,426	7,875,893	9,296,319
Liabilities:			
Deposit liabilities	61,962,509	98,275,362	160,237,871
Bills payable	27,972,561	17,858,627	45,831,188
Derivative liabilities	137,144	1,016,047	1,153,191
Other liabilities	1,492,891	4,815,341	6,308,232

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

Parent Company

	2006		
	Foreign Currency	Peso	Total
Resources:			
Due from BSP	P 1,677,925	P 15,334,134	P 17,012,059
Due from other banks	3,759,940	600,209	4,360,149
Financial assets at fair value through profit or loss	2,779,050	3,652,249	6,431,299
Available-for-sale securities	28,634,025	19,124,960	47,758,985
Held-to-maturity investments	23,931,846	16,891,196	40,823,042
Loans and other receivables	43,500,031	90,310,629	133,810,660
Other resources	889,243	3,056,602	3,945,845
Liabilities:			
Deposit liabilities	80,048,265	142,257,241	222,305,506
Bills payable	12,219,531	14,242,341	26,461,872
Derivative liabilities	122,700	1,169,987	1,292,687
Other liabilities	1,956,852	5,344,629	7,301,481

	2005		
	Foreign Currency	Peso	Total
Resources:			
Due from BSP	P 1,031,177	P 2,633,571	P 3,664,748
Due from other banks	3,292,973	572,855	3,865,828
Financial assets at fair value through profit or loss	871,701	5,404,044	6,275,745
Available-for-sale securities	35,755,518	8,467,900	42,223,418
Held-to-maturity investments	9,475,004	19,316,711	28,791,715
Loans and other receivables	31,797,037	71,106,399	102,903,436
Other resources	715,093	3,015,969	3,731,062
Liabilities:			
Deposit liabilities	59,506,523	97,256,761	156,763,284
Bills payable	24,036,164	9,457,760	33,493,924
Derivative liabilities	56,323	933,387	989,710
Other liabilities	1,492,891	4,262,860	5,755,751

2.28.4 Credit Risk

Credit risk is the risk that the counterpart in a transaction may default and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the Group. The Group manages its credit risk and loan portfolio through the CRMG, which undertakes several functions with respect to credit risk management.

The CRMG undertakes credit analysis and review to ensure consistency in the Group's risk assessment process. The CRMG performs risk ratings for corporate accounts and risk scoring for consumer accounts. It also ensures that the Group's credit policies and procedures are adequate to meet the demands of the business. The CRMG is also responsible for developing procedures to streamline and expedite the processing of credit applications.

The CRMG also undertakes portfolio management by reviewing the Group's loan portfolio, including the portfolio risks associated with particular industry sectors, regions, loan size and maturity, and development of a strategy for the Group to achieve its desired portfolio mix and risk profile.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the RMC.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The CRMG reviews the Group's loan portfolio in line with the Group's policy of not having significant unwarranted concentrations of exposure to individual counterparties, in accordance with the BSP's prohibitions on maintaining a financial exposure to any single person or group of connected persons in excess of 25% of its Net Worth.

2.28.5 Cash Flow Interest Rate Risk

The Group 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.

3. BUSINESS SEGMENTS

For management purposes, the Group is organized into four major business segments, namely commercial banking, investment banking, private banking and others. These are also the basis of the Group in reporting its primary segment information.

1) Commercial banking – handles the entire lending (corporate and consumer), trade financing and cash management services for corporate and retail customers;

2) Investment banking – provides services to corporate clients outside the traditional loan and deposit products. These services include loan syndications, underwriting and placing of debt and equity securities, and financial advisory services;

3) Private banking – provides traditional and non-traditional investment and structured products to high net worth individuals and institutional accounts; and

4) Others – includes asset management, insurance, securities brokerage and realty management, none of which constitutes a separately reportable segment.

Transactions between the business segments are on normal commercial terms and conditions.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments.

Segment assets and liabilities comprise operating assets and liabilities including items such as taxation and borrowings.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

Primary segment information (by business segment) as of and for the years ended December 31, 2006 and 2005 follow:

	Consolidated					
	Commercial Banking	Investment Banking	Private Banking	Others	Eliminations	Consolidated
December 31, 2006						
Interest Income						
External	P17,746,063	P 54,425	P 1,463,442	P 35,437	P -	P19,299,367
Inter-segment	19,892	2,161	1,171	10,588	(33,812)	-
Total interest income	17,765,955	56,586	1,464,613	46,025	(2,460)	19,299,367
Interest Expense						
External	9,993,154	7	966,972	4,914	-	10,965,047
Inter-segment	12,829	2,549	1,092	17,342	(33,812)	-
Total interest expense	10,005,983	2,556	968,064	22,256	(33,812)	10,965,047
Net Interest Income	P 7,759,972	P 54,030	P 496,549	P 23,769	P -	P 8,334,320
Profit for the Year	P 2,592,114	P 140,234	P 457,088	P 17,741	(P 78,883)	P 3,128,294
Statement of Condition						
Total resources	P279,608,514	P 1,578,267	P22,171,071	P 9,911,010	(P 8,795,374)	P304,473,488
Total liabilities	P 257,361,546	P 225,917	P18,348,860	P 9,651,407	(P 5,543,026)	P280,044,704
December 31, 2005						
Interest Income						
External	P13,612,319	P 69,804	P 885,000	P 217,683	P -	P14,784,806
Inter-segment	56,320	917	948	7,323	(65,508)	-
Total interest income	13,668,639	70,721	885,948	225,006	(65,508)	14,784,806
Interest Expense						
External	7,458,072	-	371,665	112,361	-	7,942,098
Inter-segment	8,427	2,535	40,113	14,433	(65,508)	-
Total interest expense	7,466,499	2,535	411,778	126,794	(65,508)	7,942,098
Net Interest Income	P 6,202,140	P 68,186	P 474,170	P 98,212	P -	P 6,842,708
Profit for the Year	P 2,470,362	P 106,287	P 477,611	(P 103,524)	(P 407,219)	P 2,543,517
Statement of Condition						
Total resources	P215,772,421	P 1,207,216	P15,339,287	P10,838,472	(P 9,392,610)	P233,764,786
Total liabilities	P 197,002,669	P 118,571	P11,931,605	P10,814,221	(P 6,336,584)	P213,530,482

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

4. CASH AND BALANCES WITH THE BSP

These accounts are composed of the following:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Cash and other cash items	**P 9,303,950**	P 6,621,220	**P 9,298,008**	P 6,620,667
Due from BSP				
Mandatory reserves	**15,497,445**	2,329,824	**15,189,598**	2,329,824
Other than mandatory reserves	**3,476,469**	1,947,493	**1,822,461**	1,334,924
	18,973,914	4,277,317	**17,012,059**	3,664,748
	P28,277,864	P10,898,537	**P26,310,067**	P10,285,415

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims. Due from BSP bears annual interest rates ranging from 3.8% to 8% for 2006, 2005 and 2004, except for the amounts within the required reserve as determined by BSP. Total interest income earned amounted to P272,946, P120,681 and P86,714 for 2006, 2005 and 2004, respectively, in the consolidated financial statements and P249,838, P118,793 and P85,431 for 2006, 2005 and 2004, respectively, in the parent company financial statements.

Cash and balances with the BSP are included in cash and cash equivalents for cash flow statement purposes.

5. DUE FROM OTHER BANKS

The balance of this account represents regular deposits with the following:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Local banks	**P 1,308,665**	P 1,607,314	**P 1,168,233**	P 1,519,342
Foreign banks	**5,185,865**	3,528,565	**3,191,916**	2,346,486
	P 6,494,530	P 5,135,879	**P 4,360,149**	P 3,865,828

The breakdown of the account as to currency is as follows:

	Consolidated		Parent	
	2006	2005	**2006**	2005
U.S. dollar	**P 5,117,087**	P 4,286,023	**P 3,165,865**	P 2,990,070
Peso	**740,441**	519,317	**600,209**	572,855
Other currencies	**637,002**	330,539	**594,075**	302,903
	P 6,494,530	P 5,135,879	**P 4,360,149**	P 3,865,828

Interest rates on these deposits range from 0% to 5.875% per annum in 2006, 1% to 6% per annum in 2005 and 1% to 6.4% per annum in 2004 in the consolidated financial statements and 0% to 5% per annum in 2006, 1% to 4% per annum in 2005 and 1% to 2.125% per annum in 2004 in the parent company financial statements.

Due from other banks are included in cash and cash equivalents for cash flow statement purposes.

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account, stated at market value, is composed of the following:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Government bonds	**P 5,506,235**	P 6,076,232	**P 4,523,149**	P 5,066,615
Derivative financial assets	**2,419,605**	1,662,343	**1,908,150**	1,209,130
Other debt securities	**7,984**	742	**-**	-
	P 7,933,824	P 7,739,317	**P 6,431,299**	P 6,275,745

All financial assets at fair value through profit or loss are held for trading. For government bonds and other debt securities, the amounts presented have been determined directly by reference to published price quoted in an active market. On the other hand, the fair value of derivative financial assets is determined through valuation technique using net present value of future cash flows method. The Group recognized fair value gain on financial assets at fair value through profit or loss amounting to P267,872, P174,326 and P120,742 in 2006, 2005 and 2004, respectively, in the consolidated financial statements and P183,215, P169,019 and P59,266 in 2006, 2005 and 2004, respectively, in the parent company financial statements which were included as part of Trading Gain in the income statements.

Foreign currency-denominated securities amounted to P3,136,335 in 2006 and P964,311 in 2005 in the consolidated financial statements and P2,779,050 in 2006 and P871,701 in 2005 in the parent company financial statements.

Derivative instruments used by the Group include foreign currency and interest rate forwards/futures, foreign currency and interest rate swaps, and embedded credit default swaps bifurcated from credit-linked notes or deposits. Foreign currency and interest rate forwards/futures represent commitments to purchase/sell or are contractual obligations to receive or pay a new amount based on changes in currency rates or interest rates on a future date at a specified price. Foreign currency and interest rate swaps are commitments to exchange one set of cash flows for another. The credit default swaps represent commitment of the counterparty to swap the note and deposit with high yielding securities upon the occurrence of the reference event by the reference entity.

The aggregate contractual or notional amount of derivative financial instruments and the total fair values of derivative financial assets and liabilities are set out below:

Consolidated

	Notional Amount	Fair Values Assets	Fair Values Liabilities
December 31, 2006:			
Currency forwards/futures	P 67,764,864	P 820,671	P 612,419
Credit linked notes (see Note 7)	19,410,009	545,450	124,623
Currency swaps	1,420,686	531,400	205,872
Interest rate swaps	3,977,250	520,977	545,484
Credit default swap	3,514,950	1,107	132,391
	P 96,087,759	P 2,419,605	P 1,620,789

Consolidated

	Notional Amount	Fair Values Assets	Fair Values Liabilities
December 31, 2005:			
Currency forwards/futures	P 19,893,396	P 287,700	P 348,124
Credit linked notes (see Note 7)	18,751,861	218,286	82,372
Currency swaps	1,373,893	562,629	112,037
Interest rate swaps	1,602,100	573,511	577,250
Credit default swaps	1,592,700	20,217	33,408
	P 43,213,950	P 1,662,343	P 1,153,191

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

Parent Company

	Notional Amount	Fair Values Assets	Fair Values Liabilities
December 31, 2006:			
Currency forwards/futures	P 67,605,853	P 638,654	P 583,858
Credit linked notes (see Note 7)	17,693,959	510,232	115,960
Interest rate swaps	1,602,100	381,675	469,049
Currency swaps	1,318,753	377,589	123,820
	P 88,220,665	P 1,908,150	P 1,292,687
December 31, 2005:			
Currency forwards/futures	P 19,898,802	P 224,701	P 285,768
Credit linked notes (see Note 7)	18,751,862	218,286	82,372
Interest rate swaps	1,602,100	522,217	577,250
Currency swaps	1,318,753	243,926	44,320
	P 41,571,517	P 1,209,130	P 989,710

The fair value gain recognized as part of Trading Gain in the income statements and determined using valuation technique amounted to P112,341, P635,441 and P280,250 in 2006, 2005 and 2004, respectively, in the consolidated financial statements and P157,056, P472,889 and P226,743 in 2006, 2005 and 2004, respectively, in the parent company financial statements representing changes in value of the derivative financial assets and liabilities of the Group.

7. AVAILABLE-FOR-SALE SECURITIES

The Group's available-for-sale securities consist of the following:

	Consolidated **2006**	Consolidated 2005	Parent **2006**	Parent 2005
Government debt securities	**P 36,588,960**	P 27,915,262	**P 33,458,392**	P 24,444,704
Other debt securities				
Quoted	**16,871,031**	19,789,642	**14,302,288**	19,789,642
Not Quoted	**2,406**	1,954,503	**-**	-
Equity securities				
Quoted	**403,195**	552,617	**60,750**	60,750
Not Quoted	**300,678**	349,158	**39,672**	39,672
	54,166,270	50,561,182	**47,861,102**	44,334,768
Allowance for impairment losses	**(134,807)**	(111,350)	**(102,117)**	(111,350)
Net	**P 54,031,463**	P 50,449,832	**P 47,758,985**	P 44,223,418

As to currency, this account is composed of the following:

	Consolidated **2006**	Consolidated 2005	Parent **2006**	Parent 2005
Foreign currency	**P 33,687,619**	P 40,278,432	**P 28,634,025**	P 35,755,518
Peso	**20,343,844**	10,171,400	**19,124,960**	8,467,900
	P 54,031,463	P 50,449,832	**P 47,758,985**	P 44,223,418

Government and other debt securities issued by resident and non-resident corporations earn interest at 5.875% to 22.875% per annum in 2006, 3.1% to 16.50% per annum in 2005 and 2.94% to 20.5% per annum in 2004 in the consolidated financial statements and 5.875% to 22.875% per annum in 2006, 5.44% to 16.00% per annum in 2005 and 7.56% to 20.50% per annum in 2004 in the parent company financial statements.

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

Other debt securities include the host contract of credit-linked notes (CLN) while the embedded derivatives were bifurcated and presented separately from the CLN (see Note 6). A CLN is an instrument under which the issuer issues a note to the investor whereby both parties agree that in the occurrence of a credit event in relation to the reference entity, the CLN accelerates and the investor is delivered the defaulted asset of the reference entity, or paid a net settlement amount equal to the market price of the defaulted asset or reference obligation adjusted for any transaction unwind costs.

Unquoted equity securities include investments in Viage Corporation representing 65.5% of its outstanding shares amounting to P38,000 acquired by BDO Capital on August 14, 2006 with another company as co-investor. The investment entered into by BDO Capital carries a put option giving it the right at its discretion to compel its co-investor to buy, or arrange for a third party to buy, all or part of its shares in Viage Corporation. Moreover, in the event of a sale by the co-investor of all its equity interest to a third party, the co-investor has the right to compel BDO Capital to sell its shares to the same buyer.

The fair values of government debt and quoted available-for-sale securities (other debt securities and equity shares) have been determined directly by reference to published price generated in an active market. For unquoted available-for-sale securities, the fair value is not reliably determinable either by reference to similar financial instruments or through valuation technique using the net present value of the future cash flows. Accordingly, unquoted available-for-sale securities are carried at cost.

Total fair value gain on the balance of available-for-sale securities amounted to P1,146,035, P1,158,411 and P307,786 in 2006, 2005 and 2004, respectively, in the consolidated financial statements and P1,040,202, P834,210 and P294,816 in 2006, 2005 and 2004, respectively, in the parent company financial statements.

8. HELD-TO-MATURITY INVESTMENTS

The balance of this account is composed of the following:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Government debt securities	**P 39,221,603**	P 29,638,365	**P 35,553,409**	P 27,004,109
Other debt securities:				
Quoted	**6,319,313**	2,427,307	**5,921,693**	2,427,307
Not quoted	**191,766**	203,751	**191,766**	203,751
	45,732,682	32,269,423	**41,666,868**	29,635,167
Allowance for impairment losses	**(843,826)**	(843,452)	**(843,826)**	(843,452)
Net	**P 44,888,856**	P 31,425,971	**P 40,823,042**	P 28,791,715

Other debt securities include investments of a sinking fund setup by the Bank as required by BSP in connection with the Bank's redemption of the preferred shares it issued to SM Prime Holdings, Inc. (SMPHI) at the original issue price five years from the date of issue (see Note 15). The carrying balance of the sinking fund as of December 31, 2006 and 2005 amounts to P1,084,024 and P585,299, respectively, both in the parent company and consolidated financial statements.

Also, certain government securities are deposited with BSP as security for the Bank's faithful compliance of its fiduciary obligations in connection with the Bank's trust operations (see Note 21).

As to currency, this account is composed of the following:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Foreign currency	**P 25,909,353**	P 11,095,414	**P 23,931,846**	P 9,475,004
Peso	**18,979,503**	20,330,557	**16,891,196**	19,316,711
	P 44,888,856	P 31,425,971	**P 40,823,042**	P 28,791,715

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

The maturity profile of this account is presented below:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Less than one year	**P 6,810,020**	P 11,571,278	**P 6,517,736**	P 11,150,598
One to five years	**23,874,128**	13,463,733	**21,304,453**	12,221,098
Beyond five years	**14,204,708**	6,390,960	**13,000,853**	5,420,019
	P 44,888,856	P 31,425,971	**P 40,823,042**	P 28,791,715

Changes in the held-to-maturity account are summarized below:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Balance at beginning of year	**P 31,425,971**	P 27,328,236	**P 28,791,715**	P 25,220,829
Additions	**72,019,553**	103,947,313	**70,146,347**	100,481,268
Maturity	**(56,732,231)**	(99,195,614)	**(56,396,512)**	(96,281,957)
Foreign currency revaluation	**(1,752,118)**	(607,708)	**(1,646,189)**	(582,169)
Impairment during the year	**(72,319)**	(46,256)	**(72,319)**	(46,256)
	P 44,888,856	P 31,425,971	**P 40,823,042**	P 28,791,715

The fair values of the held-to-maturity investments are as follows:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Government debt securities	**P 42,507,921**	P 30,658,079	**P 38,437,442**	P 27,976,020
Other debt securities	**5,903,395**	2,044,255	**5,506,645**	2,044,255
	P 48,411,316	P 32,702,334	**P 43,944,087**	P 30,020,275

The fair value is determined through valuation techniques by determining the net present value of estimated future cash flows. Interest rates on these investments range from 4% to 18.00% per annum in 2006, 4% to 16.50% per annum in 2005 and 3.44% to 18% per annum in 2004 both in the consolidated and parent company financial statements.

9. LOANS AND OTHER RECEIVABLES

This account consists of the following:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Receivables from customers:				
Loans and discounts	**P 86,315,397**	P 70,366,871	**P 90,376,409**	P 74,680,857
Customers' liabilities under letters of credit and trust receipts	**10,622,311**	10,047,367	**10,622,310**	10,047,367
Bills purchased	**2,331,674**	1,893,204	**2,331,674**	1,893,204
Others	**2,869,502**	1,523,459	**2,837,888**	-
	102,138,884	83,830,901	**106,168,281**	86,621,428
Allowance for impairment losses	**(5,489,435)**	(4,337,917)	**(5,489,435)**	(4,279,222)
Net	**96,649,449**	79,492,984	**100,678,846**	82,342,206
Other receivables:				
Interbank loans receivables	**24,976,140**	17,342,938	**24,976,140**	18,404,531
Securities purchased under reverse repurchase agreements	**12,956,693**	4,327,703	**6,503,729**	975,609
Accounts receivable	**2,135,397**	1,364,980	**1,340,385**	1,357,492
Sales contract receivables	**497,198**	352,311	**497,198**	352,311
	40,565,428	23,387,932	**33,317,452**	21,089,943
Allowance for impairment losses	**(185,639)**	(528,714)	**(185,639)**	(528,714)
Net	**40,379,789**	22,859,218	**33,131,813**	20,561,229
	P 137,029,238	P 102,352,202	**P 133,810,660**	P 102,903,436

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

Interbank loans receivables include the host contract of credit-linked deposits (CLD) while the embedded credit default swaps were bifurcated and presented separately from the CLD. A CLD is an instrument under which the issuer/deposit-taker issues a certificate of deposit to the investor wherein both parties agreed that in the occurrence of a credit event in relation to the reference entity, the CLD accelerates and the depositor is delivered the defaulted asset of the reference entity, or paid a net settlement amount equal to the market price of the defaulted asset or reference obligation adjusted for any transaction unwind costs.

Included in these accounts are nonaccruing loans amounting to P5,530,774 in 2006 and P4,506,095 in 2005 in the consolidated financial statements and P5,530,774 in 2006 and P4,446,947 in 2005 in the parent company financial statements.

The net carrying amounts of these financial assets are reasonable approximations of their fair values.

The concentration of credit as to industry follows:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Manufacturing (various industries)	**P 22,899,409**	P 21,532,579	**P 22,597,518**	P 21,046,859
Wholesale and retail trade	**18,619,421**	17,203,652	**18,619,421**	17,203,651
Financial intermediaries	**13,632,345**	12,058,023	**18,440,574**	16,928,589
Other community, social and personal activities	**11,257,865**	7,595,621	**11,257,865**	7,595,621
Real estate, renting and other related activities	**10,198,214**	9,049,762	**10,190,179**	9,041,740
Transportation and communication	**3,476,571**	2,910,309	**3,476,571**	2,910,309
Agriculture, fishing and forestry	**983,207**	1,040,909	**983,207**	1,040,909
Others	**21,071,852**	12,440,046	**20,602,946**	10,853,750
	P 102,138,884	P 83,830,901	**P 106,168,281**	P 86,621,428

The breakdown of total loans as to secured and unsecured follows:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Secured:				
Real estate mortgage	**P 21,243,323**	P 21,485,197	**P 21,218,219**	P 21,455,994
Chattel mortgage	**4,284,547**	3,629,069	**4,272,816**	3,614,628
Other securities	**19,880,285**	19,379,288	**19,809,533**	19,408,065
	45,408,155	44,493,554	**45,300,568**	44,478,687
Unsecured	**56,730,729**	39,337,347	**60,867,713**	42,142,741
	P 102,138,884	P 83,830,901	**P 106,168,281**	P 86,621,428

The breakdown of total loans as to type of interest rate follows:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Variable interest rates	**P 82,755,418**	P 62,610,842	**P 86,856,424**	P 67,433,440
Fixed interest rates	**19,383,466**	21,220,059	**19,311,857**	19,187,988
	P 102,138,884	P 83,830,901	**P 106,168,281**	P 86,621,428

Loans and other receivables bear interest rates of 2.26% to 41.73% per annum in 2006 and 1% to 27.76% per annum in 2005 in the consolidated and parent company financial statements.

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

The changes in the allowance for impairment losses on receivables from customers are summarized below:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Balance at beginning of year	**P 4,337,917**	P 3,605,076	**P 4,279,222**	P 3,590,435
Provisions during the year	**792,944**	1,035,576	**792,944**	991,522
Reversal/reclassification	**422,026**	(298,084)	**480,721**	(298,084)
Accounts written off	**(63,452)**	(4,651)	**(63,452)**	(4,651)
Balance at end of year	**P 5,489,435**	P 4,337,917	**P 5,489,435**	P 4,279,222

10. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

A reconciliation of the carrying amounts at the beginning and end of 2006 and 2005, and the gross carrying amounts and the accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment are shown below:

Consolidated

	Land	**Buildings**	**Leasehold Rights and Improvements**	**Furniture, Fixtures and Equipment**	**Total**
Balance at January 1, 2006, net of accumulated depreciation and amortization	P 477,248	P 120,798	P 202,456	P 923,269	P 1,723,771
Additions	-	23,421	248,379	486,092	757,892
Disposals	-	(9,956)	(4,613)	(61,275)	(75,844)
Depreciation and amortization charges for the year	-	(18,537)	(94,407)	(402,933)	(515,877)
Balance at December 31, 2006, net of accumulated depreciation and amortization	**P 477,248**	**P 115,726**	**P 351,815**	**P 945,153**	**P 1,889,942**
December 31, 2006					
Cost	P 477,248	P 199,876	P 498,733	P 2,471,808	P 3,647,665
Accumulated depreciation and amortization	-	(84,150)	(146,918)	(1,526,655)	(1,757,723)
Net carrying amount	**P 477,248**	**P 115,726**	**P 351,815**	**P 945,153**	**P 1,889,942**
Balance at January 1, 2005, net of accumulated depreciation and amortization	P 334,331	P 80,869	P 170,683	P 583,310	P 1,169,193
Additions	142,917	58,398	83,852	530,127	815,294
Disposals	-	-	-	(816)	(816)
Depreciation and amortization charges for the year	-	(18,469)	(52,079)	(189,352)	(259,900)
Balance at December 31, 2005, net of accumulated depreciation and amortization	P 477,248	P 120,798	P 202,456	P 923,269	P 1,723,771

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

Consolidated

		Land		Buildings		Leasehold Rights and Improvements		Furniture, Fixtures and Equipment		Total
December 31, 2005										
Cost	P	477,248	P	186,411	P	208,514	P	2,112,097	P	2,984,270
Accumulated Depreciation and amortization		-		(65,613)		(6,058)		(1,188,828)		(1,260,499)
Net carrying amount	P	477,248	P	120,798	P	202,456	P	923,269	P	1,723,771

Parent

		Land		Buildings		Leasehold Rights and Improvements		Furniture, Fixtures and Equipment		Total
Balance at January 1, 2006, net of accumulated depreciation and amortization	P	477,248	P	120,798	P	171,835	P	862,888	P	1,632,769
Additions		-		23,421		223,772		452,397		699,590
Disposals		-		(9,956)		-		(10,926)		(20,882)
Depreciation and amortization charges for the year		-		(18,537)		(84,864)		(391,025)		(494,426)
Balance at December 31, 2006, net of accumulated depreciation and amortization	**P**	**477,248**	**P**	**115,726**	**P**	**310,743**	**P**	**913,334**	**P**	**1,817,051**
December 31, 2006										
Cost	P	477,248	P	199,876	P	444,638	P	2,361,021	P	3,482,783
Accumulated depreciation and amortization		-		(84,150)		(133,895)		(1,447,687)		(1,665,732)
Net carrying amount	**P**	**477,248**	**P**	**115,726**	**P**	**310,743**	**P**	**913,334**	**P**	**1,817,051**
Balance at January 1, 2005, net of accumulated depreciation and amortization	P	334,331	P	80,869	P	163,108	P	527,955	P	1,106,263
Additions		142,917		58,409		57,758		552,312		811,396
Disposals		-		-		-		(10,359)		(10,359)
Depreciation and amortization charges for the year		-		(18,480)		(49,031)		(207,020)		(274,531)
Balance at December 31, 2005, net of accumulated depreciation and amortization	P	477,248	P	120,798	P	171,835	P	862,888	P	1,632,769
December 31, 2005										
Cost	P	477,248	P	186,411	P	171,835	P	1,939,130	P	2,774,624
Accumulated depreciation and amortization		-		(65,613)		-		(1,076,242)		(1,141,855)
Net carrying amount	P	477,248	P	120,798	P	171,835	P	862,888	P	1,632,769

Under BSP rules, investments in fixed assets should not exceed 50% of a bank's unimpaired capital. As of December 31, 2006 and 2005, the Bank has satisfactorily complied with this requirement.

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

11. EQUITY INVESTMENTS

Equity investments consist of the following:

	Consolidated			Parent		
	% Interest Held	**2006**	2005	% Interest Held	**2006**	2005
Subsidiaries:						
BDO Private Bank		**P -**	P -	100%	**P 2,579,460**	P 2,579,460
BDO Capital		**-**	-	100%	**300,000**	300,000
BDO Financial		**-**	-	100%	**200,000**	100,000
BDO Card		**-**	-	60%	**-**	59,999
BDO Realty		**-**	-	100%	**40,000**	40,000
BDO Insurance		**-**	-	100%	**9,999**	9,999
Onshore (see Note 22)		**-**	-	100%	**1,000**	1,000
Associates:						
SM Keppel Land, Inc.	50%	**1,294,044**	1,294,044	50%	**1,294,044**	1,294,044
Generali Pilipinas Holdings, Inc.	40%	**446,192**	446,192	30%	**378,000**	378,000
Redfort Assets, Ltd.	25%	**29,199**	29,199		**-**	-
		1,769,435	1,769,435		**4,802,503**	4,762,502
Accumulated equity in net losses:						
Balance at beginning of year		**(239,176)**	(142,557)		**-**	-
Equity in net losses during the year		**(95,754)**	(96,619)		**-**	-
Balance at end of year		**(334,930)**	(239,176)		**-**	-
Total at equity		**1,434,505**	1,530,259		**-**	-
At cost:						
Equitable PCI Bank (EPCIB)	3.4%	**1,400,040**	1,400,040	3.4%	**1,400,000**	1,400,000
Equitable Card Network, Inc. (ECNI)	10%	**600,000**	600,000	10%	**600,000**	600,000
Others		**21,637**	21,637		**21,637**	21,637
Total at cost		**2,021,677**	2,021,677		**2,021,637**	2,021,637
Allowance for impairment		**-**	-		**(276,197)**	(334,514)
		P 3,456,182	P 3,551,936		**P 6,547,943**	P 6,449,625

The Group's subsidiaries and associates are all incorporated in the Philippines, except for BDO Remittance, an indirectly owned subsidiary which is incorporated in Hongkong and Redfort Assets, Ltd. which was incorporated in the British Virgin Islands.

On August 5, 2005, the Group, jointly with a related party, acquired shares of EPCIB and ECNI equivalent to a total of 24.4% of the total outstanding shares of EPCIB and a 10% interest in ECNI. The Group's acquisition cost of the shares of stock of EPCIB amounted to P1,400,040 representing 3.4% of EPCIB's total outstanding shares while the acquisition cost for the shares of stock of ECNI amounted to P600,000, representing 10% of ECNI's total outstanding shares.

On August 29, 2006, the Bank, together with SM Investments Corporation (SMIC), a major stockholder and other members of the SM Group, filed a Tender Offer with the SEC to acquire up to around 401.1 million shares representing 55.16% of the total outstanding shares of common stock of EPCIB at P92 per share. The payment terms of the offer are as follows: ten percent (10%) on October 2, 2006, ten percent (10%) on June 2, 2007, ten percent (10%) on February 2, 2008, and the remaining balance to be paid on October 2, 2008. On October 2, 2006, a total of 377.7 million shares equivalent to 51.96% of EPCIB's total shares outstanding were purchased by SMIC including 25.84% shares owned by SSS and 10.84% shares owned by EBC Investment, Inc. The total consideration of the Tender Offer and negotiated sale is P34.8 billion. The participation of SSS is conditional on the favorable outcome of its pending case with the Supreme Court as discussed in Note 26.1 to the financial statements. In accordance with the agreement on such conditional sale, the payment corresponding to the shares owned by SSS was to be placed in an escrow account.

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

As disclosed in Note 1 to the financial statements, on November 6, 2006, the respective Boards of the Bank and EPCIB approved and endorsed to their respective shareholders a Plan of Merger for the merger of the Bank and EPCIB with the Bank as the surviving entity. On December 27, 2006, the stockholders of the Bank and EPCIB approved the Plan of Merger.

As of December 31, 2006, the Bank's investments in the shares of stock of EPCIB and ECNI are carried at cost. The fair value of the shares of stock of EPCIB amounted to P2,145,040 as of December 31, 2006. The fair value of other equity investments is not reliably determinable either by reference to similar instruments or through valuation techniques.

12. INVESTMENT PROPERTIES

Investment properties include land and buildings held for capital appreciation.

A reconciliation of the carrying amounts at the beginning and end of 2006 and 2005, and the gross carrying amounts and the accumulated depreciation and impairment of investment properties in the parent company and consolidated financial statements, are shown below:

	Land	Buildings	Total
Balance at January 1, 2006, net of accumulated depreciation and impairment	P 1,353,416	P 42,889	P 1,396,305
Additions	39,181	72,477	111,658
Disposals	(126,013)	(17,464)	(143,477)
Depreciation for the year	-	(17,161)	(17,161)
Balance at December 31, 2006, net of accumulated depreciation and impairment	**P 1,266,584**	**P 80,741**	**P 1,347,325**
December 31, 2006			
Cost	P 1,503,344	P 171,609	P 1,674,953
Accumulated depreciation	-	(90,868)	(90,868)
Accumulated impairment	(236,760)	-	(236,760)
Net carrying amount	**P 1,266,584**	**P 80,741**	**P 1,347,325**
Balance at January 1, 2005, net of accumulated depreciation and impairment	P 4,165,392	P 804,722	P 4,970,114
Additions	820,024	14,538	834,562
Reclassification to non-current assets held for sale	(3,566,595)	(660,109)	(4,226,704)
Depreciation for the year	-	(20,935)	(20,935)
Impairment for the year	(65,405)	(95,327)	(160,732)
Balance at December 31, 2005, net of accumulated depreciation	P 1,353,416	P 42,889	P 1,396,305
December 31, 2005			
Cost	P 1,537,280	P 209,345	P 1,746,625
Accumulated depreciation	-	(85,666)	(85,666)
Accumulated impairment	(183,864)	(80,790)	(264,654)
Net carrying amount	P 1,353,416	P 42,889	P 1,396,305

The fair value of investment properties as of December 31, 2006 and 2005, determined based on the present value of the estimated future cash flows discounted at the current market rate, amounted to P2,305,906 and P1,760,935, respectively.

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

13. OTHER RESOURCES

Other resources consist of the following:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Non-current assets held by Onshore (see Note 22)	**P 8,633,075**	P 8,930,197	**P -**	P -
Deposits under escrow	**2,931,054**	2,931,054	**2,931,054**	2,931,054
Deferred tax assets (see Note 20)	**1,385,758**	1,414,276	**1,358,555**	1,388,425
Foreign currency notes and coins on hand	**890,125**	715,093	**889,243**	715,093
Goodwill (see Note 22)	**661,717**	600,000	**661,717**	600,000
Documentary stamps tax	**245,238**	122,521	**243,776**	122,521
Deferred charges - net of amortization	**166,809**	183,664	**150,960**	170,487
Returned checks and other cash items	**125,548**	84,915	**125,548**	84,915
Retirement benefit asset (see Note 19)	**111,974**	185,232	**101,073**	166,103
Others	**481,087**	469,087	**448,188**	314,570
	15,632,385	15,636,039	**6,910,114**	6,493,168
Allowance for impairment	**(119,177)**	-	**(119,177)**	-
	P 15,513,208	P 15,636,039	**P 6,790,937**	P 6,493,168

Non-current assets held by Onshore pertain to non-performing assets acquired by Onshore from United Overseas Bank Philippines (UOBP) in relation to the Group's acquisition of certain assets and branch licenses and assumption of certain liabilities of UOBP (see Note 22). This is presented under Other Resources as approved by the BSP. In 2006, Onshore and UOBP agreed to return certain non-performing assets totalling P347,823 to UOBP. As a result of the return, Onshore recognized receivable from UOBP and derecognized the related non-performing assets and the related income and expense on the assets returned. The receivable was settled through assignment of certain sales contract receivable of UOBP to Onshore.

Deposits under escrow amounting to P2,931,054 as of December 31, 2006 and 2005 pertain to the portion of the cash received by the Bank in consideration for its assumption of First e-Bank Corporation's deposits and other liabilities in October 2002. This amount is held in escrow pending compliance by the Bank with certain terms and conditions as stipulated in the Memorandum of Agreement (MOA). Deposits under escrow earn an annual effective interest of 6.56%, 8.60% and 7.63% in 2006, 2005 and 2004, respectively.

Deferred charges mainly pertain to computer software licenses. Amortization expense on deferred charges amounted to P36,921, P5,286, and P54,431 in 2006, 2005 and 2004, respectively, in the consolidated financial statements and P36,540, P5,286 and P54,431 in 2006, 2005 and 2004, respectively, in the parent company financial statements. These are included under Other Operating Expenses in the income statement (see Note 18).

14. DEPOSIT LIABILITIES

This account is composed of the following:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Due to banks:				
Demand	**P 224,999**	P 758,533	**P 224,365**	P 106,959
Savings	**338,379**	346,820	**508,925**	427,392
Time	**99,367**	4,306,829	**99,367**	1,064,778
	662,745	5,412,182	**832,657**	1,599,129
Due to customers:				
Demand	**7,095,591**	3,968,357	**4,650,532**	4,012,979
Savings	**144,903,043**	99,113,185	**145,366,716**	99,384,128
Time	**77,366,393**	51,744,147	**71,455,601**	51,767,048
	229,365,027	154,825,689	**221,472,849**	155,164,155
Total	**P 230,027,772**	P 160,237,871	**P 222,305,506**	P 156,763,284

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

The breakdown of this account, as to currency, is as follows:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Foreign currency	**P 85,280,864**	P 61,962,509	**P 80,048,265**	P 59,506,523
Peso	**144,746,908**	98,275,362	**142,257,241**	97,256,761
	P 230,027,772	P 160,237,871	**P 222,305,506**	P 156,763,284

The maturity profile of this account is presented below:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Less than one year	**P 187,318,045**	P 126,140,196	P 181,837,843	P 125,183,560
One to five years	**33,685,252**	18,116,755	31,443,188	15,598,804
Beyond five years	**9,024,475**	15,980,920	9,024,475	15,980,920
	P 230,027,772	P 160,237,871	**P 222,305,506**	P 156,763,284

Deposit liabilities are in the form of demand, savings and time deposit accounts bearing interest rates of 3.9% to 13.7% per annum in 2006, 3.0% to 9.73% per annum in 2005 and 1.0% to 7.25% per annum in 2004. Demand and savings deposits usually have both fixed and variable interest rates while time deposit has fixed interest rates except for the peso-denominated long-term negotiable certificates of deposits which are repriced every quarter.

On December 23, 2004, BSP approved the Bank's application to issue in two or more tranches of up to P5,000,000 worth of peso-denominated long-term negotiable certificates of deposits (LTNCDs) within one year from date of approval. The first tranche amounting to P2,100,000 was issued on June 1, 2005 and will mature on June 2, 2010 and the second tranche amounting to P2,900,000 was issued on November 23, 2005 and will mature on November 24, 2010. The first tranche bears a variable interest based on MART 1 plus 0.25% spread while the second tranche pays a fixed rate of 9.73%. Also, on September 25, 2006, BSP approved the Bank's application to issue another P5,000,000 LTNCDs in one tranche. The P5,000,000 LTNCDs bear a fixed interest rate of 8.25% per annum. These are presented as part of the Time Deposit account in the statements of condition.

15. BILLS PAYABLE

This account is composed of the following:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Deposit substitutes	**P 14,437,392**	P 5,115,641	**P 6,886,560**	P -
Foreign banks	**9,340,713**	18,730,855	**3,141,670**	12,637,806
Senior notes	**5,662,446**	8,038,431	**5,662,446**	8,038,431
PDIC (see Note 22)	**4,437,717**	4,426,225	**4,437,717**	4,426,225
Local banks	**2,765,065**	6,040,213	**2,697,554**	4,911,639
SMPHI (Preferred shares)	**2,722,833**	2,776,718	**2,722,833**	2,776,718
International Finance Corporation (IFC)	**497,317**	532,754	**497,317**	532,754
BSP	**415,775**	170,351	**415,775**	170,351
	P 40,279,258	P 45,831,188	**P 26,461,872**	P 33,493,924

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

The breakdown of this account, as to currency follows:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Foreign currency	**P 14,842,908**	P 27,972,561	**P 12,219,531**	P 24,036,164
Peso	**25,436,350**	17,858,627	**14,242,341**	9,457,760
	P 40,279,258	P 45,831,188	**P 26,461,872**	P 33,493,924

The maturity profile of this account is presented below:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Less than one year	**P 17,834,758**	P 25,891,716	**P 10,898,324**	P 14,107,201
One to five years	**17,407,834**	14,516,155	**10,576,881**	13,963,407
Beyond five years	**5,036,666**	5,423,317	**4,986,667**	5,423,316
	P 40,279,258	P 45,831,188	**P 26,461,872**	P 33,493,924

Bills payable bear interest rates of 3.0% to 10.93% per annum in 2006, 3.9% to 13.70% per annum in 2005 and 1.89% and 13.70% in 2004. Certain bills payable to local banks and the BSP are collateralized by certain receivables from customers.

On October 16, 2003, the Bank listed 6.5% U.S.$150,000 senior notes in the Singapore Stock Exchange which will mature on October 16, 2008. The net proceeds from the issuance of the senior notes amounted to U.S.$146,621 or about P8,890,000. Interest expense incurred by the Bank on these senior notes amounted to P478,088 in 2006, P538,975 in 2005 and P546,841 in 2004 (shown under Interest Expense on Bills Payable and Others in the income statements). On October 16, 2006, $35,740 worth of senior notes was redeemed by various noteholders.

As required under PAS 32, *Financial Instruments: Disclosures and Presentation*, the Bank recognized as financial liability 25,000,000 shares of redeemable, cumulative and non-participating preferred shares with a par value of P10 per share issued to SMPHI on October 18, 2004. The preferred shares were issued at U.S.$2 per share or an aggregate subscription price of U.S.$50,000. The preferred shares entitle SMPHI to cumulative dividends, payable in U.S. dollars semi-annually in arrears, equal to 6.5% of the issue price per annum. The Bank is also required to redeem the preferred shares from SMPHI at the original issue price five years from the date of issue. As required by BSP, the Bank setup a sinking fund on October 17, 2005 for the redemption of the preferred shares. The balance of the sinking fund as of December 31, 2006 and 2005 amounts to P1,084,024 and P585,299, respectively, and is invested in debt securities, shown as part of Held-to-maturity Investments in the statements of condition (see Note 8). Dividends in arrears (recognized as interest expense) as of December 31, 2006, 2005 and 2004 amounted to P271,333, P122,218 and P37,589, respectively, computed using the exchange rate at year end and are presented as part of Bills Payable account in the statements of condition.

On June 27, 2002, the Bank entered into a U.S.$20,000 convertible loan agreement with IFC. IFC has the option to convert a portion of the loan into common shares of the Bank commencing two years after the date of the agreement for P16.70 per share. Total proceeds of the loan amounted to P1,111,720. In compliance with PAS 32, *Financial Instruments: Disclosure and Presentation* and PAS 39, *Financial Instruments*: *Recognition and Measurement*, the Bank separated the equity component of the conversion option and unsecured loan with IFC. The balance of common stock option outstanding amounted to P13,634 both as of December 31, 2006 and 2005 and P27,268 as of December 31, 2004. The loan bears interest at a rate of 5.473% per annum and will mature in 2008. Total interest incurred by the Bank amounted to P33,518 in 2006, P31,710 in 2005 and P20,490 in 2004, of which P32,756, P30,896 and P19,964, respectively, are charged to income and shown under Interest Expense on Bills Payable and Others in the income statements while P762, P815 and P526, respectively, are recognized as dividends in 2006, 2005 and 2004, respectively, which were directly charged to capital funds.

Upon approval by the Bank's Board on February 11, 2005, the Bank converted U.S.$10,000 convertible loan from IFC, qualified as Tier 2 capital, and issued 31,403,592 common shares of the Bank based on the conversion price of P16.70 per share and exchange rate of P52.44 to a dollar. The BSP subsequently approved the conversion on May 3, 2005.

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

16. OTHER LIABILITIES

Other liabilities consist of the following:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Accounts payable	**P 2,228,312**	P 1,597,825	**P 2,072,182**	P 1,413,738
Sundry credits	**2,226,302**	1,756,415	**2,226,302**	1,756,415
Dividends payable (see Note 17)	**769,618**	-	**769,618**	-
Manager's checks	**712,663**	469,268	**709,792**	469,269
Outstanding acceptances payable	**658,737**	525,093	**658,737**	525,093
Accrued other expenses, taxes and licenses	**437,721**	254,488	**201,045**	250,639
Due to insurance companies/ Treasurer of the Philippines	**244,814**	106,862	**196,932**	68,115
Due to UOBP (see Note 22)	**179,964**	600,000	**-**	600,000
Due to BSP	**127,816**	110,553	**121,329**	110,553
Capitalized interest and other charges	**117,574**	179,022	**117,574**	119,012
Others	**413,364**	708,706	**227,970**	442,917
	P 8,116,885	P 6,308,232	**P 7,301,481**	P 5,755,751

Sundry credits pertain to bills purchase line availments which are settled on the third day from the transaction date.

Capitalized interests and other charges represent interest on restructured receivables from customers. These are recognized as income when collected.

17. CAPITAL FUNDS

17.1 Capital Stock

Capital stock consists of:

	Number of Shares		
	2006	2005	2004
Common shares – P10 par value			
Authorized – 1,015,000,000 shares			
Issued:			
Balance at beginning of year	**939,593,142**	908,189,550	908,189,550
Issued during the year	**22,429,906**	31,403,592	-
Balance at end of year	**962,023,048**	939,593,142	908,189,550

	Amount		
	2006	2005	2004
Common shares – P10 par value			
Authorized – 1,015,000,000 shares			
Issued:			
Balance at beginning of year	**P 9,395,931**	P 9,081,895	P 9,081,895
Issued during the year	**224,299**	314,036	-
Balance at end of year	**P 9,620,230**	P 9,395,931	P 9,081,895

17.2 Issuance of Global Depositary Receipts by Primebridge

On various dates in 2006, Primebridge Holdings, Inc. ("Primebridge"), a stockholder owning 22.08% of the Bank's total outstanding shares as of December 31, 2005, offered and sold in aggregate 9,399,700 global depositary receipts (GDRs) each representing 20 shares of the Bank's common stock.

The GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act of 1993 (the "Securities Act") and an offering outside the United States in reliance on Regulation S under the Securities Act. The offered price for each GDR was U.S.$12.70 on January 25, 2006 and February 14, 2006; and U.S.$14.55 on May 15, 2006. The GDRs are listed and are being traded at the London Stock Exchange.

As part of the offering, Primebridge, while remaining as the registered holder of the Bank's shares underlying the GDRs, transferred all rights and interests in the Bank's shares underlying the GDRs to the depository on behalf of the holders of the GDRs and the latter are entitled to receive dividends paid on the shares. However, GDR holders have no voting rights or other direct rights of a shareholder with respect to the Bank's shares.

As of December 31, 2006, 4,724,214 GDRs issued covering shares originally held by Primebridge were converted into 94,484,280 shares of the Bank. As of the same date, 4,675,486 GDRs equivalent to 93,509,720 shares of the Bank remained unconverted.

17.3 Surplus Free

On May 6, 2006, the Bank's Board approved the declaration of cash dividend amounting to P0.80 per share or a total of P769,618 payable to stockholders of record as of January 22, 2006. The cash dividend was approved by the BSP on December 28, 2006 and was paid on February 8, 2007. As of December 31, 2006, the cash dividend payable is presented under Other Liabilities in the statement of condition (see Note 16).

On April 30, 2005, the Board approved the declaration of cash dividend amounting to P0.65 per share or a total of P610,735 payable to stockholders on record as of July 11, 2005. The cash dividend was approved by the BSP on June 17, 2005 and was paid by the Bank on July 29, 2005.

On June 21, 2004, the Board approved the declaration of cash dividend amounting to P0.50 per share or a total of P454,095, payable to common stockholders on record as of September 15, 2004. The cash dividend was approved by the BSP on August 17, 2004 and was paid by the Bank on September 27, 2004.

Dividends also include the portion of interest expense paid by the Bank to IFC attributable to the equity component (see Note 15). Total amount of dividends allocated to the equity component amounted to P762, P815 and P526 in 2006, 2005 and 2004, respectively.

17.4 Qualifying Capital

Under current banking regulations, the combined capital accounts of each bank should not be less than an amount equal to ten percent of its risk assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio is total capital funds excluding:

a. unbooked valuation reserves and other capital adjustments as may be required by the BSP;
b. total outstanding unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI);
c. deferred tax asset or liability;
d. goodwill;
e. sinking fund for redemption of redeemable preferred shares; and,
f. other regulatory deductions.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

As of the dates of the statements of condition, the Bank has complied with the above requirement on the ratio of combined capital accounts against the risk assets.

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

17.5 Minimum Capital Requirement

Under an existing BSP circular, expanded commercial banks are required to comply with the minimum capital requirement of P4,950,000.

As of the dates of the statements of condition, the Bank has complied with the above capitalization requirement.

17.6 Increase in Capital Stock

On November 6, 2006 and December 27, 2006, the Bank's Board and stockholders, respectively, approved the increase in the Bank's authorized capital stock from P15,000,000 divided into 1,015,000,000 common shares with a par value of P10 per share and 485,000,000 preferred shares with a par value of P10 per share to P65,000,000 divided into 5,500,000,000 common shares with a par value of P10 per share and 1,000,000,000 preferred shares with a par value of P10 per share, subject to the approval of the BSP and the SEC. The increase in the Bank's authorized capital stock was filed with the BSP and SEC on January 8, 2007 and is still awaiting BSP's and SEC's approval.

18. MISCELLANEOUS INCOME AND EXPENSES

Miscellaneous income is composed of the following:

	Consolidated		
	2006	2005	2004
Dividend income	**P 63,683**	P -	P -
Income from assets acquired	**40,757**	41,778	38,522
Miscellaneous - net	**21,280**	6,975	63
	P 125,720	P 48,753	P 38,585

	Parent		
	2006	2005	2004
Dividend income	**P 40,151**	P 367,750	P 8,999
Income from assets acquired	**40,757**	41,778	38,522
Miscellaneous - net	**81,427**	89,938	32,744
	P 162,335	P 499,466	P 80,265

Miscellaneous expenses consist of the following:

	Consolidated		
	2006	2005	2004
Power, light and water	**P 175,180**	P 116,616	P 93,481
Information technology	**174,032**	181,450	198,927
Supplies	**157,940**	94,966	94,387
Travelling	**153,515**	100,928	79,923
Management and other professional fees	**146,821**	134,114	46,508
Banking fees	**107,100**	106,504	88,000
Amortization of deferred charges (see Note 13)	**36,921**	5,286	54,431
Miscellaneous	**493,639**	608,397	225,368
	P 1,445,148	P 1,348,261	P 881,025

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

	Parent		
	2006	2005	2004
Information technology	**P 148,457**	P 181,451	P 148,368
Travelling	**135,730**	91,443	72,413
Power, light and water	**134,937**	91,437	72,624
Management and other professional fees	**126,220**	123,682	32,669
Supplies	**122,495**	71,222	66,298
Banking fees	**107,100**	102,000	88,000
Amortization of deferred charges (see Note 13)	**36,540**	5,286	54,431
Miscellaneous	**506,073**	478,355	202,763
	P 1,317,552	P 1,144,876	P 737,566

19. EMPLOYEES BENEFITS

Expenses recognized for employee benefits are presented below:

	Consolidated		
	2006	2005	2004
Salaries and wages	**P 1,859,698**	P 1,505,471	P 1,193,265
Bonuses	**521,566**	384,066	311,539
Social security costs	**79,562**	58,728	46,033
Retirement – defined benefit plan	**77,258**	70,846	66,608
Executive stock option plan	**15,280**	-	-
Other benefits	**259,137**	89,864	62,563
	P 2,812,501	P 2,108,975	P 1,680,008

	Parent		
	2006	2005	2004
Salaries and wages	**P 1,705,396**	P 1,363,928	P 1,079,829
Bonuses	**507,684**	371,329	303,745
Social security costs	**75,815**	56,545	44,471
Retirement – defined benefit plan	**71,229**	66,958	61,611
Executive stock option plan	**15,280**	-	-
Other benefits	**239,878**	75,729	51,549
	P 2,615,282	P 1,934,489	P 1,541,205

The Group maintains a tax-qualified, noncontributory retirement plan that is being administered by a trustee covering all regular full-time employees.

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

The amounts of retirement benefit asset recognized and recorded as part of Other Resources account in the statements of condition are determined as follows (see Note 13):

	Consolidated		Parent	
	2006	2005	**2006**	2005
Present value of the obligation	**(P 1,196,580)**	(P 645,394)	**(P 1,121,439)**	(P 607,021)
Fair value of plan assets	**913,749**	796,356	**849,924**	750,005
Excess (deficiency) of plan assets	**(282,831)**	(150,962)	**(271,515)**	142,984
Unrecognized actuarial gains	**(394,805)**	(34,270)	**(372,588)**	(23,119)
Retirement benefit asset	**P 111,974**	P 185,232	**P 101,073**	P 166,103

The amounts of retirement benefits recognized in the income statements are as follows:

	Consolidated		
	2006	2005	2004
Current service costs	**P 79,429**	P 53,499	P 53,306
Interest costs	**76,288**	68,220	51,666
Expected return on plan assets	**(78,979)**	(51,020)	(38,364)
Net actuarial losses recognized	**520**	147	-
	P 77,258	P 70,846	P 66,608

	Parent		
	2006	2005	2004
Current service costs	**P 73,994**	P 49,246	P 50,181
Interest costs	**72,235**	64,830	49,794
Expected return on plan assets	**(75,000)**	(47,118)	(38,364)
	P 71,229	P 66,958	P 61,611

The movements in the retirement benefit asset recognized in the books are as follows:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Balance at beginning of year	**P 185,232**	P 22,967	**P 166,103**	P 4,198
Retirement benefit asset of acquired subsidiary	**(3,836)**	-	**-**	-
Expense recognized	**(77,258)**	(70,846)	**(71,229)**	(66,958)
Contributions paid	**7,836**	233,111	**6,199**	228,863
Balance at end of year	**P 111,974**	P 185,232	**P 101,073**	P 166,103

For determination of the retirement benefits, the following actuarial assumptions were used:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Discount rates	**8.9%**	12%	**8.9%**	12%
Expected rate of return on plan assets	**10%**	10%	**10%**	10%
Expected rate of salary increases	**10%**	10%	**10%**	10%

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

20. TAXATION

20.1 Current and Deferred Taxes

The major components of tax expense (income) for the years ended December 31 are as follows:

	Consolidated		
	2006	2005	2004
Income statements:			
Current tax expense:			
Regular corporate income tax (RCIT) (at 35% in 2006 and 2005 and 32% in 2004)	**P 30,819**	P 46,856	P 8,167
Minimum corporate income tax (MCIT) (at 2%)	**18,554**	29,111	37,454
Final tax:			
At 20%, 15%, 10% and 7.5%	**800,036**	265,579	202,923
	849,409	341,546	248,544
Deferred tax expense (income) relating to origination and reversal of temporary differences	**31,945**	189,741	(287,674)
Tax expense (income) reported in the income statements	**P 881,354**	P 531,287	(P 39,130)
Statements of changes in capital funds:			
Deferred tax relating to fair value gain on available-for-sale financial assets	**P 3,724**	P 5,916	P 1,225
Tax income reported in the statements of changes in capital funds	**P 3,724**	P 5,916	P 1,225

	Parent		
	2006	2005	2004
Income statements:			
Current tax expense:			
MCIT (at 2%)	**P 16,095**	P 29,111	P 28,433
Final tax:			
At 20%, 15%, 10% and 7.5%	**726,985**	234,856	167,472
	743,080	263,967	195,905
Deferred tax expense (income) relating to origination and reversal of temporary differences	**29,870**	170,792	(286,021)
Tax expense (income) reported in the income statements	**P 772,950**	P 434,759	(P 90,116)

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

The reconciliation of the tax on pretax income computed at the statutory tax rates to tax expense (income) is shown below:

	Consolidated		
	2006	2005	2004
Tax on pretax income			
(at 35% in 2006 and 2005 and 32% in 2004)	**P 1,403,377**	P 1,076,181	P 618,721
Adjustment for income subjected to lower income tax rates	**(614,871)**	(235,518)	(229,795)
Tax effects of:			
Net operating loss carryover (NOLCO) not recognized	**886,165**	455,058	133,771
Non-deductible expenses	**635,011**	442,577	189,792
Deductible temporary differences not recognized	**353,527**	209,906	64,909
Impairment loss on investment in a subsidiary	**196**	2,394	5,312
Interest expense on convertible loan	**(267)**	(285)	(184)
Application of unrecognized NOLCO	**(4,735)**	(18,540)	-
Income exempted from tax	**(664,308)**	(626,359)	(339,804)
Tax-exempt income of FCDU	**(1,112,741)**	(771,042)	(481,852)
Benefit from utilization of unrecognized MCIT	**-**	(3,085)	-
Tax expense (income) reported in the income statements	**P 881,354**	P 531,287	(P 39,130)

	Parent		
	2006	2005	2004
Tax on pretax income			
(at 35% in 2006 and 2005 and 32% in 2004)	**P 1,177,773**	P 1,016,792	P 455,854
Adjustment for income subjected to lower income tax rates	**(517,046)**	(260,112)	(120,398)
Tax effects of:			
NOLCO not recognized	**818,817**	451,276	130,422
Non-deductible expenses	**591,996**	313,667	161,869
Deductible temporary differences not recognized	**349,820**	224,992	25,939
Interest expense on convertible loan	**(267)**	(285)	(184)
Dividend income not subject to tax	**(14,053)**	(128,774)	(2,948)
Income exempted from tax	**(574,737)**	(446,345)	(299,105)
Tax-exempt income of FCDU	**(1,059,353)**	(736,452)	(441,565)
Tax expense (income) reported in the income statements	**P 772,950**	P 434,759	(P 90,116)

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

The components of the deferred tax assets (shown under Other Resources account) as of December 31, 2006 and 2005 are as follows (see Note 13):

	Statement of Condition			
	Consolidated		Parent	
	2006	2005	**2006**	2005
Deferred tax assets:				
Allowance for impairment losses	**P 1,285,040**	P 1,307,951	**P 1,284,898**	P 1,307,951
Unamortized past service cost	**77,345**	84,311	**73,657**	80,474
Unrealized loss on asset conversion	**14,385**	14,565	**-**	-
Unrealized loss on trading securities	**12,712**	12,122	**-**	-
Accrual of expenses	**-**	2,445	**-**	-
Prepaid MCIT	**-**	33	**-**	-
	1,389,482	1,421,427	**1,358,555**	1,388,425
Deferred tax liabilities:				
Changes in fair values of available-for-sale financial assets	**(3,724)**	(7,151)	**-**	-
Net Deferred Tax Assets	**P 1,385,758**	P 1,414,276	**P 1,358,555**	P 1,388,425

	Consolidated Income Statement		
	2006	2005	2004
Unamortized past service cost	**P 6,966**	(P 446)	(P 26,138)
Unrealized gain on trading securities	**(590)**	10,621	(5,219)
Accrual of expenses	**2,445**	14,997	(9,165)
Unrealized loss on asset conversion	**180**	(1,248)	-
Prepaid MCIT	**33**	60,149	9,021
Allowance for impairment losses	**22,911**	105,248	(256,593)
NOLCO	**-**	420	420
Deferred Tax Expense	**P 31,945**	P 189,741	P 287,674

	Parent Income Statement		
	2006	2005	2004
Unamortized past service cost	**P 6,817**	(P 665)	(P 29,157)
Accrual of expenses	**-**	15,394	-
Prepaid MCIT	**-**	51,086	-
Allowance for probable losses	**23,053**	104,977	(256,864)
Deferred Tax Expense	**P 29,870**	P 170,792	(P 286,021)

	Consolidated Statement of Changes in Capital Funds		
	2006	2005	2004
Changes in fair values of available-for-sale financial assets	**(P 3,427)**	P 5,916	P 1,225
Deferred Tax Income	**(P 3,427)**	P 5,916	P 1,225

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

The breakdown of NOLCO with the corresponding validity periods follow:

Year	Consolidated	Parent	Valid Until
2006	P 2,531,900	P 2,339,478	2009
2005	1,300,165	1,289,362	2008
2004	418,035	407,569	2007

NOLCO amounting to P644,552 and P563,816 expired in 2006 and 2005, respectively, in the consolidated financial statements and P549,661 and P558,964 expired in 2006 and 2005, respectively, in the parent company financial statements.

The breakdown of MCIT with the corresponding validity periods follow:

Year	Consolidated	Parent	Valid Until
2006	P 18,554	P 16,095	2009
2005	29,111	29,111	2008
2004	31,760	28,433	2007

MCIT amounting to P23,490 and P2,385 expired in 2006 and 2005, respectively, in the consolidated financial statements and P20,268 and P2,385 expired in 2006 and 2005, respectively, in the parent company financial statements.

The amount of unrecognized deferred tax assets arising from NOLCO and other temporary differences as of December 31, 2006 and 2005 is as follows:

	Consolidated		Parent	
	2006	2005	**2006**	2005
NOLCO	**P 1,487,535**	P 1,007,299	**P 1,412,743**	P 786,307
Allowance for probable losses	**479,826**	729,551	**565,195**	826,087
MCIT	**79,425**	84,394	**73,639**	77,812
	P 2,046,786	P 1,821,244	**P 2,051,577**	P 1,690,206

20.2 Relevant Tax Regulations

Among the significant provisions of the National Internal Revenue Code (NIRC) that apply to the Group are the following:

a. The regular corporate income tax of 32% (35% starting November 1, 2005) is imposed on taxable income net of applicable deductions;

b. Fringe benefits tax (same rate as the regular corporate income tax) is imposed on the grossed-up value of the benefits given by employers to their managerial and supervisory employees (this is a final tax to be paid by the employer);

c. MCIT of 2% based on gross income, as defined under the Tax Code, is required to be paid at the end of the year starting on the fourth year from the date of registration with the Bureau of Internal Revenue (BIR) whenever the RCIT is lower than the MCIT;

d. NOLCO can be claimed as deduction against taxable income within three years after NOLCO is incurred;

e. The amount of interest expense allowed as income tax deduction is reduced by an amount equal to 38% of the interest income subjected to final tax;

f. FCDU transactions with non-residents of the Philippines and other offshore banking units (offshore income) are tax-exempt;

g. Foreign currency transactions with foreign currency deposit units, local commercial banks, and branches of foreign banks are subject to 10% withholding tax; and,

h. Withholding tax of 7.5% is imposed on interest earned by residents under the expanded foreign currency deposit system.

20.3 New Tax Regulations

On May 24, 2005, Republic Act (RA) No. 9337 ("RA 9337"), amending certain sections of the National Internal Revenue Code of 1997 was signed into law and became effective beginning November 1, 2005. The following are the major changes brought about by RA No. 9337 that are relevant to the Group:

a. RCIT rate is increased from 32% to 35% starting November 1, 2005 until December 31, 2008 and will be reduced to 30% beginning January 1, 2009;

b. 10% value added tax (VAT) rate was increased by the President to 12% effective February 1, 2006;

c. 10% (12% starting February 1, 2006) VAT is now imposed on certain goods and services that were previously zero-rated or subject to percentage tax;

d. Input tax on capital goods shall be claimed on a staggered basis over 60 months or the useful life, whichever is shorter; and,

e. Creditable input VAT is capped by a maximum of 70% of output VAT per quarter (the 70% cap on input VAT was lifted effective December 13, 2006).

20.4 Gross Receipts Tax (GRT)/ VAT

Beginning January 1, 2003, the imposition of VAT on banks and financial institutions became effective pursuant to the provisions of Republic Act 9010. The Bank and BDO Private Bank became subject to VAT based on their gross receipts, in lieu of the GRT under Sections 121 and 122 of the Tax Code which was imposed on banks, non-banks financial intermediaries and finance companies in prior years.

On January 29, 2004, Republic Act 9238 reverts the imposition of GRT on banks and financial institutions. This law is retroactive to January 1, 2004. The Bank and BDO Private Bank complied with the transitional guidelines provided by the BIR on the final disposition of the uncollected Output VAT as of December 31, 2004.

On May 24, 2005, the amendments on RA 9337 was approved amending, among others, the gross receipts tax on royalties, rentals of property, real or personal, profits from exchange and on net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments from 5% to 7% effective November 1, 2005.

20.5 Documentary Stamp Tax (DST)

Documentary stamp taxes (at varying rates) are imposed on the following:

a. Bank checks, drafts, or certificate of deposit not bearing interest, and other instruments;

b. Bonds, loan agreements, promissory notes, bills of exchange, drafts, instruments and securities issued by the Government or any of its instrumentalities, deposit substitute debt instruments, certificates of deposits bearing interest and other not payable on sight or demand;

c. Acceptance of bills of exchange and letters of credit; and,

d. Bills of lading or receipt.

On February 7, 2004, RA 9243 was passed amending the rates of DST, the significant provisions of which are summarized below:

a. On every issue of debt instruments, there shall be collected a DST of P1.00 on each P200 or fractional part thereof of the issue price of any such debt instrument. Provided, that for such debt instruments with terms of less than one year, the DST to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days. Provided further that only one DST shall be imposed on either loan agreement or promissory notes to secure such loan.

b. On all sales or transfer of shares or certificates of stock in any corporation, there shall be collected a DST of P0.75 on each P200, or fractional part thereof, of the par value of such stock.

c. On all bills of exchange or drafts, there shall be collected a DST of P0.30 on each P200, or fractional part thereof, of the face value of any such bill of exchange or draft.

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

d. The following instruments, documents and papers shall be exempt from DST:

- Borrowings and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority;

- Loan agreements or promissory notes, the aggregate of which does not exceed P250,000 or any such amount as may be determined by the Secretary of Finance, executed by an individual for his purchase on installment for his personal use;

- Sale, barter or exchange of shares of stock listed and traded through the local stock exchange for a period of five years from the effectivity of R.A. 9243;

- Fixed income and other securities traded in the secondary market or through an exchange;

- Derivatives including repurchase agreements and reverse repurchase agreements;

- Bank deposit accounts without a fixed term or maturity; and,

- Interbank call loans with maturity of not more than seven days to cover deficiency in reserve against deposit liabilities.

21. TRUST OPERATIONS

The following securities and other properties held by the Bank in fiduciary or agency capacity (for a fee) for its customers are not included in the accompanying statements of condition since these are not properties of the Bank (see Note 26).

	Consolidated		Parent	
	2006	2005	**2006**	2005
Investments	**P 56,881,124**	P 89,485,077	**P 56,702,556**	P 89,485,077
Others	**41,234,493**	22,298,065	**41,233,212**	22,297,995
	P 98,115,617	P 111,783,142	**P 97,935,768**	P 111,783,072

In compliance with the requirements of the General Banking Act relative to the Bank's trust functions:

a. Investment in government securities (shown as part of Held-to-maturity Investments) with a total face value of P1,238,095 as of December 31, 2006 and P889,400 as of December 31, 2005 are deposited with BSP as security for the Bank's faithful compliance with its fiduciary obligations (see Note 8); and,

b. A certain percentage of the Bank's trust income is transferred to surplus reserve. This yearly transfer is required until the surplus reserve for trust function is equivalent to 20% of the Bank's authorized capital stock. As of December 31, 2006, the reserve for trust functions amounted to P164,929 and is shown as part of Surplus Reserves in the statements of changes in capital funds.

Income from trust operations is reported gross of the related expenses and amounted to P444,935, P422,777 and P375,516, both in the parent and consolidated financial statements for the years ended December 31, 2006, 2005 and 2004, respectively, and shown under Trust Fees in the income statements.

22. MERGERS AND ACQUISITIONS

22.1 Equitable PCI Bank, Inc.

On November 6, 2006, the respective Boards of Directors of the Bank and EPCIB approved and endorsed to their respective shareholders a Plan of Merger of the Bank and EPCIB with the Bank as the surviving entity which was approved by the respective shareholders of the Bank and EPCIB on December 27, 2006 (see Notes 1 and 11).

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

22.2 United Overseas Bank Philippines

On May 6, 2005, the Bank and UOBP and United Overseas Bank Limited (UOBL) signed a MOA whereby the Bank acquired the 66 branches of UOBP for a total cash consideration of P600,000. As part of the MOA, the Bank assumed the deposit liabilities of UOBP in consideration of an equivalent amount of related assets of UOBP, including cash payment in case the assets would be lower than the assumed liabilities. Also under the MOA, the P600,000 payment of the Bank will be used by UOBL to subscribe for the Bank's shares of common stock valued at P26.75 per share, or equivalent to 22,429,906 shares. On December 19, 2005, the transfer of the assets including cash payment made by UOBP to fully offset the assumed liabilities by the Bank was carried out. The goodwill amounting to P600,000 is presented as part of Other Resources in the statements of condition (see Note 13). The UOBP acquisition was approved by the BSP on September 8, 2005 while the shares to be subscribed by UOBL were subsequently issued in February 2006.

As part of the MOA, a special purpose entity is created to acquire the non-performing assets (loans and real and other properties acquired) of UOBP (excluded in the net assets acquired by the Bank above). Accordingly, on November 21, 2005, Onshore, a wholly-owned subsidiary of the Bank, was incorporated to acquire and subsequently dispose of the non-performing assets of UOBP (see Note 13). To effect the acquisition of Onshore of the non-performing assets of UOBP, the Bank and UOBL provided a loan to Onshore amounting to P4,822,598 and P3,955,845, respectively. Moreover, UOBL guaranteed to compensate any losses incurred by Onshore including the satisfaction of Bank's loan to Onshore. In 2006, Onshore and UOBP agreed to return certain non-performing assets totalling P347,823 to UOBP. As a result, Onshore recognized receivable from UOBP and derecognized the related non-performing assets and the related income and expense on the assets returned. The receivable was settled through assignment of certain sales contract receivable of UOBP to Onshore.

Also as part of the MOA, the Bank received financial assistance from PDIC amounting to P4,420,000 (see Note 15). The financial assistance, which is recorded as part of Bills Payable in the statements of condition will mature on December 19, 2012 and bears annual interest rate of 3.90%. The related interest expense amounted to P174,774 and P6,225 in 2006 and 2005 is shown as part of Interest Expense in the income statements. As of December 31, 2006, the proceeds of the financial assistance from PDIC are invested in government securities as provided for in the MOA. The Bank accounted for the financial assistance from PDIC under PAS 20, *Accounting for Government Grants*, wherein the loan received is initially recorded at the amount borrowed with no re-measurement to fair value or imputation of market interest.

23. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Group has loan, deposits and other transactions with its related parties and with certain DOSRI.

a. Under existing policies of the Group, these loans are made on substantially the same terms as loans granted to other individuals and businesses of comparable risks. The General Banking Act and BSP regulations limit the amount of the loans granted by a Group to a single borrower to 25% of capital funds. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the deposit and book value of their investment in the Group. In the aggregate, loans to DOSRI generally should not exceed the total capital funds or 15% of the total loan portfolio of the Group, whichever is lower.

The following additional information is presented relative to the DOSRI loans:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Total DOSRI loans	**P 5,888,430**	P 7,200,342	**P 5,866,893**	P 7,179,460
Unsecured DOSRI loans	**P 4,184**	P 20,846	**P 3,837**	P 20,256
% of DOSRI loans to total loan portfolio	**5.77%**	8.69%	**5.53%**	8.39%
% of unsecured DOSRI loans to total DOSRI loans	**0.07%**	0.29%	**0.07%**	0.28%

DOSRI loans bear interest rates of 5.45% to 18.17% per annum in 2006, 7.125% to 14.25% per annum in 2005 and 8% to 14.75% per annum in 2004 both in the consolidated and parent company financial statements.

In the parent company financial statements, the Bank extended a single purpose accommodation of P4,822,598 to Onshore as a requisite to completing its acquisition of the 66 branches of UOBP and their corresponding deposit liabilities. The Bank submitted to the BSP its MOA dated May 6, 2005 with UOBP and UOBL covering said branch network acquisition, including exemption of the aforesaid accommodation from the Bank's DOSRI limits.

In 2006, the Group has a past due DOSRI loan amounting to P4,437 (P4,437 in 2005) which represents 0.08% of the total DOSRI loans as of December 31, 2006 both in the parent company and consolidated financial statements.

b. As of December 31, 2006 and 2005, total deposit made by the related parties to the Group amounted to P137,400,911 and P137,696,576, respectively. The related interest expense from deposits amounted to P5,567, P123,717 and P3,280 in 2006, 2005 and 2004, respectively.

c. The Group leases from related parties space for its branch operations. For the years ended December 31, 2006, 2005 and 2004, total rent expense paid to related parties amounted to P178,441, P137,918 and P120,204, respectively, and is included as part of Occupancy in the income statements.

d. Generali has an existing Investment Management Agreement (IMA) with the Group. For services rendered, Generali shall pay the Group management fees equivalent to 0.25% of managed funds and 0.10% of directed investments and custodianship which shall be based on the average daily balance of the fund type and shall be deducted quarterly from the fund.

e. The salaries and other compensation given to the Group's key management personnel (from the Bank's Senior Vice-Presidents and up) amounted to P218,098, P164,863 and P132,936 in 2006, 2005 and 2004, respectively, in the consolidated financial statements and P136,217, P109,092 and P79,623 in 2006, 2005 and 2004, respectively, in the parent company financial statements.

24. EARNINGS PER SHARE

Basic earnings per share were computed as follows:

	Consolidated		
	2006	2005	2004
Net income attributable to equity holders of the parent	**P 3,128,294**	P 2,586,191	P 2,021,038
Divided by the weighted average number of outstanding common shares (in thousands)	**955,532**	935,808	908,189
Basic earnings per share	**P 3.27**	P 2.76	P 2.23

Diluted earnings per share is computed as follows:

	2006	2005	2004
Net income attributable to equity holders of the parent	**P 3,128,294**	P 2,586,191	P 2,021,038
Interest expense on convertible loan, net of tax	**21,291**	20,854	13,575
Salaries expense on stock option plan granted, net of tax	**9,932**	-	-
Total diluted net income	**3,159,517**	2,607,045	2,034,613
Divided by the weighted average number of outstanding common shares (in thousands):			
Outstanding common shares	**955,532**	935,808	908,189
Potential common shares from assumed conversion of convertible loans	**29,821**	31,407	34,010
Potential common shares from assumed conversion of stock option plan	**2,447**	-	-
Total weighted average common shares after conversion	**987,800**	967,215	942,199
Diluted earnings per share	**P 3.20**	P 2.70	P 2.16

	Parent		
	2006	2005	2004
Net income	**P 2,592,114**	P 2,470,362	P 1,514,661
Divided by the weighted average number of outstanding common shares (in thousands)	**955,532**	935,808	908,189
Basic earnings per share	**P 2.71**	P 2.64	P 1.67
Diluted earnings per share is computed as follows:			
Net income	**P 2,592,114**	P 2,470,362	P 1,514,661
Interest expense on convertible loan, net of tax	**21,291**	20,854	13,575
Salaries expense on stock option plan granted, net of tax	**9,932**	-	-
Total diluted net income	**2,623,337**	2,491,216	1,528,236
Divided by the weighted average number of outstanding common shares (in thousands):			
Outstanding common shares	**955,532**	935,808	908,189
Potential common shares from assumed conversion of convertible loans	**29,821**	31,407	34,010
Potential common shares from assumed conversion of stock option plan	**2,447**	-	-
Total weighted average common shares after conversion	**987,800**	967,215	942,199
Diluted earnings per share	**P 2.66**	P 2.58	P 1.62

25. SELECTED FINANCIAL PERFORMANCE INDICATORS

a. The following are some measures of the Group and the Bank's financial performance:

	Consolidated		
	2006	2005	2004
Return on average equity:			
Net income / Average total capital accounts	**13.7%**	13.9%	12.9%
Return on average assets:			
Net income / Average total assets	**1.1%**	1.2%	1.2%
Net interest margin:			
Net interest income / Average interest earning assets	**3.3%**	3.8%	3.5%
Capital to risk assets ratio:			
Credit Risk	**16.5%**	18.3%	24.5%
Combined Credit and Market Risk	**15.9%**	17.5%	23.1%

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

	Parent		
	2006	2005	2004
Return on average equity:			
Net income / Average total capital accounts	**12.5%**	13.6%	12.9%
Return on average assets:			
Net income / Average total assets	**1.0%**	1.3%	1.3%
Net interest margin:			
Net interest income / Average interest earning assets	**3.7%**	3.6%	3.3%
Capital to risk assets ratio:			
Credit Risk	**14.0%**	15.4%	20.8%
Combined Credit and Market Risk	**13.6%**	15.1%	19.7%

b. Secured Liabilities and Assets Pledged as Security

	Consolidated		Parent	
	2006	2005	**2006**	2005
Aggregate amount of secured liabilities	**P 2,380,440**	P 10,755,711	**P 2,380,440**	P 10,755,711
Aggregate amount of assets pledged as security	**P 7,582,233**	P 12,527,906	**P 7,582,233**	P 12,527,906

26. COMMITMENTS AND CONTINGENT LIABILITIES

26.1 Agreement with SSS

The Bank signed a letter agreement dated December 30, 2003 with SSS regarding the sale of the latter's investment in 187,847,891 common shares of stock in EPCIB with a par value of P10 per share constituting approximately 25.8% ownership in EPCIB. The stated consideration consists of (a) 6 ½ year, zero-coupon, non-amortizing note to be issued by the Bank with a face value of P12,935,842 and (b) a cash payment of P1,000,000. The note shall be secured by any combination of the following: (a) cash, (b) Philippine Government Securities, (c) mutually acceptable securities of highly-rated Philippine corporations, (d) shares at 90% valuation at market, and (e) any other mutually acceptable securities.

The Bank and SSS committed to execute a final Purchase Agreement under which the Bank will issue the note and remit the cash payment and SSS will transfer all the rights, title and interest in and to the shares to the Bank on or before September 30, 2004. The SSS failed to execute the Share Purchase Agreement within the prescribed period and the Bank has filed an action for specific performance with the Regional Trial Court of Mandaluyong to compel SSS to comply with its obligations under the letter agreement with the Bank dated December 30, 2003.

SSS announced that the EPCIB shares would be subjected to a public auction scheduled on October 30, 2004 under the terms of a Swiss Challenge whereby the Bank will be given the right to match the highest bid price. The auction has been put on hold by the Supreme Court following a petition by certain parties.

On August 29, 2006, the Bank, together with SMIC, a major stockholder and other members of the SM Group, filed a Tender Offer with the SEC to acquire up to around 401.1 million shares representing 55.16% of the total outstanding shares of common stock of EPCIB at P92 per share. The participation of SSS is conditional on the favorable outcome of its pending case with the Supreme Court. In accordance with the agreement on such conditional sale, the payment corresponding to the shares owned by SSS was to be placed in an escrow account. On November 6, 2006, the respective Boards of Directors of the Bank and EPCIB approved and endorsed to their respective shareholders a Plan of Merger of the Bank and EPCIB with the Bank as the surviving entity which was approved by the respective shareholders of the Bank and EPCIB on December 27, 2006 (see Notes 1 and 11).

(AMOUNTS IN THOUSANDS OF PESOS EXCEPT PER SHARE DATA)

26.2 Leases

The Group leases the premises of its head office and most of its branch offices for periods ranging from 1 to 15 years from the date of the contracts, which terms are renewable upon the mutual agreement of the parties. Rent expense amounted to P567,608 in 2006, P339,273 in 2005 and P294,555 in 2004 in the parent company financial statements and P595,076 in 2006, P365,738 in 2005 and P318,023 in 2004 in the consolidated financial statements (included under Occupancy account in the income statements).

The estimated minimum future annual rentals for the next five years follow:

	Consolidated	Parent
2007	P 602,293	P 589,689
2008	682,946	669,702
2009	774,230	760,781
2010	878,574	864,493
2011	986,607	982,638

26.3 Others

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Group recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. Management believes that, as of December 31, 2006, no additional material losses or liabilities are required to be recognized in the accompanying financial statements as a result of the above commitments and transactions.

Following is a summary of the Group's commitments and contingent accounts:

	Consolidated		Parent	
	2006	2005	**2006**	2005
Trust department accounts (see Note 21)	**P 98,115,617**	P 111,783,142	P **97,935,768**	P 111,783,072
Unused commercial letters of credit	**7,924,964**	6,576,081	**7,924,964**	6,576,081
Outstanding guarantees issued	**658,050**	849,335	**658,050**	849,335
Bills for collection	**967,347**	1,669,243	**967,347**	1,669,243
Late deposits/payments received	**502,827**	501,330	**496,954**	501,330
Others	**17,008,029**	19,099,537	**11,406,276**	5,743,124

The Group, together with a number of other banks in the Philippines, has been challenged by the BIR with respect to its practice of accepting passbook deposits for higher interest rate fixed-term deposits and its FCDU transactions. The BIR claims that DST is payable upon the opening or acceptance of such passbook deposits and has claimed up to P388,904 in taxes from the Group in respect of the past ten years. The Group has filed a protest against these claims, and the Group believes that it has a valid defense against these proceedings. However, in February 2007, the Bank paid a portion of the total tax assessment through availment of the tax abatement program of the BIR. Total payment amounted to P7,643 representing the basic tax of the total assessment of P13,884. The BIR also claims that GRT, DST and VAT are due on the FCDU transactions of the Bank and BDO Private, and a majority of the banks operating in the Philippines.

The Group is also a defendant in various cases pending in courts for alleged claims against the Group, the outcome of which are not fully determinable at present. As of December 31, 2006, management believes that, liabilities or losses, if any, arising from these claims would not have a material effect on the financial position and results of operations of the Group.

MANAGEMENT DIRECTORY
(AS OF DEC. 31, 2006)

BOARD OF DIRECTORS
Chairman Emeritus
Henry Sy, Sr.

Vice-Chairman
Jesus A. Jacinto, Jr.

President
Nestor V. Tan

MEMBERS
Ismael M. Estella
Christopher A. Bell-Knight
Violeta O. LuYm
Senen T. Mendiola
Teodoro B. Montecillo (Independent Director)
Terrence Ong Sea Eng
Antocio C. Pacis (Corporate Secretary)
Jose T. Sio
Nestor V. Tan
Jimmy T. Tang (Independent Director)

LIST OF OFFICERS

OFFICE OF THE PRESIDENT
First Vice President
Angelita O. Cortez

AFD & HRM
Senior Vice President
Perla F. Toledo

Vice Presidents
Francisco T. Gaspar
Yolanda M. Go
Aurea Imelda S. Montejo

Senior Asst. Vice Presidents
Eugenio D. Chua
RoseMarie M. Espinosa

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Emilio B. Naraval III

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Geronimo D. Diaz
Ruby G. Lim
Maria Corazon A. Mallilin
Ramon T. Militar

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Lilty C. Huang
Benjamin A. Larin Jr.
Yolanda A. Pilapil
Rita Y. Poa
Teresita C. Siy
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Regina G. Caynap
Crispin G. Domingo
Emmanuel Antonio R. Gomez
Ma. Dolores A. Liwanag
Wilhelmino R. Mendoza
Felicitas C. Nonato
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Ma. Margaret N. Tan
Wendeline Therese M. Tumolva
Maria Dolores C. Uyliapco
Dandy T. Yap

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Gloria T. Alcala
Jocelyn A. Ang
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Jimmy A. Belarmino
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Mary Jean T. Borbe
Pacita O. Cham
Linda B. Corpus
Lillian I. Cruz
Prescilla J. Cruz
Iris Susan F. De Guzman
Priscilla R. De Villa
Ma. Juanita B. Delos Santos
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Fe R. Felix
Florencio Aquillo V. Florendo
Perlita S. Flores
Asuncion V. Gundran
Ana C. Llorente
Ma. Dolores P. Magsalin
Christine Y. Mamonluk
Evangeline G. Manalastas
Gaudencio F. Mendoza
Christina T. Nakanishi
Glenn Birch G. Ong
Nancy T. Ong
Romeo G. Pangan
Edna T. Rogando
Merlita T. Rubio
Evelyn F. Torres
Raquel M. Trinidad
Zenaida A. Triunfante
Joel T. Yee

CARD PRODUCTION CENTER
Senior Asst. Vice President
Lolita A. Valdez

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Senior Vice Presidents
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Ernesto T. Uy

Vice Presidents
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Susan C. Ong
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Asst. Vice Presidents
Dory C. Apacible
Helen T. Chua
Jane N. Cua
John Emmanuel M. Lizares
Emily T. Oquias
Peggie T. Sy Tan

COMPLIANCE
Vice President
Mario D. Rabanal

COMPTROLLERSHIP
Senior Vice President
Lucy C. Dy

Vice Presidents
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Cristina G. Ngo
Larry G. Ong

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Victoriano F. Inocentes Jr.
Thelma D. Mazo

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Edilberto A. Malapitan
Anita U. Mustera
Nelia T. Resol
Cynthia T. Nopia
Concepcion G. Reyes
Ma. Theresa F. Rosales
Aniana A. Timbre

CONSUMER LENDING GROUP
Executive Vice President
Rolando C. Tanchanco

Vice Presidents
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Susan Audrey C. Punsalang
Maria Nannette R. Regala
Anna Lissa U. Yap

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Gwyneth M. Entao
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Emma M. Lacsamana
Grace G. Lastimosa
Myra A. Reyes
Lily T. Roxas
Jennifer B. Santos

CORPORATE BANKING
Senior Vice President
Edmundo S. Soriano

First Vice Presidents
Raymundo Martin M. Escalona
Manuel Z. Locsin Jr.
Charles M. Rodriguez

Vice President
Reynaldo A. Tanjangco Jr.

Senior Asst. Vice President
Joseph Rhoderick B. Lledo

Asst. Vice Presidents
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Bremel Peter R. Guiao
Carla Sherrylyn C. Papa
Maria Natividad A. Pobre
Ray R. Reyes
Albert Henry G. Rios

CREDIT & RISK MANAGEMENT
Executive Vice President
Evelyn L. Villanueva

First Vice Presidents
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Lilia E. Lising

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Amelia Caridad C. Castelo
Maria Pia L. Maceda
Jerreza S. Torrevillas

Senior Asst. Vice Presidents
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Joselito Abram M. Lojo
Ma. Martha B. Roxas

Asst. Vice Presidents
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Edith A. Fadul
Ma. Teresa E. Flores
Eva M. Paz

INTERNATIONAL BANKING UNIT
First Vice President
Lilia B. Palines

Asst. Vice Presidents
Rolando S. San Diego
Marissa F. Tomas

INTERNAL AUDIT
Senior Vice President
Shirley M. Sangalang

Senior Asst. Vice Presidents
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Ronald M. Manalastas

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Janet S. Cahilig
Manuel S. Lim Jr.

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First Vice President
Rosalina J. Pascual

Vice President
Anthony R. Milan

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Judy S. Tan

First Vice Presidents
Lydia C. King
Arthur L. Tan

Vice Presidents
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Cecilia A. Irigo

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Fernando P. Rima Jr.

Asst. Vice Presidents
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Rolando C. Eriga
Rommel L. Parong
Isidro G. Sanvictores Jr.
Ma. Corazon H. Socorro

LEGAL DEPARTMENT
Asst. Vice President
Irene C. Ishiwata

MARKETING COMMUNICATIONS GROUP
Vice President
Edith D. Dychiao

PROPERTY MANAGEMENT DEPARTMENT
Senior Asst. Vice President
Ma. Victoria F. Dela Cruz

Asst. Vice President
Mary C. Go

SYSTEMS & METHOD
Vice President
Peter S. Lo, Jr.

Asst. Vice President
Olivia A. Barcarse

TRANSACTION BANKING GROUP
Senior Vice President
Ismael G. Estela Jr.

First Vice Presidents
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Ophelia S. Salva

Vice Presidents
Jonathan C. Diokno
Ma. Mercedes P. Tioseco

Senior Asst. Vice Presidents
Ma. Dina B. Desembrana
Geneva T. Gloria
Tomas Victor A. Mendoza

Asst. Vice Presidents
Edith T. Lee
Edgardo R. Marcelo Jr.
Edgardo S Reyes
Leocente G. Reyes
Jay S. Wong

TREASURY GROUP
Executive Vice President
Pedro M. Florescio III

Senior Vice President
Marilyn K. Go

First Vice Presidents
Montiel H. Delos Santos
Luisito S. Salazar

Vice Presidents
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Lilian T. Khu
Steven Michael T. Reyes
Noel B. Sugay
Alice O. Teh

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Eduardo C. Ramos
Jonathan L. Ravelas
Marylou D. Sonkengpo
Edna R. Tarroza

Asst. Vice Presidents
Noe R. Ras
Ma. Ana Elena R. Reyes
Ma. Teresa C. Velasco

TRUST BANKING
Executive Vice President
Ador A. Abrogena

Senior Vice President
Ma. Lourdes T. De Vera

First Vice President
Noel L. Andrada

Vice President
Proceso Z. Mendoza Jr.

Senior Asst. Vice Presidents
Armina C. Empeño

Asst. Vice Presidents
Fitzgerald L. Aclan
Edna C. Agajan
Ma. Cristina Barbara V. Concepcion
Florencia Ma. Carina P. Esguerra
Sharon Mae S. Vicente

BDO SUBSIDIARIES

BDO CAPITAL & INVESTMENT CORP.
President
Rogelio R. Cabuñag

Executive Vice President
Eduardo V. Francisco

First Vice President
Lazaro Jerome C. Guevarra

Asst. Vice President
Michael R. Cahigas

BDO PRIVATE BANK, INC
President (until June 4, 2006)
Josefina N. Tan

Senior Vice Presidents
Stella L. Cabalatungan
Jose Emmanuel U. Hilado

Vice Presidents
Gamalielh Ariel Benavides
Jonathan T. Cua
Enrico R. Hernandez
Jose Noel M. Mendoza
Martin B. Ordoñez
Clarissa M. Peñalosa
Agnes B. Santos
Federico P. Tancongco

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Ma. Remedios B. Lapuz
Juan Sabino P. Lizares
Ma. Ramona T. Torres
Arlene Marie H. Uson

Asst. Vice Presidents
Manuel R. Bengson Jr.
Jose Rene C. Carlos
Cheryll B. Gaviño
Sonia Maribel D. Go
Michelle Y. Lao
Mary Grace O. Lojo
Francis Jay F. Nacino
Karen Valerie O. Tanbonliong
Beatriz Y. Zalazar

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Vice Presidents
Mary Ann Guerra
Joseph Ramil B. Lombos

Asst. Vice President
Antonio M. Cruz

BDO SECURITIES CORP.
President
Eduardo V. Francisco

Asst. Vice President
Peter T. Chua

BDO FINANCIAL SERVICES, INC.
President
Rolando C. Tanchanco

Vice President
Imelda I. Elido

Asst. Vice President
Raul N. Natividad

BDO REMITTANCE LTD.
Directors
Marilyn K. Go
Lucy C. Dy

Managing Director
Geneva T. Gloria

BDO INSURANCE BROKERS, INC.
Chairman & President
Jesus A. Jacinto, Jr.

Senior Vice Presidents
Peter Roy R. Locsin
Francisco P. Ramos

Senior Asst. Vice President
Laarni C. Santos

Asst. Vice Presidents
Helen L. Gochuico
Racquel Lourdes L. Mendoza
Ana Liza C. Tan
Emilia P. Viernes

ONSHORE STRATEGIC ASSETS, INC.
Chairman
Evelyn L. Villanueva

President
Ma. Concepcion N. Singson

Secretary
Atty. Elmer B. Serrano

BANK COMMITTEES

EXECUTIVE COMMITTEE
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Nestor V. Tan
Jose T. Sio

AUDIT COMMITTEE
Teodoro B. Montecillo -*Chairman*
Ismael M. Estella
Violeta O. LuYm
Christopher Bell-Knight

RISK MANAGEMENT COMMITTEE
Nestor V. Tan -*Chairman*
Teodoro B. Montecillo
Christopher Bell-Knight

CORPORATE GOVERNANCE COMMITTEE
Teodoro B. Montecillo -*Chairman*
Jesus A. Jacinto, Jr.
Violeta O. LuYm
Christopher Bell-Knight

TRUST COMMITTEE
Jesus A. Jacinto, Jr. -*Chairman*
Nestor V. Tan
Antonio C. Pacis
Jimmy T. Tang
Ador A. Abrogena

NOMINATIONS COMMITTEE
Jose T. Sio -*Chairman*
Violeta O. LuYm
Jimmy T. Tang

COMPENSATION COMMITTEE
Jose T. Sio -*Chairman*
Violeta O. LuYm
Jimmy T. Tang

CREDIT COMMITTEE
Nestor V. Tan -*Chairman*
Jesus A. Jacinto, Jr.
Evelyn L. Villanueva

PRODUCTS AND SERVICES

1 PESO DEPOSITS
Regular Checking Account
Checking Account with ATF
Savings Account with ATF
Smart Checking
Super Check
Regular Savings Account
Mega Savings Account
Super Savings
Junior Savers Club Account
Power Teens Club Account
Club 60 Account
Time Deposit Account
Premium Flexi Earner

2 FOREIGN CURRENCY DEPOSITS
Dollar Savings Account
Dollar Time Deposit
Dollar Super Saver
Third Currency Deposit
Club 60 Dollar

3 DEPOSIT-RELATED SERVICES
Manager's Checks
Gift Checks
Customized Checks
Demand Drafts
Interbranch Deposits
Deposit Pick-Up Service
Night Depository Service
Payroll Services
Safe Deposit Box
Telegraphic Transfer
Deposit Gift Package

4 REMITTANCE SERVICES
Credit to BDO Account
Cash Pick Up Anywhere:
- BDO Branches
- BDO OnSite Outlets
- SM Forex Counters
- Accredited Rural Banks

BDO Remit Cash Card
BDO Kabayan Savings Account (USD & PHP)
BDO Kabayan Time Deposit Account
Other Services
- Credit to Other Local Banks
- Cash Door-to-Door
- Global Money Transfers

5 TRUST SERVICES
Investment Services
Unit Investment Trust Funds
Investment Management Services
Agency Services
Custodianship
Escrow
Loan/Security Agency
Property Administration
Transfer, Paying and Receiving Agency
Trusteeship
Court Trusts & Guardianships
Non-Voting Trust
Special Purpose Trust
Retirement Funds
Pre-need Trust Funds
Institutional Trust Funds
Mortgage/Collateral Trust Indentures
Living Trusts
Life Insurance Trusts
Estate Planning

6 TREASURY DEALERSHIP SERVICES
Treasury Bills
Treasury Bonds
Dollar and Peso Bonds

7 TRANSACTION BANKING
Cash Management Services
Integrated Collection Solutions
- Bills Payment
- Auto Debit Arrangement

Institutional Payment Collections
- (Corporate Collections)
- Postdated Check Warehousing
- Armored Car Cash Deposit Pick-up
- Motorized Check Pick-up

Integrated Disbursement Solutions
- Direct Credit
- Check Printing
- Payables Warehousing
- Regular Payroll
- Cashcard Payroll
- Check Disburse

Government Collections
- BIR e-Payment
- SSS Net

Liquidity Management
Account Sweeping Facility
- Warehouse & Discounting Facility

Account & Information Services
- Infolink

ATM Channel:
- MasterCard / Cirrus acquiring
- ExpressNet / Megalink / BancNet acquiring
- Prepaid mobile reload

Internet Banking
- Retail Internet Banking
- Corporate Internet Banking

Mobile Banking
Phone Banking
Point -of-Sale (POS)

8 CARD PRODUCTS
Debit Cards
- BDO Smarteller ATM Card
- BDO International ATM Card
- BDO MasterCard Paypass ATM Card
- Guarantor MoneyMaker Accounts

Pre-Paid Cards
- BDO Cash Card
- BDO Cash Card International
- BDO Asenso Kabayan Cash Card
- BDO Gift Card
- SM Gift Card
- Smart Money

9 CONSUMER LOANS
BDO SuperValue Home Loan
BDO Home Equity
BDO SuperCharged Auto Loan
BDO SuperLite Personal Loan
BDO Credit Cards
- BDO Shop More MasterCard
- BDO Gold MasterCard
- BDO Platinum MasterCard
- Home MasterCard

10 COMMERCIAL & INDUSTRIAL LOANS
Credit Lines
Bills Purchase Lines
Check Discounting Lines
Term Loans
Trust Loans
US Dollar Denominated Loans
LC / TR Financing
Stand-by LC
CTS Financing
Export Bills Purchase
Export Packaging Credit
Fx Settlement

11 SPECIAL LOAN & GUARANTEE FACILITIES
Countryside Loan Fund [CLF I, II, III]
LBP Short-Term Loan Line
Industrial Guarantee & Loan Fund [IGLF]
Sustainable Logistic Development Program [SLDP]
Micro, Small and Medium Enterprise
Environmental Development Program
Industrial and Large Projects
BSP Export Rediscounting Facility
SME Funding for Investments in Regional Markets [FIRM]
SME Funding Access for Short-Term Loans [FAST]
Clean Loan Guarantee
Collateral-Short Guarantee
Collateral Sharing Guarantee
Pre-Shipment & Post-Shipment Export Finance Guarantee Program
Term Loan Guarantee Program [TLGP]
General Facility Program [GFP]
Omnibus Guarantee Line Under the General Facility Program
Programs for Large Projects in Priority Sectors of the Government

12 FOREIGN EXCHANGE
Over-the-Counter Purchase / Sale of FX
Purchase / Sale of Traveller's Checks
FX Forwards and Swaps

13 BDO CAPITAL & INVESTMENT CORP.
Debt Underwriting & Distribution
Loan Syndication
Equity Underwriting & Distribution
Financial Advisory
Mergers & Acquisitions
Project Financing
Trading & Portfolio Management
Private Placement
Direct Equity Investments

14 BDO INSURANCE BROKERS, INC.
- Group Life / Individual Life
- Mortgage Redemption
- Personal / Group Accident
- Travel Accident
- Industrial / Commercial All Risks
- Bonds/ Surety (Construction Bonds, Heirs Bond, etc.)
- Fire & Lightning with Allied Perils (Residential / Commercial)
- Contractor's All Risks
- Erection All Risks
- Machinery Breakdown
- Electronic Equipment
- Motor Vehicle
- Business Interruption
- Marine Cargo / Marine Hull / Aviation
- Personal / Comprehensive General / Product Liability
- Group Health / Hospitalization / HMO
  - Money (Fidelity Guarantee, MSPR, BBB)

15 INTERNATIONAL BANKING
- Import / Export Letters of Credit
- Domestic Letters of Credit
- Standby Letters of Credit
- Documents Against Payment
- Documents Against Acceptance
- Open Account Agreements
- Export Negotiations
- Shipping Guarantee
- Trust Receipt
- Inward Remittance
- Outward Remittance

16 BDO PRIVATE BANK
- Peso and Foreign Currency Settlement Accounts
- Securities Custody and Safekeeping Accounts
- Deposits
- Securities Broking
- Foreign Exchange
- Derivatives
- Consolidated Cash and Securities Statement
- Wealth Advisory
  - Financial Planning
  - Financial Asset Consolidation
  - Investment Advisory and Management
  - Purpose Trust
- Tax and Estate Advisory

17 BDO SECURITIES
- Equity and Fixed Income Securities
- Dealership & Brokering

18 BDO ASENSO KABAYAN PROGRAM
- BDO Kabayan Savings Account (USD & PHP)
- BDO Kabayan Time Deposit Account
- BDO Remit Services
  - Credit to BDO Account
  - Cash Pick-Up in any BDO Branch, BDO OnSite Outlet, SM Forex Counters & Rural Banks
- BDO Remit Cash Card (Peso Only)
- BDO Kabayan Bills Bayad
- Kabayan College Secure
- BDO Kabayan Loans
  - BDO Kabayan Auto Loan
  - BDO Kabayan Home Loan
  - BDO Kabayan Personal Loan (Secured & Unsecured)
- BDO Credit Cards (Secured & Unsecured)
- BDO Kabayan Homes

19 BDO FINANCIAL SERVICES, INC.
- *Transactional Services*
- Remittance Services
- Foreign Exchange Buying
- Bills Payment Acceptance
- Loan Inquiry
- Application Drop-off for
  - Auto Loan
  - Housing Loan
  - Personal Loan
  - BDO Insurance
  - BDO Credit Cards

20 MISCELLANEOUS SERVICE
- *Bills Payment*
- Aboitiz
- AIG
- AMEX
- Asianlife General & Assurance Corp.
- Automobile Associations Phils.
- Bankcard
- Bayantel
- BDO Credit Card
- BDO Insurance
- BIR (Over-the-Counter or Electronic Payment)
- Bisaya Cable TV, Inc.
- Bonifacio Cable
- Bonifacio Gas
- CHC Dev't Consortium Inc.
- Caritas Health Shield
- Cebu Cable TV, Inc.
- Central CATV
- Central Water System
- Citibank
- Citifinancial
- Davao Cableworld Network, Inc.
- Directory Philippines Corp.
- E - Negosyo Gateway Solutions
- East-West Bank
- EDSA Mail
- Fort Bonifacio Devt. Corp.
- G-Exchange
- Generali Pilipinas Insurance
- Gentrade International Phils.
- Globe
- HSBC
- Ideal Optical
- Infocom
- Innove
- Mactan Cable TV, Inc.
- Manila North Tollways Corp.
- Meralco
- Meridian
- Moonsat Cable TV, Inc.
- Pacific CATV, Inc.
- Pacific Internet
- PDIC
- Phil. Home Cable Holdings, Inc.
- Philam
- Pilipino Cable
- Pioneer Life
- PLDT
- Power Cycle Inc.
- Prudentialife
- QC Sports Club
- SCA Hygience Prod.
- San Bruno
- San Fernando Electric Light & Power Corp.
- Singer Philippines
- SM Bills Payment
- Smart
- SSS Net
- Standard Chartered
- Sun Cable Systems Davao, Inc.
- Sunlife of Canada
- Tagaytay Country Club at Tagaytay Highlands
- Tagaytay Highlands International Golf Club, Inc.
- The Highlands Prime Community Condo
- Toyota Financial Services
- Tri-Sys Internet
- Unistar Credit & Finance Corp.

BRANCH DIRECTORY

AIRPORT ROAD
Airport Road corner Quirino Avenue,
Baclaran, Parañaque City
854-5285, 854-1898

ALABANG
West Service Road, Alabang, Muntinlupa
850-1338, 850-1565

ALFARO
G/F PDCP Bank Centre
LP Leviste corner Herrera Sts. Salcedo Village,
Makati City
815-1217, 815-1228

AMORSOLO
G/F Queensway Bldg.,
No. 118 Amorsolo St. Legaspi Village, Makati City
819-2984, 810-2202

ANGELES -MACARTHUR HIGHWAY
G/F Excelsior Bldg. 314 MacArthur Highway,
Barangay Claro M. Recto, Angeles City
(045)626-2050; 626-2051

ANONAS
Manahan Bldg. Aurora Blvd.
corner Anonas Avenue, Quezon City
421-3814, 421-3816

ANTIPOLO MASINAG
Tripolee Bldg. Marcos Highway near
corner Sumulong Highway, Mayamot,
Antipolo City
645-6041, 682-4654

ANTIPOLO PLAZA
Gatsby Bldg. II M. L. Quezon St. Antipolo City
650-8233, 696-0021

ARRANQUE
1359-1361 Soler St. Sta. Cruz, Manila
734-2550, 733-0934

AURORA BLVD.
Aurora Blvd. corner Yale St. Cubao, Quezon City
912-2720, 912-2715

AYALA ALABANG
G/F Condominium C Unioil Center Bldg.
Acacia Avenue corner Commerce Avenue,
Ayala Alabang, Muntinlupa
772-2722, 772-2919

AYALA AVENUE
G/F People Support Center,
Amorsolo St. corner Ayala Avenue, Makati City
889-7552, 889-7554

BACLARAN
2987 Taft Avenue Extension, Pasay City
854-5401, 832-5030

BACOLOD ARANETA
Cineplex Complex Araneta St. Bacolod City
(034)433-5754, 433-5610

BACOLOD GONZAGA
Gonzaga-Lopez Enterprise Bldg. Gonzaga St.
Bacolod City
(034)434-4964, 433-7910

BACOOR
FRC Mall Gen. Evangelista St. near
corner Zapote-Rotonda, Bacoor, Cavite
(046)870-2759, 870-2760

BAGUIO
Luneta Hill corner Gov. Pack Road, Session Road,
Baguio City
(074)442-2889, 442-8250

BAGUIO-LEGARDA
Our Lady of Fatima Bldg. Yandoc St.
Kayang Extension, Baguio City
(074)446-6352, 442-4063

BALIUAG
Corner Rizal & Tagle St. Baliuag, Bulacan
(044)673-0063, 766-1423

BANAWE
G/F SKS Bldg. 647 Banawe St. Quezon City
743-4952, 741-0114

BANAWE-AGNO
G/F Prosperity Bldg. 395 Banawe St.
Sta. Mesa Heights, Quezon City
743-7570, 743-7571

BANAWE-KITANLAD
23-25 Banawe corner Kitanlad, Quezon City
740-3285, 732-2065

BATANGAS-P. BURGOS
CM Ilagan Bldg. P. Burgos St. Batangas
(043)723-1408, 723-3138

BEL-AIR
G/F Executive Bldg. Center
Sen. Gil Puyat Avenue, Makati City
895-1579, 895-1512

BF HOMES-PARAÑAQUE
65 President's Avenue Plaza near corner Aguirre
Avenue, BF Homes, Parañaque City
809-9385; 809-8778

BIÑAN
A.Bonifacio St.
Barrio Canlalay, Biñan, Laguna
(049)411-4030, 411-4032

BINONDO
411 Quintin Paredes St. Binondo, Manila
241-3055, 247-4278

BLUMENTRITT
2325 Rizal Avenue corner Antipolo St.
Sta. Cruz, Manila
255-6260, 254-1945

BONI AVENUE
74 Maysilo Circle corner Boni Avenue,
Mandaluyong City
531-6378, 532-5206

BONIFACIO GLOBAL CITY
Space No. 101 Market Market,
Bonifacio Global City, Fort Bonifacio, Taguig
886-6476, 886-6477

BUENDIA-TAFT
317 Sen. Gil Puyat Avenue, Pasay City
551-0243, 832-7200

BUTUAN
D & V Plaza II Bldg. J. C. Aquino Avenue,
Butuan City
(085)815-1303, 225-6192

CABANATUAN
Melencio corner Paco Roman St. Cabanatuan City
(044)463-0476, 600-2581

CAGAYAN DE ORO-COGON
J. R. Borja St. Cogon, Cagayan de Oro City
(088)857-7960, 857-7961

CAGAYAN DE ORO-XAVIER
Library Annex Bldg. Corrales Avenue,
Cagayan de Oro City
(088)857-3796, 857-4108

CAINTA
Hipolito Bldg. Ortigas Avenue Extension,
Cainta Junction, Cainta, Rizal
655-8022, 240-3145

CALAMBA
J. Alcasid Business Center Bldg.,
National Highway, Crossing, Calamba, Laguna
(049)545-7214, 545-7215

CALAMBA-PARIAN
Old National Highway, Sta. Cecilia Village,
Parian, Calamba, Laguna
(049)545-2171, 545-2149

CALOOCAN
G/F Victoria Bldg.
538 Rizal Avenue Extension corner E. Mazenod St.,
Caloocan City
366-0948, 366-0949

CALOOCAN-7TH AVENUE
Rizal Avenue Extension corner 7th Avenue,
Caloocan City
362-1873, 361-1074

CALOOCAN-A. MABINI
G/F Corazon Bldg. 432 A. Mabini St. Poblacion,
Caloocan City
285-4364, 287-4208

CARMEN PLANAS
812 O' Racca Bldg. Carmen Planas St. Divisoria,
Manila
242-6712, 242-6704

CEBU-A. S. FORTUNA
G/F Tanaka Bldg. 869 A. S. Fortuna St.,
Banilad, Mandaue City
(032)343-3497, 416-2044

CEBU CUENCO
NSLC Bldg. M. J. Cuenco Avenue, Cebu City
(032)256-2469, 256-2474

CEBU ELIZABETH MALL
G/F Elizabeth Mall, Leon Kilat corner
South Expressway, Cebu City
(032)255-9769, 417-7900

CEBU ESCARIO
Cebu Escario St. Cebu City
(032)254-0482, 254-0408

CEBU-FUENTE
J. Rodriguez St. Fuente Osmeña, Rotonda,
Cebu City
(032)253-8920, 253-0535

CEBU GULLAS
Magallanes corner Gullas St. Cebu City
(032)254-5601, 254-6723

CEBU LEGASPI
Legaspi corner Zamora St. Cebu City
(032)256-2507, 256-2709

CEBU MAGALLANES
Plaridel St. corner Magallanes St. Cebu City
(032)255-6792, 256-1200

CEBU MANDAUE
La Fuerza Compound, Subangdaku ,
Mandaue City
(032)343-6531, 343-6535

CEBU OSMEÑA
Osmeña Blvd. Corner Urgello St. Cebu
(032)253-5277, 253-8052

CEBU TABUNOK
PBS Bldg. 2688 National Highway, Tabunok, Talisay,
Cebu City
(032)273-6643, 273-6644

CM RECTO
CM Recto Avenue cor. Nicanor Reyes St. Manila
735-2554, 735-5686

COMMONWEALTH
G/F Teresita Bldg.
Holy Spirit Drive,
Don Antonio Heights, Quezon City
932-4717, 932-8764

CONGRESSIONAL AVENUE
The Excelland System I
Congressional Avenue, Quezon City
920-5613, 454-9560

DAGUPAN
386 Perez Blvd. Dagupan City
(075)523-4002, 522-2055

DASMARIÑAS-CAVITE
E. L. Toledo Bldg.
Sampaloc I, Dasmariñas, Cavite
(046)416-0954, 416-0955

DAVAO JP LAUREL
Landco-PDCP Corporate Center,
JP Laurel Avenue, Bajada, Davao City
(082)221-4553, 221-4556

DAVAO MAGSAYSAY
Ramon Magsaysay Avenue, Davao City
(082)226-3868, 221-6964

DAVAO-MONTEVERDE
G/F Sequoia Inn, Monteverde Avenue, Davao City
(082)225-4345, 225-4346

DAVAO-RIZAL
Caritas Bldg. Rizal St. corner Pelayo St., Davao City
(082)221-9528, 221-9253

DEL MONTE AVENUE
420 Del Monte Avenue, Quezon City
749-1711, 749-1678

DIVISORIA
744-746 Ilaya St. Tondo, Manila
241-8607, 241-4158

DR A SANTOS AVENUE
LT Bldg. Dr. A. Santos Avenue, Parañaque
825-1381, 820-6792

E RODRIGUEZ
1162 E. Rodriguez Sr. Avenue,
New Manila, Quezon City
724-4203, 724-3977

ECHAGUE
Nos. 116-120 C. Palanca St.
Quiapo, Manila
733-7436, 733-7437

EDSA CUBAO
596 Simeon Medalla Bldg.
corner Gen. McArthur Avenue,
EDSA, Quezon City
911-1235, 912-1750

EDSA MONUMENTO
Near General Tinio St. corner EDSA,
Caloocan City
364-1208, 367-5745

EDSA-TAFT
EDSA corner Zamora St., Pasay City
833-1505, 833-0996

ELCANO
SHC Tower 619 Elcano St. ,
San Nicolas, Manila
247-1957, 247-1958

EMERALD AVENUE
G/F Unit 101 Taipan Place,
Emerald Avenue, Ortigas Center, Pasig City
635-4117, 914-3544

ESPAÑA
Carmen Bldg.
España corner G. Tolentino St.
Sampaloc, Manila
735-6698, 735-6573

ESPAÑA-INSTRUCCION
España corner Instruccion St. Sampaloc, Manila
731-5891, 740-7152

FAIRVIEW
Don Mariano Marcos Avenue,
Fairview, Quezon City
938-2712, 938-2503

GANDARA
811-813 Sabino Padilla St. (formerly Gandara St)
Sta. Cruz, Manila
733-1342, 734-3255

GENERAL LUIS
297 General Luis St.
Barrio Kaybiga, Caloocan City
937-3355, 419-3005

GENERAL SANTOS
Santiago Blvd. corner JP Laurel St.
Gen. Santos City
(083)553-3874, 553-3875

GIL J. PUYAT
Union Ajinomoto Bldg.
Sen. Gil Puyat Avenue, Makati City
897-4841, 890-6546

GRACE PARK
G/F A & R Bldg.
213 Rizal Avenue Extension,
Grace Park, Caloocan City
365-5805, 364-6125

GREENHILLS
Greenhills Shopping Complex,
Ortigas Avenue, San Juan
721-2730, 721-2750

GREENHILLS- WEST
101 Limketkai Bldg.
Ortigas Avenue, San Juan
721-4414, 726-3660

HARRISON PLAZA
Unit R-5 URDI Bldg.
Harrison Plaza Shopping Complex,
F. B. Harrison, Malate, Manila
524-4308, 525-2954

HEAD OFFICE
12 ADB Avenue,
Ortigas Center, Mandaluyong City
702-6276, 702-6278

HERRERA
V.A. Rufino corner Sotto St.
Legaspi Villlage, Makati City
812-3074, 810-0303

ILAYA
1049-1051 Ilaya St.
Divisoria, Manila
245-5508, 245-5510

ILIGAN
Quezon Avenue, Iligan City
(063)221-2781, 221-5108

ILOILO-IZNART
John A. Tan Bldg.
Iznart St. Iloilo City
(033)337-5584, 337-5585

ILOILO-JARO
NB Bldg. Lopez Jaena St. Jaro, Iloilo
(033)329-2132, 329-6971

ILOILO-JM BASA
JM Basa St. Iloilo City
(033)337-1052, 335-0967

ILOILO-LEDESMA
G/F Esther Bldg.
Ledesma St. Iloilo City
(033)337-8471, 337-8244

ILOILO-MOLO
Escoto-Natividad Bldg.
M.H. del Pilar corner Lopez Jaena St.
Molo, Iloilo
(033)336-8950, 336-8951

IMUS
Gen. Aguinaldo corner Ambrosia Road,
Anabu I, Imus, Cavite
(046)515-9950, 515-9951

IMUS-NUEÑO AVENUE
358 Exodus Bldg.
Nueno Avenue, Imus, Cavite
(046)970-8733, 471-4065

J ABAD SANTOS
G/F Ching Leong Temple,
J. Abad Santos Avenue, Tondo, Manila
252-2140, 252-2141

JAS-ANTIPOLO
G/F Intercast Corporate Tower,
2230 J. Abad Santos Avenue, Tondo
253-6544, 253-6566

JAS-RECTO
1174 J. Abad Santos Avenue, Tondo, Manila
251-7584, 256-6572

JP RIZAL
872 JP Rizal St. Barangay Poblacion,
Makati City
899-8690, 899-8673

JULIA VARGAS
IBP Bldg.
Julia Vargas Avenue, Ortigas, Pasig City
638-7767, 637-6606

KALENTONG
MRDC Bldg.
Shaw Blvd. corner Gen. Kalentong St.
Mandaluyong City
532-8953, 531-9146

BRANCH DIRECTORY

KAMAGONG
2567 P. Ocampo (Vito Cruz Extension)
corner Madre Perla St. Manila
563-0504, 564-7104

KATIPUNAN
G/F Olalia Bldg.
No. 327 Katipunan Avenue
corner F. dela Rosa St.,
Loyola Heights, Quezon City
928-2713, 928-2715

LA UNION
Rizal Avenue corner Ortega St.
San Fernando, La Union
(072)888-3318, 242-3965

LAOAG
Rizal St. corner Abadilla St.
Laoag City
(077)771-4032, 771-4672

LAVEZARES
321-325 Garden City Condominium
corner Lavezares & Camba Sts.
San Nicolas, Manila
242-4244, 242-4249

LEGASPI CITY
Rizal corner Gov. Imperial St.
Legaspi City
(052)481-4481, 481-4482

LIBIS
Magnitude Commercial Arcade,
E. Rodriguez Jr. Avenue,
Bagumbayan, Quezon City
911-1929, 421-6913

LIPA
Casa Esperanza Bldg.
Pres. J.P. Laurel Highway
Barangay Mataas na Lupa,
Lipa City, Batangas
(043)757-3981, 757-3982

LUCENA
Merchan St. corner
San Fernando St. Lucena City
(042)660-3760, 373-4927

MABINI
A.Mabini corner Calle Soldado St.
Ermita, Manila
524-6001, 450-1693

MAGALLANES VILLAGE
Unit 104 The Gate Way Center,
Paseo de Magallanes,
Magallanes Village, Makati City
852-9640, 852-9643

MAKATI SHANGRILA HOTEL
Unit 191 Shangrila Hotel Manila,
Ayala Center, Makati City
813-5004, 813-5006

MAKRO CUBAO
EDSA corner Main St.
Cubao, Quezon City
912-6173, 421-1689

MALABON
685 JP Rizal St.
Barangay San Agustin,
Malabon
281-9254, 281-9252

MALOLOS
570 Paseo del Congreso St.
Liang, Malolos, Bulacan
(044)791-3125, 662-3363

MANGGAHAN
Amang Rodriguez Avenue,
Manggahan, Pasig City
646-3177, 681-1844

MARCOS HIGHWAY
Town & Country Commercial Arcade,
Marcos Highway corner Narra St.
Cainta, Rizal
668-1983, 668-1197

MARCOS HIGHWAY-STA. LUCIA
Sta. Lucia East Grand Mall,
Marcos Highway corner Felix Avenue,
Cainta, Rizal
681-7328, 681-5287

MARIKINA
17 Bayan-Bayanan Avenue,
Concepcion, Marikina City
933-6395, 941-1888

MARIKINA-STA. ELENA
314 J. P. Rizal St.
Sta. Elena, Marikina City
646-1793, 681-1672

MASANGKAY
Lun Hong Townmates Association Bldg.
1226 Masangkay St., Sta. Cruz, Manila
255-2002, 255-2065

MAYON
G/F Alpha Bldg.
174 Mayon St. La Loma,
Quezon City
414-3606, 414-3607

MERALCO-ORTIGAS
G/F Corporate Wellness Center,
Meralco Compound,
Ortigas Avenue, Pasig City
638-4802, 637-2058

METROPOLITAN AVENUE
G/F Metropolitan Terraces,
Metropolitan Avenue corner Sacred Heart St.
(formerly Dao St.), Makati City
899-6618, 899-6693

MEYCAUAYAN
Liberty Bldg. MacArthur Highway,
Calvario, Meycauayan, Bulacan
(044)721-0820, (02)702-6000 local 2104

MONUMENTO
MacArthur Highway corner Calle Uno,
Caloocan City
362-0295, 365-5470

NAGA
Barangay San Francisco,
Peñafrancia Avenue,
Naga City
(054)472-6602, 472-6603

NAGA-GENERAL LUNA
Nos. 80-82 General Luna St.
Dinaga, Naga City
(054)473-6731, 473-6639,

NAIA
Ninoy Aquino International Airport,
Arrival Lobby, Pasay City
879-5195, 8771-3568

NAVOTAS
Seafront Commercial Bldg.
North Bay Blvd., Navotas
282-7368, 282-7369

NOVALICHES
1016 Quirino Highway Town Proper,
Barangay Monica Novaliches,
Quezon City
939-8468, 939-8590

NOVALICHES-BAYAN
233 Karen Bldg. General Luis St.
Novaliches, Quezon City
938-2432, 938-8082

ONGPIN
Unit ABC Imperial Sky Garden,
Ongpin St. corner T. Pinpin St.
Binondo, Manila
244-3738, 243-5516

ONGPIN-TOMAS MAPUA
1004-1006 Ongpin St.
Sta. Cruz, Manila
734-2944, 735-2524

ORTIGAS AVENUE
209 Ortigas Avenue,
Greenhills, San Juan
724-7114, 724-7091

PACO
1050 Pedro Gil St.
Paco, Manila
536-6448, 536-6449

PADRE RADA
Gosiupo Bldg.
480-482 Padre Rada
corner Elcano Sts.
Tondo, Manila
245-0176, 245-0249

PAMPLONA
Alabang-Zapote Road,
Pamplona, Las Piñas
872-2563, 872-0824

PASAY
Libertad corner Colayco Sts.
Pasay City
831-0593, 551-2513

PASAY ROAD
845 Corporate Plaza Bldg.
Pasay Road, Makati City
894-1732, 817-6113

PASEO DE ROXAS
G/F Philcom Bldg.
8755 Paseo de Roxas, Makati City
817-4421, 843-5464

PASEO DE ROXAS 2
G/F BDO Plaza,
8737 Paseo de Roxas St., Makati City
818-3527, 892-9796

PASIG
Mariposa Arcade,
A.Mabini corner Dr. Pilapil Sts.
Pasig City
641-0557, 640-1633

PASIG-KAPITOLYO
G/F A. B. Sandoval Bldg.
Shaw Blvd. corner Oranbo Drive,
Pasig City
638-2129, 638-2132

PASONG TAMO EXT.
G/F Allegro Center,
Pasong Tamo Extension,
Makati City
817-5456, 817-5443

PATEROS
East Mansion Homes, Phase I,
Elisco Road, Sto. Rosario East, Pateros
641-4729, 641-3542

POTRERO
110 MacArthur Highway corner
Riverside St., Potrero, Malabon
447-4554, 447-4555

QUEZON AVENUE
103 Aries Bldg.
Quezon Avenue, Quezon City
731-2354, 712-3411

QUEZON AVENUE-ROCES
D&E Bldg.
1050 Quezon Avenue near
corner Roces Avenue, Quezon City
374-6836, 374-6834

QUINTIN PAREDES
524 Enterprise Bldg.
Quintin Paredes St. corner Carvajal St.
Binondo, Manila
245-9937, 245-6059

QUIRINO PACO
CRS Tower
corner Perdigon St. & Pres. Quirino Avenue,
Paco, Manila
561-7305, 562-2153

RADA
G/F One Legaspi Place,
Rada St., Legaspi Village,
Makati City
909-2011, 909-2012

RIZAL AVENUE
2502-2504 Rizal Avenue corner Cavite St.
Sta. Cruz, Manila
781-9976, 732-7483

ROCKWELL
G/F Power Plant Mall,
Rockwell Center,
Amapola corner Estrella St.
Makati City
899-1488, 899-1250

ROOSEVELT-MANGA
325 Roosevelt Avenue corner Manga St.
Quezon City
414-3092, 373-9691

SALCEDO
Golden Rock Bldg.
168 Salcedo St. Legaspi Village, Makati City
816-1467, 816-1478, 816-1489

SAMSON ROAD
G/F Ma. Cristina Bldg.
Samson Road corner UE Tech.,
Caloocan City
362-8140, 361-0602

SAN ANDRES
San Andres corner A. Linao St.
Malate, Manila
525-6658, 525-6633

SAN FERNANDO-PAMPANGA
Gen. Hizon Extension,
San Fernando, Pampanga
(045)961-5196, 860-6379

SAN JOSE-NUEVA ECIJA
Mokara Bldg. Maharlika Highway, Abar 1st,
San Jose City, Nueva Ecija
(044)947-0457, 947-0458

SAN JUAN
88 N. Domingo St. San Juan
725-5019, 724-8036

SAN PABLO
Mary Grace Bldg. Colago Avenue
corner M. L. Quezon St.
San Pablo City
(049)562-1026, 562-1027

SAN PEDRO
Tayao Business Center Bldg.
A.Mabini St., San Pedro, Laguna
868-0352, 808-7013

SAN PEDRO-NATIONAL HIGHWAY
Mega Bldg. National Highway,
San Pedro, Laguna
868-7348, 868-5995

SHAW BLVD.
555 Shaw Blvd. Mandaluyong City
722-7572, 722-6677

SHAW BLVD.-YULO
285 A. Shaw Blvd. corner L. Cruz St.
Mandaluyong City
533-5424, 533-6518

SM CITY BACOLOD
G/F South Wing Bldg.
SM City Bacolod, Poblacion,
Reclamation Area, Bacolod City
(034)468-0139, 468-0140

SM CITY BACOOR
UG/F SM City Bacoor,
Gen, Aguinaldo Highway
corner Tirona Highway, Bacoor, Cavite
(046)970-5700, 970-5701

SM CITY BAGUIO
UG/F SM City Baguio,
Upper Session Road, Baguio City
(074)619-7625, 619-7626

SM CITY BATANGAS
G/F SM City Batangas,
Barangay Pallocan West, Batangas City
(043)722-2556, 722-2557

SM CITY BICUTAN
LG/F SM City Bicutan,
Doña Soledad Avenue corner
West Service Road, Parañaque City
777-9262, 777-9263

SM CITY CAGAYAN DE ORO
G/F SM City Cagayan de Oro,
Pueblo de Oro Business Park, Upper Canituan,
Cagayan de Oro, Misamis Oriental
(088)859-2632, 859-2633

SM CITY CEBU
SM City Cebu, North Reclamation Area,
Cebu City
(032)231-2082, 231-4053

SM CITY CLARK
G/F SM City Clark,
Clark Field, Pampanga
(045)625-5622, 625-5623

SM CITY DASMARIÑAS
SM City Dasmariñas,
Barrio Pala-Pala, Dasmariñas, Cavite
(046)432-3020, 432-3080

SM CITY DAVAO
UG/F SM City Davao,
Barangay Matina, Davao City
(082)298-4766, 297-4341

SM CITY FAIRVIEW
Quirino Highway corner Regalado St.
Fairview, Quezon City
938-4271, 935-0042

SM CITY ILOILO
UG/F SM City Iloilo,
Benigno Aquino Avenue,
Mandurriao, Iloilo
(033)320-9465, 320-9470

SM CITY LIPA
G/F SM City Lipa,
Ayala Highway, Lipa City, Batangas
(043)756-4482, 756-4485

SM CITY LUCENA
G/F SM City Lucena
Pagbilao National Road, Lucena City
(042)710-6108, 710-6723

SM CITY MANILA
LG/F SM City Manila,
Concepcion corner Arroceros and
San Marcelino St. Manila
524-7788, 524-7787

SM CITY MARILAO
G/F SM City Marilao,
MacArthur Highway,
Marilao, Bulacan
(044)238-8001, 933-2002

SM CITY NORTH EDSA A
G/F The Block
SM City North EDSA corner North Avenue,
Quezon City
928-4329, 928-3243

SM CITY NORTH EDSA B
EDSA corner North Avenue,
Quezon City
426-3909, 456-6580

SM CITY PAMPANGA
G/F SM City Pampanga,
San Fernando, Pampanga
(045)921-2236, 961-2304

SM CITY SAN LAZARO
Felix Huertas corner A. H. Lacson Sts.
Sta. Cruz, Manila
741-5603, 731-5682

SM CITY STA. MESA
SM City Sta. Mesa Annex Bldg.
Aurora Blvd. Quezon City
715-0537, 715-0547

SM CITY STA. ROSA
G/F SM City Sta. Rosa,
Barrio Tagapo, Sta. Rosa, Laguna
(049)534-9823, 534-9824

SM CITY SUCAT A
G/F SM Supercenter,
Sucat, Parañaque City
825-6862, 825-6224

BRANCH DIRECTORY

SM CITY SUCAT B
G/F Annex Bldg B. SM City Sucat,
Dr. A. Santos Avenue, Parañaque City
820-6737, 825-3739

SM CORPORATE OFFICES
Bldg. 104 Bay Boulevard,
SM Central Business Park,
Bay City, Pasay City
833-6710, 833-7378

SM CUBAO
Shoemart Arcade, Cubao, Quezon City
911-0558, 911-3538

SM DELGADO
G/F SM Delgado Bldg.,
Valeria St., Iloilo City
(033)337-8973, 337-0854

SM MAKATI
Shoemart Annex Bldg.
Ayala Center, Makati City
893-3241, 817-0856

SM MALL OF ASIA A
G/F Main Mall, SM Mall of Asia,
SM Central Business Park, Pasay City
556-0012, 556-0014

SM MALL OF ASIA B
G/F Entertainment Mall,
SM Mall of Asia,
SM Central Business Park, Pasay City
556-0017, 556-0018

SM MEGAMALL A
G/F SM Megamall Bldg. A
Ortigas Center, Mandaluyong City
631-9813, 633-1786

SM MEGAMALL B
Upper & Lower Ground Floors,
SM Megamall Bldg B,
Julia Vargas cor EDSA,
Ortigas Center, Mandaluyong
632-7425, 631-2956

S**OUTHMALL 1**
UG/F SM Southmall,
Alabang- Zapote Road, Las Piñas City
800-0471, 806-4383

SM SOUTHMALL 2
UG/F SM Southmall,
Alabang-Zapote Road, Las Piñas City
800-6798, 800-9122

SM SUPERCENTER MOLINO
G/F SM Supercenter Molino,
Molino Road, Bacoor, Cavite
(046)474-3041, 474-3042

SM SUPERCENTER PASIG
G/F SM Supercenter Pasig,
Frontera Verde, Ortigas Center, Pasig City
637-7326, 637-7952

SM SUPERCENTER VALENZUELA
Unit 126 G/F SM Supercenter Valenzuela,
McArthur Highway, Valenzuela City
292-4354, 292-9704

SOLER
U-1118 & 1120 Gracetown Bldg.
corner Soler & Alvarado Sts.
Binondo, Manila
243-7819, 243-6915

STO. CRISTO
475-477 Kim Siu Ching Foundation Bldg.
Sto. Cristo St. Binondo, Manila
242-4247, 242-2589

STO. CRISTO-COMMERCIO
No. 686 Sto. Cristo St.
Binondo, Manila
242-5380, 242-5382

STO. DOMINGO
6 Sto. Domingo Avenue, Quezon City
732-2934, 732-6219

SUCAT
8260 Dr. A. Santos Avenue,
Parañaque City
825-5374, 829-1630

SUMULONG HIGHWAY
39 Sumulong Highway, Marikina
948-4200, 941-3044

TABORA
859-861 L & J Bldg.
Tabora St. Divisoria, Manila
243-2148, 243-0419

TACLOBAN
Carlos Chan Bldg.
P. Zamora St. Tacloban City
(053)321-2881, 325-9967

TAFT AVENUE-J. NAKPIL
1747 Taft Avenue corner
J. Nakpil St. Manila
521-1226, 522-0902

TALON, LAS PIÑAS
G/F Motiontrade Bldg
Alabang-Zapote Road, Talon, Las Piñas
805-1922, 800-9559

TANDANG SORA
G/F FB Bldg.
13 Tandang Sora Avenue,
Quezon City
938-7786, 930-6533

TARLAC
27 F. Tañedo St. Tarlac City
(045)982-0405, 982-0497

TAYUMAN
G/F Delton Bldg.
1808 Rizal Avenue, Sta. Cruz, Manila
749-5078, 732-9052

TIMOG
26 Cedar Executive Bldg.
Timog Avenue corner Scout Tobias St.
Quezon City
413-4112, 414-8347

TIMOG-ROTONDA
G/F Imperial Palace Suites, Tomas Morato corner
Timog Avenue, South Triangle, Quezon City
928-3168; 920-7875

TOMAS MORATO
17 Atherton Place,
Tomas Morato Avenue
corner Roces Avenue, Quezon City
371-8601, 410-3751

TORDESILLAS
3 Salcedo Place, Tordesillas St.
Salcedo Village, Makati City
751-6087, 751-6088

TUTUBAN
DS 17-18 Tutuban Prime Block,
Tutuban Center, CM Recto, Manila
251-1601, 251-1602

UN AVENUE
Puso ng Maynila Bldg.
UN Avenue corner A. Mabini St.,
Ermita, Manila
524-1734, 524-1783

URDANETA
182 LIS Bldg.
McArthur Highway, San Vicente, Urdaneta
(075)624-2288, 568-4225

V-MALL
G/F New V-Mall,
Greenhills Shopping Center, San Juan
725-9085, 726-6752

VALENZUELA
Km. 15 MacArthur Highway,
Dalandanan, Valenzuela
292-1959, 292-3974

VALERO
G/F Pearlbank Center
146 Valero St. Salcedo Village, Makati City
817-9678, 817-9586

VIGAN
Quezon Avenue, Vigan, Ilocos Sur
(077)722-2057, (02)702-6000 local 2095

VISAYAS AVENUE
M & L Bldg.
Visayas Avenue corner Road 1,
Barangay Vasra, Quezon City
426-7701, 453-6172

WEST AVENUE
68 Carbal Bldg. West Avenue, Quezon City
371-4689, 412-1063

WEST AVE.-BALER
G/F Jafer Bldg.
118 West Avenue, Quezon City
928-7286, 928-3626

WEST AVE.-EAST MAYA
160 West Avenue corner East Maya Drive,
Quezon City
411-5426, 410-7611

ZAMBOANGA
Grand Astoria Hotel Annex Bldg.,
M.D. Jaldon St., Zamboanga City
(062)991-1542, 992-0341

ZURBARAN
Rizal Avenue corner Fugoso St.
Sta. Cruz, Manila
734-1544, 734-1563