

COVER SHEET

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S.E.C. Registration Number

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

(COMPANY'S FULL NAME)

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

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

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

ALBERTO D. REYES/RUBY A. CRUZ

Contact Person

702-6000 LOC 5325/5326

Company Telephone Number

0 3

Month

3 1

Day

S E C 1 7 - Q

Form Type

0 5

Month

2 6

Day

Annual Meeting

Secondary License type, if applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

1,733

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be Accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Stamps

Remarks: Pls. Use black ink of scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND BRC RULES 17 (2) (b) THEREUNDER

1. For the quarter ended **March 31, 2006**.
2. Commission identification number **34001** 3. BIR Tax Identification No. **000-708-174-000**

BANCO DE ORO UNIVERSAL BANK

4. Exact name of issuer as specified in its charter
- Mandaluyong City, Philippines**
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code (For SEC Use Only)

12 ADB Ave. Ortigas Center, Mandaluyong City

7. Address of issuer's principal office Postal Code
- 702-6000 Loc. 5325 & 5326**
8. Issuer's Telephone number, including area code

NA

9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Section 8 and 12 of the Code of Section 4 and 8 of the RSA

Title of each class	Number of shares of common stock outstanding	Amount of Debt Outstanding
Common stock	962,023,048	



11. Are any or all of the securities listed on a stock exchange?
Yes No. []
If yes, state the name of such stock exchange and the class/es of securities listed therein: Philippine Stock Exchange -Common Stock

12. Indicate by check mark whether the registrant:
- a. has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA 11 (a)-1 thereunder, and Section 26 and 141 of the Corporations Code of the Philippines, during the preceding twelve (12) months or such shorter period the registrant was required to file such reports.
Yes No. []
- b. has been subject to such filing requirements for the last ninety (90) days
Yes No. []

SIGNATURES

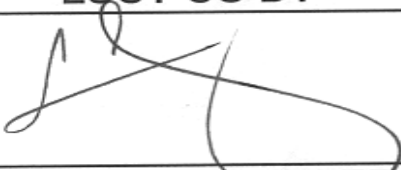
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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

Signature and Title..... 
LUCY CO DY
SVP/COMPTRROLLER 

Date..... **May 12, 2006**

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

Signature and Title..... 
SVP/COMPTRROLLER

Date..... **May 12, 2006**

Note: Original signed

SEC FORM 17-Q

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



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

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

SUBSCRIBED AND SWORN TO before me this 15th day of May,

2006, the above affiant exhibiting to me his/her described Competent Evidence of Identity ("CEI"):

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


Atty. CRISTINA G. NGO
Notary Public until 12/31/07, Mandaluyong City
No. 12 ADB Avenue Ortigas Center, Mandaluyong City
Roll No. 38228, IBP Lifetime Member No. 02468
PTR No. M0840557, Mandaluyong City. 01/03/06

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Book No. 1
Series of 2006

- * To be signed by any of the following officers pursuant to a Board Resolution filed with the Commission
1. Chief Operating Officer
 2. Chief Financial Officer
 3. Comptroller or Treasurer

Note: Original signed

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

CONDENSED STATEMENT OF CONDITION
(Amounts in Thousands of Pesos)

		As of		Audited
		Mar 31, 2006		As of
<u>RESOURCES</u>		<u> </u>		<u>Dec 31, 2005</u>
CASH AND OTHER CASH ITEMS	P	3,814,686	P	6,621,220
DUE FROM BANGKO SENTRAL NG PILIPINAS		8,638,787		4,271,506
DUE FROM OTHER BANKS		4,051,918		5,134,339
INVESTMENT SECURITIES				
Financial Assets at Fair Value Through Profit or Loss		5,490,955		7,502,555
Available-for-Sale Securities – net		50,524,345		49,520,137
Held-to-Maturity Investments – net		31,125,807		31,041,642
LOANS AND OTHER RECEIVABLES –net		108,112,558		104,114,877
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – net		1,809,650		1,723,771
EQUITY INVESTMENTS - net		3,525,970		3,551,936
REAL AND OTHER PROPERTIES ACQUIRED				
Non-Current Assets Held for Sale		3,071,702		3,454,997
Investment Properties		1,719,439		1,396,305
OTHER RESOURCES - net		15,856,545		15,431,501
TOTAL RESOURCES	P	<u>237,742,362</u>	P	<u>233,764,786</u>
 <u>LIABILITIES AND CAPITAL FUNDS</u> 				
DEPOSIT LIABILITIES				
Demand	P	4,020,646	P	4,726,836
Savings		108,413,544		99,283,098
Time		52,724,640		55,656,189
Total Deposit Liabilities		<u>165,158,830</u>		<u>159,666,123</u>
BILLS PAYABLE		43,245,047		45,845,351
DERIVATIVE LIABILITIES		971,534		1,158,317
OTHER LIABILITIES		6,336,433		6,860,690
Total Liabilities		<u>215,711,844</u>		<u>213,530,481</u>
CAPITAL FUNDS		<u>22,030,518</u>		<u>20,234,305</u>
TOTAL LIABILITIES AND CAPITAL FUNDS		<u>237,742,362</u>		<u>233,764,786</u>
 <u>CONTINGENT</u> 				
Trust department accounts		131,146,023		111,783,142
Unused commercial letters of credit		7,738,912		6,576,081
Outstanding guarantees issued		1,173,808		849,335
Bills for collection		842,750		1,669,243
Late deposits/payment received		320,555		501,330
Others		69,927,734		55,937,126
TOTAL CONTINGENT ACCOUNTS		<u>211,149,782</u>		<u>177,316,257</u>

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

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

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

	For the three-month Period ended <u>Mar 31, 2006</u>	For the three-month Period ended <u>Mar 31, 2005</u>
INTEREST INCOME ON		
Loans and Receivables	P 2,121,473	P 1,590,617
Investment Securities	1,827,936	1,652,639
Due from Other Banks	75,509	43,399
Others	<u>183,289</u>	<u>28,486</u>
Total Interest Income	<u>4,208,207</u>	<u>3,315,141</u>
INTEREST EXPENSE ON		
Deposit liabilities	1,818,329	1,383,457
Bills Payable and Others	<u>638,497</u>	<u>361,798</u>
Total Interest Expense	<u>2,456,826</u>	<u>1,745,255</u>
NET INTEREST INCOME	1,751,381	1,569,886
IMPAIRMENT LOSSES	<u>181,435</u>	<u>357,572</u>
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	<u>1,569,946</u>	<u>1,212,314</u>
OTHER INCOME		
Trading Gain	731,895	249,139
Service charges and fees	396,794	322,197
Trust Fees	153,056	104,570
Foreign Exchange Gain – net	-22,745	61,749
Miscellaneous – net	<u>-76,373</u>	<u>45,043</u>
Total Other Income	<u>1,182,627</u>	<u>782,698</u>
OTHER EXPENSES		
Employee Benefits	466,420	382,534
Occupancy	248,067	156,101
Taxes and licenses	249,908	131,246
Insurance	87,654	66,909
Documentary Stamps Used	79,703	57,402
Security, Clerical, Messengerial and Janitorial	87,470	57,827
Litigation/Assets Acquired	108,164	43,249
Information Technology	35,187	45,181
Others	<u>673,631</u>	<u>475,966</u>
Total Other Expenses	<u>2,036,204</u>	<u>1,416,415</u>
INCOME BEFORE TAX	716,369	578,597
TAX EXPENSE (INCOME)	9,873	12,403
NET INCOME AFTER TAX	<u>706,496</u>	<u>566,194</u>
AVERAGE COMMON STOCK	942,584	908,190
INCOME PER SHARE (See annex A)		
Basic	0.75	0.62
Diluted	0.73	0.59

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

BANCO DE ORO UNIVERSAL BANK & SUBSIDIARIES
STATEMENT OF CASH FLOWS
As of March 31, 2006 and March 31, 2005
(Amounts in Thousands of Pesos)

	Mar 31, 2006	Mar 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Income after tax	706,496	566,194
Prior Year Adjustment		
Decrease (Increase In)		
Due from Other Banks	1,082,421	665,830
Due from BSP	-4,367,281	-1,844,299
Financial Assets at Fair Value Through Profit or Loss	2,011,600	-1,779,298
Held to Maturity	-84,165	-16,132,022
Available-for-Sale Securities	-1,004,208	13,486,224
Loans and Other Receivables	-3,997,681	-21,594,655
Non Current Assets Held for Sale	383,295	-5,229,956
Investment Property	-323,134	4,970,114
Other Resources	-425,044	54,322
	-6,724,197	-27,403,740
Increase (Decrease) in:		
Deposit Liabilities	5,492,707	12,988,380
Derivatives	-186,783	-167,397
Other Liabilities	-524,257	381,668
Net Unrealized (G/L) on AFS	423,422	84,438
	5,205,089	13,287,089
Net cash used in operating activities	-812,612	-13,550,457
CASH FLOWS FROM INVESTING ACTIVITIES:		
Equity Investment	25,966	-14,050
Bank Property & Equipment	-85,879	-21,144
Net cash used in investing activities	-59,913	-35,194
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital Stock	224,302	2
Surplus	441,993	71,107
Bills Payable	-2,600,304	10,668,330
Net Cash from financing activities	-1,934,009	10,739,439
NET INCREASE IN CASH AND OTHER CASH ITEMS	-2,806,534	-2,846,212
CASH AND OTHER CASH ITEMS AT BEGINNING OF YEAR	6,621,220	5,627,066
CASH AND CASH EQUIVALENT AT THE END OF QUARTER	3,814,686	2,780,854

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

BANCO DE ORO UNIVERSAL BANK & SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
COMPARATIVE QUARTERS ENDED March 31, 2006 & 2005
(Amounts in Thousands of Pesos)

	<u>Mar 31, 2006</u>	<u>Mar 31, 2005</u>
CAPITAL STOCK		
Beginning Balance	9,395,931	9,081,895
Issuance of Common Shares	224,299	0
Balance end of Qtr. March	<u>9,620,230</u>	<u>9,081,895</u>
Treasury Shares – At Cost		
Balance Beginning	-36,213	-69,563
Balance end of Qtr. March	<u>-36,213</u>	<u>-69,563</u>
ADDITIONAL PAID IN CAPITAL		
Balance beginning	2,064,277	1,850,013
Additional Paid in Capital on Common Stock issued during the year	375,701	0
IPO Related Expenses	569	569
Equity component of IFC convertible loan	-5,430	0
Balance end of Qtr. March	<u>2,435,117</u>	<u>1,850,582</u>
SURPLUS RESERVES		
Balance beginning	104,063	66,511
Balance end of Qtr. March	<u>104,063</u>	<u>66,511</u>
SURPLUS FREE		
Balance beginning	7,256,062	5,355,756
Net Income	706,496	566,194
Auditor's adjusting entries	54,330	172,826
Balance end of Qtr. March	<u>8,016,888</u>	<u>6,094,776</u>
UNREALIZED DECLINE IN VALUE OF ASS		
Balance end of Qtr. March	<u>1,890,431</u>	<u>393,036</u>
MINORITY INTEREST		
	<u>2</u>	<u>-37,326</u>
TOTAL EQUITY	<u>22,030,518</u>	<u>17,379,911</u>

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

AGING OF ACCOUNTS RECEIVABLE
 As of March 31, 2006
 (Amounts in Thousands of Pesos)

TYPE OF ACCOUNTS	CURRENT	61 – 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	ITEMS IN LITIGATION	TOTAL
A. INTERBANK CALL LOANS RECEIVABLES	13,864,120	0	0	0	0	13,864,120
Interbank Call Loan Receivable-Local Banks	135,300					135,300
Interbank Call Loan Receivable-Fx. Regular	80,266					80,266
Interbank Call Loan Receivable Fcdu(Fx Banks-Abrc	13,648,554					13,648,554
B. LOANS AND RECEIVABLES	93,402,660	1,088,063	384,851	2,629,942	1,100,571	98,606,087
Loans & Discounts	62,066,743	611,290	226,258	1,564,373	999,043	65,467,707
Agra-Agri Loans	7,461,811	238,754	80,900	89,123		7,870,588
Development Incentive Loans	89,417					89,417
Bills Purchases	1,949,655			12,396		1,962,051
Customers Liability on draft under LC/TR	7,898,437	155,984		213,493	59,557	8,327,471
Customers Liability for this bank's acceptances	424,529					424,529
Credit Card Receivables	1,550,603	44,681	43,523			1,638,807
Restructured Loans	622,610	23,265	30,620	427,676	12,415	1,116,586
Other Loan & Receivables	2,888,855	14,089	3,550	322,881	29,556	3,258,931
Reverse Repurchase Agreement	8,450,000					8,450,000
C. ACCOUNTS RECEIVABLE	1,273,011	1,772	20,401	147,923	0	1,443,107
TOTAL	108,539,791	1,089,835	405,252	2,777,865	1,100,571	113,913,314

BANCO DE ORO UNIVERSAL BANK & SUBSIDIARIES
COMPUTATION OF WEIGHTED NUMBER OF COMMON SHARES
(Amounts in Thousands of Pesos Except Per Share Data)

NO. OF SHARES – COMMON As of March	Balance of Common Shares		Average Number of Common Shares
January 2005	908,190		
February 2005	908,190		
March 2005	908,190		
Weighted Average			908,190
Basic Earnings per share			
Consolidated Net Income			566,194
Divided by the weighted average number of outstanding common shares			<u>908,190</u>
Basic Earnings per share			0.62
Diluted Earnings Per Share			0.59
January 2006	939,593		
February 2006	939,593	78 days	814,314
March 2006	962,023	12 days	128,270
Weighted Average			942,584
Basic Earnings per share			
Consolidated Net Income for the three-months period ending March 2006			706,496
Divided by the weighted average number of outstanding common shares			<u>942,584</u>
Basic Earnings per share			0.75
Diluted Earnings Per Share			
Consolidated Net Income for the quarter March 31, 2006			706,496
Add: Interest Expense on convertible loan	6,903		
Less: Tax benefits from Interest Expense	<u>2,416</u>		<u>4,487</u>
Total Consolidated net income for DEPS computation			710,983
Weighted Average number of outstanding common shares	942,584		942,584
Add: Convertible loans from IFC			
Peso book value of loan as of March 31, 2006	511,250		
Conversion price	<u>16.70</u>		
Potential Common Shares from assumed conversion of convertible loans			<u>30,614</u>
Total weighted average Common Shares after conversion			<u>973,198</u>
Diluted Earnings Per Share			0.73

CHECKLIST OF REQUIRED DISCLOSURES

BANCO DE ORO UNIVERSAL BANK

For the first quarter ended: March 31, 2006

FINANCIAL INFORMATION

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

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

7.a

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

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

Explanatory comments about the seasonality or cyclicity of interim operations.

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

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

Remarks: NONE

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

Remarks: NONE

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

The Bank issued 22,429,906 shares to United Overseas Bank Limited (UOBL) amounting to P600.0M last March 20, 2006 as part of the Memorandum of Agreement between the two banks whereby BDO acquired United Overseas Bank Philippines' (UOBP) 66 branches.

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

The Bank's Board of Directors approved the declaration of a P0.80 per share cash dividends last May 6, 2006. Record and payment dates are still subject to BSP approval.

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

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

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

Remarks: NONE

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

BDO's credit card business (through its subsidiary BDO Credit Card Corp.) was consolidated to the Bank for operational efficiencies and funding flexibility.

- 7.j Changes in contingent liabilities or contingent assets from December 31, 2005.

- Total Contingent accounts increased by 19% or P33.834B as compared to last December 31, 2005 brought about by the following:
 - Trust Accounts grew by 17% or P19.363B due to the expansion of the Bank's Unit Investment Trust Funds (UITF).
 - Unused commercial letters of credit and Outstanding guarantees issued expanded by 18% or P1.163B and 38% or P324M respectively on account of increased trade transactions.
 - Bills for collection declined by 50% or P827M due to the decrease in volume of outward bills sent for collection.
- Late deposits/payments received went down by 36% or P181M from lower transactions received from clients.
- Other contingent accounts rose by 25% or P13.991B from increased foreign exchange forwards and interest rate swap transactions.

MANAGEMENT'S DISCUSSION & ANALYSIS

I. Balance Sheet – March 2006 vs. December 2005

- Total Resources expanded by 2% to P237.742B, on account of the growth in deposits, which were mainly utilized for loans.
- Cash & Other Cash Items decreased by 42% to P3.815B as the Bank reduced cash on hand to maximize earning potential on its reserve assets. The December 2005 levels were also unusually high because of cash deposits by clients, from sales generated during the Christmas season.
- Due from BSP account thus increased by 102% to P8.639B coming from the Bank's cash deposits and additional reserves given the higher levels of deposits.
- Due from Other Banks declined by 21% to P4.052B, due to lower foreign currency denominated placements.
- Financial Assets at Fair Value Through Profit or Loss dropped by 27% to P5.491B as the Bank took advantage of the low interest environment to take profit from its trading portfolio..
- Non-current Assets Held for Sale contracted by 11% to P3.072B partly due to reclassification to Investment Securities and partly on account of the Bank's efforts to dispose its foreclosed properties through direct sales and public auctions
- Investment Properties thus expanded by 23% to P1.719B from the reclassification above.
- Bills Payable dropped by 6% to P43.245B due to lower interbank borrowings.
- Derivative Liabilities contracted by 16% to P972M, due to maturing transactions that were not renewed in the first quarter.
- Other Liabilities fell by 8% to P6.336B mainly from the subscription by UOBL to BDO's primary common shares.

II. Balance Sheet – March 2006 vs. March 2005

- Resources grew by 16% or P33.526B from last year's level of P204.216B, mainly from growth in deposits, borrowings and equity.
- Cash & Other Cash Items increased by 37% to P3.815B in line with the growth in deposit levels and branch network.
- Due from BSP account rose by 126% on account of asset re-allocation and increased levels of reserves consistent with the growth in deposits.
- Due from Other Banks went up by 13%, primarily foreign currency denominated placements and working balances with foreign banks
- Financial Assets through Profit or Loss and Held-to-Maturity Securities declined by 65% and 26% respectively mainly from asset re-allocation which correspondingly increased the level of Available for Sale Securities by 114%.

- **Loans and Other Receivables increased by 10% as a result of higher receivables from customers and interbank loans mitigated by the decrease in securities purchased under reverse repurchase agreements.**
- **Bank premises & FFE moved up by 52% due to the growth in the branch network and expansion of the various business lines.**
- **Equity Investments surged by 118% on account of the P1.4B investment in EPCI and P0.6B investment in ECNI in August 2005, as well as additional P48M investments in Generali Pilipinas.**
- **Non-current Assets Held for Sale contracted by 43% partly due to the reclassification of part of the portfolio to Investment Properties amounting to P1.719B and partly due to sales of foreclosed assets.**
- **Other resources expanded by 164% because of the assets held for sale by the Bank's subsidiary, Onshore Strategic Assets, Inc. and the goodwill booked in relation to the acquisition of the UOBP branches.**
- **Deposit Liabilities increased by 17% or P23.523B due to growth in branch-generated funding.**
- **Bills payable rose by 10%, due to increased interbank borrowings and borrowings from PDIC related to the UOBP transaction.**
- **Derivative Liabilities moved up by 116% as Treasury's investments in products with embedded derivatives increased year-on-year.**
- **Other Liabilities widened by 16% mainly because of higher level of accruals and unearned income consistent with increased level of liabilities, operating expenses, and assets.**
- **Equity grew by 27% caused by the increase in net income, the partial conversion in Q2 05 by IFC of its loan to BDO, and the issuance of P600M common shares to UOBL last March 2006**

III. Income Statement – March 2006 vs March 2005

- **Net Income for the first quarter of 2006 reached P706M, an increase of P140M or 25% over the comparable period last year**
- **Interest Income increased by 27% to P4.208B, brought about by higher loan and investments levels.**
- **Interest Expense was up by 41% to P2.457B, from increased deposit & borrowing volumes.**
- **Net Interest Income rose by 12% to P1.751B as a result of higher volumes of earning assets.**
- **The Bank set aside P181M as Impairment Loss, 49% lower than the P358M provided last year given minimal growth in the Bank's non-performing assets.**
- **Other Income items improved by 51% brought about by the following items:**
 - **Trading Gain rose 194% as the Bank took advantage of the low interest environment to take profit from its trading and investment portfolios.**

- **Service Charges & Fees** were up by 23%, primarily from increased business from credit cards, loan syndication, transaction banking and insurance.
- **Trust Fees** grew by 46% on account of higher volume of funds managed by the group.
- **Foreign Exchange** went down by 137% due to increased volumes of interbank swap transactions.
- **Miscellaneous Income** dropped by 270% because of lower investment banking fees and the impact of the transfer of the credit card subsidiary to the bank proper.
- **Operating Expenses** jumped by 44% because of the following accounts:
 - **Employee Benefits** increased by 22%, due to a higher manpower count brought about by business expansion
 - **Occupancy, premises & equipment-related expenses** increased by 59% due to expansion of the Bank's branch network and other business lines.
 - **Taxes & Licenses and Documentary Stamps Used** grew by 90% and 39% respectively brought about by increased business.
 - **Insurance** went up by 31% due to higher fixed asset levels.
 - **Security, Clerical & Messengerial** rose by 51% on account of business expansion and increase in the branch network.
 - **Litigation/Assets Acquired** went up by 150% due to expenses related to ROPOA disposal.
 - **Information Technology** dropped by 22% after the Bank's investment in IT the previous year.
 - **Other expenses** jumped by 42% primarily from higher utilities expense and provision for year-end expenses.
- **Tax Expense** declined by 20% due to higher increase in operating expenses relative to taxable income.

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

1.) Return on Average Equity (Annualized) 03/06/06 03/05/06 Inc/(Dec)

Net Income / Average Total Capital Account

706,496	/	21,132,412	13.37%		
566,194	/	16,953,203		13.36%	0.01%

2.) Return on Average Assets (Annualized)

Net income / Average total asset

706,496	/	235,753,574	1.20%		
566,194	/	191,920,462		1.18%	0.02%

3.) Net Interest Margin (Annualized)

Net interest income / Average earning asset

1,751,381	/	200,699,526	3.49%		
1,569,886	/	168,247,541		3.73%	-0.24%

4.) Capital adequacy ratio

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

21,566	/	112,557	19.16%		
19,900	/	80,612		24.69%	-5.53%

5.) Earning per share

Net income / Average Common Stock

706,496	/	942,584	0.75		
566,194	/	908,190		0.62	0.13

1. Annualized return on average equity (ROE) improved slightly from 13.36% last year to 13.37% this year as a result of higher net interest and non-interest income
2. Return on Average Assets (ROA) improved from 1.18% last year to 1.20% this year due to increased efficiency in the utilization of resources.
3. Net interest margin went down from 3.73% last year to 3.49% this year given the lower interest environment.
4. Capital adequacy ratio declined from 24.69% a year ago to 19.16% this year due to growth in risk assets, primarily loan portfolio.
5. Earnings per share for the first quarter increased from ₱0.62 to ₱.75 caused by the improvement in Net Income.

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

Remarks: NONE

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

Remarks: NONE

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

Remarks: NONE

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

Remarks: NONE

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

Remarks: NONE

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

Remarks: NONE

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

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

Vertical Analysis-Material Changes

I. Balance Sheet – March 2006 vs December 2005

Remarks: NONE

II. Balance Sheet – March 2006 vs March 2005

- **Financial Assets through Profit or Loss (FATPL) to Total Resources and Held-to-Maturity (HTM) to Total Resources declined from 7.8% to 2.3% and 20.7% to 13.1% due to asset re-allocation to Available-for-Sale Securities (ASS).**
- **ASS to Total Resources thus grew from 11.6% to 21.3% from the re-allocation mentioned above.**

III. Income Statement – March 2006 vs March 2005

- **Interest Income on Investment Securities as a percentage of Total Interest Income declined from 49.9% to 43.4% due to slower growth in investment securities compared to loans and other receivables.**
- **The proportion of Interest Expense on Deposits to Total Interest Expense dropped by 5.3% while Interest Expense on Bills Payable to Total Interest Expense increased by 5.3% due to an improving deposit mix and higher interest rates on bills payable.**
- **Trading Gain as a percentage of Total Other Income grew from 31.8% to 61.9% as the Bank took advantage of the low interest environment to take profit from its investment portfolio.**
- **The proportion of Service Charges and Fees, Foreign Exchange Gain, and Miscellaneous Income to Other Income went down to 33.6%, -1.9% and -6.5% respectively due to faster growth in trading gain.**

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

Remarks: NONE