

**BANCO DE ORO UNIVERSAL BANK**  
**STATEMENTS OF CONDITION**  
**DECEMBER 31, 2006 AND 2005**  
*(Amounts in Thousands of Pesos)*

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

*See Notes to Financial Statements.*

**BANCO DE ORO UNIVERSAL BANK**  
**INCOME STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004**  
*(Amounts in Thousands of Pesos Except Per Share Data)*

	Notes	CONSOLIDATED			PARENT		
		2006	2005	2004	2006	2005	2004
<b>INTEREST INCOME ON</b>							
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
		<u>19,299,367</u>	<u>14,784,806</u>	<u>11,147,572</u>	<u>17,765,955</u>	<u>13,668,639</u>	<u>10,455,836</u>
<b>INTEREST EXPENSE ON</b>							
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
		<u>10,965,047</u>	<u>7,942,098</u>	<u>6,186,558</u>	<u>10,005,983</u>	<u>7,466,499</u>	<u>6,009,085</u>
<b>NET INTEREST INCOME</b>		<b>8,334,320</b>	<b>6,842,708</b>	<b>4,961,014</b>	<b>7,759,972</b>	<b>6,202,140</b>	<b>4,446,751</b>
<b>IMPAIRMENT LOSSES</b>	8, 9, 12, 13	<b>980,896</b>	<b>1,167,379</b>	<b>783,555</b>	<b>981,908</b>	<b>1,176,431</b>	<b>950,210</b>
<b>NET INTEREST INCOME AFTER IMPAIRMENT LOSSES</b>		<b>7,353,424</b>	<b>5,675,329</b>	<b>4,177,459</b>	<b>6,778,064</b>	<b>5,025,709</b>	<b>3,496,541</b>
<b>OTHER OPERATING INCOME</b>							
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
		<u>5,155,163</u>	<u>3,948,808</u>	<u>2,414,616</u>	<u>4,459,233</u>	<u>3,728,159</u>	<u>2,107,722</u>
<b>OTHER OPERATING EXPENSES</b>							
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
		<u>8,498,939</u>	<u>6,549,333</u>	<u>4,658,571</u>	<u>7,872,233</u>	<u>5,848,747</u>	<u>4,179,718</u>
<b>INCOME BEFORE TAX</b>		<b>4,009,648</b>	<b>3,074,804</b>	<b>1,933,504</b>	<b>3,365,064</b>	<b>2,905,121</b>	<b>1,424,545</b>
<b>TAX EXPENSE (INCOME)</b>	20	<b>881,354</b>	<b>531,287</b>	<b>( 39,130 )</b>	<b>772,950</b>	<b>434,759</b>	<b>( 90,116 )</b>
<b>NET INCOME</b>		<b>P 3,128,294</b>	<b>P 2,543,517</b>	<b>P 1,972,634</b>	<b>P 2,592,114</b>	<b>P 2,470,362</b>	<b>P 1,514,661</b>
<b>ATTRIBUTABLE TO:</b>							
Equity holders of the parent		P 3,128,294	P 2,586,191	P 2,021,038			
Minority interest		-	( 42,674 )	( 48,404 )			
		<u>P 3,128,294</u>	<u>P 2,543,517</u>	<u>P 1,972,634</u>			
<b>Earnings Per Share</b>							
Basic	24	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.*

**BANCO DE ORO UNIVERSAL BANK**  
**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
<b>ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS</b>							
<b>CAPITAL STOCK</b>							
	17	P 9,395,931	P 9,081,895	P 9,081,895	P 9,395,931	P 9,081,895	P 9,081,895
Balance at beginning of year							
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
<b>COMMON STOCK OPTION</b>							
Balance at Beginning of Year		13,634	-	-	13,634	-	-
As previously stated							
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
<b>TREASURY SHARES - At Cost</b>							
Balance at Beginning of Year	2	(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)	-	-	-
<b>ADDITIONAL PAID-IN CAPITAL</b>							
Balance at Beginning of Year		2,064,277	4,418,063	1,850,013	2,064,277	4,418,063	1,850,013
As previously stated							
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
<b>SURPLUS RESERVES</b>							
Balance at Beginning of Year		140,868	104,063	66,511	135,724	104,063	66,511
As previously stated							
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
<b>SURPLUS FREE</b>							
Balance at Beginning of Year		7,256,061	5,458,993	3,934,970	6,071,909	5,458,993	3,934,970
As previously stated							
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
<b>FAIR VALUE GAIN (LOSS) ON AVAILABLE-FOR-SALE SECURITIES</b>							
Balance at Beginning of Year		1,467,009	(24,570)	(33,664)	1,088,277	(24,570)	(33,664)
As previously stated							
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
<b>TOTAL CAPITAL FUNDS ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS</b>							
		24,428,784	20,305,813	16,687,005	22,246,968	18,769,752	15,562,064
<b>MINORITY INTEREST</b>							
Balance at Beginning of Year		(71,509)	-	-	-	-	-
As previously stated							
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)	-	-	-
<b>TOTAL CAPITAL FUNDS</b>							
		P 24,428,784	P 20,234,304	P 16,658,170	P 22,246,968	P 18,769,752	P 15,562,064
<b>Net Gains Directly Recognized in Capital Funds</b>							
		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.

**BANCO DE ORO UNIVERSAL BANK**  
**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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
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 )	( 3,395,764 )	( 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	26,160,957	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
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
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 )	( 10,493,692 )	( 7,567,039 )	( 15,435,003 )	( 9,660,201 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
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
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (Carried Forward)</b>	P 18,737,978	P 4,194,761	P 2,991,683	P 16,518,973	P 3,685,481	P 2,659,707

	CONSOLIDATED			PARENT		
	2006	2005	2004	2006	2005	2004
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (Brought Forward)</b>	<b>P 18,737,978</b>	<b>P 4,194,761</b>	<b>P 2,991,683</b>	<b>P 16,518,973</b>	<b>P 3,685,481</b>	<b>P 2,659,707</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>						
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
	<b>16,034,416</b>	<b>11,839,655</b>	<b>8,847,972</b>	<b>14,151,243</b>	<b>10,465,762</b>	<b>7,806,055</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>						
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
	<b>P 34,772,394</b>	<b>P 16,034,416</b>	<b>P 11,839,655</b>	<b>P 30,670,216</b>	<b>P 14,151,243</b>	<b>P 10,465,762</b>

**Supplemental Information on Noncash Financing and Investing Activities**

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

- 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).
- 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).
- 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).
- 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.*