

SEC Number 5223
File Number _____

EQUITABLE PCI BANK
(Company's Full Name)

Equitable PCI Bank Tower I, Makati Ave. cor. H.V. de la Costa St., Makati City
(Company's Address)

(632) 840-7000
(Telephone No.)

September 30, 2006
(Quarter Ending)
(month & day)

SEC FORM 17-Q (QUARTERLY REPORT)
(Form Type)

Amendment Designation (If applicable)

SEPTEMBER 30, 2006
(Period Ended Date)

(Secondary License Type and File Number)

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

See attached.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

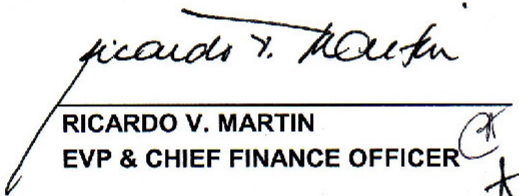
See attached.

PART II - OTHER INFORMATION

None

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.

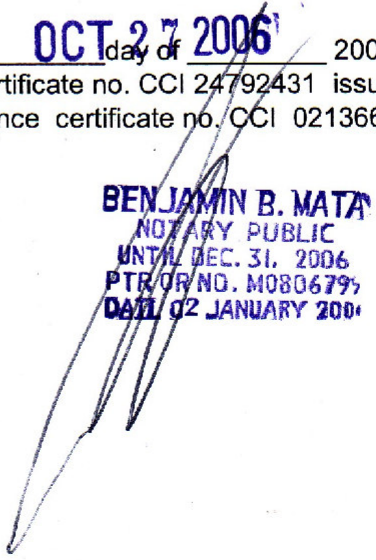

RICARDO V. MARTIN
EVP & CHIEF FINANCE OFFICER


RENE J. BUENAVENTURA
PRESIDENT & CEO

Republic of the Philippines) s.s.
City Of Makati

Subscribed and sworn to before me this OCT 27 2006 day of 2006,
affiant exhibiting to me his/her/their residence certificate no. CCI 24792431 issued
at Makati City on January 05, 2006 and residence certificate no. CCI 02136646
issued at Makati City on January 27, 2006.

Doc. No. 165
Page No. 34
Book No. XII
Series of 2006 _____


BENJAMIN B. MATA
NOTARY PUBLIC
UNTIL DEC. 31, 2006
PTR OR NO. M080679
DATE 02 JANUARY 2006

CONSOLIDATED STATEMENTS OF CONDITION
SEPTEMBER 30, 2006 and DECEMBER 31, 2005
(In Thousand Pesos)

| | UNAUDITED | AUDITED |
|--|-----------------------------|-----------------------------|
| | SEPTEMBER 30, 2006 | DECEMBER 31, 2005 |
| RESOURCES | | |
| Cash and Other Cash Items | P 6,235,894 | P 7,541,236 |
| Due from Bangko Sentral ng Pilipinas | 8,477,330 | 7,232,106 |
| Due from Other Banks | 2,129,305 | 4,676,319 |
| Interbank Loans Receivables and Securities Purchased | | |
| Under Resale Agreements | 19,432,479 | 18,199,624 |
| Securities at Fair Value Through Profit or Loss | 30,778,894 | 25,913,783 |
| Available-for-Sale Investments | 10,086,729 | 17,108,772 |
| Held-to-Maturity Investments – net | 44,195,106 | 32,483,945 |
| Loans and Receivables – net | 143,038,846 | 142,432,744 |
| Property and Equipment | 9,488,968 | 9,784,185 |
| Other Resources | 50,563,701 | 50,990,327 |
| | ----- | ----- |
| TOTAL RESOURCES | P 324,427,252 | P 316,363,041 |
| | ===== | ===== |
| LIABILITIES AND CAPITAL FUNDS | | |
| Deposit Liabilities | | |
| Demand Deposits | P 13,819,748 | P 11,755,327 |
| Savings Deposits | 165,219,552 | 142,339,247 |
| Time Deposits | 52,031,857 | 52,569,671 |
| Sub-total | ----- 231,071,157 | ----- 206,664,245 |
| Bills, Bonds and Acceptances Payable | 18,938,357 | 30,331,525 |
| Due to Bangko Sentral ng Pilipinas | 109,031 | 51,570 |
| Manager' s Checks | 2,261,197 | 912,091 |
| Accrued Taxes, Interests and Other Expenses | 3,839,689 | 3,106,123 |
| Deferred Credits and Other Liabilities | 18,652,930 | 27,212,552 |
| TOTAL LIABILITIES | ----- 274,872,361 | ----- 268,278,106 |
| | ----- | ----- |
| Subordinated Notes Payable * | 10,020,167 | 10,587,521 |
| | ----- | ----- |
| CAPITAL FUNDS | 39,534,724 | 37,497,414 |
| | ----- | ----- |
| | P 324,427,252 | P 316,363,041 |
| | ===== | ===== |
| CONTINGENT ACCOUNTS | | |
| Unused Commercial Letters of Credit | P 10,292,634 | P 8,182,676 |
| Trust Department Accounts | 77,299,886 | 109,694,557 |
| Other Contingent Accounts | 26,156,851 | 25,653,108 |
| | ----- | ----- |
| | P 113,749,371 | P 143,530,341 |
| | ===== | ===== |



STATEMENTS OF CHANGES IN CAPITAL FUNDS
(Amount in Thousands)

| | | (UNAUDITED) SEPTEMBER 2006 | | (AUDITED) DECEMBER 2005 |
|--|---|-------------------------------|---|----------------------------|
| COMMON STOCK - P10 par value | P | 7,270,033 | P | 7,270,033 |
| CAPITAL PAID IN EXCESS OF PAR VALUE | | 37,395,672 | | 37,395,672 |
| SURPLUS RESERVE | | 668,450 | | 558,396 |
| SURPLUS (DEFICIT) | | | | |
| Balance at beginning of year | | (3,049,953) | | 2,374,702 |
| Effect of change in accounting | | | | 230,186 |
| Balance at beginning of year | | (3,049,953) | | 2,604,888 |
| Net income | | 2,369,843 | | 2,698,385 |
| Cumulative effect of change in accounting | | | | (7,868,984) |
| Transfer to surplus reserves | | | | (48,040) |
| Dividends paid | | | | (436,202) |
| Bank's prior year adjustments | | 123,416 | | |
| Balance at end of year | | (556,694) | | (3,049,953) |
| PARENT COMPANY SHARES HELD BY A SUBSIDIARY | | (7,396,929) | | (7,466,950) |
| NET UNREALIZED GAIN ON AVAILABLE-FOR SALE INVESTMENTS | | (73,083) | | 548,127 |
| EQUITY IN NET UNREALIZED GAIN ON AVAILABLE FOR-SALE INVESTMENTS OF A SUBSIDIARY | | 50,401 | | 15,436 |
| REVALUATION INCREMENT IN PROPERTY | | 1,361,952 | | 1,357,939 |
| ACCUMULATED TRANSLATION ADJUSTMENT | | (187,762) | | (119,362) |
| TOTAL | | 38,532,040 | | 36,509,338 |
| MINORITY INTEREST IN EQUITY OF CONSOLIDATED SUBSIDIARIES | | 1,002,684 | | 988,076 |
| | P | 39,534,724 | P | 37,497,414 |

CONSOLIDATED STATEMENTS OF INCOME
(In Thousand Pesos)

| | (Unaudited) QUARTER ENDING SEPTEMBER 30, 2006 | (Unaudited) QUARTER ENDING SEPTEMBER 30, 2005 |
|---|---|---|
| INTEREST INCOME | | |
| Interest on: | | |
| Loans and receivables | P 3,133,428 P | 3,037,378 |
| Trading and investment securities, interbank loans, Deposits with other banks and others | 1,944,282 | 1,867,631 |
| | 5,077,710 | 4,905,009 |
| INTEREST AND FINANCE CHARGES | | |
| Interest on deposit liabilities, interbank loans, bills payable, borrowings and others | 2,248,157 | 2,159,559 |
| | 2,829,553 | 2,745,450 |
| NET INTEREST INCOME | | |
| PROVISION FOR IMPAIRMENT LOSSES | 418,137 | 431,417 |
| | 2,411,416 | 2,314,033 |
| OTHER INCOME | | |
| Service charges, fees and commissions | 1,299,479 | 1,260,386 |
| Trading gains and foreign exchange profits | 990,394 | 326,012 |
| Miscellaneous | 469,199 | 440,616 |
| | 2,759,072 | 2,027,014 |
| OTHER EXPENSES | | |
| Compensation and fringe benefits | 1,013,468 | 996,087 |
| Occupancy and other equipment related expenses | 927,929 | 681,973 |
| Taxes and licenses | 410,424 | 358,685 |
| Miscellaneous | 1,063,764 | 1,131,107 |
| | 3,415,585 | 3,167,852 |
| INCOME BEFORE INCOME TAX | 1,754,903 | 1,173,195 |
| PROVISION FOR (BENEFIT FROM) INCOME TAX | 624,924 | 521,250 |
| | 1,129,979 | 651,945 |
| | 1,129,979 P | 651,945 |
| Attributable to: | | |
| Equity holdings of the Parent Company | 1,098,287 | 625,274 |
| Minority interest | 31,692 | 26,671 |
| | 1,129,979 P | 651,945 |
| | 1,129,979 P | 651,945 |

CONSOLIDATED STATEMENTS OF INCOME
(In Thousand Pesos)

| | (Unaudited) YEAR TO DATE SEPTEMBER 30, 2006 | (Unaudited) YEAR TO DATE SEPTEMBER 30, 2005 |
|---|---|---|
| INTEREST INCOME | | |
| Interest on: | | |
| Loans and receivables | P 9,024,423 P | 8,964,234 |
| Trading and investment securities, interbank loans, Deposits with other banks and others | 5,760,917 | 5,417,675 |
| | 14,785,340 | 14,381,909 |
| INTEREST AND FINANCE CHARGES | | |
| Interest on deposit liabilities, interbank loans, bills payable, borrowings and others | 6,538,350 | 6,342,396 |
| | 8,246,990 | 8,039,513 |
| NET INTEREST INCOME | | |
| PROVISION FOR IMPAIRMENT LOSSES | 1,222,199 | 1,135,340 |
| | 7,024,791 | 6,904,173 |
| OTHER INCOME | | |
| Service charges, fees and commissions | 3,871,387 | 3,572,067 |
| Trading gains and foreign exchange profits | 1,883,184 | 959,541 |
| Miscellaneous | 1,315,454 | 1,220,534 |
| | 7,070,025 | 5,752,142 |
| OTHER EXPENSES | | |
| Compensation and fringe benefits | 3,058,117 | 2,885,658 |
| Occupancy and other equipment related expenses | 2,584,943 | 2,151,043 |
| Taxes and licenses | 1,132,393 | 1,050,226 |
| Miscellaneous | 3,211,386 | 3,154,169 |
| | 9,986,839 | 9,241,096 |
| INCOME BEFORE INCOME TAX | 4,107,977 | 3,415,219 |
| PROVISION FOR (BENEFIT FROM) INCOME TAX | 1,648,715 | 1,571,748 |
| | 2,459,262 | 1,843,471 |
| | 2,459,262 | 1,843,471 |
| Attributable to: | | |
| Equity holdings of the Parent Company | 2,369,843 | 1,765,983 |
| Minority interest | 89,419 | 77,488 |
| | P 2,459,262 P | 1,843,471 |
| | 2,459,262 | 1,843,471 |
| Earnings Per Share Attributable to Equity Holdings of the Parent Company | | |
| Earnings per share amounts were computed as follows: | | |
| Net Income attributable to equity holdings of the Parent Co. | P 2,369,843 P | 1,765,983 |
| Weighted ave. no. of outstanding common shares of the Parent Co. | 648,196 | 648,196 |
| | P 4.89 P | 3.64 |
| | 4.89 | 3.64 |

STATEMENT OF CHANGES IN FINANCIAL POSITION

| FUNDS WERE PROVIDED FROM: | Quarter Ending September 30, 2006 | Quarter Ending September 30, 2005 |
|---|--|--|
| OPERATIONS | | |
| Net Income for the Quarter | P 1,098,287,800 | P 625,274,000 |
| Items not involving the Use of Funds During the Quarter: | | |
| Depreciation and Amortization Expenses | P 479,527,142 | P 437,965,215 |
| Bad Debts Expense | 182,686,802 | 98,920 |
| Provision for Probable Losses | <u>407,499,430</u> | <u>429,078,870</u> |
| | P <u>2,168,001,174</u> | P <u>1,492,417,005</u> |
| DECREASE IN | | |
| Cash and Other Cash Items | 0 | 626,113,000 |
| Due from Bangko Sentral ng Pilipinas | 3,305,971,694 | 0 |
| Due from Other Banks | 380,260,715 | 0 |
| Securities at Fair Value Through Profit or Loss | 0 | 3,738,182,020 |
| Available-for-Sale-Investments | 6,472,043,053 | 0 |
| Loans and Receivables – Net | 0 | 8,867,655,045 |
| Equity Investments – Net | 0 | 117,751,000 |
| Investment Properties | <u>55,808,939</u> | <u>1,112,769,000</u> |
| | 10,214,084,401 | 14,462,470,065 |
| INCREASE IN | | |
| Deposit Liabilities | 2,791,343,321 | 475,837,000 |
| Due to Bangko Sentral ng Pilipinas | 34,941,445 | 38,027,000 |
| Manager's Checks | 0 | 251,944,000 |
| Outstanding Acceptances | 58,834,044 | 0 |
| Margin Deposits | 46,319,452 | 0 |
| Manager's Checks | 890,364,604 | 0 |
| Capital Accounts | <u>542,632,375</u> | <u>44,323,000</u> |
| | 4,364,435,241 | 810,131,000 |
| TOTAL FUNDS PROVIDED | P <u>16,746,520,816</u> | P <u>16,765,018,070</u> |
| FUNDS WERE APPLIED TO : | | |
| ADDITIONS TO BANK PREMISES, FURNITURES, FIXTURES & EQUIPMENT | | |
| | P 282,792,355 | P 463,965,068 |
| INCREASE IN | | |
| Cash and Other Cash Items | 670,551,410 | 0 |
| Due from Bangko Sentral ng Pilipinas | 0 | 1,745,134,000 |
| Due from other banks | 0 | 291,378,000 |
| Interbank Loans Receivables | 6,500,798,549 | 934,029,000 |
| Securities at Fair Value Through Profit or Loss | 158,827,960 | 0 |
| Available-for-Sale-Investments | 0 | 2,625,493,000 |
| Held to Maturity Investments | 430,656,484 | 787,866,000 |
| Loans and Receivables – Net | 29,299,949 | 0 |
| Other Resources | <u>700,468,851</u> | <u>1,956,782,002</u> |
| | 8,490,603,203 | 8,340,682,002 |
| DECREASE IN | | |
| Bills Payable | 596,244,225 | 3,173,363,000 |
| Margin Deposits | 0 | 16,282,000 |
| Outstanding Acceptances | 0 | 123,197,000 |
| Accrued Taxes, Interest & Other Expenses | 70,549,203 | 287,949,000 |
| Other Liabilities | 6,251,318,914 | 4,294,016,000 |
| Subordinated Debt | 578,116,302 | 38,463,000 |
| Capital Accounts | <u>476,896,614</u> | <u>27,101,000</u> |
| | 7,973,125,258 | 7,960,371,000 |
| TOTAL FUNDS APPLIED | P <u>16,746,520,816</u> | P <u>16,765,018,070</u> |

STATEMENT OF CHANGES IN FINANCIAL POSITION

| FUNDS WERE PROVIDED FROM: | Year to Date September 30, 2006 | Year to Date September 30, 2005 |
|---|--|--|
| OPERATIONS | | |
| Net income for the year | P 2,369,843,340 | P 1,765,983,000 |
| Items not involving the Use of Funds During the First Semester: | | |
| Depreciation and Amortization Expenses | P 1,312,867,637 | P 1,181,485,984 |
| Bad Debts Expense | 342,209,770 | 5,379,583 |
| Provision for Probable Losses | <u>1,206,957,325</u> | <u>1,127,609,128</u> |
| | P <u>5,231,878,072</u> | P <u>4,080,457,695</u> |
| DECREASE IN | | |
| Cash and Other Cash Items | 1,305,342,073 | 3,586,356,000 |
| Due from Other Banks | 2,547,013,443 | 1,767,202,000 |
| Available for Sale Investments | 7,022,041,991 | 0 |
| Held to Maturity Investments | 0 | 16,007,864,000 |
| Investment Properties | 417,053,595 | 1,366,415,000 |
| Equity Investments – Net | <u>0</u> | <u>1,259,796,000</u> |
| | 11,291,451,102 | 23,987,633,000 |
| INCREASE IN | | |
| Deposit Liabilities | 24,406,911,911 | 12,580,363,000 |
| Bills Payable | 0 | 9,468,562,000 |
| Due to Bangko Sentral ng Pilipinas | 57,460,184 | 0 |
| Outstanding Acceptances | 635,960,307 | 0 |
| Manager's Checks | 1,349,105,952 | 638,156,000 |
| Accrued Taxes, Interest & Other Expenses | 733,565,886 | 577,664,000 |
| Capital Accounts | <u>357,075,953</u> | <u>0</u> |
| | 27,540,080,193 | 23,264,745,000 |
| TOTAL FUNDS PROVIDED | P <u>44,063,409,367</u> | P <u>51,332,835,695</u> |
| FUNDS WERE APPLIED TO : | | |
| ADDITIONS TO BANK PREMISES, FURNITURES, FIXTURES & EQUIPMENT | P 598,349,982 | P 538,129,328 |
| INCREASE IN | | |
| Due from Bangko Sentral ng Pilipinas | 1,245,223,504 | 8,104,594,000 |
| Interbank Loans Receivables | 1,232,855,807 | 1,580,507,000 |
| Securities at Fair Value Through Profit or Loss | 4,854,693,673 | 6,721,916,980 |
| Available-for-Sale-Investments | 0 | 24,619,964,000 |
| Held to Maturity Investments | 11,711,160,187 | 0 |
| Loans and Receivables – net | 1,805,559,577 | 775,293,949 |
| Other Resources | <u>769,852,697</u> | <u>1,086,728,438</u> |
| | 21,619,345,445 | 42,889,004,367 |
| DECREASE IN | | |
| Bills Payable | 12,029,128,324 | 0 |
| Margin Deposits | 90,116,360 | 24,459,000 |
| Outstanding Acceptances | 0 | 6,419,976,000 |
| Due to Bangko Sentral ng Pilipinas | 0 | 24,260,000 |
| Other Liabilities | 8,469,504,165 | 804,657,000 |
| Subordinated Notes Payable | 567,354,577 | 68,261,000 |
| Capital Accounts | <u>689,610,514</u> | <u>564,089,000</u> |
| | 21,845,713,940 | 7,905,702,000 |
| TOTAL FUNDS APPLIED | P <u>44,063,409,367</u> | P <u>51,332,835,695</u> |

EQUITABLE PCI BANK
Aging of Accounts Receivable (Parent only)
As of September 30, 2006
(In thousand pesos)

| | | |
|---------------|----------|-------------------------------|
| Below 30 days | P | 979.65 |
| Over 30 days | | <u>1,952.00</u> |
| TOTAL | P | <u><u>2,931.65</u></u> |



SEGMENT INFORMATION

The Group's operating businesses are organized and managed separately according to the nature of services provided and the different markets served with a segment representing a strategic business unit. The Group's business segments are as follows:

Consumer and Retail Banking

Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit card facilities and funds transfer facilities;

Commercial Banking

Principally handling commercial customers' deposits, and providing products and services to its commercial middle market customers, mainly small-medium-sized enterprises;

Corporate Banking

Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;

Investment Banking

Principally arranging structured financing, and providing services relating to privatizations, initial public offerings, mergers and acquisitions; and

Treasury

Principally providing money market, trading and treasury services, as well as the management of the Parent Company's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

These segments are the basis on which the Group reports its primary segment information. Other operations of the Group comprise the operations and financial control groups. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged or credited to business segments based on a pool rate, which approximates the marginal cost of funds.

Segment Information for the period September 30, 2006 are as follows:
(in thousand pesos)

| | Consumer and Retail Banking | Commercial Banking | Corporate Banking | Investment Banking | Treasury | Others | Total |
|------------------------------------|--------------------------------|-----------------------|----------------------|-----------------------|--------------|-------------|--------------|
| Gross Income | P 6,012,583 | P 3,896,721 | P 2,550,655 | P 293,045 | P 7,140,160 | P 1,962,201 | P 21,855,365 |
| Segment Result | 2,503,717 | 918,757 | 676,712 | 151,172 | 2,266,708 | 498,315 | 7,015,381 |
| Unallocated Costs | | | | | | | 2,907,410 |
| Profit from Operations | | | | | | | 4,107,971 |
| Equity in net income of associates | | | | | | | 6 |
| Income Before Tax | | | | | | | 4,107,977 |
| Benefit from income tax | | | | | | | (1,648,715) |
| Minority interest | | | | | | | (89,419) |
| Net profit for the year | | | | | | | P 2,369,843 |
| Other information | | | | | | | |
| Segment assets | P 46,796,380 | P56,024,971 | P51,526,749 | P3,230,469 | P106,435,160 | P34,608,169 | P298,621,898 |
| Intra-segment assets | | | | | | | 4,131,263 |
| Investments in associates | | | | | | | 4,994 |
| Unallocated assets | | | | | | | 21,669,097 |
| Total assets | | | | | | | P324,427,252 |
| Segment Liabilities | P 46,173,697 | P54,900,429 | P44,183,563 | P 3,156,749 | P104,152,283 | P32,325,807 | 284,892,528 |
| Unallocated liabilities | | | | | | | -- |
| Total Liabilities | | | | | | | P284,892,528 |
| Other Segment Information | | | | | | | |
| Depreciation | P 560,022 | P 46,641 | P 5,672 | P 3,877 | P 44,370 | P 354,315 | P 1,014,897 |



Segment Information for the year December 31, 2005 are as follows:
(in thousand pesos)

| | Consumer and Retail Banking | Commercial Banking | Corporate Banking | Investment Banking | Treasury | Others | Total |
|------------------------------------|--------------------------------|-----------------------|----------------------|-----------------------|-------------|-------------|--------------|
| Gross Income | P 7,459,910 | P 5,450,925 | P 3,214,859 | P 477,074 | P 7,931,032 | P 4,074,488 | P 28,608,288 |
| Segment Result | 3,816,821 | 1,344,352 | 335,259 | 253,277 | 2,804,568 | 1,852,955 | 10,407,232 |
| Unallocated Costs | | | | | | | 5,433,512 |
| Profit from Operations | | | | | | | 4,973,720 |
| Equity in net income of associates | | | | | | | 562 |
| Income Before Tax | | | | | | | 4,974,282 |
| Income tax expense | | | | | | | (2,176,436) |
| Minority interest | | | | | | | (99,461) |
| Net income for the year | | | | | | | P 2,698,385 |
| Other information | | | | | | | |
| Segment resources | P 49,617,946 | P58,662,288 | P48,732,627 | P 2,906,429 | P90,786,617 | P39,614,219 | P290,320,126 |
| Intra-segment resources | | | | | | | 3,192,449 |
| Investments in associates | | | | | | | 1,877,470 |
| Unallocated resources | | | | | | | 20,972,996 |
| Total resources | | | | | | | P316,363,041 |
| Segment Liabilities | P 47,969,029 | P55,047,610 | P39,470,351 | P 2,487,277 | P93,528,590 | P40,362,770 | 278,865,627 |
| Other Segment Information | | | | | | | |
| Depreciation | P 685,945 | P 36,917 | P 7,558 | P 5,795 | P 58,069 | P 550,387 | P 1,344,671 |

FINANCIAL INFORMATION

Securities and Exchange Commission
SEC Building EDSA, Greenhills,
Mandaluyong, Metro Manila

The financial statements for the period ended September 30, 2006 have been prepared in conformity with the generally accepted accounting principles and reflect amounts that are based on the best estimates and informed judgement of Management with an appropriate consideration to materiality. The Bank 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. In addition, Management represents that:

- a. No changes were made on accounting policies and methods of computation and estimates compared with the 2005 audited financial statements.
- b. Seasonality or cyclicity of business condition during interim operations does not apply.
- c. There are no unusual items as to nature, size or incidents affecting assets, liabilities, equity net income or cash flows.
- d. There are no changes in accounting estimates effected in this interim period reported on.
- e. No material issuances, repurchases and repayments of debt and equity securities compared with the most recent 2005 annual financial statement.
- f. The bank has not declared/paid any dividends to stockholders during the first semester of 2006.
- g. There are no material changes in the composition of the issuer during the interim period including business combinations, acquisitions and disposals of long-term investments, restructuring and discontinuing operations.
- h. No material change in the contingent liabilities or assets since last annual balance sheet date.
- i. There are no contingencies and any other events or transactions that are material to an understanding of the current interim period.



SEC FORM 17-Q

MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA) OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

I. FINANCIAL CONDITION

Balance Sheet – September 30, 2006 vs. December 31, 2005

Equitable PCI Bank's total resources at the end of September 2006 stood at P324.4 billion, P8 billion more than the end-2005 level of P316.4 billion. Asset growth is seen mainly in the form of investment securities.

As of September 30, total cash and due from banks showed a 13% decline to P16.8 billion from P19.4 billion in December 2005 as the Bank redeployed funds to other earning assets. Cash and Other Cash Items showed a 17% reduction to P6.24 billion. Due from Bangko Sentral ng Pilipinas registered a 17% increase to P8.5 billion, while Due from Other Banks registered a 54% decline to P2.1 billion.

The Bank's portfolio of investment securities aggregated to P85.1 billion at the end of September 2006, 13% more than the P75.5 billion volume at the end of 2005. Available-for-Sale Investments went down by P7 billion or 41% to P10.1 billion from the December 2005 figure of P17.1 billion. Securities at Fair Value through Profit or Loss amounted to P30.8 billion, P4.9 billion or 19% higher than the end-2005 figure, while Held-to-Maturity Investments expanded 36% to P44.2 billion from P32.5 billion in December 2005. The Bank continues to review and balance its investment portfolio with the new regulatory and accounting standards on investment securities in place and in view of market developments.

Net Loans and Receivables amounted to P143 billion as of end-September, up by P606 million from end-December 2005, despite the still tepid lending environment. Meanwhile, Interbank Loans Receivable and Securities Purchased under Resale Agreements expanded by 7% to P19.4 billion as the bank rebalanced its earning assets.

On the liabilities side of the balance sheet, deposits held by the Bank amounted to P231.1 billion at end-September, up by 12% from the December 2005 level of P206.7 billion as the Bank continued its efforts to generate more lower-cost deposits. Demand Deposits showed a growth of 18% to P13.8 billion, while Savings Deposits expanded by 16% to P165.2 billion. Time Deposits were slightly lower at P52 billion and thus, the ratio of Time Deposits to total deposits dipped to 23% from 25%. Savings Deposits had a higher percentage to total deposits of 72% from 69%, while Demand Deposits were stable at 6%.

Bills, Bonds and Acceptances Payable were 38% lower at P18.9 billion in September from the December 2005 level of P30.3 billion due to a much lower volume of bills payable. Due to BSP increased from December's P51.6 million to P109 million due primarily from higher accrual of BSP supervision fees. Manager's Checks and Demand Drafts Outstanding went up by 148% at the end of September to P2.26 billion reflecting a higher volume of issued checks still pending negotiation, while Accrued Taxes, Interest and Other Expenses rose 24% to P3.8 billion due to higher accruals. Deferred Credits and Other Liabilities, meanwhile, contracted by 31% to P18.7 billion due to the lower level of bills purchased contra account.

Subordinated Notes Payable, which have been issued in US dollars, declined 5% to P10 billion in September from P10.6 billion in December 2005 due to the appreciation of the peso.

Capital funds stood at P39.5 billion at the end of September 2006, up by 5% from the year-end figures as earnings were mainly retained in the Bank.

Contingent Accounts dipped by 21% to P113.7 billion. Unused Commercial Letters of Credit were higher by 26% at P10.3 billion on account of increased trade transactions. Trust Department Accounts declined almost 30% to P77.3 billion in September as the Bank's clients shifted their investments to deposits. Other Contingent Accounts were only slightly higher at P26.2 billion.



II. RESULTS OF OPERATION

For the Quarters ended September 30, 2006 and 2005

Equitable PCI Bank booked a total net income of P1.13 billion for the third quarter of 2006, 73% higher than the P652 million income for the same quarter in 2005. Net income attributable to equity holders of the parent bank amounted to P1.1 billion, 76% more than the P625 million figure for the third quarter of 2005.

Interest Income grew 4% to P5.1 billion during the quarter. Interest on Loans and Receivables was nearly unchanged at P3.1 billion due to slow loan take-up, while Interest on Trading and Investment Securities, Interbank Loans and Deposits with Other Banks grew P77 million to P1.9 billion due to the much larger investments portfolio.

Interest and Finance Charges amounted to P2.2 billion for the quarter, up by 4% year-on-year on account of higher deposit liabilities. Thus, Net Interest Income grew 3% to P2.8 billion.

The Bank set aside P418 million as Provision for Impairment Losses during the quarter as part of the continuing effort to further strengthen its balance sheet. In the third quarter of 2005, the Bank set aside P431 million as Provision for Impairment Losses.

Other Income rose to P2.8 billion, P732 million or 36% more than that for same period last year. The increment came mainly from the P664 million or 204% increase in Trading Gains and Foreign Exchange Profits to P990 million as the Bank took advantage of market opportunities. Service Charges, Fees and Commissions during the quarter were 3% higher at P1.3 billion as the Bank continued to build-up fee-based income sources. Miscellaneous Income also increased P29 million to P469 million due to movements of the various miscellaneous accounts.

Other Expenses reflected a growth of 8% to P3.4 billion as Occupancy and Other Equipment Related Expenses went up by P246 million to P928 million due to branch network expansion and investments in information technology. Despite the recent conclusion of a Collective Bargaining Agreement (CBA) with the employees' union,



Compensation and Fringe Benefits were flat at P1 billion for the third quarter. Taxes and Licenses went up P52 million to 14% to P410 million due to higher gross receipts and documentary stamp taxes. Miscellaneous Expenses, meanwhile, were 6% or P67 million less than in the same quarter last year at P1.1 billion from favorable movements in various miscellaneous expense accounts.

Provision for income tax for the July to September 2006 period amounted to P625 million, 20% more than the P521 million provision for the same period last year as the Bank continued to write-off deferred tax assets (DTA).

For the Nine Months ended September 30, 2006 and 2005

For the January to September period, the Bank's net income reached P2.46 billion, higher than the P1.84 billion income for the same period in 2005. Net income attributable to equity holders of the parent bank amounted to P2.37 billion, 34% more than the P1.77 billion figure for the first nine months of 2005.

Interest Income grew 3% to P14.8 billion. Although interest income from Loans and Receivables was nearly unchanged at P9 billion due to slow loan take-up, interest income from Trading and Investment Securities, Interbank Loans and Deposits with Other Banks grew 6% or P343 million to P5.8 billion due to the bigger volume of investment securities.

Interest and Finance Charges amounted to P6.5 billion for the January to September period, up by 3% year-on-year on account of higher deposit volumes. Thus, Net Interest Income grew 3% to P8.2 billion.

As part of the continuing effort to further strengthen the Bank's balance sheet, Provision for Impairment Losses was higher by 8% at P1.2 billion in the first three quarters of 2006 compared to the same period in 2005.

Other Income rose to P7.1 billion, P1.3 billion or 23% more than for same period last year as Trading Gains and Foreign Exchange Profits nearly doubled to P1.9 billion as the Bank adeptly managed its investment portfolio to maximize returns with a recovery in the capital markets in the third quarter of 2006 following the instability experienced in May and June. Service Charges, Fees and Commissions, meanwhile, rose P299 million to P3.9 billion. Miscellaneous Income gained P95 million or 8% to P1.3 billion due to movements of the various miscellaneous accounts.

Other Expenses totaled P10 billion, P746 million more than a year ago mainly from the P434 increment in Occupancy and Other Equipment Related Expenses due to branch network expansion and investments in information technology. Compensation and Fringe Benefits grew 6% to P3.1 billion, largely due to the implementation of the CBA with the employees union, merit increases and promotions, and additional contributions to the retirement fund in compliance with new accounting standards. Taxes and Licenses went up to P1.1 billion, P82 million or 8% higher than in the same period last year due to higher gross receipts and documentary stamp taxes. Miscellaneous Expenses, meanwhile, were 2% or P57 million more at P3.2 billion due to movements in various miscellaneous expense accounts.

Provision for income tax for the January to September 2006 period amounted to P1.6 billion, 5% higher than the provision for the same period last year, as the Bank continued to write-off deferred tax assets (DTA).

Key Performance Indicators

The following ratios measure the financial performance of the Equitable PCI Bank Group:

| | YTD September 2006 | Full Year 2005 (audited) | YTD September 2005 |
|-----------------------------------|-------------------------------|-------------------------------------|-------------------------------|
| Return on Equity (%) ¹ | 15.37% | 10.57% | 9.29% |
| Return on Assets (%) ¹ | 1.05% | 0.88% | 0.78% |
| Net Interest Margin (%) | 4.41% | 4.35% | 4.53% |
| Efficiency Ratio (%) | 65.20% | 61.24% | 67.00% |
| NPL Ratio (5) ² | 4.36% | 4.50% | 4.66% |

1/without appraisal increment and goodwill

2/based on BSP definition, net of fully-provided loss accounts

The Group's Return on Equity (ROE), the ratio of annualized net income to average equity excluding goodwill and appraisal increment went up to 15.37% as of YTD September 2006. The ratio showed continued improvement from 9.29% as of YTD September 2005 and from 10.57% for the year 2005, indicating more optimal use of shareholders' funds to generate income.

Return on Assets (ROA), the ratio of annualized net income to average assets excluding goodwill and appraisal increment, was recorded at 1.05% for the nine months of 2006, much higher than the 0.78% ROA for the same period in 2005 and the 0.88% ROA for the whole of 2005.

Net Interest Margin (NIM), the ratio of net interest income to average earning assets, has shown improvements from previous periods resulting from a bigger and better-yielding earning asset portfolio and managed funding costs. It was at 4.41% as of September 2006, higher than the full year 2005 NIM of 4.35%. The NIM was at 4.53% in September 2005.

Efficiency Ratio, the ratio of other expenses to the sum of net interest income and other income, was at 65.2% as of YTD September 2006. The full year 2005 ratio was 61.24%, while the YTD September 2005 ratio was 67%.

The Bank's non-performing loan (NPL) ratio, net of fully provisioned accounts following the BSP formula, stood at 4.36% in September 2006 as enhanced credit processes, aggressive collection efforts and bulk NPA sales under the SPV law greatly improved the ratio. The ratio is much better than the 4.50% NPL ratio in December 2005 and the 4.66% NPL ratio in September 2005.

Material Events and Uncertainties

On 30th December 2003, the Social Security System (SSS) announced that it intended to sell its entire 25.83% shareholdings in the Bank to BDO Capital and Investment Corporation, the investment arm of Banco de Oro (BDO), another universal bank in the Philippines. Following opposition to the proposed sale, the SSS announced that it would offer its shareholdings by way of an auction process under which BDO would be given the right to match the highest price submitted for the shareholdings. However, certain Senators petitioned the Supreme Court to stop the auction process on the basis that it violated public policy in the disposition of public assets. The Supreme Court is currently considering the petition and no date has been fixed for judicial hearings or final determination of the petition. Subsequently, the SSS participated in SMIC Tender Offer by the SM Group (see below) subject to the resolution of the case pending in the Supreme Court.



On 11th August 2005, the Go family's approximately 25% stake in Equitable PCI Bank and 10% stake in Equitable Card Network Inc. (ECNI) were sold to the Sy family's SM-BDO group. The sale of the Bank's shares was consummated through a cross sale at the Philippine Stock Exchange (PSE).

In its letter dated 25th October 2005, the Monetary Board (MB) required EBC Investments, Inc. (EBCII) to sell its 10.84% equity holdings on its parent bank, Equitable PCI Bank (EPCIB), or to consider reversal of the accounting entries in the books of EPCIB and EBCII pertaining to these transactions as options for retiring the shares in question. On 31st March 2006, the Bank's Board of Directors (BOD) approved the reversal of the accounting entries in the books of the Bank to effect the cancellation of its advances to EBCII. The BOD agreed, with the confirmation of its external legal counsel, that such cancellation is legally feasible and will serve to restore to the Bank the shares held by its subsidiary against a corresponding elimination of the Bank's advances to EBCII. Subsequently, EBCII agreed to sell its 10.8% stake to the SM Group under the same terms and conditions as the Tender Offer (see below).

On 6th January 2006, Equitable PCI Bank received an offer of "Merger of Equals" from BDO. The proposed terms of the merger offer were:

- (1) Merger of equals between BDO and the Bank, with BDO as the surviving entity;
- (2) Merger by way of share swap of common shares;
- (3) Swap Ratio shall, at the option of the Board of Directors of the Bank, be either:
 - a. A maximum Swap ratio of 1.60 BDO common shares for every EPCIB common share; or
 - b. Book-to-book values adjusted for comparability by an independent accounting firm using IAS.

The merger offer lapsed on 31st January 2006.

On 26th January 2006, the Government Service Insurance System (GSIS) publicly announced that it was selling its entire 12.4% stake in the Bank, equivalent to two (2) board seats, through a public bidding at a minimum price of P92/share. The alleged intended sale of GSIS of its entire stake in EPCIB is a matter which involves the proprietary rights and prerogatives of the former as the owner of those shares. The offer, that was supposed to be originally valid up to 6th March 2006, was reportedly first extended to 6th April and then extended again to 8th May 2006. No buyer, however, was reported to have submitted a bid for the GSIS shares on the May 8 deadline. GSIS subsequently sold its entire holdings to the SM group in the EPCI Tender Offer (see below).



On 29th August 2006, SM Investments Corporation (SMIC) and related companies made a Tender Offer for 401,015,110 shares of Equitable PCI Bank, representing 55.16% of outstanding shares at a price of ninety-two pesos (Php 92) per share. The consideration shall be payable as follows: ten percent (10%) on settlement date or on October 2, ten percent (10%) on June 2, 2007, ten (10%) percent on February 2, 2008, and the balance to be paid on October 2, 2008.

The Tender Offer by the SM group generated participation from shareholders with total shares of 374.9 million equivalent to 51.6% of EPCI's total shares outstanding. The sellers included the GSIS with 13.55%, the SSS with 25.84%, and other individual shareholders with 1.34%. The participation of the SSS in the Tender Offer, however, is subject to the resolution of the case pending in the Supreme Court.

EBCII also agreed to sell its 78,807,098 EPCI common shares under the same terms and conditions as the Tender Offer. The EBCII-held shares represent about 10.8% of EPCI's total shares outstanding.

The sale of the shares under the Tender Offer was consummated through cross trades on October 2, 2006 at the Philippine Stock Exchange. The SM group now holds an effective 59.7% ownership stake in the Bank, which could go up to 85.6% if the SSS stake is included.

Other than those enumerated above, Equitable PCI Bank has nothing to report on the following:

1. Any known trends or demand, commitments, events or uncertainties that will have material impact on its liquidity.
2. Any event that will trigger direct or contingent financial obligation that is material to the Bank including any default or acceleration of an obligation.
3. Material off-balance sheet transactions, arrangements, obligations, (including contingent obligations), and other relationships of the Bank with unconsolidated entities or other persons created during the reporting period.
4. Any material commitment for capital expenditure.
5. Any known trends, events or uncertainties that have had or that are reasonably expected to have material favorable or unfavorable impact on net sales/revenues/income from continuing operations.



6. Any significant elements of income or loss that did not arise from continuing operations.
7. Any seasonal aspects that had a material effect on the financial condition or results of operations.

III. Plans and Prospects for the Future

The Bank's vision is to become the client's Bank of Choice. Its strategy is to be the dominant bank in the middle market and retail segments while serving the corporate market. The Bank continues to undertake initiatives that will further strengthen its position as the 3rd largest private domestic bank in the country and result in greater profitability.

The Bank plans to continue placing a strong drive on deposit growth and improving leverage especially on low-cost deposits by emphasizing quality of service delivery and through a more focused approach towards customers, products, and channels. The Bank will also launch marketing and communications campaigns and implement product level advertising and sales promotions for the major products distributed by its Retail Banking Group. Automation projects will continue to be pursued to support a seamless or end-to-end processing in remittance, consumer finance, and branches and expand or update the retail customer database to support customer segmentation initiatives. In line with this, the Bank will continue instituting an effective sales management process in the branches.

The Bank will increase its consumer loan portfolio and intensify cross-selling initiatives by leveraging on its wide branch network and good banking relationships with clients. Consumer loan growth is expected to come from the acquisition of portfolios, tapping of corporate clients for their employee loans, and entering into more Contract-to-Sell arrangements with property developers. Offering of incentive programs for consumer loans will also be continued.

Strong control will be exercised over the current level of asset quality through early recognition and continued tight monitoring of problem accounts. As a major part of its priorities, the Bank is aggressively undertaking its own sale of real estate assets even after selling an aggregate P15.8 billion NPAs.



The Bank specifically plans to increase its funds-based revenues and improve its net interest margin by growing its low-cost deposit base and growing a larger proportion of high-yielding consumer loans. Cash management and electronic banking capabilities will be used as tools to grow deposits from corporates as well as from individual clients.

Treasury will continue to be a major contributor to the Bank's income. This effort will be greatly enhanced by its strong market presence, through Treasury Money Centers, that are located not only in the major commercial areas of Metro Manila but in the prime regional hubs of the Visayas and Mindanao as well. This market reach will remain to be a competitive advantage as it enables the Bank to bring Treasury products, like fixed income securities and foreign exchange, within closer reach of clients in these growth areas.

For the fee-based business, credit cards, trust banking, remittance, branch transactions and bancassurance are expected to be the main growth areas for the Bank. The Bank will strive to reinforce its major position in the credit card segment by further broadening its cardholder and merchant base and launching new products to address all market segments. The Bank's status as a top tier asset manager will also be strengthened with initiatives to push new Unit Investment Trust Fund (UITF) products as well as continue focusing on existing strengths with traditional retail and corporate products. The Bank will also add and strengthen remittance tie-ups to further improve market reach and enhance service delivery, while the introduction of new fee-based retail products will widen the Bank's menu of products and services. Finally, the Bank's joint venture with Philamlife will enable it to become a major player in the field of bancassurance, consistent with its goal to offer customers an expanded range of financial products and be responsive to their needs.

The Bank, likewise, intends to further enhance fee income through its investment banking arm – where it intends to be an active participant in the recently established fixed income exchange. It intends to channel lower-margin corporate banking accounts to the capital markets to generate fee income while maintaining the banking relationship as well.