

COVER SHEET

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S.E.C. Registration Number

B A N C O D E O R O - E P C I , I N C .

(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 9

Month

3 0

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

14,637

Total No.of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be Accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_

LCU

Document I.D.

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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 September 30, 2007.
2. Commission identification number 34001      3. BIR Tax Identification No. 000-708-174-000

**BANCO DE ORO – EPCI, INC.**

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
<b>Common stock</b>	<b>2,302,032,661</b>	



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 – EPCI, INC.**

Signature and Title.....   
**LUCY CO DY**  
EVP/COMPTROLLER  


Date..... **Nov 09, 2007**

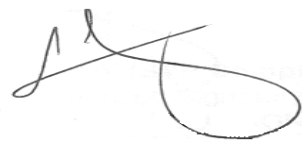
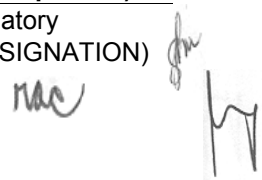
Principal Financial /Accounting Officer/Comptroller..... **LUCY CO DY**

Signature and Title.....   
**LUCY CO DY**  
EVP/COMPTROLLER

Date..... **Nov 09, 2007**

**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 (EVP Comptroller)**  
Authorized Signatory  
(PRINTED NAME & DESIGNATION)  


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

SUBSCRIBED AND SWORN TO before me this 13 NOV 2007 day of November, 2007, the above affiant exhibiting to me his/her described Competent Evidence of Identity ("CEI"):

Name	CEI	Date & Place Issued
Lucy Co Dy	Passport – TT0770339	09.07.2006/Manila

Doc. No. 105  
Page No. 22  
Book No. IV  
Series of 2007



\* 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

**BANCO DE ORO – EPCI, INC. & SUBSIDIARIES**  
**12 ADB Ave Ortigas Center, Mandaluyong City**

**CONDENSED STATEMENT OF CONDITION**  
*(Amounts in Thousands of Pesos)*

		<u>As of</u> <u>Sep 30, 2007</u>		<u>Pro Forma</u> <u>As of</u> <u>Dec 31, 2006</u>
<b><u>RESOURCES</u></b>				
CASH AND OTHER CASH ITEMS	P	11,378,113	P	17,967,438
DUE FROM BANGKO SENTRAL NG PILIPINAS		60,575,425		42,236,370
DUE FROM OTHER BANKS		9,983,711		12,990,874
INVESTMENT SECURITIES				
Financial Assets at Fair Value Through Profit or Loss		21,695,226		30,695,243
Available-for-Sale Securities – net		78,903,765		63,652,199
Held-to-Maturity Investments – net		67,376,392		84,525,579
LOANS AND OTHER RECEIVABLES – net		295,405,742		316,039,315
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – net		11,573,681		10,026,121
EQUITY INVESTMENTS - net		1,772,059		1,660,369
REAL AND OTHER PROPERTIES ACQUIRED				
Non-Current Assets Held for Sale		3,402,225		3,611,056
Investment Properties		16,686,236		19,222,528
OTHER RESOURCES - net		<u>29,390,029</u>		<u>28,194,948</u>
<b>TOTAL RESOURCES</b>	<b>P</b>	<b><u>608,142,604</u></b>	<b>P</b>	<b><u>630,822,040</u></b>
<b><u>LIABILITIES AND CAPITAL FUNDS</u></b>				
<b>DEPOSIT LIABILITIES</b>				
Demand	P	21,955,062	P	23,271,324
Savings		297,179,906		320,997,696
Time		<u>119,591,051</u>		<u>125,833,501</u>
Total Deposit Liabilities		438,726,019		470,102,521
BILLS PAYABLE		69,145,223		70,126,228
DERIVATIVE LIABILITIES		2,281,472		1,620,789
OTHER LIABILITIES		<u>39,164,597</u>		<u>35,831,026</u>
Total Liabilities		<u>549,317,311</u>		<u>577,680,564</u>
<b>CAPITAL FUNDS</b>		<u>58,825,293</u>		<u>53,141,476</u>
<b>TOTAL LIABILITIES AND CAPITAL FUNDS</b>	<b>P</b>	<b><u>608,142,604</u></b>	<b>P</b>	<b><u>630,822,040</u></b>
<b><u>CONTINGENT</u></b>				
Trust department accounts	P	252,970,718	P	171,341,909
Unused commercial letters of credit		25,219,846		17,809,908
Outstanding Guarantees Issued		1,440,965		3,326,080
Export L/Cs Confirmed		55,738		25,445
Bills for Collection		9,871,508		11,285,292
Late Deposits/Payment Received		601,667		1,150,368
Others		<u>234,239,592</u>		<u>148,355,051</u>
<b>TOTAL CONTINGENT ACCOUNTS</b>	<b>P</b>	<b><u>524,400,034</u></b>	<b>P</b>	<b><u>353,294,053</u></b>

Note: This Financial Statement is in accordance with Philippine Financial Reporting Standards(PFRS)

**BANCO DE ORO – EPCI, INC. & SUBSIDIARIES**  
12 ADB Ave. Ortigas Center, Mandaluyong City

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

	For the nine-month Period ended Sep 30, 2007	For the nine-month Period ended Sep 30, 2006	For the Quarter ending Sep 30, 2007	For the Quarter ending Sep 30, 2006
<b>INTEREST INCOME ON</b>				
Loans and Receivables	P 14,626,367	P 15,962,900	P 5,188,162	P 5,380,776
Investment Securities	8,443,965	11,527,706	2,749,562	4,082,356
Due from Other Banks	1,971,779	503,119	594,962	187,167
Others	<u>2,784,811</u>	<u>393,962</u>	<u>844,593</u>	<u>129,935</u>
<b>Total Interest Income</b>	<u>27,826,922</u>	<u>28,387,687</u>	<u>9,377,279</u>	<u>9,780,234</u>
<b>INTEREST EXPENSE ON</b>				
Deposit liabilities	9,330,235	10,714,418	2,952,380	3,899,998
Bills Payable and Others	<u>2,078,041</u>	<u>3,615,548</u>	<u>969,583</u>	<u>1,059,005</u>
<b>Total Interest Expense</b>	<u>11,408,276</u>	<u>14,329,966</u>	<u>3,921,963</u>	<u>4,959,003</u>
<b>NET INTEREST INCOME</b>	16,418,646	14,057,721	5,455,316	4,821,231
<b>IMPAIRMENT LOSSES</b>	<u>3,577,252</u>	<u>1,974,786</u>	<u>516,191</u>	<u>836,686</u>
<b>NET INTEREST INCOME AFTER IMPAIRMENT LOSSES</b>	<u>12,841,394</u>	<u>12,082,935</u>	<u>4,939,125</u>	<u>3,984,545</u>
<b>OTHER INCOME</b>				
Trading Gain	3,015,564	3,381,061	420,128	2,187,347
Service charges and fees	6,284,175	5,006,502	2,107,048	1,701,802
Trust Fees	561,004	914,401	211,861	156,303
Foreign Exchange Gain – net	634,696	665,981	164,967	242,062
Miscellaneous – net	<u>1,755,910</u>	<u>773,965</u>	<u>298,897</u>	<u>326,569</u>
<b>Total Other Income</b>	<u>12,251,349</u>	<u>10,741,910</u>	<u>3,202,901</u>	<u>4,614,083</u>
<b>OTHER EXPENSES</b>				
Employee Benefits	5,741,321	4,831,716	2,036,393	1,601,903
Occupancy	2,494,117	2,582,820	804,049	1,436,272
Taxes and licenses	2,307,173	1,731,788	821,193	617,704
Security, Clerical, Messengerial and Janitorial	764,289	603,251	291,454	207,970
Insurance	775,379	653,902	273,165	240,579
Documentary Stamps Used	487,212	477,337	137,815	174,745
Advertising	466,163	305,015	142,490	109,953
Litigation/Assets Acquired	431,482	464,582	131,390	138,285
Representation and Entertainment	488,664	424,506	111,591	94,902
Repairs and Maintenance	670,258	539,757	207,779	205,665
Miscellaneous	<u>4,528,540</u>	<u>3,773,949</u>	<u>1,304,512</u>	<u>981,023</u>
<b>Total Other Expenses</b>	<u>19,154,598</u>	<u>16,388,623</u>	<u>6,261,831</u>	<u>5,809,001</u>
<b>INCOME BEFORE TAX</b>	5,938,145	6,436,222	1,880,195	2,789,627
<b>TAX EXPENSE (INCOME)</b>	1,079,804	1,690,404	198,936	639,572
<b>NET INCOME AFTER TAX</b>	P <u>4,858,341</u>	P <u>4,745,818</u>	P <u>1,681,259</u>	P <u>2,150,055</u>
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the parent	P 4,857,422	4,656,399	1,681,389	2,118,363
Minority Interest	919	89,419	-130	31,692
	<u>4,858,341</u>	<u>4,745,818</u>	<u>1,681,259</u>	<u>2,150,055</u>
<b>AVERAGE COMMON STOCK</b>	2,274,194	2,264,219	2,274,194	2,264,219
<b>INCOME PER SHARE (See annex A)</b>				
Basic	2.14	2.06	0.74	0.91
Diluted	2.13	2.04	0.75	0.90

Note: This Financial Statement is in accordance with Philippine Financial Reporting Standards(PFRS)

**BANCO DE ORO – EPCI, INC. & SUBSIDIARIES**  
**12 ADB Ave. Ortigas Center, Mandaluyong City**

**STATEMENT OF CASH FLOWS**  
**As of September 30, 2007 and September 30, 2006**  
*(Amounts in Thousands of Pesos)*

	<b>Sep 30, 2007</b>	<b>Sep 30, 2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income after tax	4,858,341	4,745,818
Prior Year Adjustment		
Decrease (Increase In)		
Due from BSP	-18,339,055	-13,462,035
Due from Other Banks	3,007,163	3,343,392
Financial Assets at Fair Value Through Profit or Loss	9,000,017	-5,123,009
Available-for-Sale Securities	-15,251,566	385,004
Held- to-Maturity	17,149,187	-28,858,149
Loans and Other Receivables	20,633,573	-21,310,276
Non Current Assets Held for Sale	208,831	45,005
Investment Property	2,536,292	866,215
Other Resources	-1,195,081	-5,871,443
	17,749,361	-69,985,296
 Increase (Decrease) in:		
Deposit Liabilities	-31,376,502	69,394,590
Derivatives	660,683	-428,917
Other Liabilities	3,333,571	-3,830,431
Net Unrealized (G/L) on AFS	-923,551	-648,912
	-28,305,799	64,486,330
 Net cash used in operating activities	-5,698,097	-753,148
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Equity Investment	-111,690	-529,686
Appraisal Increment Reserves	1,363,072	4,013
Bank Property & Equipment	-1,547,560	122,868
Net cash used in investing activities	-296,178	-402,805
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital Stock	314,039	224,302
Surplus	71,916	1,020,524
Bills Payable	-981,005	-5,447,941
Net Cash from financing activities	-595,050	-4,203,115
 <b>NET INCREASE IN CASH AND OTHER CASH ITEMS</b>	-6,589,325	-5,359,068
<b>CASH AND OTHER CASH ITEMS AT BEGINNING OF YEAR</b>	17,967,438	14,162,456
 <b>CASH AND CASH EQUIVALENT AT THE END OF QUARTER</b>	11,378,113	8,803,388

Note: This Financial Statement is in accordance with Philippine Financial Reporting Standards(PFRS)

**BANCO DE ORO – EPCI, INC. & SUBSIDIARIES**  
**12 ADB Ave. Ortigas Center, Mandaluyong City**

**STATEMENT OF CHANGES IN EQUITY**  
**COMPARATIVE PERIODS ENDED September 30, 2007 & September 30, 2006**  
*(Amounts in Thousands of Pesos)*

		<u>Sep 30, 2007</u>	<u>Sep 30, 2006</u>
<b>CAPITAL STOCK</b>			
Beginning Balance	P	22,706,293	P 22,481,994
Issuance of Common Shares		314,036	224,299
Balance end of Qtr. September	P	<u>23,020,329</u>	<u>P 22,706,293</u>
<b>COMMON STOCK OPTION</b>			
Beginning Balance	P	28,914	P 13,634
Balance end of Qtr. September	P	<u>28,914</u>	<u>P 13,634</u>
<b>Treasury Shares – At Cost</b>			
Balance Beginning	P	0	P -1,428,265
Balance end of Qtr. September	P	<u>0</u>	<u>P -1,428,265</u>
<b>ADDITIONAL PAID IN CAPITAL</b>			
Balance beginning	P	14,981,574	P 17,963,797
Additional Paid in Capital on Common Stock issued during the year		-57,010	375,701
Balance end of Qtr. September	P	<u>14,924,564</u>	<u>P 18,339,498</u>
<b>SURPLUS RESERVES</b>			
Balance beginning	P	934,872	P 772,512
Transfer from Surplus Free		36,000	31,662
Balance end of Qtr. September	P	<u>970,872</u>	<u>P 804,174</u>
<b>SURPLUS FREE</b>			
Balance beginning	P	10,729,117	P 4,590,075
Net Income		4,858,341	4,745,818
Transfer to Surplus Reserves		-36,000	-31,662
Declaration of Cash Dividends		-769,618	0
Auditor's adjusting entries		571,260	-2,214
Balance end of Qtr. September	P	<u>15,353,100</u>	<u>P 9,302,017</u>
<b>PARENT COMPANY'S SHARE HELD BY A SUBSIDIARY</b>			
Balance end of Qtr. September	P	<u>0</u>	<u>P -7,396,929</u>
<b>APPRAISAL INCREMENT RESERVES</b>			
Balance end of Qtr. September	P	<u>1,363,072</u>	<u>P 1,361,952</u>
<b>UNREALIZED DECLINE IN VALUE OF ASS</b>			
Balance end of Qtr. September	P	<u>2,387,307</u>	<u>P 1,381,660</u>
<b>MINORITY INTEREST</b>			
Balance beginning	P	778,054	P 676,187
Reversal (Share in Net Losses) during the year		-919	-89,419
Balance end of Qtr. September		<u>777,135</u>	<u>586,768</u>
<b>TOTAL EQUITY</b>	<b>P</b>	<b><u>58,825,293</u></b>	<b><u>P 45,670,802</u></b>

**BANCO DE ORO – EPCI, INC. & SUBSIDIARIES**  
**12 ABD Ave. Ortigas Center, Mandaluyong City**

**AGING OF LOANS AND ACCOUNTS RECEIVABLE**  
**As of September 30, 2007**  
*(Amounts in Thousands of Pesos)*

TYPE OF ACCOUNTS	CURRENT	61 – 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	ITEMS IN LITIGATION	TOTAL
<b>A. INTERBANK CALL LOANS RECEIVABLES</b>	P 22,649,909	P 0	P 0	P 0	P 0	22,649,909
Interbank Call Loan Receivable-Local Banks	2,886,380					2,886,380
Interbank Call Loan Receivable-Fx. Regular	152,018					152,018
Interbank Call Loan Receivable Fcdu(Fx Banks-Abroad)	19,611,511					19,611,511
<b>B. LOANS AND RECEIVABLES</b>	P 270,812,998	P 3,615,003	P 4,907,718	P 9,265,449	P 2,016,101	290,617,269
Loans & Discounts	184,383,800	1,299,735	1,488,800	4,188,770	1,715,611	193,076,716
Agra-Agri Loans	15,708,146	60,086	342,279	579,816	98,751	16,789,078
Development Incentive Loans	1,740,312	21,135	16,140	8,233	17,062	1,802,882
Bills Purchases	16,567,240	6,405	0	12,396	0	16,586,041
Customers Liability on draft under LC/TR	22,815,605	502,916	1,185,034	1,447,669	65,714	26,016,938
Customers Liability for this bank's acceptances	1,306,884	0	0	0	0	1,306,884
Credit Card Receivables	8,197,734	701,045	302,540	198,494	0	9,399,813
Restructured Loans	2,294,605	995,218	1,539,041	2,446,877	118,963	7,394,704
Other Loan & Receivables	4,502,027	28,463	33,884	383,194	0	4,947,568
Reverse Repurchase Agreement	13,296,645	0	0	0	0	13,296,645
<b>C. ACCOUNTS RECEIVABLE</b>	P 3,158,110	P 42,937	P 66,070	P 2,845,314	P 0	6,112,431
<b>TOTAL</b>	P 296,621,017	P 3,657,940	P 4,973,788	P 12,110,763	P 2,016,101	319,379,609

**BANCO DE ORO – EPCI, INC. & SUBSIDIARIES**  
**12 ABD Ave. Ortigas Center, Mandaluyong City**

**COMPUTATION OF WEIGHTED NUMBER OF COMMON SHARES**  
*(Amounts in Thousands of Pesos Except Per Share Data)*

NO. OF SHARES – COMMON As of September	Balance of Common Shares		Average Number of Common Shares
January 2006	2,248,198		
February 2006	2,248,198		
March 2006	2,270,628	78 days	642,342
April 2006	2,270,628		
May 2006	2,270,628		
June 2006	2,270,628		
July 2006	2,270,628		
August 2006	2,270,628		
September 2006	2,270,628	195 days	1,621,877
<b>Weighted Average</b>			<u><u>2,264,219</u></u>
<b>Basic Earnings per share</b>			
Consolidated Net Income for the nine-months period ending September 30, 2006			4,656,399
Divided by the weighted average number of outstanding common shares			<u>2,264,219</u>
<b>Basic Earnings per share</b>			<u><u>2.06</u></u>
<b>Diluted Earnings Per Share</b>			<u><u>2.04</u></u>
January 2007	2,270,628		
February 2007	2,270,628		
March 2007	2,270,628		
April 2007	2,270,628		
May 2007	2,270,628		
June 2007	2,270,628		
July 2007	2,270,628	242 days	2,012,791
August 2007	2,302,032		
September 2007	2,302,032	31 days	261,403
<b>Weighted Average</b>			<u><u>2,274,194</u></u>
<b>Basic Earnings per share</b>			
Consolidated Net Income for the nine-months period ending September 2007			4,857,422
Divided by the weighted average number of outstanding common shares			<u>2,274,194</u>
<b>Basic Earnings per share</b>			<u><u>2.14</u></u>
<b>Diluted Earnings Per Share</b>			
Consolidated Net Income for the nine-months period ending September 2007			4,857,422
<b>Weighted Average number of outstanding common shares</b>	<b>2,274,194</b>		<b>2,274,194</b>
<b>Add: Amount of Grant Stock Grant</b>	<b>52,200</b>		
Average amount of grant	26,100		
Average market price of BDO Shares (P105.00/2)	<u>52.50</u>		497
<b>Stock Options</b>			
Stock Grant	497.14		
	X 10.00		4,971
<b>Total number of share to be issued</b>			<u>5,468</u>
<b>Treasury Shares (4,971x29/52.50)</b>	<b>2,746</b>		<u>-2,746</u>
Potential Common Shares from assumed conversion of stock option plan			<u>2,722</u>
<b>Total weighted average Common Shares after conversion</b>			<u><u>2,276,916</u></u>
<b>Diluted Earnings Per Share</b>			<u><u>2.13</u></u>

## CHECKLIST OF REQUIRED DISCLOSURES

BANCO DE ORO – EPCI, INC.

For the nine months ended: September 30, 2007

### 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 are in compliance with Philippine Financial Reporting Standards.

- 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 used the Pooling of Interest method for the merger between Banco de Oro Universal Bank and Equitable PCI Bank, Inc., which became effective May 31, 2007. This is also the basis for the preparation of prior periods' comparative financial statements.

- 7.b 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 31,403,592 new common shares to the International Finance Corporation (IFC) on August 31, 2007, pursuant to IFC's conversion of its remaining US\$10M convertible loan to BDO.

- 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 common share cash dividend. The record date was January 22, 2007 and the cash dividends were paid on February 8, 2007.

- 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.

- On August 17, 2007, the Board of Directors approved the purchase of the American Express' Philippine Dollar Charge Card Portfolio as well as 100% equity in American Express Savings Bank. The BSP approved the transaction on October 30, 2007.
- With prior approval of the Bank's Board of Directors as well as the BSP, the Bank, on November 8, 2007 commenced the public offering of its 10-year P5.0 billion unsecured subordinated debt issue eligible as Lower Tier 2 Capital.

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.

Remarks: NONE

7.j Changes in contingent liabilities or contingent assets from December 31,2006 (Pro-forma).

- Total Contingent Accounts went up by 48% to P524.400B primarily due to the following:
  - Trust Department Accounts grew by 48% to P252.971B owing to higher levels of funds managed.
  - Unused Commercial Letters of Credit and Export L/Cs Confirmed increased by 42% and 119%, respectively, to P25.220B and P56M from higher volume of trade transactions.
  - Other Contingent Accounts went up by 58% to P234.240B owing to increased levels of forward exchange transactions.
- Outstanding Guarantees Issued declined by 57% to P1.441B due to lower levels of guarantees for foreign loans shipperside bonds and airway bills.
- Bills for Collection was down by 13% to P9.872B owing to a decline in bills, drafts and checks sent for collection.
- Late Deposit / Payments Received was lower by 48% to P602M as less transactions were received from clients after clearing cut-off time.

## MANAGEMENT'S DISCUSSION & ANALYSIS

### I. Balance Sheet – September 2007 vs. December 2006 (Pro-forma)

- Total Resources slightly went down by 4% to P608.143B, mainly due to a 10% decline in liquid assets as the Bank allocated more funds to commercial loans and limited its reliance on high cost funds, to improve profitability.
- Cash and Other Cash Items was reduced by 37% to P11.378B to maximize earnings on reserve assets. Moreover, the year-end 2006 level was unusually high due to cash deposits by clients, from sales generated during the Christmas season.
- Due from BSP account accordingly increased by 43% to P60.575B, coming from the Bank's cash account
- Due from Other Banks decreased by 23% to P9.984B owing to lower levels of foreign currency denominated placements with correspondent banks.
- Investment Securities went down by 6% due to a rebalancing of the investment portfolio and to fund the settlement of a portion of the Bank's high cost funding. Financial Assets through Profit or Loss and Held-to-Maturity Securities thus fell by 29% and 20% to P21.695B and P67.376B, respectively, while Available for Sale Securities grew by 24% to P78.904B.
- Net Loans and Other Receivables decreased by 7% to P295.406B due to a 57% drop in Interbank Loans. Gross receivables from customers, in contrast, increased by 8% owing to the continued growth of the Bank's customer loan portfolio.
- Bank Premises went up by 15% to P11.574B owing to ongoing integration efforts, expansion in branch network and investments in new equipment in anticipation of higher business volumes.
- 
- Equity Investments rose by 7% to P1.772B from earnings of unconsolidated subsidiaries.
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- Non-current Assets Held for Sale and Investment Properties decreased by 6% and 13% to P3.402B and P16.686B, as the Bank disposed of several foreclosed properties.
- 
- Deposit Liabilities went down by 7% to P438.726B as the Bank did not retain a portion of its high cost deposits, to improve interest margins and enhance profitability.
- Other Liabilities rose by 9% to P39.165B from higher levels of accruals and payables as well as outstanding checks and miscellaneous liabilities.
- Capital Funds grew by 11% to P58.825B mainly owing to the Net Income for the three quarters of the year.

### II. Balance Sheet – September 2007 vs. September 2006 (Pro-forma)

- Total Resources expanded by 2% from the previous year's level of P593.440B, owing to a growth in earning assets primarily funded by the growth in capital funds.
- Cash and Other Cash Items increased by 29% on account of higher levels of cash deposits, checks and other cash items as of cut-off date.
- Due from BSP grew by 143% owing to the Bank's Reserve Deposit Account and Special Deposit Account with BSP.
- Due from Other Banks expanded by 54%, on account of a higher level of foreign currency denominated placements and working balances with foreign banks.
- 
- Investment Securities declined by 17% to P167.975B to finance the reduction in high cost borrowings and also on account of the reallocation of earning assets to customer receivables as well as placements with BSP and other banks. Financial Assets at Fair Value Through Profit or Loss and Held-to-Maturity Securities decreased by 44% and

29%, respectively, while Available-for-Sale Securities went up by 17% due to a rebalancing of the investment portfolio.

- Net Loans and Other Receivables rose by 6% despite a 47% decline in Interbank Loans. Gross customer receivables grew by 15% year-on-year from loan marketing efforts.
- Equity Investments dropped by 25% on account of reclassification of certain equity investments to Available for Sale Securities.
- Investment Properties declined by 11% due to the Bank's continuing efforts to reduce its foreclosed assets.
- Other Resources went down by 19% owing to additional provisioning for the SPV notes, as well as reduced float items and miscellaneous assets.
- Deposit Liabilities inched up by 1% as growth in low cost deposits was offset by the decline in high cost deposits.
- Bills Payable went down by 14% from a reduction in high-cost borrowings and investor repurchase agreements.
- Derivative Liabilities surged by 103% from a much higher level of Treasury's investment products with embedded derivatives.
- Other Liabilities grew by 31% coming from a year-on-year rise in accruals and payables consistent with the increased level of assets, liabilities and operating expenses.
- Capital Funds rose by 29% from profitable operations of the Bank as well as the sale of EPCI treasury shares previously held by a subsidiary.

## II. Income Statement – September 2007 vs. September 2006 (Pro-forma)

- Net Income attributable to Equity holders of the Parent Company was up by 4%, registering at P4.857B for the three quarters of the year from P4.656B for the same period last year.
- Net Interest Income grew by 17% to P16.419B, from an improvement in interest margins owing to the increase in customer receivables as well as the remixing of Bank's funding sources.
- Provision for Impairment Loss was 81% higher than the same period last year, reaching P3.577B, as the Bank took a more conservative approach on impairment provisioning.
- Other Income climbed 14% to P12.251B due to the following:
  - Service Charges and Fees grew by 26% to P6.284B brought about by increased business from the Bank's major business lines.
  - Miscellaneous Income went up by 127% to P1.756B as the Bank booked one-time gains on sale of certain assets.
  - Trading Gain decreased by 11% to P3.016B from a reduced portfolio of investment securities.
  - Trust Fees dropped by 39% to P561M from a rebalancing of the Trust portfolio towards segregated funds, and more competitive market pricing.
  - Foreign Exchange Gain was slightly down by 5% to P635M due to lower volumes of interbank swap transactions.
- Operating Expenses was up by 17% to P19.155B owing to the following:
  - Employee Benefits grew by 19% from a higher manpower count brought about by business expansion and the standardization of employee benefits.
  - Taxes and Licenses climbed 33% mainly owing to a reclassification of withholding tax from Income Tax Expense as well as the settlement of previous assessments.

- Insurance expenses, Repairs & Maintenance, as well as Security, Clerical, Messengerial & Janitorial expenditures rose by 19%, 24% and 27%, respectively, mainly due to network expansion and growth in other fixed assets.
- Litigation/Assets Acquired expenses went down by 7% after considerable NPA-related expenditures last year.
- Advertising, Representation and Miscellaneous Expenses grew by 53%, 15% and 20%, supporting the expansion of the Bank's major business lines and the implementation of the re-branding strategy.
- Tax Expense went down by 36% to P1.080B owing to a reclassification of taxes on government securities to Taxes and Licenses.

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.

	3Q2007	3Q2006 (Pro-forma)	Inc/(Dec)
<b>1.) Return on Average Equity (Annualized)</b>			
<b>Net Income / Average Total Capital Account</b>			
4,857,422 / 55,983,385	11.57%		
4,656,399 / 43,697,950		14.21%	(2.64%)
<b>2.) Return on Average Assets (Annualized)</b>			
<b>Net Income / Average Total Assets</b>			
4,857,422 / 619,482,297	1.05%		
4,656,399 / 561,623,482		1.11%	(0.06%)
<b>3.) Net Interest Margin (Annualized)</b>			
<b>Net Interest Income / Average Earning Assets</b>			
16,418,647 / 527,715,510	4.15%		
14,057,722 / 471,855,452		3.97%	0.18%
<b>4.) Capital Adequacy Ratio (covering credit and market risk)</b>			
<b>Total Qualifying Capital / Total Risk Weighted Assets</b>			
58,333,763 / 365,506,666	15.96%		
50,934,844 / 332,375,541		15.32%	0.64%
<b>5.) Basic Earnings per Share</b>			
<b>Net Income / Average Common Stock</b>			
4,857,422 / 2,274,194	2.14		

2.
  1. Annualized return on average equity (ROE) decreased by 2.64% as a result of the broader capital base resulting from the sale of previously held treasury shares.
  2. Annualized return on average assets (ROA) was slightly down by 0.06% as resources expanded faster than bottomline profits.
  3. Annualized Net Interest Margin rose by 0.18% from an improvement in the Bank's funding mix.
  4. Capital Adequacy Ratio climbed 64 basis points to 15.96%, as the increase in capital outpaced the growth in risk-weighted assets.
  5. Basic Earnings per Share increased by P0.08 to P2.14 due to the increase in bottomline profits.

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

- On November 8, 2007, the Bank commenced the public offering of its 10-year P5.0 billion unsecured subordinated debt eligible as Lower Tier 2 Capital.

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.

- The 10-year P5.0 billion unsecured subordinated debt carries with it a call option on the fifth year.

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

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

The Bank expects to incur capital expenditures related to the conversion of former EPCI branches, head office renovation and upgrading of IT systems. Funding will be sourced internally.

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

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

The Bank booked significant one-time gains from the sale of certain listed equity securities, explaining the increase in the reported Miscellaneous Income.

- 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 – September 2007 vs. December 2006 (Pro-forma)

Remarks: NONE

II. Balance Sheet – September 2007 vs. September 2006 (Pro-forma)

- Held-to-Maturity Securities as a percentage of Total Resources dropped from 16.1% to 11.1% due to a rebalancing of the investment securities portfolio.

III. Income Statement – September 2007 vs. September 2006 (Pro-forma)

- Interest Income on Investment Securities to Total Interest Income dropped from 40.6% to 30.3% owing to a relatively smaller portfolio of Financial Assets Through Profit or Loss and Held-to-Maturity Securities.
- Interest Income on Due from Banks as a percentage of Total Interest Income increased from 1.8% to 7.1% for the same period last year due to higher levels of working balances and placements with BSP and other banks.
- Other Interest Income to Total Interest Income rose to 10.0% from 1.4% owing to the accretion on a receivable from the SM Group in relation to the sale of EPCI treasury shares previously held by a subsidiary.
- Interest Expense on Bills Payable as a percentage of Total Interest Expense dropped from 25.2% to 18.2% due to a reduction of high cost borrowings. Conversely, Interest Expense on Deposit Liabilities to Total Interest Expense went up from 74.8% to 81.8%.
- Provision for Impairment Loss accounted for 21.8% of Net Interest Income from 14.0% for the same period last year, as the Bank adopted a more conservative provisioning policy.
- Trading Gain contracted from 31.5% of Other Income to 24.6% as a result of the reduced investment securities portfolio.
- Miscellaneous Income to Other Income increased from 7.2% to 14.3% owing to the recognition of one-time gains on certain assets sold.
- Tax Expense as a percentage of Income Before Tax declined from 26.3% to 18.2% due to a reclassification of withholding taxes to Taxes and Licenses.

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

Remarks: NONE