SEC Number 5223
File Number _____

<u>EQUITABLE PCI BANK</u>
(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.)

March 31, 2006
(Quarter Ending)
(month & day)

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

____
Amendment Designation (If applicable)

MARCH 31, 2006
(Period Ended Date)

____
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2006

2. Commission identification number 5223 3. BIR Tax Identification No. 000-453-086

EQUITABLE PCI BANK, INC.

4. Exact name of registrant as specified in its charter:

5. Philippines

Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code (Sec Use Only)

7. Makati Office: Makati Avenue cor. H.V. dela Costa St.

Address of issuer's principal office Postal Code

8. (632) 840-7000

Issuer's telephone number, including area code

9. Not applicable

Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Section 8 and 12 of the Codel, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common stock, P10 par value	727,003,345

11. Are any or all of these securities listed on the Stock Exchange?

YES [X] NO [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
Common Shares

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 Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

YES [X] NO [ ]

(b) has been subject to such filing requirements for the past 90 days

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

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 MAY 22 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.

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Series of 2006

BENJAMIN B. MATA
NOTARY PUBLIC
UNTIL DEC. 31, 2006
PTR OR NO. M0806799
DATE 02 JANUARY 2006

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

		UNAUDITED MARCH 31, 2006		AUDITED DECEMBER 31, 2005
RESOURCES				
Cash and Other Cash Items	P	5,897,544	P	7,541,236
Due from Bangko Sentral ng Pilipinas		9,276,017		7,232,106
Due from Other Banks		6,162,798		4,676,319
Interbank Loans Receivables and Securities Purchased Under Resale Agreements		25,080,818		18,199,624
Securities at Fair Value Through Profit or Loss		29,219,907		25,913,783
Available-for-Sale Investments		10,072,141		17,108,772
Held-to-Maturity Investments – net		33,295,302		32,483,945
Loans and Receivables – net		138,727,100		142,432,744
Property and Equipment		9,608,356		9,784,185
Other Resources		49,667,812		50,990,327
TOTAL RESOURCES	**P**	**317,007,795**	**P**	**316,363,041**
LIABILITIES AND CAPITAL FUNDS				
Deposit Liabilities				
Demand Deposits	P	12,288,404	P	11,755,327
Savings Deposits		147,705,798		142,339,247
Time Deposits		50,010,839		52,569,671
Sub-total		210,005,041		206,664,245
Bills, Bonds and Acceptances Payable		25,395,133		30,331,525
Due to Bangko Sentral ng Pilipinas		182,116		51,570
Manager' s Checks		1,290,535		912,091
Accrued Taxes, Interests and Other Expenses		3,668,587		3,106,123
Deferred Credits and Other Liabilities		27,968,030		27,212,552
TOTAL LIABILITIES		**268,509,442**		**268,278,106**
Subordinated Notes Payable *		**10,201,599**		**10,587,521**
CAPITAL FUNDS		**38,296,754**		**37,497,414**
	P	**317,007,795**	**P**	**316,363,041**
CONTINGENT ACCOUNTS				
Unused Commercial Letters of Credit	P	9,736,264	P	8,182,676
Trust Department Accounts		123,211,330		109,694,557
Other Contingent Accounts		34,715,737		5,823,670
	P	**167,663,331**	**P**	**123,700,903**

STATEMENTS OF CHANGES IN CAPITAL FUNDS
(Amount in Thousands)

		(UNAUDITED) MARCH 2005		(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		710,353		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		11,218		
Balance at end of year		(2,328,382)		(3,049,953)
PARENT COMPANY SHARES HELD BY A SUBSIDIARY		(7,466,950)		(7,466,950)
NET UNREALIZED GAIN ON AVAILABLE-FOR SALE INVESTMENTS		435,501		548,127
EQUITY IN NET UNREALIZED GAIN ON AVAILABLE FOR-SALE INVESTMENTS OF A SUBSIDIARY		46,358		15,436
REVALUATION INCREMENT IN PROPERTY		1,361,952		1,357,939
ACCUMULATED TRANSLATION ADJUSTMENT		(61,563)		(119,362)
TOTAL		37,321,071		36,509,338
MINORITY INTEREST IN EQUITY OF CONSOLIDATED SUBSIDIARIES		975,683		988,076
	P	**38,296,754**	P	**37,497,414**

CONSOLIDATED STATEMENTS OF INCOME
(In Thousand Pesos)

		(Unaudited) QUARTER ENDING MARCH 31, 2006		(Unaudited) QUARTER ENDING MARCH 31, 2005
INTEREST INCOME				
Interest on:				
Loans and receivables	P	2,927,867	P	2,939,120
Trading and investment securities, interbank loans, Deposits with other banks and others		1,803,851		1,713,040
		4,731,718		4,652,160
INTEREST AND FINANCE CHARGES				
Interest on deposit liabilities, interbank loans, bills payable, borrowings and others		2,116,957		2,063,204
NET INTEREST INCOME		2,614,761		2,588,956
PROVISION FOR IMPAIRMENT LOSSES		352,735		315,727
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT LOSSES		2,262,026		2,273,229
OTHER INCOME				
Service charges, fees and commissions		1,213,897		1,093,221
Trading gains and foreign exchange profits		636,717		381,860
Miscellaneous		375,973		326,650
		2,226,587		1,801,731
OTHER EXPENSES				
Compensation and fringe benefits		978,380		919,501
Occupancy and other equipment related expenses		726,622		740,170
Taxes and licenses		390,010		367,092
Miscellaneous		1,179,131		974,531
		3,274,143		3,001,294
INCOME BEFORE INCOME TAX		1,214,470		1,073,666
PROVISION FOR (BENEFIT FROM) INCOME TAX		503,243		506,902
NET INCOME		**711,227**		**566,764**
Attributable to:				
Equity holdings of the Parent Company		710,353		566,553
Minority interest		874		211
	P	**711,227**	**P**	**566,764**
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	710,353	P	566,553
Weighted ave. no. of outstanding common shares of the Parent Co.		648,196		648,196
	P	**4.44**	**P**	**3.54**

STATEMENT OF CHANGES IN FINANCIAL POSITION

FUNDS WERE PROVIDED FROM:	Quarter Ending March 31, 2006		Quarter Ending March 31, 2005	
OPERATIONS				
Net Income for the Quarter		P 710,352,792		P 566,553,000
Items not involving the Use of Funds During the Quarter:				
Depreciation and Amortization Expenses	P 447,344,582		P 337,124,416	
Bad Debts Expense	74,999		348,644	
Provision for Probable Losses	338,674,667	786,094,248	326,285,309	663,758,369
		P 1,496,447,040		P 1,230,311,369
DECREASE IN				
Cash and Other Cash Items	1,643,692,194		538,824,000	
Due from Other Banks	0		2,391,464,000	
Available for Sale Investments	7,036,630,551		0	
Held to Maturity Investments	0		18,392,022,000	
Loans and Receivables – Net	3,368,034,572		1,463,866,379	
Investment Properties	104,839,124		257,517,000	
Other Resources	1,068,559,889	13,221,756,330	724,689,000	23,768,382,379
INCREASE IN				
Deposit Liabilities	3,340,796,428		6,455,635,000	
Bills Payable	0		10,095,339,000	
Due to Bangko Sentral ng Pilipinas	130,545,122		36,061,000	
Outstanding Acceptances	600,096,755		0	
Manager's Checks	378,444,345		184,757,000	
Marginal Deposits	0		125,824,000	
Accrued Taxes, Interest & Other Expenses	562,464,217		423,240,000	
Other Liabilities	776,205,158		1,464,765,000	
Capital Accounts	214,005,837	6,002,557,862	74,210,000	18,859,831,000
TOTAL FUNDS PROVIDED		P 20,720,761,232		P 43,858,524,748
FUNDS WERE APPLIED TO :				
ADDITIONS TO BANK PREMISES, FURNITURES, FIXTURES & EQUIPMENT		P 123,539,033		P 60,970,781
INCREASE IN				
Due from Bangko Sentral ng Pilipinas	2,043,910,580		4,309,333,000	
Interbank Loans Receivables	6,881,194,677		3,879,350,000	
Due from other banks	1,486,478,979		0	
Securities at Fair Value Through Profit or Loss	3,306,123,870		10,160,183,000	
Available-for-Sale-Investments	0		17,290,566,000	
Held to Maturity Investments	811,356,519		0	
Other Resources	0	14,529,064,625	1,879,207,967	37,518,639,967
DECREASE IN				
Bills Payable	5,536,488,632		0	
Margin Deposits	20,726,898		0	
Outstanding Acceptances	0		5,836,489,000	
Other Liabilities	0		125,746,000	
Subordinated Notes Payable	385,921,992		316,679,000	
Capital Accounts	125,020,052	6,068,157,574	0	6,278,914,000
TOTAL FUNDS APPLIED		P 20,720,761,232		P 43,858,524,748

EQUITABLE PCI BANK
Aging of Accounts Receivable (Parent only)
As of March 31, 2006
(In thousand pesos)

Below 30 days	P	830.5
Over 30 days		1,919.8
TOTAL	**P**	**2,750.3**

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 March 31, 2006 are as follows:
(in thousand pesos)

	Consumer and Retail Banking	Commercial Banking	Corporate Banking	Investment Banking	Treasury	Others	Total
Gross Income	P 1,772,670	P 1,305,983	P 809,549	P 84,108	P 2,258,877	P 727,117	P 6,958,304
Segment Result	816,598	353,727	223,717	44,790	868,719	190,941	2,498,492
Unallocated Costs							1,259,500
Profit from Operations							1,238,992
Equity in net losses of associates							(24,522)
Income Before Tax							1,214,470
Benefit from income tax							(503,243)
Minority interest							(874)
Net profit for the year							P 710,353
Other information							
Segment assets	P 48,316,947	P53,718,065	P46,539,868	P3,326,241	P97,217,308	P39,130,877	P288,249,306
Intra-segment assets							4,296,039
Investments in associates							2,128,089
Unallocated assets							22,334,361
Total assets							P317,007,795
Segment Liabilities	P 49,608,415	P51,775,188	P38,497,631	P 2,803,461	P97,504,585	P38,521,762	278,711,042
Unallocated liabilities							--
Total Liabilities							P278,711,042
Other Segment Information							
Depreciation	P 179,891	P 12,954	P 1,830	P 1,089	P 14,797	P 84,436	P 294,997

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 March 31, 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 cyclicality 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 quarter of 2006.

g. There are no material events subsequent to the end of the interim period.

h. 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.

i. No material change in the contingent liabilities or assets since last annual balance sheet date.

j. 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 – March 2006 vs. December 2005

Equitable PCI Bank's total resources at the end of March 2006 stood at P317 billion, P645 million more than the end-2005 level of P316.4 billion. Most liquid assets showed growth while Net Loans and Available for Sale Securities showed reductions.

As of March 31, Cash and Other Cash Items showed a 22% drop to P5.9 billion from P7.5 billion in December 2005, but the other liquid assets showed gains compared to the end-2005 levels. Due from BSP were higher by 28% at P9.3 billion, Due from Other Banks were up 32% at P6.2 billion, while Interbank Loans Receivable and Securities Purchased Under Resale Agreements expanded by 38% to P25.1 billion.

The Bank's portfolio of investment securities aggregated to P72.6 billion at the end of March 2006, 4% lower than the P75.5 billion volume at the end of 2005. Available-for-Sale Investments went down by P7 billion or 41% to P10 billion from the December 2005 figure of P17.1 billion as the Bank unloaded some securities to take advantage of market opportunities. Securities at Fair Value Through Profit or Loss amounted to P29.2 billion, P3.3 billion or 13% higher than the end-2005 figure, while Held-to-Maturity Investments expanded 2% to P33.3 billion from P32.5 billion in December 2005. The Bank continues to review and rebalance its investment portfolio with the new regulatory and accounting standards on investment securities in place.

Net Loans and Receivables amounted to P138.7 billion as of end-March, down by 3% or P3.7 billion from end-December 2005 even as lending to the consumer sector remain robust. The decline is due to loan settlements of some corporate accounts.

On the liabilities side of the balance sheet, deposits held by the Bank amounted to P210 billion at end-March, up by 2% from the December 2005 level of P206.7 billion. Demand Deposits showed a growth of 5% to P12.3 billion, while Savings Deposits expanded by 4% to P147.7 billion. Time Deposits were nearly 5% lower at P50 billion. Consequently, the ratio of Time Deposits to total deposits dipped to 24% from 25%. Savings Deposits had a higher percentage to total deposits of 70% from 69%, while Demand Deposits were stable at 6%.

Bills, Bonds and Acceptances Payable were 16% lower at P25.4 billion in March from the December 2005 level due to a lower volume of Bills Payable. Due to BSP went up by 253% from December's P51.6 million to P182 million. Manager's Checks and Demand Drafts Outstanding went up by 41% at the end of March to P1.3 billion pending negotiation of issued checks, while Accrued Taxes, Interest and Other Expenses rose 18% to P3.7 billion due to higher accruals. Deferred Credits and Other Liabilities rose slightly by 3% to P28 billion.

Capital funds stood at P38.3 billion at the end of March 2006, up by 2% as earnings were mainly retained in the Bank.

Contingent Accounts increased by 36% to P167.7 billion. Trust Department Accounts rose 12% to P123.1 billion due to the expansion in the Unit Investment Trust Fund (UITF) accounts, while Unused Commercial Letters of Credit were higher by 19% at P9.7 billion on account of increased trade transactions. Other Contingent Accounts went up 496% to P34.7 billion.

II. RESULTS OF OPERATION

For the Quarters ended March 31, 2006 and 2005

Equitable PCI Bank booked total net income of P711 million for the first quarter of 2006, 25% higher than the P567 million income for the same quarter in 2005. Net income attributable to equity holders of the parent bank amounted to P710 million, also 25% more than the P567 million figure for the first quarter of 2005.

Interest Income grew 2% to P4.7 billion as Interest on Loans and Receivables was nearly unchanged at P2.9 billion. Interest on Trading and Investment Securities, Interbank Loans and Deposits with Other Banks grew 5% or P91 million to P1.8 billion.

Interest and Finance Charges amounted to P2.1 billion for the quarter, up by 3% year-on-year on account of higher volumes. Thus, Net Interest Income grew 1% to P2.6 billion.

Provision for Impairment Losses were 12% higher at P353 million in the first quarter of 2006 compared to the same quarter in 2005.

Other Income rose to P2.2 billion, P425 million or 24% more than that for same period last year. The increment came mainly from the P255 million hike in Trading Gains and Foreign Exchange Profits to P637 million. Service Charges, Fees and Commissions increased by P121 million or 11% to P1.2 billion, while Miscellaneous Income gained P49 million or 15% to P376 million.

Growth in Other Expenses was contained at 9% to P3.3 billion. Compensation and Fringe Benefits grew 6% to P978 million, largely due to merit increases and promotions, and additional contributions to the retirement fund in compliance with new accounting standards. Taxes and Licenses grew 6% to P390 million mainly from higher gross receipts tax (GRT) with the increase in GRT-based income and also as more deposits are now subjected to documentary stamp tax (DST). Miscellaneous Expenses, meanwhile, were 21% or P205 million more at P1.2 billion.

Provision for income tax for the January to March 2006 period amounted to P503 million, nearly unchanged from the P507 million provision for the same period last year as the Bank continued to write-off deferred tax assets (DTA).

Key Perfomance Indicators

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

	YTD March 31, 2006	(Audited) YTD December 31, 2005
Return on Equity (%)[1]	14.46%	10.57%
Return on Assets (%)[1]	0.97%	0.88%
Net Interest Margin (%)	4.30%	4.35%
Efficiency Ratio (%)	67.63%	61.24%
NPL Ratio (5)[2]	4.71%	4.50%

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, was at 10.57% for the year 2005. The ratio rose to 14.46% for the period ended March 31, 2006, 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, also showed improvement for the first quarter of 2006 at 0.97%. The Bank's ROA in 2005 was 0.88%.

Net Interest Margin (NIM), the ratio of net interest income to average earning assets dipped slightly by 5 basis points to 4.3% as of March 2006 compared to the full year 2005 NIM of 4.35%.

Efficiency Ratio, the ratio of other expenses excluding goodwill amortization to the sum of net interest income and other income, was at 67.63% as of March 2006. The full year 2005 ratio was 61.24%.

The Bank's non-performing loan (NPL) ratio, net of fully provisioned accounts following the BSP formula, stood at 4.50% in December 2005. Enhanced credit processes, aggressive collection efforts and bulk NPA sales under the SPV law has greatly improved the ratio. The contraction in the Bank's loan portfolio as of March 2006, however, resulted in a slight setback in the NPL ratio to 4.71%.

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. No assurance can be given as to the outcome of the petition or in respect of the ultimate ownership of the 25.83% shareholdings in the Bank.

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). The sale is seen to benefit the Bank in terms of potential synergies, which can be derived through working relationships with the SM-BDO group, which now occupies four (4) out of the Bank's 15 board seats.

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. The Bank is currently reviewing all applicable and pertinent legal and documentation requirements.

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.

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.

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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.