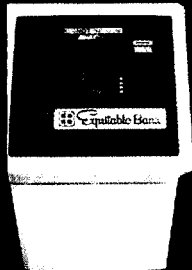


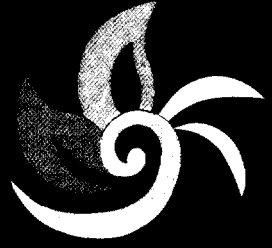

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ANNUAL REPORT 2000



Equitable Bank buys
72% of PCI Bank



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COVER STORY

September 26, 2000 marked a golden moment in Equitable PCI Bank's history. Celebrating 50 years of banking, the golden event was truly symbolic of the Bank's longstanding relationship with the Filipino public — a relationship which, like gold, is truly valuable and enduring.

Reminiscing, the past 50 years seems to have been so fleeting, a blur of mundane banking tasks transacted each day for the past half century. Yet sifting through the memories, one could glean a continuum of strategic milestones along the way — from the day the Bank opened its doors to the public, to the opening of its first branch, to its first international branch, to its public listing, to its pioneering efforts and dominance in the credit card business, onto the international citations it has so richly deserved, among others.

Our cover design depicts a timeline of such golden moments.

LETTER TO THE STOCKHOLDERS

The year 2000 will long be remembered as one of the more memorable moments in Equitable PCI Bank's history.

On the final year of the 20th century, Equitable PCI Bank celebrated its anniversary by successfully completing the merger between two of the country's leading financial institutions — Equitable Banking Corporation and PCI Bank. Integrated into one common bank organization known as Equitable PCI Bank, the new entity is now the nation's third largest financial institution.

Overall, year 2000 was a housekeeping year as the principal business agenda focused inward to ensure the expeditious implementation of the merger integration activities. The integration went smoothly as planned and by the third quarter, your Bank started to craft a medium-term plan for implementation in year 2001.

Unfortunately, external developments intervened towards the latter part of 2000 and disturbed the Bank's timetable for the implementation of the 5-year plan. By dint of historical accident, your Bank played a major role in the political storm that engulfed the Philippines even as it tested the limits of Equitable PCI Bank's resiliency and inherent strength. Anchored on its fundamentals and its commitment to professionalism and service excellence, the experience showcased your Bank's reputation as one of the country's financial pillars.

The Operating Environment

Joyous celebrations ushered the year 2000 with a rosy outlook for an economy that showed great hopes of rising from the ashes of the 1997 Asian financial crisis.

As the year unfolded, however, political events redefined the economic landscape with a bleaker picture. Two events stood out. The first was the unresolved conflict in Mindanao that escalated into a full-scale armed confrontation. The second was the impeachment case of a Philippine president. Both events exacted a great toll on the nation's resources and even conspired to discourage foreign investments in the Philippines.

The business environment was marked by deteriorating fundamentals that was to be the recipe for a host of economic ills ranging from the alarming drop of the exchange rate, rising inflation, a widening fiscal deficit, declining investments, contraction in exports and rising crude oil prices. Widespread perception of cronyism and an uneven playing field were hardly encouraging even as a stock market scandal remained unresolved. By the fourth quarter of 2000, gross domestic product had decelerated to a crawl.

Only the surprisingly resilient household consumption sector became the saving grace and managed to pull the full year growth in gross domestic product to 3.9%.

With this unfavorable economic framework, the banking sector was under severe stress and underperformed. This is reflected in the sluggish growth of the industry's loan portfolio, the ballooning levels in real and other properties owned and acquired (ROPOA), a continued rise in the ratio of non-performing loans (NPL) and significantly lower earnings.

Capital growth was likewise flat as the Bangko Sentral ng Pilipinas shelved its capital build-up program for banks, resulting in the lack of urgency among banks to raise capital and a further dip in the industry capital-to-asset ratio from 11.7% in 1999 to 10.9% in 2000.

The Political Storm

Snowballing from an inquiry initiated by the Senate Blue Ribbon Committee in September 2000, the political upheaval escalated into a presidential impeachment trial. The Bank's involvement in the hearings came by way of subpoenas duces tecum issued by the Impeachment Court, ordering your Bank's custodian of records to produce documents relevant to a specific current account maintained with the Bank.

Under pain of contempt, on the one hand, and strict compliance to the confidentiality of deposits on the other, the Bank exercised extreme caution and dutifully discharged its responsibilities as a corporate citizen while at the same time respecting individual rights in accordance with the requirements of law.

Navigating through uncharted waters, your Bank found itself in the midst of the political storm and underwent a very trying period as it became the object of misinformation designed to create chaos in the banking system. This brought severe anxieties to the Bank's customer base which led to a general slowdown in banking transactions.

It was against this backdrop that Equitable PCI Bank demonstrated its resilience and fundamental strength. With the less than encouraging economic and political environment that prevailed through the year 2000, the Bank managed to post a creditable performance. Total assets increased by 10% to ₱280.3 billion as total loans grew by 16.8% to ₱143.3 billion. Deposits came to ₱156.7 billion while capital stood at ₱44.9 billion. After posting additional provisions for non-performing assets, net earnings amounted to ₱638.0 million.

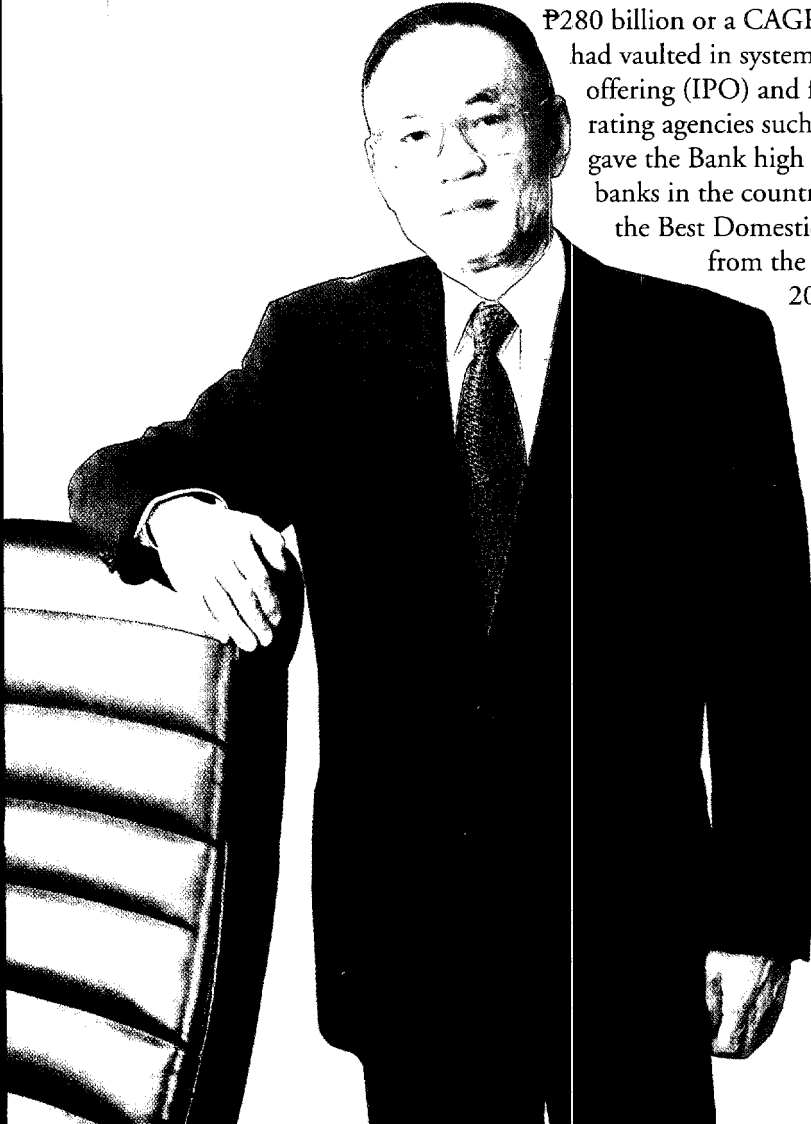
Earlier in the year, the Bank received top honors on an international level, capping Equitable PCI Bank's successful transformation over the past five years into a top-tier bank. During the 5-year period, Equitable grew by 12.5 times in capital from ₱3.6 billion to ₱44.9 billion or at CAGR of 52%. Resources on the other hand grew 10 times from ₱31 billion to ₱280 billion or a CAGR of 45%. Five years from transformation, the Bank had vaulted in system rank from 11th to 6th by 1998 after the initial public offering (IPO) and finally to 3rd largest post merger with PCIBank. Top rating agencies such as Standard and Poor's and Moody's Investor Service gave the Bank high ratings and ranked the Bank as one of the top strongest banks in the country today. Similar citations of the Equitable PCI Bank as the Best Domestic Bank were received from the Euromoney in July and from the Banker of the Financial Times of London in September 2000.

The New Challenge

The political storm found resolution in a re-enactment of People Power, leading to a peaceful change in political leadership on January 20, 2001. Overnight, the nation was endowed by a vast reservoir of confidence, manifested by strong pledges of support from all over.

While striking the right notes, the new administration faces the daunting task of consolidating a divided nation and steering a battered economy toward calmer waters.

For Equitable PCI Bank, the objective remains unchanged. Since its founding 50 years ago, the goal has always been to build the long-term value of the Bank, ever building on strengths to gain higher ground.



While the challenges the Bank faces may be fundamentally different from those of the past, Equitable PCI Bank is confident of its capability to address them with enthusiasm, with confidence and with prudence.

The Bank management is presently exploring strategic initiatives — such as a partnership by way of the entry of a strategic investor — that would further strengthen the institution. Such strategic initiatives are being pursued to reinforce the Bank's continuing drive to be a dominant industry player.

Acknowledgements

Overall, the year 2000 was truly a golden year for Equitable PCI Bank. That the Bank successfully hurdled the challenges of the year is testimony to its strength and commitment to professionalism and service excellence.

Yet all of the Bank's successes would not have been possible without the continuing patronage of our clients. For keeping their faith in us, we take this opportunity to express our gratitude to them. Our clients' loyalty and confidence in us is reward enough and can only inspire us to do better.

But perhaps, the defining moment for what our Bank truly is, happened when those Equitable PCI Bankers testified for history. As we quietly absorbed the impact of their testimony, we were, without doubt, proud to be part of this great institution.

We commend as well the Bank's officers and staff for their sacrifices and for the professionalism they displayed in successfully overcoming the challenges they faced for the duration of the crisis.

Likewise, we pay special tribute to our former chairman, Mr. George L. Go, and his immediate successor, Atty. Ricardo J. Romulo, who both retired.

Mr. Go spent his entire 35-year career with the Bank, and his vision made the creation of the new Equitable PCI Bank a reality. His leadership from the start through his retirement was instrumental in helping steward the Bank to its position in Philippine banking today.

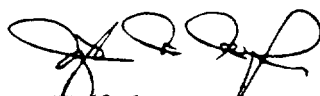
Atty. Romulo, on the other hand, helped steer the Bank through its most difficult moments and will best be remembered for his professionalism throughout his 25-year tenure with the Bank. We thank both of them for their service and wish them well.

Finally, we would also like to thank our Board of Directors and our shareholders for their support during those trying times. Their role will most certainly be of vital import to the success of the institution in the coming years.

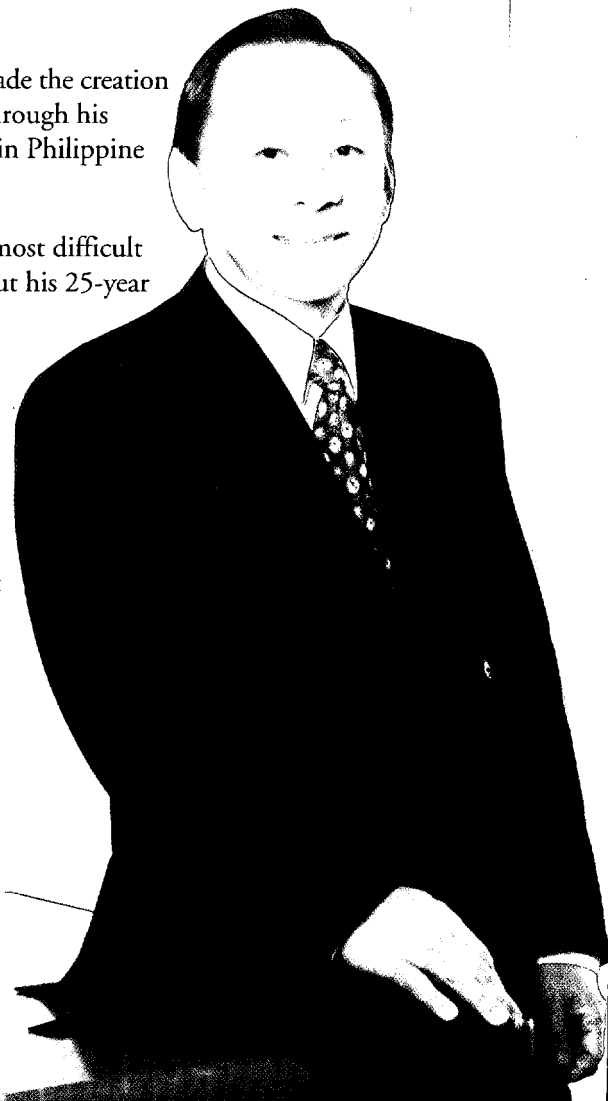
In sum, the year 2000 was very much a story of strength, commitment and professionalism. These are the attributes of an institution that will endure.



Peter Go Pailian
Chairman of the Board



Wilfrido V. Vergara
President and CEO



REVIEW OF OPERATIONS

Integrity. Professionalism. Excellence. Propriety. Stability.

These core values continued to define the culture of Equitable PCI Bank through the year just past. The Bank's strong commitment to these core values enabled it to successfully implement in 2000 its 50th golden anniversary, the year-long process of formally merging the operations of two of the Philippines' leading financial institutions — Equitable Banking Corporation and PCI Bank.

And by adhering to these core values, the Bank's various business units universally reported gains, notwithstanding a most difficult operating environment in year 2000.

Creating value and expanding relationships

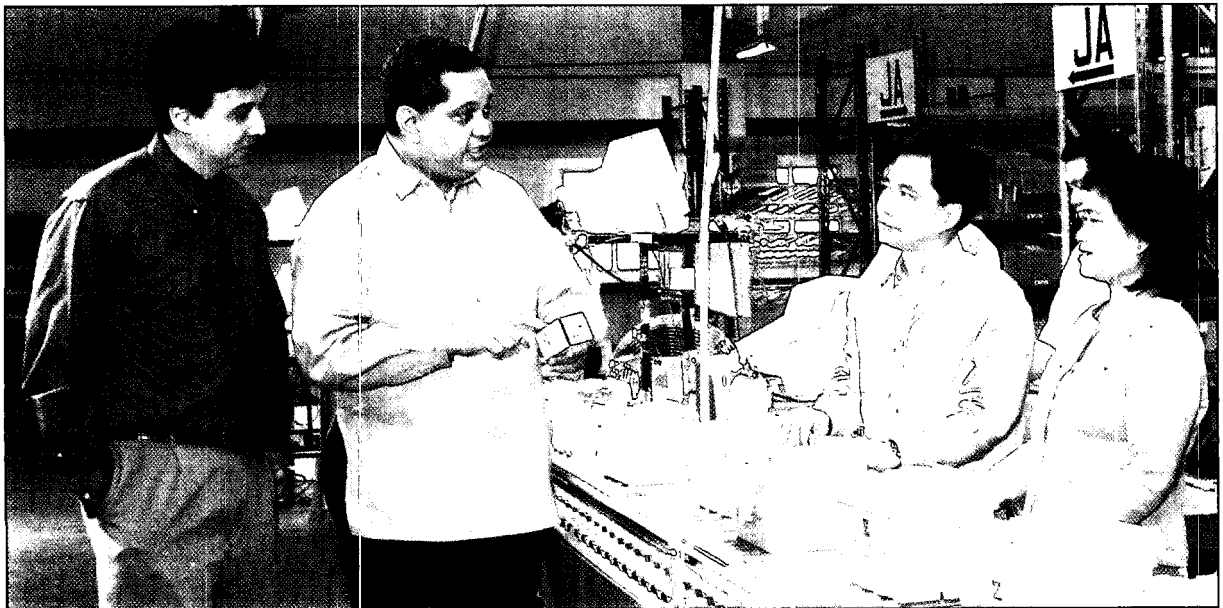


Corporate Banking had a singleminded objective for year 2000: to further reinforce its position of strength in the industry. Towards this end, efforts were geared towards achieving and maintaining its role as the principal banker for its corporate market, consisting mainly of accounts with either large exposures or with a high potential for an expanded level of business with the Bank.

In addressing this market, the Bank's seasoned and experienced Relationship Managers were tasked to maintain the superior credit quality of the loan portfolio even as they were to maximize overall reciprocal banking business.

Efforts were concentrated in establishing a major cross-selling base for the Bank's core businesses in close coordination with the Bank's other groups and affiliates such as investment banking, leasing, consumer finance, trust, insurance and credit cards. With an array of innovative products — creatively packaged and competitively priced — that were supported by an aggressive marketing stance, the division's loan portfolio grew by 34%, notwithstanding a faltering economy.

The division also arranged and actively participated in majority of the large syndicated local and foreign loans for leading Philippine companies.





COMMERCIAL BANKING

The Commercial Banking Group further positioned the Bank as a dominant player in the commercial middle market segment. With six geographic divisions nationwide for the Bank's extensive branch network, Commercial Banking undertook and completed integration activities during the first semester. Such activities led to the identification and transfer of accounts from Commercial Banking to Corporate Banking and Retail Banking, and where more efficient, vice versa.

A phase-out of marginal accounts was also implemented to streamline the Bank's loan portfolio. By the end of the first semester, the Group started to focus on marketing and generating new business. These efforts proved very rewarding as the Group ended the year with a loan level of P54 billion that generated record levels for import and domestic letters of credit opened and for exports negotiated.

SPECIAL LENDING

The Special Lending Department sustained its commitment to be a cheap source of long-term funds to the Bank's clients through the various specialized lending programs available. By year-end, the total loan portfolio for specialized lending registered a 5% increase.

With a portfolio considered one of the biggest in the industry, the Bank retained leadership in the specialized lending field, in the process winning recognition from the Land Bank of the Philippines as the Most Outstanding Countryside Partner in 1999 in the Commercial Bank Category. At the same time, it was also cited as the Best Participating Financial Institution in 1999 in the Business Loans Category by the Social Security System and as the Active GFSME-Accredited Financial Institution in 1999 by the Guarantee Fund for Small and Medium Enterprises (GFSME).

Considering, however, that the guarantee loan windows of the Small Business and Finance Corporation (SBFC) and GFSME were temporarily closed in 2000, the Bank put greater emphasis in controlling and maintaining asset quality of its middle market accounts and in providing assistance to the lending units in the collection of guarantee calls and in the restructuring of guaranteed loans.

Providing a platform for industry leadership

RETAIL BANKING

Retail Banking Group completed the Branch Rationalization Program in 2000 with the consolidation of 48 redundant former Equitable and PCI branches, the conversion of former PCI branches and offices to the new systems, and the opening of 11 new branches in strategic areas in the country.

Consumer Finance Division — the result of the integration of the consumer banking groups of Equitable and PCI Bank — successfully transformed itself into an efficient and customer-oriented organization with six nationwide Consumer Provincial Business Centers, specifically located in Angeles City, Batangas City, Iloilo City, Cebu City, Davao City and Cagayan de Oro City. The Division's efficiency translated into an increase in loan bookings by 81% during the last six months of 2000 compared to the first semester figures. Similarly, manpower productivity for marketing personnel during the second semester of 2000 improved by more than 60% versus the first semester.

Consumer Finance successfully launched the Loan Ranger Program for Metro Manila branches and Rush for Cash Auto Loan Referral Program for Head Office and Provincial branches, reaping a combined contribution of almost ₱200 million.

On the other hand, the Small Business Division (SBD) likewise completed its integration activities with the rollout of 18 SBD stations nationwide. A comprehensive account rationalization program was also initiated to enable Small Business and the Bank's branches to better serve its clients.

Equitable Savings Bank posted a 60.1% growth in total resources from ₱1.95 billion in 1999 to ₱3.12 billion in 2000. Aggregate deposits generated by Equitable Savings Bank's 23 branches came to ₱1.45 billion as of end-2000, a minimal drop of ₱8.45 million from the previous year's ending balance. Total gross loan portfolio increased significantly by 84.11% to ₱2.42 billion while capital funds rose by 4.12% to ₱401.17 million. By year-end 2000, net income almost doubled to ₱15.86 million from ₱8.0 million the previous year. To further strengthen the Bank, the Board approved the increase in authorized capital stock from ₱500.0 million to ₱3.0 billion; along this line, ₱1.0 billion has already been deposited with Equitable Savings Bank for future subscription.





During the year, the Customer Care Division was established to cover the Customer Interaction Center (Call Center), Customer Relationship Management and Customer Service Quality.

Operating 7 a.m. to 9 p.m. daily (including weekends and holidays), the Call Center was launched to handle and respond to inbound calls and internet messages on product inquiries,

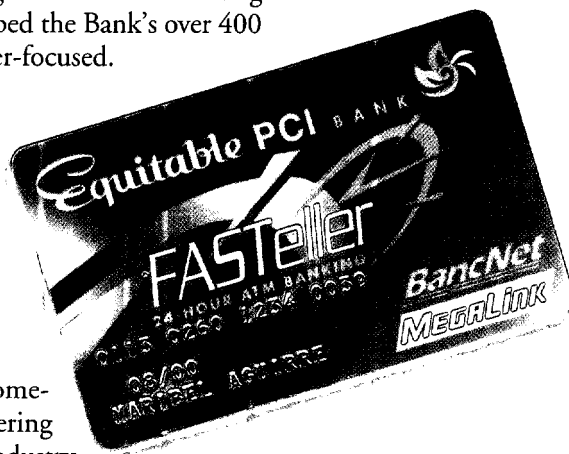
client requests and complaints. Electronic banking channels were also introduced through the FASTPhone and the Mobile Phonebanking, enabling clients to transact banking requirements round-the-clock and from practically anywhere.

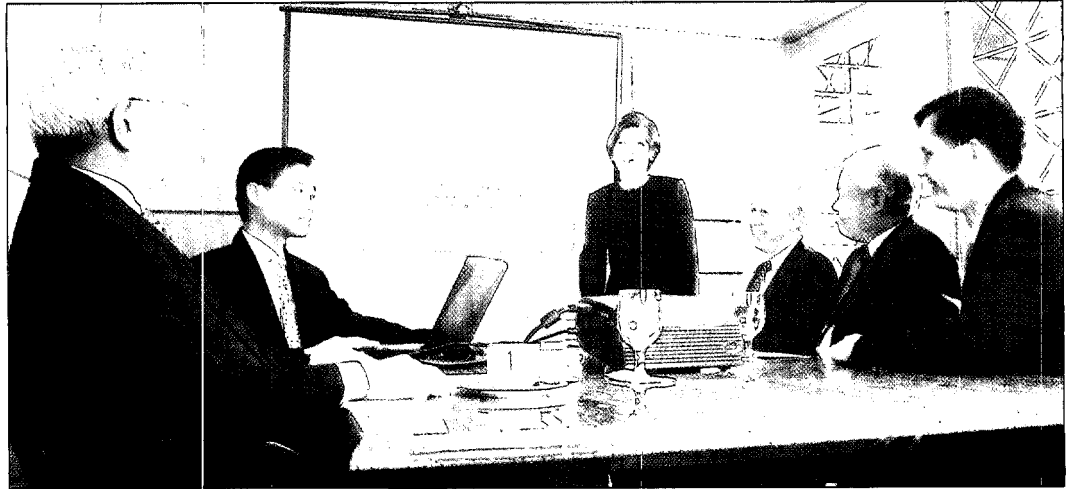
The Customer Relationship Management Unit supported the marketing and cross-selling efforts of branches through active telemarketing activities of Equitable PCI's unibank products and services.

Providing backroom support was the Customer Service Quality Unit, which worked on the resolution of complaints. The unit also implemented the Branch Unified Service Standards of the merged bank by monitoring branches' activities in meeting client expectations on service delivery.

The Marketing Division worked in strengthening the sales and marketing culture of the merged Equitable PCI Bank and helped the Bank's over 400 branches become more sales-oriented and customer-focused.

Major activities during the year included the launch of a massive integrated marketing communications campaign; the introduction of dynamic and innovative retail merchandising programs; the comprehensive review and evaluation of all deposit products and the Bank's pricing of ancillary services. With the support of Equitable Insurance Brokerage and Equitable Insurance Corporation, two major insurance products — Home-A-Sure and Car-A-Sure — were also launched, offering comprehensive insurance coverage with the lowest industry rates.





TRUST BANKING

With full integration, Trust Banking emerged bigger and stronger with a full range of trust products and services — common trust funds, traditional trusts (such as employee benefit trusts, personal and corporate trusts, investment management accounts) and special trusts (such as custodianships, stock and transfer agencies and collateral trusts).

While total trust assets declined slightly by 0.65% to ₱39.84 billion due to the political and economic turmoil, revenues and net income nonetheless increased by 15.42% and 24.22%, respectively, as the integrated products and services generated higher fees and service charges. The year ended with the Bank retaining its rank among the top five trust groups in the industry.

In response to its continuing commitment to provide greater value and service to its clientele, Trust Banking introduced enhancements to its existing products, especially in the field of estate planning and through tie-ups with Bank subsidiaries. A fully integrated state-of-the-art information technology system will place Trust Banking in the best competitive position in terms of operational efficiencies and customer service delivery.



TREASURY

Treasury operations continued to benefit from the growth of the Bank's client base and a full line cash management services offered at competitive rates and supported by superior technology-based delivery. Driven by increased customer volumes, foreign exchange business handled by Treasury increased by 20% during the year. In 2000, Treasury converted its foreign exchange system from Kondor to OPICS, enabling it to provide efficient and integrated processing of transactions from front-end to backroom operations.

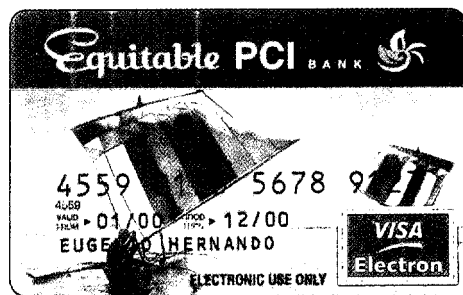
The Remittance Center — taking off from the gains made in previous years — scored further progress by increasing its share in the remittance market through significant increments in both transaction and dollar volumes. It also completed merger integration that covered its remittance operations in Italy and Hong Kong. Correspondent arrangements were further strengthened with the finalization of a tie-up agreement in Lebanon.

The International Division initiated during the year new arrangements with various correspondent banks to generate additional revenues.

EQUITABLE CARDNETWORK, INC.

With its wide range of local and international cards, Equitable CardNetwork, Inc. continued to account for the largest local market share in terms of cardholder base and gross sales volume. Moreover, with also the largest number of accredited merchant establishments, its affiliated cards remained the most widely accepted credit cards in the country.

In addition to VISA, MasterCard, JCB and American Express, Equitable CardNetwork launched the Equitable PCI Bank VISA Electron Card, the first and only locally issued debit card with global acceptance. A co-branded product with the Bank, this exciting and innovative product aspires to introduce payment cards to a specific market segment with the payroll accounts maintained with the Bank as the initial primary target.



PRODUCT DEVELOPMENT & MANAGEMENT DIVISION

A newly-created department, the Product Development and Management Division helped the Bank reassert its presence in the field of electronic banking. Among the more notable endeavors was its foray into mobile phone banking where Equitable PCI Bank became the first and largest bank to successfully offer banking services through the country's leading cellular phone service providers. The Bank was likewise able to re-launch its "FASTPhone" facility which provided its growing customer base banking convenience through the use of landlines.

EBC INSURANCE BROKERAGE, INC.

Despite the general business slowdown, the company's operating income was 2% higher than the target set for 2000. In addition, the company assumed in August 2000 the portfolio and expenses of PCI Insurance Brokers, Inc., which ceased operations because of the duplication of functions arising from the merger.

Broadening global reach through local expertise

Extending the spectrum of opportunities

PCI CAPITAL CORPORATION

For 2000, PCI Capital was able to complete over ₱17.4 billion in debt and quasi-equity transactions. This was 28% more than the ₱13.6-billion worth of transactions consummated in 1999. PCI Capital acted as the Lead Arranger for the ₱1.9-billion syndicated Term Loan of GMA Channel 7, one of the country's leading television and radio broadcasting networks. PCI Capital also spearheaded one of the first major ventures of Philippine financial institutions into local government financing by acting as Joint Underwriter to the country's largest Local Government Unit bond offer thus far — the ₱620-million Katipunan Bond Offer of the City Government of Kalookan. As a further step in its efforts to develop the market for public sector financing, PCI Capital actively participated as Underwriter for the ₱8.0-billion Progress Bonds of the Department of Finance. The other private sector deals of PCI Capital for the year included the ₱4.6-billion Philippine Deposit Receipt Offer of Globe Telecom Holdings, Inc., and the ₱1.3-billion and ₱1.0-billion Preference Share Offers of Ayala Corporation and Aboitiz Equity Ventures, Inc., respectively.

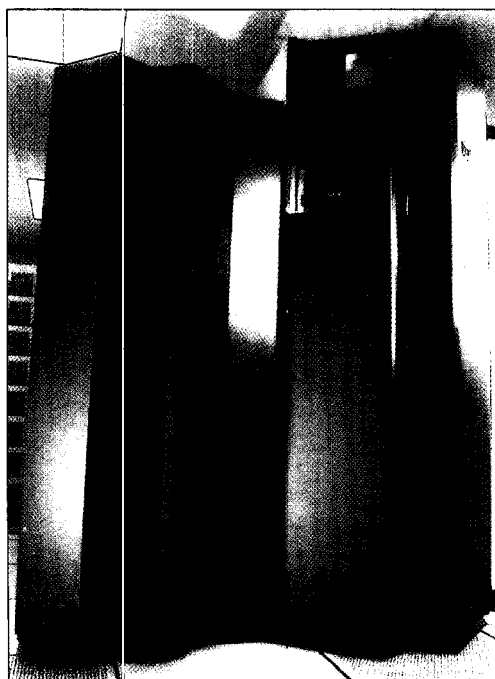
PCIB SECURITIES, INC.

PCIB Securities, Inc. ended 2000 with its value turnover and commission revenues significantly affected by the unfavorable political and economic climate. Institutional investors, both local and foreign, took a dim view of the market and the quality of trade deteriorated; in fact total turnover at the Philippine Stock Exchange declined by roughly 50% to ₱715 billion, with the Phisix index falling by 30% to the 1,494.5 level.

Connecting strategy with information

TECHNOLOGY MANAGEMENT DIVISION

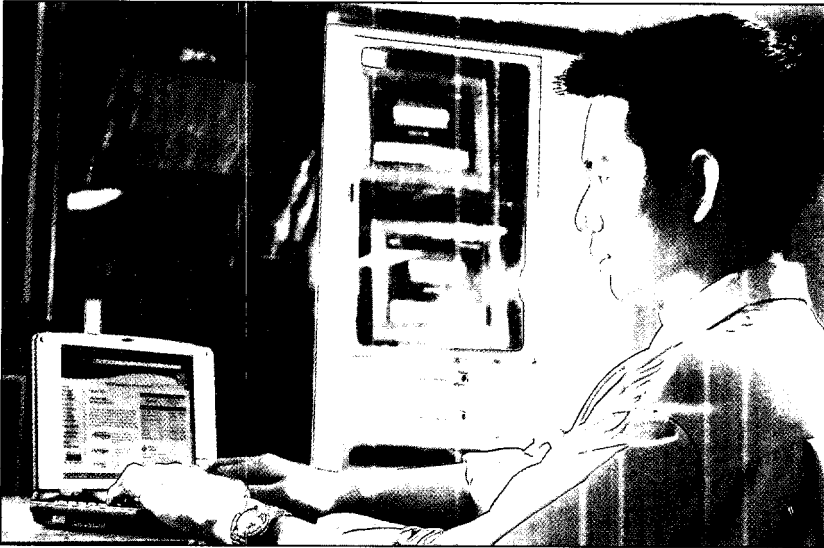
Technology Management Division successfully supported and completed the system integration requirements with the migration of the Bank's Data Center from Binondo to its new Head Office in Makati, and the network infrastructure upgrade of both Equitable PCI Bank Towers.



The year also saw the Bank continuously upgrading its core system components with the implementation of a new Treasury Dealer Board System from Jebsen & Jebsen Communications. Notable progress was also achieved in the backroom with the automatic generation of accounting entries for Deposits and the Wholesale Systems.

Significant strides were also achieved in the Bank's e-business objectives. In March 2000, the Bank launched E-Banking, partnering with the country's dominant telecommunications carriers Smart and Globe to offer cellphone banking to its clients.

Just before 2000 ended, the Bank acquired the latest IBM Mainframe Machine Z102 series, with double the capacity of existing hardware.



COMPTROLLERSHIP

As the integration process moved along, Comptrollership complemented the efforts of the business units by providing overall coordination of accounting operations of satellite accounting units in the Head Office and at the branch and subsidiary levels with very minimal interference to business operations.

The Division remained responsible for providing the financial information and analysis necessary for management decision-making, control of operations and an accounting of the stewardship function of management to the stockholders, board of directors and supervisory authorities.

HRD

For HRD, the major work focused on harmonizing personnel policies and benefits of officers of the two former banks. For officers, HRD was able to integrate the major loan programs as well as the job leveling system; nearing completion is the revised performance appraisal system.

For rank-and-file employees, the division administered in parallel the collective bargaining agreements of the two pre-merger banks.

Throughout the year 2000, HRD continued to invest in the Bank's intellectual capital through in-house training and external programs. Equipped with state-of-the-art facilities, the full renovation of the Bank's training center in Binondo is testimony to the Bank's commitment to lifelong learning with a passion for excellence.





CREDIT POLICY & SUPPORT DIVISION

Credit Policy and Support Division continued to provide credit support to the various marketing segments through its units. Through its Credit Analysis Section and Credit Investigation/Appraisal Section, the division provided meaningful credit support in the areas of financial and credit analyses, industry studies, appraisals and credit investigation.

The Provincial Department of the division continued to oversee the operations of its four satellite credit support units in the countryside. These four key provincial offices — in Clark, Batangas, Cebu and Davao — provide credit support services to the lending units based in the provinces.

Under the guidance of the Credit Policy and Support Division, the Report and Policies Department consolidated the credit policies of the two former institutions and rewrote 84 credit policies, which have subsequently been approved by the Bank's Risk Management Committee. These included policies on customer identification credit approval, documentation and remedial management, which today form the core credit guidelines of the merged institution.

BUSINESS SYSTEMS DIVISION



The Business System Division had a full year servicing and implementing over 500 automated and non-automated projects for the units. Among these projects, the more significant ones were integration-related activities and included the migration and conversion of peso and dollar CASA and ATM card accounts of the former PCI branches to the Systematics Deposit System and to OCM 24 ATM Switch; the bankwide launching of new deposit/insurance/loan products; and the evaluation of manpower and PC/equipment requirements of the integrated branches, among others.

CENTRAL ADMINISTRATIVE DIVISION

Central Administrative Division played a critical role in the relocation and renovation of office spaces to accommodate the merger of various units. Under it, the Building Administration

Department provided technical and manpower support to the various divisions of the Bank for the planning of their office premises and to the branches for the installation of new signages, the relocation and/or renovation of premises.

TSOD

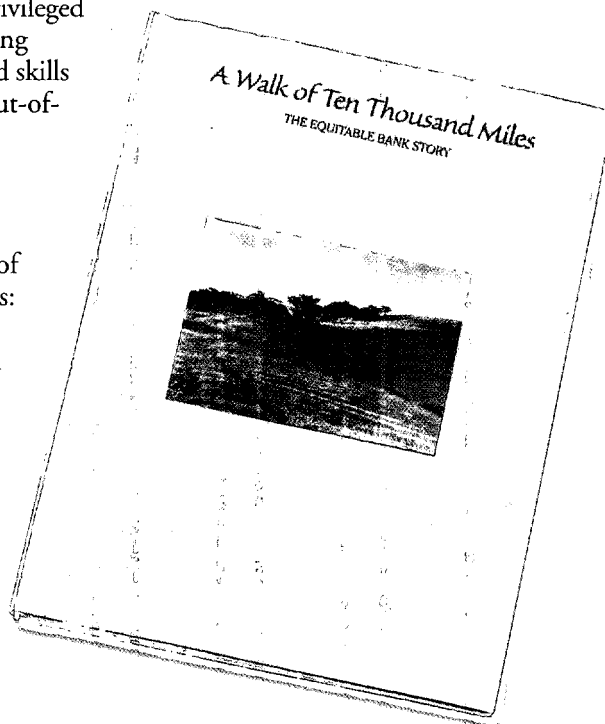
During the first quarter of 2000, TSOD successfully implemented the Operations Processing Integrated Control Systems (OPICS), covering Treasury's front and back office functions for the Bank's foreign exchange, lending, borrowing and fund transfer transactions. OPICS provided the required interface with SWIFT, thus eliminating the manual preparation of cable messages that otherwise required further processing by Test and Cables Department. In addition, the division completed the installation of a SWIFT alliance workstation within its premises to facilitate the direct transmission of cable messages covering transactions that are not part of OPICS to the Bank's foreign counterparties.

EQUITABLE BANK FOUNDATION

The Bank continued to demonstrate its corporate responsibility through its continued support of worthy causes. Through the Foundation, the Bank

launched as its major activity for 2000 the BRIDGE-Mindanao project. An acronym for Bridging Indigenous People towards Development Through Education & Entrepreneurship in Mindanao (BRIDGE-Mindanao), the objective of the project aimed to uplift the quality of life of the underprivileged in Mindanao by way of providing functional literacy and livelihood skills training to men, women and out-of-school youth.

On the occasion of its 50th anniversary, the Bank commissioned the publication of "A Walk of Ten Thousand Miles: The Equitable Bank Story", a limited edition coffee table book that chronicles the growth of the Bank and tells of the journey of its founder, Go Kim Pah. Capping the anniversary activities was the launch of a commemorative postal stamp with the theme "Yesterday's Exchange, Tomorrow's Change", a fitting motto for the Bank's many years of transformation and continuing evolution.



**Investing
in the
community**

HISTORICAL TIMELINE

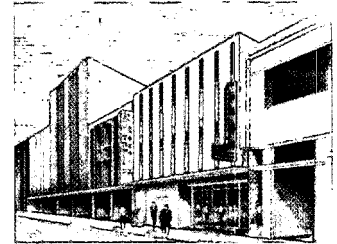


Foundation Day

Equitable Banking Corporation (EBC) opened for business on September 26, 1950 as the first commercial bank to be licensed by the newly-created Central Bank of the Philippines. Go Kim Pah was elected the first president and chairman. EBC adopted a double perfect circle logo with the Chinese characters "Kian Lam," expressing its intent of doing business in the area south of China, where the Philippines lies.

The first Metro Manila branch

To make the Bank more accessible to its customers, EBC established its first Metro Manila branch in Divisoria on May 26, 1955. Ten years later, the Bank's first provincial branch was established on March 26, 1965 in Cebu City, the country's premier commercial and trading entrepot in the south. Today, the Bank maintains some 500 branches nationwide, of which over 200 are in Metro Manila alone.

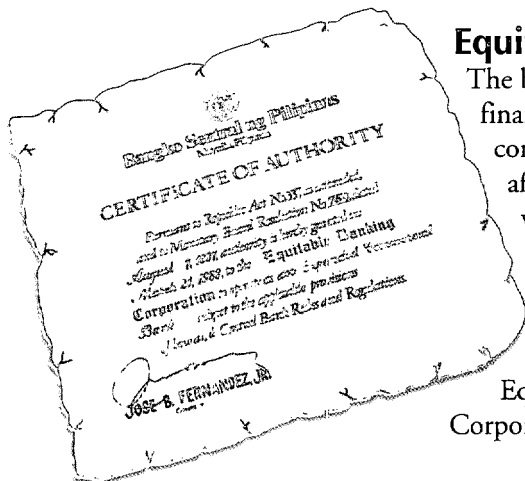


Branching internationally

Long before globalization and regional presence became business bywords, EBC established its first foreign branch in Hong Kong on August 15, 1963, becoming the first Filipino bank in the Crown Colony — a pioneering step for Philippine banking. Since then, the Bank has opened international offices in 19 cities in 12 countries, namely, Germany, Hong Kong, U.S.A., France, Italy, Kingdom of Saudi Arabia, Greece, Taiwan, the Netherlands, Spain, Israel and Macao.

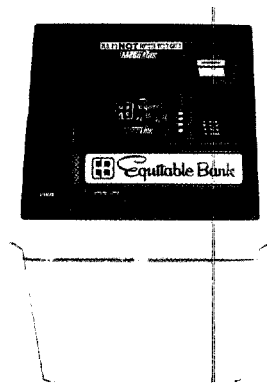
The birth of the credit card

Recognizing that the credit card industry would one day play a major role in the lives of Filipinos, EBC became, on June 8, 1979, a principal affiliate of VISA International by virtue of a trademark licensing agreement. By 1980, EBC launched the Equitable Visa credit card, both domestic and international. In 1989, the Credit Card Department was spun off into a wholly-owned subsidiary, the Equitable CardNetwork, Inc. (ECN), to better service the needs of cardholders. Today, ECN is the country's leading credit card issuer, having under its wings Equitable Visa, Equitable MasterCard, American Express and the JCB Card.



Equitable as a universal bank

The banking reforms of the 1980's sought to strengthen the financial system by liberalizing the stringent regulations that commercial banks had to comply with. On March 21, 1988, after having raised its paid-up capital to ₱260 million, EBC was granted by the Bangko Sentral ng Pilipinas its universal banking license, giving the Bank the flexibility to invest in non-allied undertakings. Today, there are 24 companies under the Equitable Group, principally Equitable CardNetwork Inc., EBC Insurance Brokerage, Inc., Equitable Exchange, Inc., Equitable Savings Bank, PCI Capital Corporation and PCI Leasing & Finance, Inc.



The era of automated teller machines

Towards the end of the 1980s, automated teller machines (ATMs) became ubiquitous fixtures at the premises of the leading banks. In fact, banks could hardly keep up with the exponential growth of customer transactions at ATMs. It is on this note that in 1989, EBC joined hands with three other leading Philippine banks in the establishment of the Electronic Bank Exchange, Inc. (EBEI), an ATM consortium under the brand name MegaLink. EBEI is today composed of 23 Philippine banks. As of end-2000, the Bank had a nationwide network of 451 ATMs.

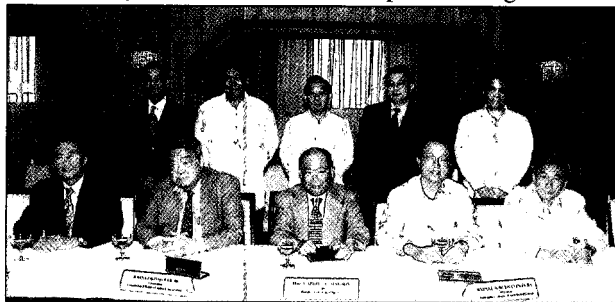
The IPO listing

Some 47 years after its foundation, EBC had grown as large as its management and shareholders could take it with its private capital. With the goal of being a dominant industry player, EBC made the strategic decision of going public through an initial public offering (IPO). On April 3, 1997, EBC was publicly listed at the Philippine Stock Exchange. The Bank's IPO merited the 1997 Annual Achievement Award for Best Offering for a Bank Issuer from Finance Asia. It was also recognized as the Best Asian Equity Issue-Philippines for the year 1997 by International Equity Review. As a publicly-held company and with new goals to aspire after the IPO, it was opportune for a change in corporate identity. On December 4, 1997, EBC adopted the pentad emblem as its new logo, representative of the Oriental values cherished by the Bank — wisdom, propriety, rectitude, benevolence and faith.



Acquisition of PCI Bank

The liberalization of the Philippines' financial policies saw the influx of more large foreign banks in the country. To maintain its competitive edge and to make the big leap to a top-tier bank, a merger with another Philippine bank became a necessity. On May 12, 1999, EBC successfully acquired a 72% interest in PCI Bank, catapulting EBC into the second largest bank in the country then. A merger plan was effected three months after the acquisition with the integration process fully completed in year 2000. The merged entity is now known as Equitable PCI Bank.



International recognition

The Bank's successful transformation into one of the Philippines' top tier banks has reaped for it a host of citations and awards from highly-prestigious international financial organizations. In July 2000, Euromoney — a leading financial publication — named Equitable PCI Bank as the Best Domestic (Philippine) Bank for 1999. Two months later in September 2000, The Banker, a publication of the renowned Financial Times of London, accorded the Bank a similar citation for calendar year 1999. Top rating agencies such as Standard and Poor's and Moody's Investor Service also gave the Bank high ratings and ranked the Bank as one of the top two strongest private banks in the Philippines. In 1998, Asiamoney cited then Equitable Bank as the "Best Bank in the Philippines, ranking it 10th among Asia's Top 15 Banks; in this particular year, Equitable Bank and PCI Bank, separately, were the only Philippine banks to have made it to Asiamoney's listing.



SEVEN YEAR FINANCIAL HIGHLIGHTS

In Thousand Pesos	2000	1999 ⁽¹⁾
Total Resources	280,302,235	254,825,093
Capital Funds	44,938,356	45,470,825
Deposits	156,678,347	159,529,087
Loans and Other Advances - net	150,148,686	152,064,434
Net Income	638,180	1,250,682
Earnings per share ⁽²⁾	0.98	2.73
Cash Dividends per share ⁽²⁾	1.20	1.10
Stock Dividends (%)	-	15%
Return on Average Equity (ROE) ⁽³⁾	4.08%	7.02%
Return on Average Assets (ROA) ⁽³⁾	0.42%	0.84%
Book Value per Share ⁽⁴⁾		
- With goodwill	69.18	69.61
- Without goodwill	43.01	42.92
No. of Banking Units ⁽⁵⁾	461	542
Growth Rates ⁽⁶⁾		
- Total Resources	10.00%	-1.14%
- Deposit Liabilities	-1.79%	-1.45%
- Loans and Other Advances - net	-1.26%	-6.42%

(1) On September 2, 1999, Equitable Bank and PCI Bank were merged.

(2) Based on weighted average no. of outstanding common shares as recomputed after giving retroactive effect to stock dividends declared in 1999 and 1996.

(3) Without appraisal increment in property and goodwill.

(4) Based on no. of outstanding common shares net of parent company shares held by a subsidiary, recomputed after giving retroactive effect to stock dividends declared in 1999 and 1996.

(5) With 529 existing licenses in 2000.

(6) Growth rates in 1999 were based on the pro-forma 1998 figures of Equitable Bank and PCI Bank.

1998	1997	1996	1995	1994
109,102,960	104,715,721	62,969,432	44,634,881	30,665,963
15,972,805	14,905,309	7,119,539	6,268,642	3,585,221
66,153,176	57,716,090	37,982,273	29,322,277	22,364,736
79,611,427	52,249,729	39,493,348	24,332,572	16,645,908
1,585,108	2,105,354	1,046,080	711,267	500,798
4.40	6.09	3.57	2.48	1.92
1.30	1.13	0.67	0.35	0.46
-	-	50%	-	100%
11.18%	21.60%	19.26%	16.56%	14.75%
1.50%	2.55%	1.99%	1.92%	1.75%
44.31	41.39	24.32	21.41	13.78
44.31	41.39	24.32	21.41	13.78
171	137	102	70	60
4.19%	66.30%	41.08%	45.55%	15.82%
14.62%	51.96%	29.53%	31.11%	19.98%
52.37%	32.30%	62.31%	46.18%	29.79%

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Mandaluyong City

The Management of Equitable PCI Bank, Inc. (the Bank) is responsible for all information and representations contained in the financial statements for the year ended 2000. The financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines and reflect amounts that are based on the best estimates and informed judgment of Management with an appropriate consideration to materiality.

In this regard, Management 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.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Bank.

Sycip, Gorres, Velayo and Co., the independent auditors appointed by the stockholders, have examined the financial statements of the Bank in accordance with generally accepted auditing standards and have expressed their opinion of such examination, in the preceding report to the Board of Directors and stockholders.



EDILBERTO V. JAVIER
*Senior Executive Vice President
& Chief Operating Officer*



MARITESS B. ANTONIO
Vice President, Comptrollership

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
Equitable PCI Bank, Inc.

We have audited the accompanying consolidated statements of condition of Equitable PCI Bank, Inc. and Subsidiaries (the Group) as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in capital funds and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 7 to the financial statements, in 2000, the Bank sold its 65% interest in Bankard, Inc. (Bankard). Management recorded the transaction in January 2001 since management believes that as of December 31, 2000 no final agreement has been reached with the buyer. Said position of the Bank is being contested by the buyer which claims that all the terms of closing the transaction were met on December 31, 2000. The Bank continues to include in its consolidated financial statements the net assets and its share in the net income of Bankard the details of which are summarized in Note 7 as of December 31, 2000 and for the year then ended.

As discussed in Note 8, the Bank has investments and advances to certain subsidiaries amounting to P1.3 billion as of December 31, 2000. As of such date, there are indications that the carrying value of such investments and advances may not be realized in the future. Management believes that these investments and advances are recoverable.

In our opinion, except for the effects on the financial statements as of December 31, 2000 and for the year then ended of the matters discussed in the foregoing paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the Philippines.

Delgado, Rosario, Velasco & Co.

PTR No. 7738109
January 6, 2001
Makati City

March 15, 2001

EQUITABLE PCI BANK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION
(In Thousands)

	December 31	
	2000	1999
RESOURCES		
Cash and Other Cash Items	P 6,947,968	P 8,764,428
Due from Bangko Sentral ng Pilipinas	2,643,732	1,412,249
Due from Other Banks	14,903,123	13,356,936
Interbank Loans Receivable	18,249,256	38,749,220
Trading and Investment Securities - net (Notes 3 and 11)	38,008,724	19,261,220
Receivable from Customers - net (Notes 4, 5, 11 and 18)	131,899,430	113,315,214
Property and Equipment - net (Note 6)	15,134,734	14,999,603
Equity Investments - net (Note 7)	2,466,050	2,996,908
Real and Other Properties Owned or Acquired - net of allowance for probable losses of P461,813 in 2000 and P321,540 in 1999 (Note 9)	9,472,441	6,462,092
Goodwill - net of accumulated amortization of P586,173 in 2000 and P146,543 in 1999, (Note 1)	16,999,013	17,438,643
Other Resources - net (Note 8)	23,577,764	18,068,580
	P280,302,235	P254,825,093
LIABILITIES AND CAPITAL FUNDS		
Deposit Liabilities (Note 10)	P156,678,347	P159,529,087
Interbank Loans Payable	150,000	3,031,451
Bills Payable (Note 11)	48,464,383	30,904,423
Due to Bangko Sentral ng Pilipinas	285,369	188,370
Manager's Checks and Demand Drafts Outstanding	2,694,145	1,007,582
Margin Deposits	145,469	80,007
Outstanding Acceptances	2,441,096	994,370
Accrued Taxes, Interest and Other Expenses	3,367,811	3,263,938
Other Liabilities (Note 12)	20,051,697	9,119,162
	234,278,317	208,118,390
Minority Interest in Consolidated Subsidiaries	1,085,562	1,235,878
Capital Funds (Notes 10, 13 and 16)	44,938,356	45,470,825
	P280,302,235	P254,825,093

See accompanying Notes to Consolidated Financial Statements.

EQUITABLE PCI BANK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands except Earnings Per Share)

	Years Ended December 31		
	2000	1999	1998
INTEREST INCOME ON			
Receivable from customers	₱12,345,684	₱13,059,159	₱6,311,744
Trading and investment securities	2,673,629	2,308,379	856,346
Interbank loans receivable	2,056,527	830,935	627,065
Deposits with other banks	651,159	2,189,081	1,766,285
Miscellaneous	770,906	624,995	516,868
	<u>18,497,905</u>	<u>19,012,549</u>	<u>10,078,308</u>
INTEREST AND FINANCE CHARGES			
Deposit liabilities	8,072,125	6,943,308	3,029,889
Bills payable, borrowings and others	3,740,558	3,820,947	2,989,508
	<u>11,812,683</u>	<u>10,764,255</u>	<u>6,019,397</u>
NET INTEREST INCOME	6,685,222	8,248,294	4,058,911
PROVISION FOR PROBABLE LOSSES (Note 9)	3,755,458	3,781,544	1,449,127
NET INTEREST INCOME AFTER PROVISION FOR PROBABLE LOSSES	2,929,764	4,466,750	2,609,784
OTHER INCOME			
Service charges, fees and commissions	4,078,313	4,270,892	1,515,095
Trading gains and commissions - net	538,885	1,779,971	116,430
Foreign exchange profits - net	764,343	217,174	631,971
Miscellaneous	1,783,278	1,078,992	239,434
	<u>7,164,819</u>	<u>7,347,029</u>	<u>2,502,930</u>
OTHER EXPENSES			
Compensation and fringe benefits (Note 15)	3,241,557	3,652,559	1,089,747
Occupancy and equipment expenses (Notes 6 and 17)	2,813,263	2,593,164	939,424
Taxes and licenses	903,673	965,706	435,596
Miscellaneous	3,314,245	2,739,145	801,534
	<u>10,272,738</u>	<u>9,950,574</u>	<u>3,266,301</u>
INCOME (LOSS) BEFORE INCOME TAX	(178,155)	1,863,205	1,846,413
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 14)	(903,885)	(336,465)	237,726
INCOME BEFORE MINORITY INTEREST IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	725,730	2,199,670	1,608,687
MINORITY INTEREST IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	87,550	105,235	23,579
INCOME BEFORE PREACQUISITION EARNINGS	638,180	2,094,435	1,585,108
PREACQUISITION EARNINGS (Note 1)	-	(843,753)	-
NET INCOME	₱ 638,180	₱ 1,250,682	₱ 1,585,108
Earnings Per Share (Note 19)	₱ 0.98	₱ 2.73	₱ 4.40

See accompanying Notes to Consolidated Financial Statements.

EQUITABLE PCI BANK, INC. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN CAPITAL FUNDS
(In Thousands)

	Years Ended December 31		
	2000	1999	1998
CAPITAL STOCK (Notes 10 and 13)			
Balance at beginning of year	P 7,270,033	P 3,167,700	P 3,167,700
Issuance during the year	-	3,627,178	-
Stock dividends	-	475,155	-
Balance at end of year	7,270,033	7,270,033	3,167,700
PAID-IN SURPLUS (Note 13)			
Balance at beginning of year	37,396,124	6,520,879	6,520,879
Additions during the year	-	31,350,400	-
Stock dividends	-	(475,155)	-
Balance at end of year	37,396,124	37,396,124	6,520,879
SURPLUS RESERVE (Note 16)			
Balance at beginning of year	343,489	334,516	331,838
Transfer from surplus	18,947	8,973	2,678
Balance at end of year	362,436	343,489	334,516
SURPLUS (Note 13)			
Balance at beginning of year	5,878,440	5,168,494	4,061,219
Net income	638,180	1,250,682	1,585,108
Cash dividends	(872,404)	(531,763)	(475,155)
Transfer to surplus reserve (Note 16)	(18,947)	(8,973)	(2,678)
Balance at end of year	5,625,269	5,878,440	5,168,494
NET UNREALIZED GAIN (LOSS)			
ON AVAILABLE-FOR-SALE SECURITIES	(58,610)	6,908	(61,967)
NET UNREALIZED LOSS ON AVAILABLE-			
FOR-SALE SECURITIES OF A SUBSIDIARY	(108,028)	(61,248)	-
UNREALIZED HOLDING GAIN OF			
AVAILABLE-FOR-SALE SECURITIES			
TRANSFERRED INTO INVESTMENT IN			
BONDS AND OTHER DEBT INSTRUMENT	49,765	-	-
PARENT COMPANY SHARES HELD BY			
A SUBSIDIARY (Note 13)	(7,332,780)	(7,097,068)	(420,709)
REVALUATION INCREMENT IN PROPERTY			
(Notes 6 and 13)			
Balance at beginning of year	1,734,147	1,263,893	1,263,893
Additions during the year	-	470,254	-
Balance at end of year	1,734,147	1,734,147	1,263,893
	P44,938,356	P45,470,825	P15,972,806

See accompanying Notes to Consolidated Financial Statements.

EQUITABLE PCI BANK, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Years Ended December 31		
	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	P 638,180	P 1,250,682	P 1,585,108
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Provision for probable losses	3,755,458	1,811,600	1,449,127
Depreciation and amortization	818,013	651,179	328,264
Amortization of goodwill	439,630	146,543	-
Equity in net loss (earnings) of subsidiaries and affiliates	23,976	36,115	(19,297)
Minority interest in net income of consolidated subsidiaries	87,550	77,119	23,579
Dividends received	239,000	59,657	-
Provision for deferred income tax	(1,608,067)	(548,923)	(174,832)
Gain on sale of property	-	(15,688)	-
Gain on sale of equity investment	(426,077)	-	-
Changes in operating resources and liabilities net of effects from purchase of PCIBank:			
Decrease (increase) in other resources	(5,662,015)	(6,313,477)	1,393,531
Increase (decrease) in:			
Due to Bangko Sentral ng Pilipinas Manager's checks and demand drafts outstanding	96,999	52,229	(41,270)
Accrued taxes, interest and other expenses	1,686,563	(68,525)	70,997
Other liabilities	103,873	(122,487)	(685,108)
Other liabilities	10,932,535	(6,838,641)	544,108
Net cash provided by (used in) operating activities	11,125,618	(9,822,617)	4,474,207
CASH FLOWS FROM INVESTING ACTIVITIES			
Net additions to property and equipment	(953,144)	(1,580,460)	(1,166,306)
Proceeds from sale of property	-	118,156	-
Proceeds from sale of equity investments	1,098,649	-	-
Decrease (increase) in:			
Trading and investment securities	(18,879,687)	1,374,414	4,313,113
Receivable from customers	(24,559,833)	(2,110,407)	5,477,499
Equity investments	635,668	(169,747)	(212,028)
Net cash provided by (used in) investing activities	(42,658,347)	(2,368,044)	8,412,278
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash acquired from issuance of common stock in exchange for PCIBank shares	-	21,554,826	-
Payment of cash dividends	(872,404)	(531,763)	(475,155)
Minority interest in consolidated subsidiaries	(237,866)	1,079	36,152

(Forward)

	Years Ended December 31		
	2000	1999	1998
Proceeds from issuance of additional capital stock	P-	P9,842	P -
Parent Company shares held by a subsidiary	(235,712)	(6,676,359)	19,510
Increase (decrease) in:			
Deposit liabilities	(2,850,740)	8,316,055	8,437,085
Interbank loans payable	(2,881,451)	(1,137,496)	(330,599)
Bills payable	17,559,960	2,940,971	(4,606,635)
Margin deposits	65,462	(44,038)	(85,459)
Outstanding acceptances	1,446,726	(291,716)	(43,108)
Net cash provided by financing activities	11,993,975	24,141,401	2,951,791
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,538,754)	11,950,740	15,838,276
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	8,764,428	1,571,108	999,686
Due from Bangko Sentral ng Pilipinas	1,412,249	371,370	2,149,827
Due from other banks	13,356,936	8,200,450	25,762,166
Interbank loans receivable	38,749,220	40,189,165	5,582,138
	62,282,833	50,332,093	34,493,817
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	6,947,968	8,764,428	1,571,108
Due from Bangko Sentral ng Pilipinas	2,643,732	1,412,249	371,370
Due from other banks	14,903,123	13,356,936	8,200,450
Interbank loans receivable	18,249,256	38,749,220	40,189,165
	42,744,079	62,282,833	50,332,093
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest and finance charges - net of capitalized interest	P11,033,145	P7,938,509	P5,962,122
Income taxes	507,030	460,797	385,047

See accompanying Notes to Consolidated Financial Statements.

EQUITABLE PCI BANK, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Merger with Philippine Commercial International Bank, Inc. (PCIBank)

In May 1999, Equitable Banking Corporation (EBC), EBC Investments, Inc. (EBCII), Social Security System (SSS) and Government Service Insurance System (GSIS) acquired 72% of PCIBank's common shares for about ₱31.8 billion. The acquisition was accounted for by EBC as a purchase. In accordance with generally accepted accounting principles (GAAP), the accounts of PCIBank for the year ended December 31, 1999 less net earnings for the period January 1 to September 2, 1999 have been included in the accompanying consolidated financial statements. Goodwill arising from the merger, represented by the excess of the total acquisition costs over the fair value of the net assets acquired of ₱17.6 billion, is being amortized on a straight-line basis over 40 years starting September 2, 1999. The acquisition costs include direct costs such as fees paid to outside consultants and cost of merger induced by employee termination and relocations. GAAP require that goodwill should be continuously evaluated to determine whether later events and circumstances affect the estimation of its value and future benefits. Certain events described in Note 20 may indicate that the unamortized costs of ₱17 billion should be reduced further by an amount equivalent to an impairment in its value. However, management believes that such events are temporary and therefore no reassessment of the Bank's amortization policy on goodwill is necessary.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Equitable PCI Bank, Inc. (the Bank) and its significant wholly and majority owned subsidiaries (the Group): (a) Equitable Card Network, Inc. (ECNI); (b) EBCII; (c) Equitable Finance Ltd. (EFL); (d) Equitable Savings Bank (ESB); (e) EBC Strategic Holdings Corporation (ESHC); (f) Equitable Data Center, Inc. (EDCI); (g) EBC Insurance Brokerage, Inc. (EIBI); (h) Jardine Equitable Finance Corp. (JEFC); (i) Bankard, Inc. (Bankard, see Note 7); (j) PCI Capital Corporation (PCI Capital); (k) PCI Leasing and Finance, Inc. (PCI Leasing); (l) PCIB Cigna Life Insurance Corporation (PCIB CIGNA); (m) PCI Express Padala (HK) Limited; (n) PCIB Europe S.p.A.; (o) PCI Insurance Brokers, Inc. (PCI Insurance Brokers); (p) PCIB Securities, Inc. (PCIB Securities); (q) PCI Express Padala, Inc.; (r) PCI Automation Center, Inc. (PCI Automation); (s) PCI Realty Corporation; (t) PCIB Savings Bank, Inc. (PCIB Savings) (sold in 2000); (u) PCIB Properties, Inc. (PCIB Properties); and (v) Equitable PCI Bank Cayman Limited. As discussed in Note 7, certain subsidiaries are not included in the accompanying consolidated financial statements. Material intercompany balances and transactions have been eliminated in the consolidation.

Equity investments in companies where the Group exercises significant influence are accounted for under the equity method. Other equity investments are carried at cost less allowance for probable losses. The difference between cost and fair market value of underlying net assets is considered goodwill and amortized over 40 years. Under the equity method, the Group recognizes in their respective statements of income their share in the earnings or losses of the investees. The cost of investments is increased or decreased by the equity in net earnings or losses of and dividends received from the investees since dates of acquisition adjusted by the amortization of goodwill.

Under the BSP rules, the use of equity method of accounting for investment in shares of stock is allowable only where ownership is more than 50%. The use of equity method of accounting for equity interests of 20% to 50% is being made for financial reporting purposes to comply with the provisions of Statement of Financial Accounting Standards (SFAS) No. 11 issued by the Accounting Standards Council (ASC) and is not intended for Bangko Sentral ng Pilipinas (BSP) reporting purposes.

Trading and Investment Securities

Trading and investment securities are accounted for as follows:

<u>Classification</u>	<u>Valuation</u>
a) Investments in bonds and other debt instruments	Amortized cost; provision for permanent decline in market value is included in the consolidated statements of income.
b) Trading account securities	Fair market value; gains and losses on revaluation to market are included in the consolidated statements of income.
c) Available-for-sale securities	Fair market value; gains or losses on revaluation to market are included as a separate component of capital funds until realized.
d) Underwriting accounts	Fair market value; gains or losses on revaluation to market are included as a separate component of capital funds until realized.

Receivable from Customers

Receivable from customers are stated at the outstanding balance, reduced by unearned discounts and allowance for probable losses.

Generally, interest income on receivables is accrued monthly as earned, except in the case of nonaccruing receivables. Unearned discount is recognized as income over the terms of the receivable using the interest method.

Receivables are classified as nonaccruing when the principal is past due in accordance with existing BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Receivables are not reclassified as accruing until interest and principal payments are brought current or the receivable is restructured in accordance with existing BSP regulations, and future payments appear assured. BSP Circular No. 143, as amended, redefined the classification of past due loans as follows:

- a) loans payable monthly with three installments in arrears or with a total amount of arrearages equal to 20% or more of the outstanding loan balance;
- b) loans payable quarterly, half-yearly and annually with one installment in arrears or with total amount of arrearages equal to 20% or more of the outstanding loan balance; and
- c) loans payable daily, weekly or semi-monthly, with total arrearages equal to 10% or more of the outstanding loan balance.

Allowance for Probable Losses

Allowance for probable losses, consisting of specific and general reserves, is maintained at a level considered adequate to provide for potential losses on receivables and other resources. The allowance is increased by provisions charged to expense and reduced by net write-

offs and reversals. The level of allowance is based on management's evaluation of potential losses after consideration of prevailing and anticipated economic conditions and an evaluation of potential losses based on existing guidelines of the BSP. The BSP requires banks to observe certain criteria and guidelines based largely on the classification of loans in establishing the allowance for probable losses. To supplement the specific reserves, a general reserve is maintained at the equivalent of 2% of unclassified outstanding loans as of March 31, 1999.

Loan Fees and Service Charges

Loan commitment fees are recognized as earned over the term of the credit lines granted each borrower.

Loan syndication fees are recognized upon completion of all syndication activities and where the Bank does not have further obligations to perform under the syndication agreement.

Service charges and penalties are recognized only upon collection or accrued where there is reasonable degree of certainty as to its collectibility.

Property and Equipment

Land and buildings acquired by the Bank prior to December 1999 are stated at appraised values as determined by an independent firm of appraisers as of August and December 1999. Subsequent acquisitions are stated at cost. Land was earlier appraised by an independent firm of appraisers in December 1995. The appraisal increase resulting from the revaluation was credited to Revaluation Increment in Property shown in the consolidated statements of changes in capital funds.

Property and equipment of PCIBank acquired by EBC pursuant to the Plan of Merger are stated at fair market value.

Leasehold rights and improvements, furniture, fixtures and equipment are stated at cost less accumulated depreciation and amortization.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost of leasehold rights and improvements is amortized over the estimated useful lives of the improvements or the terms of the applicable leases, whichever is shorter.

Repairs and maintenance are charged to expense as incurred; significant renewals and betterment are capitalized. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected as income or loss for the year.

In accordance with SFAS No. 25, the Bank capitalizes interest and other financing costs incurred on borrowings used to finance the construction of the Bank's building during the construction period (included in Building under Construction under Property and Equipment in the consolidated statements of condition) provided that construction costs plus capitalized interest do not exceed the fair market value of the completed building. The capitalized borrowing costs form part of the building and are amortized over its depreciable life on a straight-line basis.

Commissions Earned

Commissions earned by ECNI and Bankard are taken up into income upon receipt from the member establishments of charges arising from credit availments by the credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to the member establishments.

Purchases by the credit cardholders, which are collected on installment, are recorded at the cost of the items purchased plus certain percentage of cost. The excess is credited to unearned discount account and is shown as a deduction from Receivable from Customers in the consolidated statements of condition. The unearned discount is taken into income over the installment term and is computed based on the interest method.

Income on Receivables Financed

Income of PCI Leasing on receivables financed with short-term maturities is recognized using the interest method.

Interest and finance fees on receivables financed with long-term maturities and the excess of the aggregate rentals and residual value of the leased equipment over its cost are initially credited to unearned discount and amortized over the term of the note or lease using the interest method.

Real and Other Properties Owned or Acquired (ROPOA)

Assets acquired in settlement of receivables are stated at the total outstanding exposure of the receivables at the time of foreclosure or bid price, whichever is lower. Nonrefundable capital gains tax and documentary stamp tax incurred in connection with foreclosures are capitalized as part of the carrying values of the foreclosed properties, provided that such carrying values do not exceed appraised values. Security, maintenance and other holding costs are charged to operations as incurred. Allowance for probable losses is set up for any anticipated losses based on BSP provisioning requirements, appraisal reports, current negotiations and programs to dispose these properties.

Income Tax

The Bank and its subsidiaries apply the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax effects attributable to temporary differences between the financial reporting bases of assets and liabilities and their related tax bases and the carryforward benefits of the minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO). Deferred tax assets and liabilities are measured using the tax rate expected to apply to taxable income in the years in which those temporary differences, MCIT and NOLCO, are expected to be recovered, settled or applied. A valuation allowance is provided for the portion of the deferred tax assets which is not expected to be realized in the future.

Foreign Currency Translation and Transactions

Foreign currency denominated monetary resources and liabilities are translated using the exchange rate at the end of the period; income and expenses are translated at average rates. Exchange differences arising from reporting foreign currency monetary items, including those carried in the accounts of foreign branches and foreign subsidiaries whose operations are integral to those of the Bank, at rates different from those at which they were previously recorded are credited or charged to operations in the period in which the rates changed.

Derivative Instruments

The Bank and some of its subsidiaries are counterparties to derivative contracts entered into as a service to customers and as a means of reducing or managing their respective foreign exchange and interest rate exposures.

For foreign exchange forward that are designated and qualify as hedges, the difference between the contracted forward rate and the spot

rate at contract date is deferred and recognized as income or expense over the life of the hedged instrument while gain or loss in the revaluation of the forward contract is recognized currently in the consolidated statements of income. For a forward contract not designated as a hedge, the difference between the contracted forward rate and the forward rate available for the remaining maturity of the contract is recognized currently in the consolidated statements of income.

The differentials paid or received under the interest rate swap agreements are accrued and recognized over the life of the agreements as swap cost or income. In the case of an early termination of an interest rate swap, gains or losses resulting from the early termination are deferred and amortized as an adjustment to the yield of the related debt instrument over the remaining period originally covered by the terminated swap.

Retirement Plan

The retirement expense of the Bank and its subsidiaries namely EBCII, ESB, EDCI, Bankard, PCI Capital, PCI Leasing, PCI Insurance Brokers, PCIB Securities and PCI Automation is determined using the entry age normal method. This method reflects the retirement benefits based on service both rendered and to be rendered by employees as of the date of the actuarial valuation. Under this method, the cost of employees' retirement benefits is evenly allocated over the full period of employment. Unrecognized experience adjustments and past service costs are amortized over the expected remaining working life of each participating employee.

ECNI's retirement expense is determined using the attained age actuarial cost method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees projected salaries. Unrecognized experience adjustments and past service cost are amortized over the expected remaining working life of the participating employee.

Most of the officers and staff of EFL, ESHC, PCIB Properties and PCIB Savings are seconded by the Bank. Accordingly, the retirement benefits of said officers and employees are determined and provided for by the Bank and are charged to the current operations of the Bank.

Retirement expense of non-seconded staff of PCIB Savings (see Note 7) is determined using the accrued benefit actuarial cost method. Under this method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date. Unfunded past service costs are amortized over the remaining working life of the participating employees.

Pending the implementation of a formal retirement plan, PCIB CIGNA accrues retirement cost on its unfunded noncontributory retirement plan covering substantially all of its permanent employees, as required under the Republic Act No. 7641.

Earnings Per Share

Basic earnings per share is computed by dividing net income for the year by the weighted average number of shares outstanding during the year after giving retroactive effect to stock dividends declared during the year, if any.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks and interbank loans receivable with maturities of three months or less from dates of placements. Where actual cash flows are not determinable, the reported cash flows are determined based on samples and other estimating procedures.

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP requires the Group to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities and disclosure of contingent assets and liabilities. Management believes that actual results will not be materially different from those estimates.

3. Trading and Investment Securities

This account consists of:

	2000	1999
Trading account securities (net of unrealized loss of ₱8.2 million in 2000 and including unrealized gain of ₱1.4 million in 1999) (see Note 11)	₱ 6,410,453	₱ 8,260,929
Available-for-sale securities (net of unrealized accumulated loss of ₱58.6 million in 2000 and ₱93.5* million in 1999)	2,914,946	2,835,945
Investments in bonds and other debt instruments (net of allowance for permanent decline in value of ₱12.8 million in 2000) (see Notes 9 and 16)	28,683,325	8,164,346
	₱38,008,724	₱19,261,220

* Includes allowance for market decline amounting to ₱39.2 million recognized in 1997.

As of December 31, 1999, the cost of investments in bonds and other debt instruments approximates market value. The Bank intends to hold these investments until maturity.

4. Receivable from Customers

This account consists of:

	2000	1999
Loans and discounts	₱108,787,222	₱101,809,312
Customers' liabilities on acceptances, letters of credit/trust receipts	16,106,853	12,375,533
Cardholders	6,739,789	5,180,450
Bills purchased	11,690,533	3,338,053
	143,324,397	122,703,348
Unearned discount	(1,375,156)	(1,188,747)
Allowance for probable losses (see Note 9)	(10,049,811)	(8,199,387)
	₱131,899,430	₱113,315,214

Nonperforming loans, as defined under BSP Circular No. 202 issued in May 1999, amounted to P23.2 billion and P17.4 billion as of December 31, 2000 and 1999, respectively, of which P14.1 billion and P9.4 billion, respectively, are secured. Under BSP Circular No. 202, nonperforming loans refer to (a) loans payable in monthly installments when three or more installments are in arrears; and (b) loans payable in lump sum, quarterly, semi-annual or annual installments whose principal and/or interest is unpaid for thirty days or more after due date or after they have become past due in accordance with existing rules and regulations. As of December 31, 2000 and 1999, nonaccruing loans amounted to P24.1 billion (P14.1 billion of which are secured) and P17.4 billion (P9.4 billion of which are secured), respectively.

Receivables amounting to P436.7 million and P184.5 million as of December 31, 2000 and 1999, respectively, are pledged as collaterals with the BSP to secure borrowings under rediscounting privileges (see Note 11).

The following table shows information relating to loans by collateral:

	2000	%	1999	%
Secured				
Real estate	P 45,533,803	31.77	P45,647,872	37.20
Trust receipts	11,362,033	7.93	5,758,295	4.69
Bank deposits	7,288,375	5.09	3,746,821	3.06
Chattel	5,035,736	3.51	6,701,934	5.46
Shares of stocks	3,555,875	2.48	1,264,357	1.03
Warehouse receipts	145,800	0.10	2,513,838	2.05
Others	1,797,313	1.25	2,243,258	1.83
	74,718,935	52.13	67,876,375	55.32
Unsecured	68,605,462	47.87	54,826,973	44.68
	P143,324,397	100.00	P122,703,348	100.00

5. Loan Concentrations

Information on the Group's loan concentrations as to economic activity follows:

	2000	%	1999	%
Manufacturing:				
Consumer goods	P19,126,191	13.34	P17,142,347	13.97
Intermediate goods	15,739,935	10.98	13,356,424	10.89
Capital goods	11,319,882	7.90	11,551,732	9.41
Wholesale and retail	23,867,649	16.65	19,254,186	15.69
Transport, storage and communications	15,380,760	10.73	14,347,699	11.69
Financial intermediation, renting and business activities	12,192,283	8.50	8,360,715	6.81
Real estate	11,775,602	8.22	12,038,032	9.81
Electricity, gas and water	8,048,603	5.62	1,200,224	0.98
Other community, social and personal services	8,038,282	5.61	17,885,996	14.58
Construction	2,294,974	1.60	2,562,932	2.09
Agriculture, hunting and forestry	1,164,793	0.81	2,340,660	1.91
Mining and quarrying	910,807	0.64	923,822	0.75
Others	13,464,636	9.40	1,738,579	1.42
	P143,324,397	100.00	P122,703,348	100.00

The BSP considers that there is loan concentration risk when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio. Based on BSP guidelines, the Bank does not have any loan exposure to a particular industry as of December 31, 2000 and 1999.

6. Property and Equipment

This account consists of:

	2000	1999
At cost:		
Land	P 4,016,914	P 3,913,483
Buildings	6,697,739	5,015,267
Leasehold improvements - net	706,197	579,646
Furniture, fixtures and equipment	7,026,368	6,173,298
	18,447,218	15,681,694
Less accumulated depreciation	5,029,077	4,123,901
	13,418,141	11,557,793
Appraisal increase:		
Land	1,490,227	1,490,227
Buildings and building improvements	243,920	243,920
	1,734,147	1,734,147
Less accumulated depreciation	64,596	-
	1,669,551	1,734,147
Building under construction	47,042	1,707,663
	P15,134,734	P14,999,603

Depreciation and amortization expenses amounted to P818 million in 2000, P1.0 billion in 1999 (inclusive of the PCIBank Group's depreciation and amortization expense from January 1 to September 2, 1999 amounting to P361.5 million) and P328.3 million in 1998.

Interest capitalized as part of building under construction in accordance with the Bank's policy (which was adopted in 1997) on capitalization of borrowing costs during construction period amounted to P58.2 million in 1999.

7. Equity Investments

This account consists of equity investments in:

	Ownership (%)	2000	1999
At equity:			
Acquisition cost of:			
Jardine Land, Inc.	20	P 232,000	P232,000
Taal Land, Inc.	33	170,000	170,000
Maxicare	30	119,510	119,510
Philippine Insurance Holding Corp. (PIHC)	22	108,427	108,427
Equimark - NFC Development Corporation	60	44,997	44,997
Family First Inc. (FFI)	22	27,090	27,090
Securities Clearing Corporation of the Philippines	22	11,000	11,000
PCI Travel Corporation	35	4,424	4,424
Unicorn First Properties	35	3,500	3,500
Equitable Venture Capital Corporation	60	3,000	3,000
First Private Power Corporation (FPPC)	20	-	320,000
		723,948	1,043,948
Accumulated equity in net earnings:			
Balance at beginning of year			
EBC Group		71,236	29,416
PCIBank Group (as of September 2, 1999)		-	204,732
Equity in net earnings (loss) for the year			
EBC Group		(23,976)	(31,938)
PCIBank Group		-	73,372
Equity in net earnings of PCIBank Group as of September 2, 1999			
		-	(77,549)
Accumulated equity in FPPC			
		(3,734)	-
Dividends received			
		(239,000)	(126,797)
Balance at end of year			
		(195,474)	71,236
		528,474	1,115,184
At cost - other investments (net of allowance for probable losses of P273.9 million and P90.0 million in 2000 and 1999, respectively) (see Note 9)			
		1,937,576	1,881,724
		P2,466,050	P2,996,908

The investments in Equimark-NFC Development Corporation and Equitable Venture Capital Corporation, both 60% owned by the Bank remain unconsolidated because of immateriality.

On August 4, 2000, PCI Capital sold its 20% ownership in FPPC for P418 million. The book value of the investment on the date of sale was P324 million. Gain on sale amounting to P94 million is included under the Miscellaneous Income account in the consolidated statements of income.

On November 27, 2000, the Bank entered into a Memorandum of Agreement (MOA) with the Philippine Branches of The Hongkong and Shanghai Banking Corporation Limited (HSBC) for the sale of all of its equity interest in PCIB Savings consisting of 60 million outstanding shares of common stock with par value of P1.00 per share. The MOA contained certain conditions which were deemed completed and met on December 29, 2000 upon the transfer of its ownership in PCIB Savings Bank to HSBC in exchange for a consideration of about P1.1 billion or a gain on such sale transaction of P376 million net of capital gains tax.

On January 4, 2001, ESHC sold its investments in PIHC and FFI for P122 million which resulted to a loss of P36.4 million. As of December 31, 2000, a full valuation allowance is provided for such loss.

On December 31, 2000, the Bank entered into a Stock Purchase and Sale Agreement (Agreement) with CIGNA Worldwide Insurance Company (CIGNA). The Agreement stipulates that CIGNA shall sell, assign, transfer and deliver to the Bank its 7.5 million share ownership in PCIB Cigna Life Insurance Corporation (the Company). The said sale was conditional upon the approval of the BSP of its application to increase its investments in the Company from 50% to 100% of the Company's capital stock. On February 14, 2001, the BSP approved the said application of the Bank. On March 23, 2001, the stockholders approved the change in the name of the Company to Equitable PCI Life Insurance Corporation. The Company's application for a change in name is pending approval by the Securities and Exchange Commission.

The Bank sold its 65% interest in Bankard. The gain on such sale net of the capital gains tax paid by the Bank less the 70% tax assumed by the buyer of P75.3 million amounted to P708.3 million. Management recorded the transaction in January 2001 since management believes that as of December 31, 2000, no final agreement has been reached with the buyer. Accordingly, the Bank continues to include in its consolidated financial statements as of December 31, 2000 the assets, liabilities, revenues and expenses of Bankard as follows:

Total Assets	P2,316,534
Total Liabilities	1,480,226
Total Stockholder's Equity	836,110
Minority Interest	(292,638)
Gross Income	1,209,514
Total Expenses	1,027,581
Net Income	125,034
Equity share of the Bank	81,385

The foregoing sale transaction is covered by a Share Purchase Agreement (SPA) signed between a representative of the Bank for itself and other shareholders of Bankard (the Sellers) and a representative of the Buyer on May 24, 2000 as amended on September 19, 2000. The more pertinent provisions of the SPA follow:

1. On May 24, 2000, the Sellers shall deliver and deposit with the Escrow Agent 20% of the purchase price and the corresponding certificates of stock and a certification that such shares of stock are free from any liens or encumbrances.

2. On June 2, 2000, closing date, the sale and purchase of the subject shares shall be effected by means of a block or cross sale through the Philippine Stock Exchange (PSE). In the event the block or cross sale cannot be effected on the closing date, the Sellers shall deliver to the escrow agent the certificates of the remaining 80% of the shares of stock. Additionally, the Sellers shall deliver to the Buyer the irrevocable special power of attorney and/or irrevocable power for, rights to, and interest on the subject shares thereby immediately ceding the voting rights to the subject shares, control and management of Bankard to the Buyer. On the other hand, the Buyer shall deliver the remaining 80% of the purchase price.
3. Pursuant to the Escrow Agreement,
 - a) The Certificates of Stock and Certification of PCD-lodged shares as well as the purchase price shall be retained by the escrow agent until both the Bank and the Buyer issue their Joint Certification on the consummation of the sale transaction;
 - b) Interest on the purchase price placed in escrow shall accrue to the Sellers ; and
 - c) On the last banking and trading day of December 2000, the escrow agent shall even without receiving the Joint Certification, release the purchase price and related interest to the Bank and the subject shares to the brokers designated by the Bank and the Buyer.
4. On December 29,2000 the foregoing terms of the SPA and Escrow Agreement were complied with except for the sharing of the capital gains tax due on the transaction which as maintained by management constitutes a condition that suspended the conclusion of the sale transaction. Such issue was subsequently resolved on January 10, 2001.

A Deed of Sale was executed by the Seller on January 10, 2001 to evidence the consummation of the sale transaction.

8. Other Resources

This account consists of:

	2000	1999
Deferred tax assets - net (see Note 14)	P 4,045,613	P2,490,939
Accounts receivable	3,640,654	1,943,029
Investments in real estate	3,322,881	3,284,148
Accrued interest receivable	3,003,781	1,878,002
Foreign currency notes and coins on hand	1,381,419	1,546,033
Advances to unconsolidated subsidiaries and associates	1,181,587	33,528
Equity investments held for sale	844,527	844,527
Returned checks and other cash Items	805,897	3,204,411
Miscellaneous checks and other cash items	603,773	125,155
Interoffice float items - net	488,410	268,689
Other investments	368,217	400,280
Dividends receivable	-	163,397
Miscellaneous	5,260,702	2,606,413
	24,947,461	18,788,551
Less allowance for other probable losses (see Note 9)	1,369,697	719,971
	<u>P23,577,764</u>	<u>P18,068,580</u>

Deferred tax assets (DTAs) include MCIT and NOLCO amounting to P76.9 million and P853.0 million net of related valuation allowance in 2000, respectively and P75.3 million and P286.0 million net of related valuation allowance in 1999, respectively. These DTAs are applicable against normal income tax liabilities of the Group in the three immediately succeeding taxable years.

Equity investments held for sale represents the Group's investments in Bank of Commerce, Mindanao Development Bank (MDB) and Ecology Savings Bank Inc. (ESBI).

The carrying value of investments in Bank of Commerce amounted to P151.3 million as of December 31, 2000 and 1999. The Bank's management does not anticipate any material adverse effect on the Bank's financial statements upon the final divestment of said investments.

In March 1999, the Bank through its wholly owned subsidiary, ESHC, acquired 90.63% of MDB for P98.6 million. After an additional capital infusion of P315 million in MDB, ESHC's investment in MDB amounted to P223.7 million. As of December 31, 2000 and 1999, the carrying value of ESHC's investment in MDB is carried at net realizable value in the books of ESHC of P10.9 million and P223.7 million, respectively.

In November 1998, the Group signed a deed of assignment with Asia Amalgamated Holdings, Inc. for the acquisition of the latter's 100% owned subsidiary, ESBI. ESBI became a 100% owned subsidiary of ESHC effective December 29, 1999. ESBI is currently undergoing restructuring and is currently incurring losses. As of December 31, 2000 and 1999, the equity investment in ESBI amounted to P181.5 million and P303 million respectively. Management believes that the allowance for probable losses on its equity investment in ESBI is adequate to cover for any possible losses on the said investment.

As previously discussed, the Bank has investments and advances to certain subsidiaries amounting to P1.3 billion as of December 31, 2000. As of such date, there are indications that the carrying value of such investment and advances may not be realized in the future. Management believes that these investment and advances are recoverable.

As of December 31, 2000, the Bank's sundry debit and miscellaneous clearing asset (included in miscellaneous account) amounted to P1.6 billion and P912 million, respectively. Management believes that these accounts arose during the final phase of the systems integration of EBC and PCIBank. Management also believes that the resolution of these accounts will not have a material adverse impact on the Bank's financial statements. Accordingly, no provision has been made in the accompanying financial statements for probable losses on such accounts.

9. Allowance for Probable Losses

Changes in the allowance for probable losses are as follows:

	2000	1999
Balance at beginning of year		
Trading and investment securities	P -	P 7,612
Receivable from customers	8,199,387	1,770,478
Equity investments	90,000	90,000
ROPOA	321,540	20,831
Other resources	719,971	18,100
	<u>9,330,898</u>	<u>1,907,021</u>
Allowance for probable losses of PCIBank*		
Trading and investment securities	-	32,991
Receivable from customers	-	4,164,227
Equity investments	-	24,034
ROPOA	-	180,900
Other resources	-	320,287
	<u>9,330,898</u>	<u>6,629,460</u>
Provisions during the year	3,755,458	3,781,544
Accounts written-off	(848,271)	(1,148,937)
Reversals and others	(70,013)	68,831
Balance at end of year		
Trading and investment securities (see Note 3)	12,837	-
Receivable from customers (see Note 4)	10,049,811	8,199,387
Equity investments (see Note 7)	273,914	90,000
ROPOA	461,813	321,540
Other resources (see Note 8)	1,369,697	719,971
	<u>P12,168,072</u>	<u>P9,330,898</u>

* This pertains to allowance for probable losses of PCIBank Group at the beginning of the year.

10. Deposit Liabilities

This account consists of:

	2000	1999
Demand	P 8,371,541	P 7,914,361
Savings	91,274,059	93,118,469
Time	57,032,747	58,496,257
	<u>P156,678,347</u>	<u>P159,529,087</u>

In December 1996, the Bank issued foreign currency-denominated fixed rate certificates of deposits with detachable warrants to purchase common shares of the Bank (see Note 13).

In 1998, the Bank extended the exercise period of these warrants until December 31, 2000 at the same price as the Bank's initial public offering (IPO) price of P113.30 per share in 1997 and 1998 and P98.52 in 1999 adjusted for the 15% stock dividends declared in 1999 (see Note 13). Warrant holders who do not wish to exercise their rights under the warrants may surrender the warrant certificates to EBCII within the following dates and shall be paid by EBCII the corresponding amounts per warrant:

March 4, 1998 to April 3, 1998	P5.66
November 16, 1999 to December 31, 1999	3.40
November 16, 2000 to December 31, 2000	1.13

In September 2000, the Bank extended the life of the warrants until December 31, 2002 at the same exercise price.

Beginning January 1, 2003, the right to subscribe shall be deemed to have been transferred to EBCII. Outstanding warrants as of the end of the period (one warrant is required to acquire one share) numbered 23,130,000 in 2000 and 1999.

Time deposits also include unsecured Euro-Certificates of Deposits amounting to US\$89.8 million and ¥10.1 billion as of December 31, 2000 and US\$62.1 million and ¥4.4 billion as of December 31, 1999.

11. Bills Payable

This account consists of borrowings from:

	2000	1999
Foreign banks	P27,403,987	P24,325,771
BSP (see Note 4)	13,436,701	184,502
Local banks	5,077,595	3,625,399
Others	2,546,100	2,768,751
	<u>P48,464,383</u>	<u>P30,904,423</u>

Bills Payable - Foreign are foreign currency short-term borrowings bearing annual interest rates ranging from 6.87% to 7.54% and 6.90% to 7.50% in 2000 and 1999, respectively.

Bills Payable - BSP mainly represents term borrowings availed through normal open market transactions with the BSP amounting to P13.0 billion as of December 31, 2000, which are secured by the Bank's investment securities amounting to US\$389.0 million or P19.4 billion as of December 31, 2000. Such BSP loans bear annual interest rate of 15.875%.

Bills Payable - Others represent mainly funds obtained from the Development Bank of the Philippines, Land Bank of the Philippines and SSS, which the Bank relends to borrowers availing of certain financing programs of these institutions.

12. Other Liabilities

This account consists of:

	2000	1999
Bills purchased contra	₱10,933,696	₱2,552,400
Accounts payable	1,743,423	1,274,934
Unearned income and other deferred credits	773,823	812,058
Withholding taxes payable	371,210	249,792
Dividends payable	218,101	218,545
Other credits	201,018	166,442
Due to other banks	27,675	105,018
Sundry credits	12,896	72,393
Due to the Treasurer of the Philippines	37,766	37,880
Time deposit - special financing	-	10,125
Miscellaneous	5,732,089	3,619,575
	₱20,051,697	₱9,119,162

13. Capital Funds

The Bank's capital stock consists of:

	2000	1999	1998
Common stock - ₱10 par value			
Authorized - 1billion shares in 2000 and 1999 and 500 million shares in 1998			
Issued - 727,003,345 shares in 2000 and 1999 and 316,770,000 shares in 1998	₱7,270,033	₱7,270,033	₱3,167,700

The bank declared the payment of cash dividends of ₱0.30 per share equivalent to ₱218.1 million in February, May, August and November 2000 to stockholders of record as of March 1, June 11, September 1 and December 1, 2000, respectively. The total dividends declared amounted to ₱872.4 million and was approved by the BSP.

In March 1999, the Bank declared stock dividends of 15% from paid-in surplus amounting to ₱475.2 million to stockholders of record as of May 15, 1999.

In May 1999, the Bank's Board of Directors (BOD) approved the increase in authorized capital stock from ₱5 billion divided into 500 million shares with par value of ₱10 per share to ₱10 billion divided into 1.0 billion shares with par value of ₱10 per share. The increase was approved by the stockholders in a special meeting held on July 20, 1999 and was subsequently approved by SEC on September 2, 1999.

Also in May 1999, the Bank issued 100,000 common shares upon the exercise of warrants issued to holders of certain fixed rate certificates of deposit. The amount received in excess of par value of the shares issued amounting to ₱8.8 million was credited to paid-in surplus.

On September 2, 1999, pursuant to the plan of merger with PCIBank, EBC issued 3 common shares for each PCIBank common and preferred shares equivalent to 362,617,845 common shares, net of 98,180,505 equivalent shares which were not swapped on the effective date of the merger. The Bank's paid-in surplus was credited for ₱31.3 billion representing the excess between the exchange price over the par value of the shares issued in exchange for PCIBank shares, net of cost incurred incident to the issuance of the shares of stock of the merged Bank.

A portion of the Bank's surplus corresponding to the (a) undistributed equity in net earnings of investees amounting to ₱1.6 billion as of December 31, 2000 and 1999 and ₱1.2 billion as of December 31, 1998 and (b) accumulated balance of deferred income tax amounting to ₱2.2 billion as of December 31, 2000, ₱834 million as of December 31, 1999 and ₱439.1 million as of December 31, 1998 are not available for dividend declaration until realized by the Bank through (a) distribution of cash dividends by investees and (b) reversal of deferred income tax.

The foregoing undistributed equity in net earnings of investees and deferred tax assets as of December 31, 2000 and 1999 exclude the accumulated net earnings and deferred tax assets of PCIBank as of September 2, 1999 amounting to ₱3.7 billion and ₱1.5 billion, respectively which formed part of the purchase price and the exchange ratio.

Under current banking regulations, the combined capital accounts of each commercial bank should not be less than an amount equal to ten percent (10%) of its risk assets. The unimpaired capital of the Bank for purposes of determining the capital-to-risk assets ratio is capital funds excluding (a) unbooked valuation reserves and other capital adjustments as may be required by the BSP, (b) total outstanding unsecured credit accommodations to related interests (DOSRI), (c) deferred income tax asset or liability, (d) accumulated equity in net earnings of investees where the Bank holds 50% or less but where the equity method of accounting has been applied, and (e) appraisal increment on property and equipment other than those allowed to be recognized in connection with a merger or acquisition. Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board.

As of December 31, 2000 and 1999, the Bank is in compliance with such provision. The capital-to-risk assets ratio of the Bank as of the December 31, 2000 and 1999 is 11.81% and 11.85%, respectively.

Parent company shares held by a subsidiary represent shares of the Bank purchased by its investment house subsidiary and retained for future sale to a strategic partner of the Bank. This is accounted for as treasury shares.

14. Income Taxes

The Bank's gross income includes income from Foreign Currency Deposit Unit (FCDU) which is subject to different tax rates, as well as interest on government securities, commercial papers and other income which are tax-paid or tax-exempt. Accordingly, these are not included in the computation of the Bank's liability for the regular corporate income tax.

The provision for (benefit from) income tax consists of:

	2000	1999	1998
Current	₱ 704,182	₱ 744,941	₱ 412,558
Deferred	(1,608,067)	(1,081,406)	(174,832)
	(₱ 903,885)	(₱336,465)	₱ 237,726

The significant components of net deferred tax asset (included in Other Resources) are as follows:

	2000	1999
Tax effect of timing differences:		
Allowance for probable losses	P3,042,555	P2,205,061
NOLCO - net of valuation allowance of P122,330 in 2000	853,011	286,020
Unamortized past service cost	110,408	95,325
Capitalized interest (see Note 6)	-	(129,422)
Others	(37,277)	(41,322)
MCIT - net of valuation allowance of P55,993 million in 2000 and P37,466 million in 1999	76,916	75,277
	P4,045,613	P2,490,939

Based on management's assessment, it is more likely than not that the net deferred tax assets will be realized through future taxable earnings or alternative tax strategies.

A reconciliation between the statutory income tax and effective income tax follows:

	2000	1999	1998
Statutory income tax at 32% in 2000, 33% in 1999 and 34% in 1998	(P 57,010)	P 614,858	P 627,780
Tax effect of:			
FCDU income before income	(752,470)	(574,087)	(279,983)
Change in future tax rates	-	(372,477)	(19,527)
Valuation allowance on deferred tax asset	45,074	12,364	-
Tax-exempt income	(175,249)	(147,130)	(58,136)
Interest income subjected to lower final tax	(309,809)	(105,875)	(133,990)
Nondeductible interest expense	98,562	44,864	100,270
Equity in net loss (earnings) of subsidiaries	10,335	11,918	(6,561)
Others - net	236,682	179,100	7,873
Effective income tax expense (benefit)	(P903,885)	(P336,465)	P237,726

Under Republic Act No. 8424, "An Act Amending the National Internal Revenue Code, As Amended, and For Other Purposes" (the Act), the corporate income tax rates applicable are 32% in 2000, 33% in 1999 and 34% in 1998. Interest allowed as a deductible expense is reduced by an amount equivalent to 38% in 2000, 39% in 1999 and 41% in 1998 of interest income subjected to final tax. The Act also imposed the MCIT of 2% of gross income, as defined, and introduced the three-year NOLCO.

Under the Act, FCDU offshore income (income from non residents) continues to be tax-exempt while gross onshore income (income from residents) is subject to 10% gross income tax. Interest income on deposits with other FCDUs and Offshore Banking Units is subject to 7.5% final tax.

15. Retirement Plans

The Group is covered by the following retirement plans:

The Bank and certain subsidiaries have a noncontributory and funded retirement plan covering all its officers and regular employees. The total contributions of the Bank and certain subsidiaries to the retirement plan that were charged to expense amounted to P282.9 million in 2000, P159.0 million in 1999, P54.6 million in 1998.

As of January 1, 1998, the date of the latest actuarial valuation of EBC's retirement plan, the actuarial present value of retirement benefits amounted to P395.0 million. The fair value of the plan assets amounted to P209.8 million. The principal actuarial assumption used to determine pension benefits were a discount rate and a return on plan assets of 11% compounded annually. EBC's contribution to the retirement plan consists of a payment covering the current service cost for the period plus a payment toward funding the actuarially accrued liability.

As of September 1, 1996, the date of the latest actuarial valuation of EBCII's retirement plan, the actuarial present value of retirement benefits amounted to P0.064 million. The fair value of the plan assets amounted to P0.109 million. The principal actuarial assumptions used to determine pension benefits were a discount rate and a return on plan assets of 9% compounded annually. EBCII's contribution to the retirement plan consists of a payment covering the current service cost for the period plus a payment toward funding the actuarially accrued liability.

As of January 1, 1998, the date of the latest actuarial valuation of ESB's retirement plan, the actuarial present value of retirement benefits amounted to P0.131 million. The fair value of the plan assets amounted to P0.168 million. The principal actuarial assumption used to determine pension benefits were a discount rate and a return on plan assets of 11% compounded annually. ESB's contribution to the retirement plan consists of a payment covering the current service cost for the period plus a payment toward funding the actuarially accrued liability.

As of July 1, 1997, the date of the latest actuarial valuation of EDCI's retirement plan, the actuarial present value of retirement benefits amounted to P2.869 million. The fair value of the plan assets amounted to P0.642 million. The principal actuarial assumption used to determine pension benefits were a discount rate and a return on plan assets of 11% compounded annually.

As of December 31, 1997, the date of the latest actuarial valuation of ECNI's retirement plan, the actuarial present value of retirement benefits amounted to P8.6 million. The fair value of the plan assets amounted to P7.1 million. The actuarial valuation assumed that the return on fund investment for purposes of determining retirement benefits was 9% per annum, compounded annually. Actuarial valuations are made at least every two years. ECNI's contribution to the retirement plan consists of a payment covering the current and past service cost and defined contribution plan for the year.

PCIBank's existing Provident and Gratuity Funds have been integrated into a single unified retirement benefit plan to cover all of its regular and permanent officers and employees, as follows:

- Provident Fund - contributory plan wherein the members and PCIBank contribute the equivalent of 6% (3% by members and 3% by PCIBank) of the members' basic monthly salaries.
- Gratuity Fund - noncontributory plan wherein PCIBank provides a fund for the gratuity pay of its members in accordance with the rates agreed upon under the Collective Bargaining Agreement.

PCIBank's contribution to the Provident Fund amounted to approximately ₱25.97 million in 1999.

Based on the latest actuarial valuation of PCIBank's Gratuity Fund made on October 31, 1998, the actuarial present value of retirement benefits net of payments up to December 31, 1998 amounted to about ₱850 million. The principal actuarial assumptions used to determine retirement benefits were an investment yield of 12% per annum and salary increase of 8% per annum. For the period September 3 to December 31, 1999, PCIBank's contribution to the retirement plan consists of a payment covering the current service cost and an amortization of the unfunded actuarial-accrued liability amounting to ₱39.4 million.

Contributions to the Provident Fund and Gratuity Fund pertaining to the former PCIBank officers and employees are included in the total retirement expense of the Bank for the years ended December 31, 2000 and 1999.

As of April 1, 1998, the latest actuarial valuation of PCI Capital's retirement plan, the actuarial present value of retirement benefits amounted to ₱11.8 million. The fair value of the plan assets amounted to ₱4.0 million. The unfunded present value of retirement benefits amounted to ₱ 7.8 million. The principal actuarial assumptions used to determine retirement benefits were an interest rate of 10% compounded annually and salary increases of 8%, compounded annually. Actuarial valuations are made every three years. PCI Capital's annual contribution to the retirement plan consists of a payment covering the current service cost for the year plus a payment toward funding the actuarially accrued liability.

As of March 1, 1997, the latest actuarial valuation of Bankard's retirement plan, the actuarial present value of retirement benefits amounted to ₱18.9 million. The fair value of the plan assets amounted to ₱10.6 million. The unfunded present value of retirement benefits amounted to ₱8.4 million. The actuarial value of vested benefits amounted to ₱10.9 million. The principal actuarial assumptions used to determine retirement benefits were an investment yield of 10% and salary increase rate of 7% compounded annually. Bankard's annual contribution to the retirement plan consists of a payment covering the current service cost for the year plus a payment toward funding the actuarially accrued liability (see Note 7).

As of May 1, 1996, the latest actuarial valuation of PCI Leasing's retirement plan, the actuarial present value of retirement benefits amounted to ₱4.8 million. The fair value of the plan assets amounted to ₱4.9 million. The principal actuarial assumptions used to determine retirement benefits were an interest rate of 15% and salary increases of 10% compounded annually. PCI Leasing's annual contribution to the retirement plan consists of payments covering the normal and past service costs.

As of July 1, 1997, the latest actuarial valuation of PCI Insurance Brokers' retirement plan, the actuarial present value of retirement benefits amounted to ₱6.0 million. The fair value of the plan assets amounted to ₱1.3 million. The unfunded present value of retirement benefits amounted to ₱4.7 million. The principal actuarial assumptions used to determine retirement benefits were an investment yield of 9% per annum and salary increases of 7%.

As of May 1, 1998, the latest actuarial valuation of PCIB Securities' retirement plan, the actuarial present value of retirement benefits amounted to ₱1.1 million. The fair value of the plan assets amounted to ₱0.162 million. The unfunded present value of retirement benefits amounted to ₱0.923 million. The principal actuarial assumptions used to determine retirement benefits were an interest rate of 10% compounded annually and salary increases of 8% compounded annually. PCIB Securities' annual contribution to the retirement plan consists of a payment covering the current service cost and an amortization of the unfunded actuarially accrued liability.

As of July 1, 1998, the latest actuarial valuation of PCIB Savings' retirement plan for its nonseconded officers and staff, the principal actuarial assumptions used to determine retirement benefits were an investment yield of 12% per annum and salary increases of 10%. PCIB Savings' annual contribution to the retirement plan consists of a payment covering the current service cost and an amortization of the unfunded actuarial liability for the year. (see Note 7)

These funds are being managed by the Bank's Trust Banking Group.

16. Trust Functions

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for clients (and beneficiaries) are not included in the accompanying consolidated statements of condition since these are not resources of the Bank (see Note 17).

Government securities with a total face value of ₱426.8 million and ₱413.4 million as of December 31, 2000 and 1999, respectively, are deposited with the BSP in compliance with existing banking regulations relative to the trust functions of the Bank.

Additionally, a certain percentage of the Bank's trust income is transferred to surplus reserve until such reserve for trust functions amounts to 20% of the Bank's authorized capital stock. No part of such surplus reserve shall at any time be paid out in dividends.

Also, in accordance with BSP regulations, the common trust funds managed by the Bank's trust department maintain reserve deposit account with the BSP and government securities to meet the reserve requirement on peso-denominated common trust funds and other similarly managed funds. As of December 31, 2000 and 1999, the balance of the BSP reserve deposit account amounted to ₱1.1 billion and ₱1.2 billion, respectively, while government securities amounted to ₱1.5 billion and ₱870.3 million, respectively.

17. Commitments and Contingent Liabilities

In the normal course of business, the Group has various commitments and contingent liabilities that are not presented in the accompanying consolidated financial statements. The Group does not anticipate any material losses as a result of these commitments and contingent liabilities.

The following is a summary of the Group's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2000	1999
Forward exchange bought	₱39,864,004	₱35,303,536
Trust department accounts	36,944,895	40,098,710
Forward exchange sold	17,951,094	15,107,389
Unused commercial letters of credit	9,742,764	9,826,161
Interest rate swap receivable	2,721,688	2,180,122
Interest rate swap payable	2,663,404	2,180,122
Inward bills for collection	1,598,023	731,897
Outward bills for collection	785,316	831,624
Guarantees issued	624,736	1,362,863
Confirmed export letters of credit	570,885	92,753
Traveller's check unsold	154,749	383,917
Late deposits/payment received	2,491	800,499
Others	2,902,658	615,825

The Group is a defendant in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from such actions will not materially affect the Group's financial position. There are pending assessments and preassessments from the Bureau of Internal Revenue (BIR). The Bank, through their tax counsels, is contesting these assessments and preassessments on the ground that the factual situations were not considered which, if considered, will not give rise to material tax deficiencies. The Bank, together with other member banks of the Bankers' Association of the Philippines (BAP), are contesting these pending assessments and preassessments of the BIR. Discussions are ongoing between the BAP and the BIR for the appropriate settlement and disposition of these tax issues. No provision has been made in the accompanying financial statements for these contingencies.

The Bank leases the premises occupied by some of its branches including those of its subsidiaries for periods generally ranging from 2 to 20 years and is renewable upon mutual agreement of both parties. Total rent expense incurred amounted to ₱483.5 million, ₱433.2 million, and ₱119.5 million in 2000, 1999 and 1998, respectively.

The Bank's minimum rental payments for the next five years are as follows: 2001 - ₱362.7 million; 2002 - ₱414.6 million; 2003 - ₱459.5 million; 2004 - ₱509.3 million; and 2005 - ₱567.5 million.

18. Related Party Transactions

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank. In the aggregate, loans to DOSRI generally should not exceed the Bank's total capital funds or 15% of the Bank's total loan portfolio, whichever is lower. As of December 31, 2000 and 1999, the Bank has complied with all these regulatory requirements.

Other related party transactions conducted in the normal course of business include the availment of the computer services, securities and currency trading, insurance brokerage and management contract services rendered by certain member firms of the Group.

The following table shows information relating to DOSRI loans:

	2000	1999
Total outstanding DOSRI loans	₱2,363,130	₱2,621,149
Percent of DOSRI loans to total loans	1.65%	2.14%
Percent of unsecured DOSRI loans to total DOSRI loans	4.67%	4.77%
Percent of past due DOSRI loans to total DOSRI loans	-	-
Percent of non-performing DOSRI loans to total DOSRI loans	-	-

19. Earnings Per Share

Earnings per share amounts were computed as follows:

	2000	1999	1998
a. Net income	₱638,180	₱1,250,682	₱1,585,108
b. Weighted average number of outstanding common shares	650,924	458,679	360,393*
c. Earnings per share (a/b)	₱ 0.98	₱ 2.73	₱ 4.40

* Weighted average number of outstanding common shares in 1998 were recomputed after giving retroactive effect to stock dividends declared on March 16, 1999.

Potential common shares consisting of warrants to purchase common shares of the Bank as discussed in Note 10 are considered anti-dilutive and therefore not considered in the earnings per share computation.

The following basic ratios measure the financial performance of the Group:

	2000	1999
Where average equity and average asset include revaluation increment and goodwill, respectively		
Return on average equity	1.40%	4.79%
Return on average assets	0.24%	0.79%
Where average equity and average asset exclude revaluation increment and goodwill, respectively		
Return on average equity	4.10%	7.82%
Return on average assets	0.43%	0.93%
Net interest margin	3.43%	3.70%

As discussed in Notes 7 and 8, the Group continues to carry in its financial statements as of December 31, 2000 its equity investments in Bankard amounting to ₱ 541.9 million and 65% share in the earnings of Bankard. Additionally, no allowance for probable losses is made for its investments and advances to certain subsidiaries amounting to ₱ 1.3 billion. Had these been adjusted in the financial statements as of and for the years ended December 31, 2000 net income would have been increased by the gain on sale of Bankard and the difference between the interest income earned on the proceeds of the sale placed on escrow from May 24, 2000 to December 31, 2000 and the equity in net earnings for the same period by the Bank and decreased by an amount equivalent to the provision for probable losses to be made net of the deferred income tax effect. Such adjustments will have a corresponding proportionate effects on earnings per share, ROE and ROA for 2000.

20. Subsequent Events

The Bank experienced abnormal deposit withdrawals for a number of weeks starting from the date of the Bank's involvement in the past presidential impeachment proceedings. Management has embarked into an extensive marketing campaign to recover the lost deposits. The Bank's deposit level as of February 28, 2001 increased from its January 31, 2001 level.

21. Reclassification of Accounts

Certain accounts in 1999 have been reclassified to conform with the 2000 presentation.

BOARD OF DIRECTORS



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as of Jan. 30, 2001



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Chairman
Dec. 19, 2000 - Jan. 29, 2001



GEORGE L. GO
Chairman
until Dec. 18, 2000



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Vice Chairman



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GLORIA L. TAN CLIMACO
Vice Chairperson



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Member, Advisory Board



ATTY. NILO T. DIVINA
Corporate Secretary

CORPORATE MANAGEMENT

Corporate success
achieved without
a thousand days
of sweat and blood
may flourish
but will not last long
and its fruits
will not be enjoyed.

- Mr. Go Kim Pah
Founder



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Executive Vice President



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RENE J. BUENAVENTURA
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Vice President and Treasurer

Patrick Warren D. Go

EBC Insurance Brokerage, Inc.

President

Jaime L. Darantinao

Vice President

Leonel M. Mercado

EBC Investments, Inc.

President

Oscar P. Lopez-Dee

Senior Vice President

Milaflor R. Bangco

Assistant Vice President

Lazaro Jerome C. Guevarra

EBC Management, Inc.

Senior Vice President

Sergio L. Naranjilla III

Ecology Savings Bank, Inc.

President

Ramon T. Militar

Equitable CardNetwork, Inc.

President

Antonio L. Go

Sr. Executive Vice President

Eugenio K. Hernando

Senior Vice Presidents

Romeo B. Bachoco

Nelia V. Carlos

First Vice Presidents

Teresita Tanbonliong

Claire Ann Yap

Vice Presidents

Ricardo M. Celestino

Fulgencio C. Rana Jr.

Marili M. Tioseco

Assistant Vice Presidents

Germaine C. Gochioco

Harrison C. Gue

Annie Rose C. Paraan

Equitable Data Center, Inc. / PCI Automation Center

President

Redentor C. Bancod

First Vice President

Ma. Elena L. Jao

Vice President

Heidi P. Ver

Assistant Vice Presidents

Mary Jane V. Ang

Elpidio R. Angeles, Jr.

Ophelia R. Angeles

Cynthia M. Avenir

Joel Rizaldy G. Flor

Francisco Vicente O. Hilario

Jennie F. Lansang

Cecilia C. Maravilla

Pacifico A. Nieva, Jr.

Ergilio S. Ong

Equitable Exchange, Inc.

President

Juana S. Gavino

Assistant Vice President

Lazaro Jerome C. Guevarra

Equitable PCI Life Insurance

First Vice President

Agerico F. Reinoso, Jr.

Assistant Vice Presidents

Blesilda S. Besabe

Araceli Z. Lorayes

Edwin C. Ong

Fortunata I. Pinugu

Equitable Savings Bank

General Manager

Arthur E. Soberano

Assistant Vice Presidents

Arnaldo E. Palad

Arsenia S. Santos

Express Padala (Hk) Ltd.

General Manager

Chona Azucena

Maxicare PCIB CIGNA Healthcare Corporation

Chairman

Roberto K. Macasaet

*Chief Operating Officer and
Acting CEO*

James J. Maloney

Executive Vice President

Virgilio A. Del Valle

Chief Financial Officer

Agerico F. Reinoso, Jr.

Vice President For Marketing

Josephine Cabrera-Aguilar

Chief Actuarial Officer

Allan R. Santos

Mindanao Development Bank

Managing Director

Enrique F. Pelaez

Vice Presidents

Humphrey P. Acosta

Antonio S. Aizon

Assistant Vice Presidents

Reuel C. Bernabe

Ma. Theresa M. Dalida

Violeta Trinidad J. Tian

PCI Capital Corporation

President

Erlaster C. Sotto

First Vice President

Gabriel U. Lim

Vice Presidents

Roberto N. Fernandez

Eleanor M. Hilado

Arnold E. Oliva

Assistant Vice Presidents

Michael K. Pastores

Noemi T. Villanueva

PCI Forex Brokers Corporation

President

Juana S. Gavino

PCI Leasing and Finance

President

Rene J. Buenaventura

Senior Vice President

Manolo C. Arzadon

First Vice Presidents

Robert E. Lapid

Vicente C. Rallos

Assistant Vice Presidents

Marlo R. Cruz

Constante C. Lapuz

Renato G. Oñate

Beatriz Alicia T. Sanchez

PCIB Securities, Inc.

President

Erlaster C. Sotto

Vice President

Ramon Vicente T. Kabigting

Property Care, Inc.

President and CEO

Sergio Ll. Naranjilla Jr.

Executive Vice President

Flor Melissa Po-Artillaga

SUBSIDIARIES

Armstrong Securities, Inc.

Equitable PCI Bank Bldg.
262 Juan Luna St., Binondo, Manila
Tels: 2427101 to 45

EBC Insurance Brokerage, Inc.

Equitable PCI Bank Bldg.
262 Juan Luna St., Binondo, Manila
Tels: 2427101 to 45

EBC Investments, Inc.

Equitable PCI Bank Towers
Makati Ave. cor H.V. dela Costa St.
Makati City
Tels: 8942050 • 8172355

EBC Management, Inc.

Equitable PCI Bank Bldg.
262 Juan Luna St., Binondo, Manila
Tels: 2427101 to 45

EBC Strategic Holdings Corporation

Equitable PCI Bank Bldg.
262 Juan Luna St., Binondo, Manila
Tels: 8189037 • 2427101 to 45

Ecology Savings Bank, Inc.

90 E. Rodriguez Jr. Ave.
Barangay Ugong Norte
Libis, Quezon City
Tels: 439-9169 to 80
Fax: 438-5594

Equitable CardNetwork, Inc.

203 Salcedo St., Legaspi Village
Makati City
Tels: 8125861 to 67

Equitable Data Center, Inc.

Equitable PCI Bank Bldg.
262 Juan Luna St., Binondo, Manila
Tels: 2427101 to 45

Equitable Exchange, Inc.

Equitable PCI Bank Bldg.
262 Juan Luna St., Binondo, Manila
Tels: 8189037 • 2427101 to 45

Equitable PCI Express Padala

(Deutschland), GmbH
Grosse Friedberger Strasse 6
60313 Frankfurt
Am Main Germany
Tels: (004969) 720079 • 720070
Fax: (004969) 172228

Equitable PCI Life Insurance Corporation

Equitable PCI Bank Tower 2
Makati Ave. cor H.V. dela Costa St.
Makati City
Tel: 8912092

Equitable Savings Bank, Inc.

G/F EBC Bldg. II, Ortigas Ave. cor
Roosevelt St., Greenhills, San Juan
Tels: 7267603 • 7267604
Fax: 7258353

Express Padala (HK) Ltd.

Shop 232
2/F Worldwide House Plaza
19 Des Voeux Road
Central, Hong Kong
Tels: (00852) 25255629
25254268
Fax: (00852) 25269025

Express Padala (Italia) SpA - Milan

Via Santa Maria Segreta, 6
20123 Milan, Italy
Tel: (003902) 7252161
Fax: (003902) 862795

Express Padala (Macau) Ltd.

Tin Tac Bldg. Rua Dos Cules
6 R/C, Macau
Tels: (00853) 373324 • 374385
Fax: (00853) 374394

Express Padala (Rotterdam) B.V.

Rm. 217 World Trade Center
Beursplein 37 3011 AA, Rotterdam
Tels: (003110) 2052111 • 2052112

Express Padala (U.S.A.), Inc., LA

Music Plus Plaza Shopping Ctr.
215 South Vermont Avenue
Los Angeles, California 90004
Tel: (001213) 2294404
Fax: (001213) 2290893

Maxicare PCIB CIGNA Healthcare

19/F Medical Plaza Makati
Amorsolo St. cor dela Rosa St.
Legaspi Village, Makati City
Tels: 8120561 to 64
8128666 to 69

Mindanao Development Bank

CM Recto Avenue, Lapasan
Cagayan de Oro City
Tels: (08822) 723329 • 722286
Fax: (08822) 725811

PCI Capital Corporation

Equitable PCI Bank Tower 1
Makati Ave. cor H.V. dela Costa St.
Makati City
Tel: 8178902

PCI Forex Brokers Corporation

20/F Equitable PCI Bank
Tower 1, Makati Ave. cor
H.V. dela Costa St., Makati City
Tel: 8407000

PCI Insurance Brokers, Inc.

9/F Equitable PCI Tower 2
Makati Avenue cor.
H.V. dela Costa St., Makati City
Tel: 8407000
Fax: 8133894 • 8938991
8154691

PCI Leasing and Finance, Inc.

PCI Leasing Centre
Corinthian Gardens, Ortigas Ave.
Quezon City
Tel: 6356416
Fax: 6355805 • 6355811

PCIB Securities, Inc.

Equitable PCI Bank Tower 1
Makati Ave. cor H.V. dela Costa St.
Makati City
Tel: 8407000

Property Care, Inc.

2/F Equitable PCI Bank Tower 2
Makati Avenue cor.
H.V. dela Costa St., Makati City
Tel: 8407000
Fax: 8928693

Strategic Property Holdings, Inc.

Equitable PCI Bank Bldg.
262 Juan Luna St., Binondo, Manila
Tels: 2427101 to 45

PRODUCTS & SERVICES

DEPOSITS

Peso Deposits

- Regular Checking Account
- Interest Bearing Checking Account (*ONE Account*)
- Savings Account
- ATM Savings Account (*FASTeller*)
- ATA Account
- Investment Savings Accounts (*OPTIMUM FASTSaver, HIGHSaver*)
- Kiddie Savings Account (*POWERSavers*)
- Time Deposit

Foreign Currency Deposits

- Dollar/Euro Savings Account
- Third Currency Savings Account
- Dollar Checking Account
- Dollar/Euro Time Deposit
- Third Currency Time Deposit
- Philippine Retirement Authority Accounts

ELECTRONIC BANKING

- Phone Banking (*Phonelink, FASTPhone*)
- Mobile Phone Banking (*GSM*)
- Internet Banking (*FASTNet*)
- On-line Banking (*FUND Manager*)
- Bills Payment (*FASTPay*)
- Cashless Shopping Facility (*Paylink*)
- Corporate Deposit-Collection Systems (*FASTCollect*)
- Electronic transfer of funds (*FASTSweep*)
- Electronic Transmittal of Letters of Credit applications/transactions (*FASTrade*)
- Equitable Hello Service (*through Equitable CardNetwork*)
- EC Link-SSS Net (*through Equitable CardNetwork*)
- Equitable On Line Service (*through Equitable CardNetwork*)
- Visa Electron

LOANS

Consumer Loans

- Housing Loan (*Own-a-Home*)
- Home Equity Financing
- Multi-Purpose Loan (*Credit on the House*)
- Bank Corporate Tie-ups on Employee Housing (*Corporate Housing Loans*)
- Car Loans (*Own-A-Car*)

Business Loans

- Personal Loan Program (*through PCI Leasing and Finance*)
- Real Estate Loan (*through PCI Leasing and Finance*)

Commercial Loans

- Term Loan
- Trade Finance
- Funding Program
- FCDO Loan

- Amortized Commercial Loan (*through PCI Leasing and Finance*)

Agribusiness Loans

- Crop Loans
- Project Finance

Leasing

(*through PCI Leasing and Finance*)

- Corporate Leases
- Personal Loans Program
- Amortized Commercial Loans
- Receivables Discounting
- Installment Paper Purchase
- Real Estate Loans and Leases
- Leasing and Project Management (*through Property Dev't. Division*)

PAYMENT AND SETTLEMENT SERVICES

Card Products

- Automated Telling Machine
- ESB Teller, FASTeller
- Equitable VISA
- Equitable Mastercard
- Equitable JCB
- Equitable American Express

International Banking

- Telegraphic Transfer
- Demand Drafts
- Import/Export Financing
- Letters of Credit (*Sight and Usance*)
- Standby Letter of Credit
- Interlink Remittance
- Express Padala

ASSET MANAGEMENT AND TRUST SERVICES

Non-Life Insurance

(*through EBC Insurance and PCI Insurance*)

- Fire Insurance
- Motor Insurance
- Marine Cargo Insurance
- Electronic Equipment Insurance
- Property Floater Insurance
- Marine Hull and Aviation Insurance
- Construction/Industrial A Risk
- Liability Insurance
- Mortgage Redemption Insurance
- Car-A-Sure
- Home-A-Sure

Life Insurance

(*through Equitable PCI Life*)

- Personal Accident Insurance
- Individual and Group Life
- Hospitalization Insurance
- Surety Bond
- Travel Insurance

Trust Banking

- Common Trust Fund (*Collective Investment Management Trust Plan, Equitable Unit Trust Plan, Equitable Dollar Fund*)
- Comprehensive Estate Planning Service
- Employee Benefit Trust
- Investment Management Services
- Personal Trust Services
- Corporate Trust Services
- Special Trust Services

Investment Banking

(*through EBC Investments and PCI Capital*)

- Equity, Quasi-Equity and Quasi Debt
- Issue Management and Underwriting
- Financial Advisory
- Direct Investments
- Mergers and Acquisitions
- Project Finance
- Debt Syndication/Underwriting
- Commercial Paper Loans
- Asset Securitization
- Investment Management
- Government Securities Trading
- Private Placements
- Stock Brokerage

CORPORATE FINANCE AND CONSULTANCY SERVICES

Specialized Financial Services

- Syndicated Debt Consolidation
- Restructuring for Corporates/Commercials
- Corporate Re-engineering
- Structured Trade Finance
- Forfeiting
- Asset Conversion

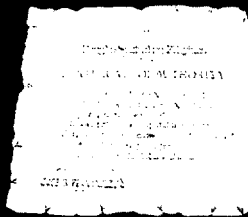
DEALERSHIP AND BROKERAGE

Private Securities

- Treasury Bills
- Floating Rate Treasury Notes
- Commercial Papers
- Dollar Denominated Funds
- Spot and Forward Exchange Markets
- SWAP Transactions
- Financial Advisory
- Domestic Money Market (*through PCI Savings*)
- FX Trading
- Bond Trading
- Derivatives
- EEI/FOREX

ANCILLARY SERVICES

- PDC Warehousing
- Mobile Cash Transport Services
- MC Check Writing
- Corporate Check Preparation
- Payroll Upload
- Safe Deposit Boxes



Equitable PCI BANK

MAKATI BUSINESS CENTER: Equitable PCI Bank Towers, Makati Ave. cor. H.V. dela Costa St., Makati City 1200 Philippines
MANILA BUSINESS CENTER: Equitable PCI Bank Bldg., 262 Juan Luna St., Binondo, Manila 1006 Philippines