2013
Annual Report

eastwest

> Your dream Our focus <

They've Got Something to Talk About

VISION:

"To be a world-class bank anchored on service excellence in our chosen markets."

BRAND PILLARS:

- Insightful expertise directed towards your priorities
- We are dedicated to making banking easier
- Our entrepreneurial spirit to realize best potential

THEY'VE GOT SOMETHING TO TALK ABOUT.

From our conspicuous magenta and green stores to our innovative products and services. In our 2013 Annual Report, we go beyond the numbers and let the numbers speak for our performance, as well as the steady patronage that we continue to enjoy from our clients.

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About EastWest Bank

East West Banking Corporation (PSE: EW) is the banking arm of Filinvest Development Corporation (PSE: FDC), one of the country's leading conglomerates, with business interest in banking, real estate, hospitality/tourism, power generation and sugar.

The bank is focused on the consumer segments and the corporate middle-market. It is the fifth-biggest credit card issuer and one of the largest auto credit providers in the country.

As of end-2013, EastWest has a total of 347 branch stores, including those of its rural banking arm, EastWest Rural Bank.

The bank offers products and services through traditional and alternative delivery channels for the various financial needs of its clients.

EastWest Bank Milestones

July 1994
Received commercial banking license from the Bangko Sentral ng Pilipinas (BSP)

August 2003
Acquired Ecology Savings Bank, Inc.

March 2009
Acquired AIG PhilAm Savings Bank

August 2011
Acquired Green Bank of Caraga, Inc.

November 2011
Received universal banking license

February 2012
Received Best Commercial Bank in the Philippines Award from the Global Banking & Finance Review

May 2012

Held an initial public offering (IPO), the first by a Philippine bank in eight years

June 2012
Acquired Finman Rural Bank, Inc.

July 2012

Received the BSP Certificate of Authority as a universal bank

November 2012
Listed on the Morgan Stanley Capital International Global Small Cap Index, which measures the equity performance of small capitalized stocks in developed and emerging markets

July 2013

Earned five distinctions from the 2012 Visa Performance Awards

September 2013
Ranked among the world's top 1,000 banks by London-based publication, *The Banker*

October 2013

Launched EastWest Travel Money, Southeast Asia's first multi-currency prepaid card

November 2013

Nominated in the Asian Business Leaders Awards (ABLA)

How We Did

In 2013, EastWest grew its net profit by 13.2% to Php2.1 billion from the year-ago level.

EastWest recorded an industry-leading Net Interest Margin of 8.4% - more than double the industry average - that resulted in a net interest income increase of 37.9% year-on-year, as it reaped the benefits of focusing on the consumer and middle-market segments and generating low-cost funds from a wider store network.

LOANS. The Bank recorded above-industry loan growth which grew by 32.1% to Php95.6 billion. This was driven by consumer loans, which rose 29.4% to Php48.9 billion, as credit cards, auto, mortgage and personal loans businesses all expanded at a double-digit pace from the previous year. Corporate lending, which largely focused on the middle market segment, also jumped 35.1% to end the year at Php46.7 billion.

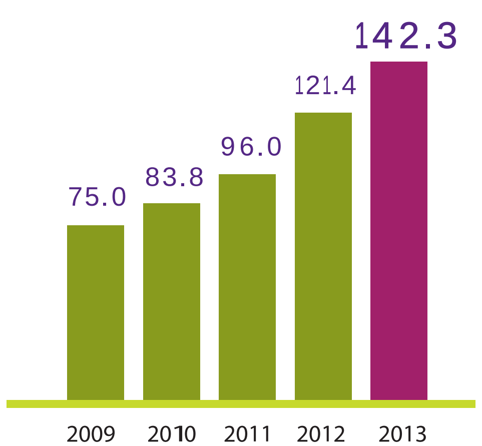
DEPOSITS. Deposits increased by 21.9% to Php111.2 billion, but interest expense went down by 15.3%. The expansion in store network further improved the Bank's funding mix, with low-cost deposits growing by 27.9%.

SIZE AND STRENGTH. Total assets rose by 17.2% to Php142.3 billion from the 2012 level. Its Capital Adequacy Ratio (CAR) and Tier 1 Ratio stood at 17.0% and 13.8%, respectively, as of end-2013.

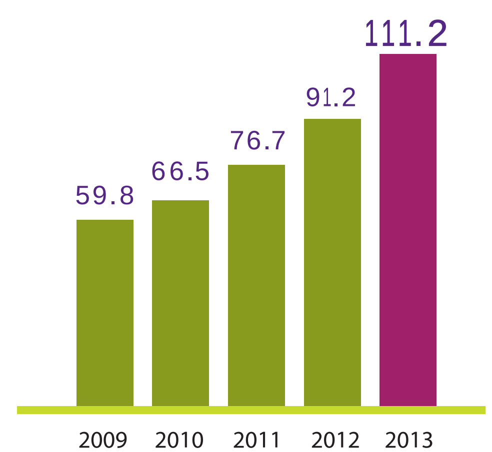
PROFITABILITY. The Bank's net profit translated to a return on equity (ROE) of 11.1% and return on assets (ROA) of 1.6%. This was despite the cost of its aggressive store expansion.

NETWORK REACH. EastWest opened a total of 178 new stores in the last two years, which brings the consolidated store network of EastWest Unibank and EastWest Rural Bank to 347 as of end-2013.

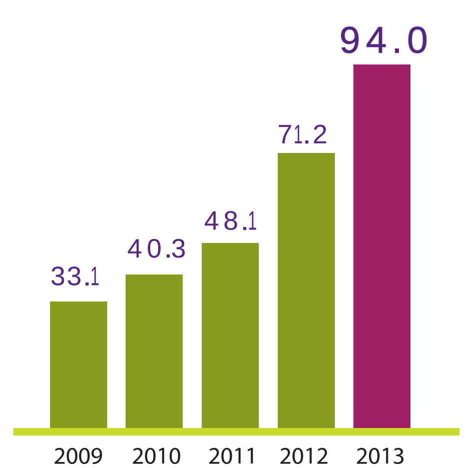
Total Resources in billion Php



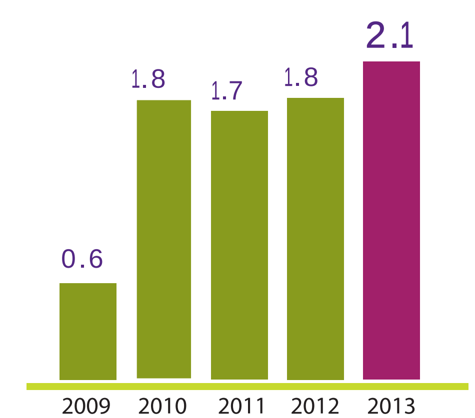
Total Deposits in billion Php



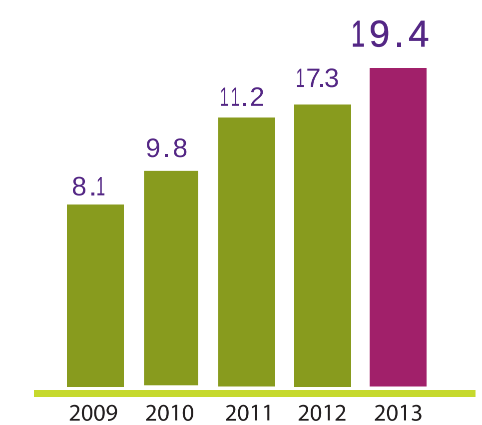
Total Loans - Net in billion Php



Net Income in billion Php



Total Capital in billion Php



Total No. of Stores

Conversation with the Chairman

If EastWest Bank Chairman Jonathan T. Gotianun walks with a steady and confident stride, it is for a good reason. EastWest Bank, one of the fastest-growing banks in the country, continues to deliver strong results, even posting above-industry average loan growth and the highest margins since it rolled out its expansion plans five years ago.

In this interview, Mr. Gotianun, or Atan as he is fondly called by his peers, whose family has been in the banking business for a long time, shares his thoughts on the opportunities and challenges ahead, and achieving the Bank's aspiration of becoming a world-class bank.

2013 was generally marked by market volatility. How does EastWest Bank continue to pull off an impressive performance amid these challenges?

We have managed to sustain our aggressive growth and outstanding performance in the last five years through painstaking and deliberate actions.

First, we are backed by a strong Senior Leadership Team — one that can inspire and steer the entire organization towards achieving our "Big Dream."

We also invested in progressive IT systems, including those for our credit cards business, treasury, finance, risk management, call center operations, and collections, among others.

In addition, we have intensified our store network expansion, people development, as well as our sales and marketing efforts. And yet, we still consider all these as "work in progress." We need to deliver excellent customer service and to achieve this does not happen overnight.

How was EastWest able to take advantage of business opportunities that came after its successful initial public offering (IPO) in 2012?

It was the first IPO by a Philippine bank in eight years. The IPO enabled us to flex our financial muscle and embark on what may be considered as the most aggressive store expansion program in Philippine banking history. We have 347 branch stores, along with those of EastWest Rural Bank (EWRB), as of end 2013. This was more than twice our store network when we started two years ago. We expect to have at least 400 stores before the end of 2014.

We also took advantage of acquisition opportunities particularly the acquisition of AIG PhilAm Savings Bank in 2009, Green Bank in 2011 and Finman Rural Bank in 2012, which have delivered significant returns on our initial investments.

Why is the Bank focusing on the consumer and middle-market?

We believe focusing on the consumer and middle-market segments is an appropriate strategy for the domestic market.

It is worth mentioning that our country is the 12th biggest nation in terms of population. There is strength in numbers of nearly 100 million Filipinos. Our median age is only 22 years with nearly half of the population still in school. We have a growing middle-class and the number of bankable Filipinos will likely grow faster than ever before. We must be ready to take advantage of these big opportunities.

In 2013, the Philippines posted the highest GDP growth in Asia, second to China. This was largely driven by strong domestic consumption, which now accounts for one-third of our GDP. The sustained volumes of OFW remittances and BPO revenues have been fueling this growth.

All these translate to one thing for us: a potentially huge market to serve for the coming years. We must be ready to take advantage to serve this young population. If we grow as fast as the market we serve, we can help more Filipinos realize their dreams.

You talked about having one 'Big Dream' for EastWest Bank. What is this 'Big Dream'?

Our Big Dream is for EastWest — not only to be among the top 5 banks in the country — but also to be the best financial institution in the Philippines. EastWest must be a bank known for several things: having an excellent brand of customer service, relevant products that meet the needs of customers, having the most engaged and loyal customers and employees.

We want to become a world-class bank. We want to be highly regarded by our customers and respected by our peers.

Necessarily, such institution must be consistently high performing in every aspect, or else it cannot continue to grow and sustain itself. With our continued investment in people and in what our businesses need, it won't be too hard to make this happen.

We are not the biggest but we are not a small bank anymore. We are now big, and yet with plenty of room to grow because we are young.

How are you preparing to become a world-class bank?

EastWest articulated its vision through its tagline: "Your Dream Our Focus." Fulfilling this is key to our future success.

To become a "world-class bank anchored on service excellence in our chosen markets," we must first understand the true meaning of 'excellence' from our customers' perspective. How well we execute and deliver on our promises to them will differentiate us from our competitors.

We also need the buy-in of our various stakeholders.

- We need to engage our customers so that they will be willing to do more business with us, refer us and encourage others to also bank with us. Word of mouth is still the most reliable sales and marketing medium.
- We need to engage our people from every part of the organization so that they will be focused in serving the needs of our customers and actively work together as one team to make our customers' dreams happen.
- We need to engage our shareholders so that they will continue to believe in our vision and get their unwavering support.

We have been given a unique opportunity to make a difference, not only for our customers, but also for our country. As EastWest Bank attains its vision to become a world-class bank, it will spawn a virtuous cycle of progress among Philippine banks. Our competitors will respond and this will redound positively for the good of the general banking public. Ultimately, everyone wins.

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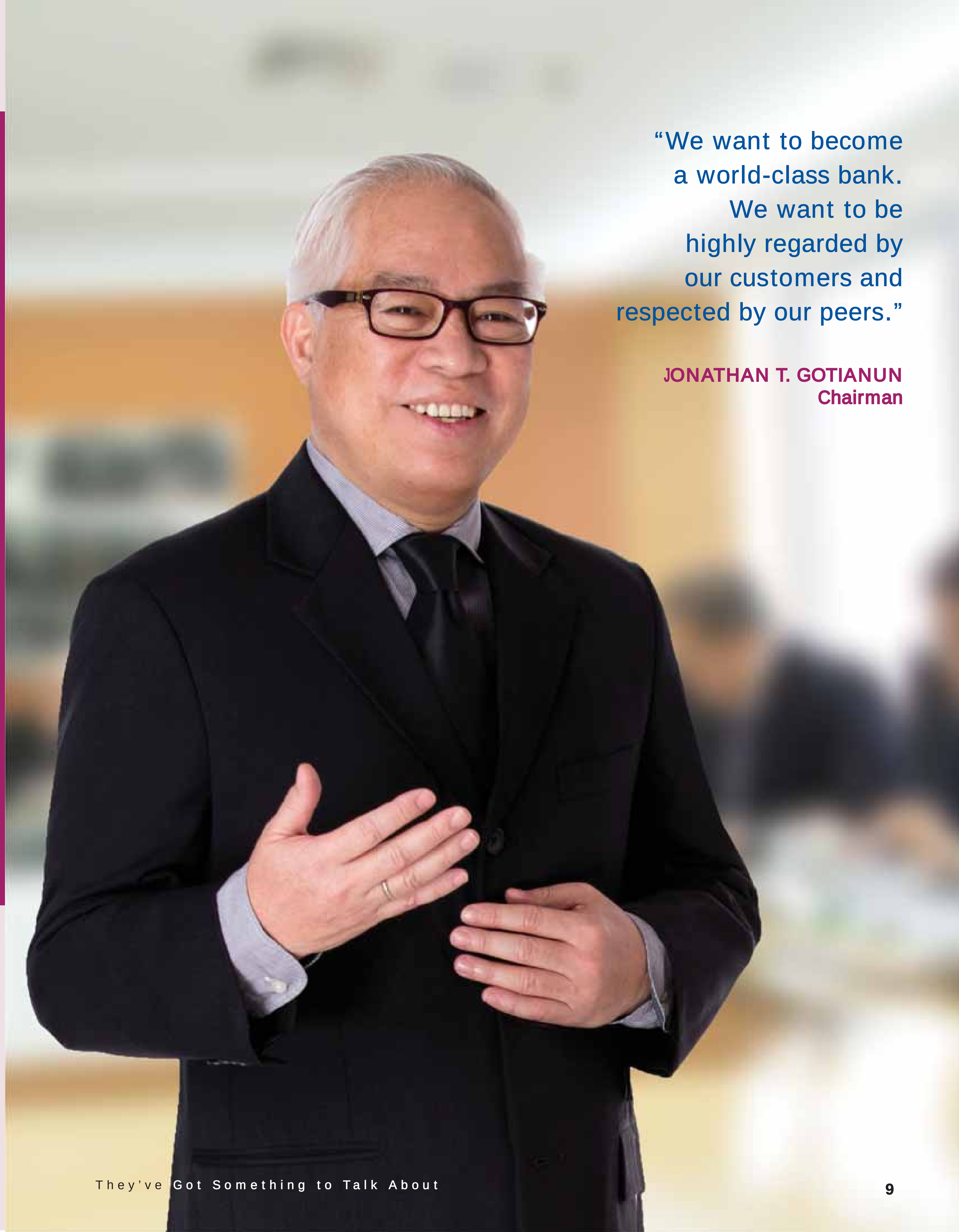

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JONATHAN T. GOTIANUN
Chairman

The President Speaks

There has never been a less exciting and less eventful year at EastWest Bank since Antonio C. Moncupa, Jr. became President and CEO in 2007. The intensity seemed to have struck a high note in 2013, when the Bank gained market attention for its rapid growth, capital buildup, aggressive store expansion and product innovation.

In this interview, Mr. Moncupa sheds light on how EastWest Bank has managed to stay in the spotlight amid the fever-pitch competition, the paper-thin margins, the tightening regulatory noose on banks, and the constant pressure to improve operational efficiency. He also reveals his plan, once deemed ambitious for a relatively new player, to gain a foothold in almost the entire archipelago and stay true to the Bank's name: from East to West.

How did the Bank do in 2013?

We are getting there. We think we did quite well given the tough operating environment in 2013. Interest spreads hit an all-time low. We also had to contend with our store expansion, where the costs are upfront and expected revenues come much later.

In 2013, our operating expenses went up by 39.8% to Php10.9 billion while total revenues, rose by only 34.6% to Php13.16 billion. The challenge is to accelerate our revenue growth from the store expansion. In spite of these, EastWest ended up among the banks with one of the best percentage increase in book value from operating results, and you can see this in our financial performance:

- In terms of profitability: Our net income was up 13.2% to Php2.06 billion on the back of a 34.6% increase in total revenues to Php13.16 billion and a 17.2% gain in assets to Php142.30 billion. This translates to a return on equity of 11.1% and a return on assets of 1.6%. In terms of increase in book value per share we should end up among the better-performing banks. This took into account mark-to-market losses that are not reflected in the net income but are treated as a deduction in the equity of banks.

- What mainly fueled our growth: Our core deposits and loans did pretty well. Loans increased 32.1% to Php95.64 billion. Business loans grew by 35.1% while consumer loans increased by 29.4%. Our consumer portfolios account for 51.2% of total loans which mitigated the low interest rate environment. Our market share rose by a notch; we are now the fifth-largest in credit card receivables. Our other consumer loan segments – be it personal loans, auto, and mortgages – all posted high double-digit growth.

- Our focused strategy: We are a universal bank, with a clear retail bias, catering to mid-sized businesses, and the consumer. This is why we needed to expand our distribution reach. And the results are showing. Just look at our total deposits: we generated Php111.18 billion, higher by 21.9%, as a result of our expanded network. Transactional low-cost deposits (CASA) grew by 27.9% to Php64.43 billion. We will acquire the breadth and depth of a bank that is truly national in scale once we complete our store expansion program in 2014.

Did everything fall into place as you planned?

We believe we did better than what we initially thought. The extent by which costs outstripped the growth of core revenues turned out lesser than expected.

Fortunately, we did rather well on financial markets trading. Our cost-to-income ratio even shrank to 59.2% from 64.0% in the same period in 2012. We expect though that the costs of expansion will be most felt in 2014 when the cost impact of the additional hires and store infrastructure will be fully felt. As our new stores become more mature, and as we complete the major expansion components, the cost increases should stabilize. As we keep the growth momentum of our consumer and corporate loans, and start to see the new stores generate more businesses, we think the numbers will start to reverse and revenues will grow faster than costs. We should see this in 2015 in a more meaningful manner.

So is 2013 a walk in the park for you?

No, definitely not. While 2013 was a tough year, our strategic focus on consumer loans helped us mitigate the tightening margins — which we believe was the lowest in banking history. The Lady Luck of interest rates also continued to smile our way, as it had the past few years. Our reading on interest rates turned out well allowing the Bank to register good trading profits. But mostly, EWbankers really worked doubly hard to maintain our profit levels while dealing with the margin squeeze and the costs of expansion.

These efforts allowed us to retain our industry-leading Net Interest Margin, which stood at 8.4% in 2013 – more than double the industry average. The breakneck speed by which we open new stores in the last two years may be deemed as "aggressive" by Philippine banking standards, but we thought our fundamental strengths would carry us through the initial pain of this expansion. So far, it is. And things are turning out better than we thought.

Would you say that EastWest is now a more relevant and serious player?

That is a key agenda. We are moving towards becoming one. We have the infrastructure. We have the capability to raise capital. It has been more than a year since our Initial Public Offering (IPO). The success of our IPO not only gave us fresh equity to fund our store expansion program, but also sent a signal to the market that EastWest is a serious contender to be a top-tier bank in the country. But more than all these, I think what is most important is, EWbankers are gaining more confidence that indeed, EW could and will be a more relevant player in the Philippine banking scene.

It helps, too, that we also had some milestones in 2013. EastWest landed on the list of the world's top 1,000 banks published by The Banker, a London-based magazine providing global financial intelligence. It also ended up among the 62 semifinalists in CNBC's Asian Business Leaders Awards. More than leadership recognition, I think it is more an institutional achievement. I understand that the major criterion to qualify for the recognition is the performance of the companies in the last few years. We think being among the 62 top-performing companies in Asia speaks a lot about EWbankers.

How is EastWest preparing for future growth?

We had launched the growth program and I don't think we can turn back nor should we. We will pause to consolidate but generally, it is full steam ahead. About 4 or 5 years ago, the board correctly expected that the Philippine economy will expand at a rapid pace. It now believes the economy has the momentum that will be sustained in the coming years.

We thought we were lucky in the timing of our expansion. We were ahead than most of our competitors. Together with EastWest Rural Bank, we should have a total store network of more than 400 upon the completion of our expansion program in 2014. Once we are done putting these stores up, EastWest will have the fifth-largest store network in the restricted areas in Metro Manila. We are well-positioned for the onslaught of more competition once the Bangko Sentral ng Pilipinas has fully liberalized branch licensing by mid-2014.

This year, we should complete the major expansion and will focus on consolidating what we have built. This means concentrating on training our people, further improving risk management and governance, fine-tuning our physical and information technology infrastructure, and focusing on activities that will enhance our customers' experience with the Bank. As we consolidate, we also intend to raise as much as Php10 billion in non-dilutive Preferred Shares and Tier 2 notes to support the Bank's expected growth amid stiffer capital adequacy requirements under Basel 3.

While 2013 was a tough year, our strategic focus on consumer loans helped us mitigate the tightening margins — which we believe was the lowest in banking history.

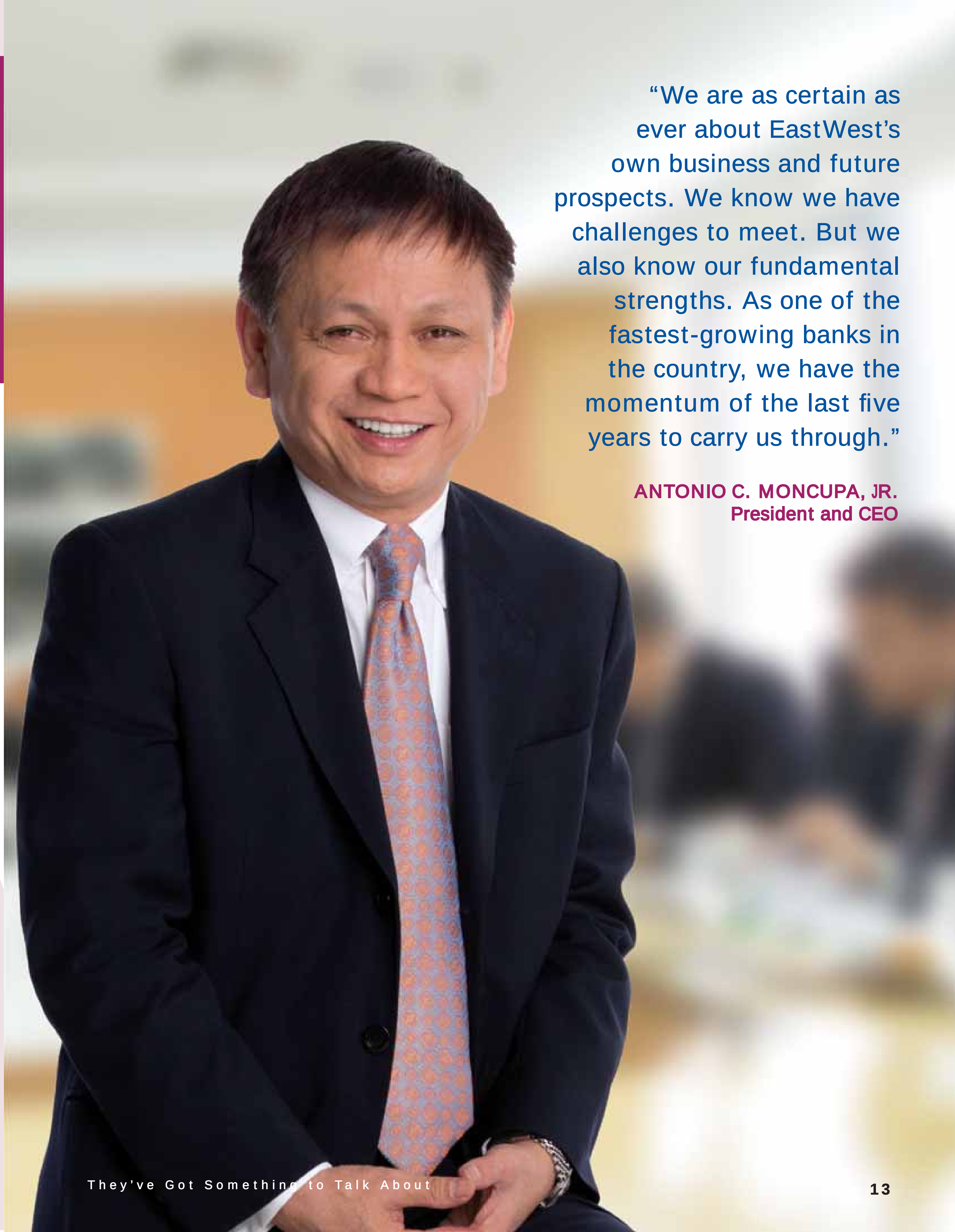
In 2014, we expect to go live with our new core banking solution: Temenos' T24, which is among the leading core banking solutions in the world today. We will also have a new internet banking platform. This should result to improved customer experience.

Of course, technology, no matter how powerful, can only do so much. In the end, banking is still a people business. This is why we continue to develop our people – now 4,754 strong and soon to pass the 5,000 mark – to meet the requirements of our future growth. On top of our agenda is the evolution of a service culture. Our EastWest Academy continues its efforts to narrow the gap between where we are and where we want to be insofar as giving value to our customers are concerned.

How optimistic are you about the prospects for 2014?

We do not expect 2014 to be easy. While we think the global economy will be in better shape, this will bring its own challenges. Monetary policy, both in the major economies and locally, could shift. Competition will get even tougher.

In spite of this unsettled backdrop, we are as certain as ever about EastWest's own business and future prospects. We know we have challenges to meet. But we also know our fundamental strengths. As one of the fastest-growing banks in the country, we have the momentum of the last five years to carry us through. We will ride on the growing confidence of our people to face up to competition.



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ANTONIO C. MONCUPA, JR.
President and CEO

You’ve got more reasons to talk about EastWest

In 2013, we managed to break into the global arena and landed on international investors’ radar screens. The bank is now listed on the Morgan Stanley Capital International (MSCI) Global Small Cap Indices List because of our stock performance. We have also been ranked among the world’s top 1,000 banks by London-based publication, The Banker.

Important as earning global attention is the consistent excellent delivery of the products and services we offer in our 347 stores nationwide, including those of EastWest Rural Bank.

Today and in the coming years, we will strive to give our customers more reasons to bank with EastWest Bank.

Store Sales

Making our presence felt

2013 was all about surpassing our customers’ expectations.

During the year, we opened 55 additional stores, on top of the 123 new stores the previous year. As of end-2013, EastWest has 347 consolidated store network with EastWest Rural Bank. The Bank also installed 284 ATMs in the last two years, with 166 of those in 2013, which brings its ATM network to 427.

Why does size matter? Because it allows us to reach out to our customers, wherever they are. Because size gives them easy and instant access to their money, anywhere they go, anytime they need it.

This pushes us at EastWest to work harder so we can offer more new products. In 2013, we launched EastWest Travel Money, the first multi-currency prepaid card in Southeast Asia. With this, our customers can carry up to six currencies – US Dollar, Euro, British Pound, Hong Kong Dollar, Australian Dollar and Japanese Yen – in a single card to make cashless purchases all over the world and access funds from any ATM with the Visa Plus logo worldwide.

The Bank continues to gain stride in its cash management business by adding new products and services to its suite of offerings. In 2013, we began offering BancNet e-Gov, an online facility which allows clients to conveniently file and settle BIR, SSS, PhilHealth and Pag-IBIG payments.

During the year, we started upgrading to a powerful core banking system called Temenos T24 to further improve service quality and delivery.

By far the most technologically advanced banking system in the world today, this 24-hour real-time banking application will enable our customers to experience world-class banking with EastWest. They can also expect to see more cutting-edge products tailor-fit to their needs.

178 stores opened in the last two years

347 total store network

284 ATMs opened in the last two years

Started to upgrade to a powerful core banking system **Temenos T24**

Registered biggest year-on-year debit card purchase volume growth

Consumer Lending
Realizing your dreams

The Philippines emerged as the second market where consumer confidence was highest, according to the latest Consumer Confidence Index of Nielsen global research as of the fourth quarter 2013.

Filipinos ranked among the most optimistic consumers in Southeast Asia, according to a global survey on consumer confidence and spending intentions by Nielsen research group. This reflects the rising affluence in the country, the growth of a strong middle class, and robust economic outlook, which inspired more customers to make their biggest financial moves.

More driven
In 2013, more Filipinos realized their dreams of buying a vehicle. Through the intensified efforts of our stores, sales officers and dealers, and the improved service efficiency in processing loan applications, EastWest's Auto Loans portfolio grew by 27% compared to the year-ago level.

We were also able to sustain our close partnership with leading automakers and dealers through appreciation events, fast approval and a host of other programs for dealers.

More sheltered
More Filipinos were also able to fulfill their dream to own a home, fund home or office renovations, and expand their business premises. During the year, our Mortgage Loan portfolio grew by 16% as more customers got accessible credit, more affordable financing options, flexible terms, and rode on the continuous record-low interest rates in 2013.

Higher sales production from stores combined with lower operating cost (a result of having a leaner manpower and a more targeted marketing program), greater efficiency, and faster turnaround boosted our mortgage loan volume. In 2013, we also added DMCI Homes to our roster of partner developers, giving our customers more options when buying a home. More stores in more locations also gave potential borrowers access to more favorable prices. Healthy competition also led to the steady growth of our mortgage loan business.

27%
increase in Auto Loan portfolio

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More flexible
The robust economy spurred more consumers to avail of EastWest Personal Loan.

EastWest Personal Loan addresses the consumer's need for cash. Our loan portfolio grew by 57.6% year-on-year, mainly as a result of a more intensified cross-selling programs and sustained promotions that offered borrowers low rates, instant gratification and payment flexibility.

More swipes
As the Philippine economy becomes more robust, consumer confidence is expected to grow and prompt higher spending. With many of our customers shopping and swiping their credit cards, we were able to improve our industry ranking by a notch to fifth largest in terms of credit cards receivables in 2013.

Total receivables up by 21% from 2012 levels, three times faster than the Philippine credit card industry's pace of 6.2%. In addition, full-year 2013 billings grew by 24% from the previous year.

Recognizing our growing market share, Visa Philippines awarded EastWest the following: 2012 Best Performer in Visa Classic Cards-in-Force Growth in the Philippines, 2012 Best Performer in Visa Classic Transaction Number Growth in the Philippines and 2012 Best Performer in Visa Classic Payment Volume Growth in the Philippines, the second time we won the award since 2011.

In 2013, EastWest Credit Cards relaunched its female card, the EastWest Dolce Vita Titanium MasterCard, which boasts of enhanced features and a range of exclusive privileges especially designed to suit the lifestyle of the modern woman. In addition, it also offered Dolce Vita Loves for shoppers, Dolce Vita Cares for health and wellness-related purchases, and Dolce Vita for beauty and relaxation treats. Through the Dolce Vita Charms Program, cardholders can redeem Charms Vouchers that may be used to purchase merchandise or exchange for gift certificates at partner merchants.

To continue making good things happen for our customers, we teamed up with more partner merchants and offered cardholders more shopping options, installment programs and privileges so they will have more reasons to use their EastWest Credit Cards.

5th
largest in credit cards receivables

21%
growth in credit cards receivables

24%
increase in credit card billings

Corporate Banking

Making companies grow

While more banking players jostled for competition in the consumer lending business, we continued to step up our lending to mid-sized companies and institutional customers.

In 2013, our corporate loans, largely in the middle-market segment, increased by 35% from the 2012 level.

Behind these numbers were initiatives that have gained traction in 2013. New lending centers were set up, allowing small enterprises to avail of credit right at their locality. More corporate clientele were also introduced to our wide array of cash management products and services that help our customers manage their operating funds.

We continued to run internal programs such as the Account Officers Development Program (AODP) for competence development. The AODP is considered one of our competitive strategies to effectively compete with other players in the industry.

Corporate loans up

35%

33%

Increase in client database

Treasury and Trust

Making funds grow

While 2013 offered many opportunities, it also served as a litmus test for many banks' treasury business because of global market volatility. EastWest weathered this volatility and sustained its net income from foreign exchange and fixed income trading, which rose 14% from year-ago levels.

Recognizing that the Federal Reserve's Quantitative Easing move was temporary, we prudently pared down on the whole the Bank's interest rate risk, enabling us to protect our early gains generated during the first half of the year.

While not totally immune to these cyclical market developments, we managed to deepen our access to ready liquidity and improve our investment outlets globally. In addition, we also maximized our expanding balance sheet to prudently grow our trading positions when warranted.

Anticipating that the United States, the world's biggest economy, will bounce back and interest rates will start to normalize, we diversified our list of international investment opportunities in 2013. Meeting clients' demand for longer-term investment instruments, we offered Long-Term Negotiable Certificates of Deposits (LTNCDs) in 2013 and will continue to offer this product as part of our asset and liability management.

2013 also proved to be a challenging year because of the phase out of the BSP's Special Deposit Account (SDA) facility availed by many investors through the banks' trust departments. While this reduced our assets under management, we were able to quadruple our assets held in unit investment trust funds (UITF). Our largest UITF, the Peso Intermediate-Term Bond Fund, delivered the highest return in its category in the industry for the second year in a row.

Due to customer demand and positive feedback, we continued to offer wealth management seminars. This allowed us to reach out to clients around the country and open new inroads in the workplace where we can convert employees of our client companies from savers to investors.

Support Initiatives

Behind the numbers

Enhanced ATM system

Improved internal communications through enhanced intranet

Faster customer acquisition

Launched issue and service request tracking system

Behind a successful bank is a cadre of men and women who work hard to make things happen for our customers and shareholders. In 2013, we made significant headways in giving our customers and our shareholders more reasons to bank with EastWest.

Wired and wonderful

Our vision of becoming a world-class bank anchored on service excellence in our chosen markets also rests on our ability to roll out products and services and process transactions seamlessly.

In 2013, we embarked on eight major IT initiatives to pursue our vision.

First, we made a major initiative in our technology infrastructure by enhancing our ATM system. More than enhancing our ATM performance, the system also allows us to create debit and prepaid card products such as the EastWest Travel Money; and the EastWest Gift Card, enabling our customers to use a card-based technology that functions better than gift certificates.

We also improved our Inward Remittance System, which enables automated processing of incoming funds, including the crediting of accounts.

Our payroll backend systems were centralized with the installation of a new Timekeeping/Payroll system which gave employees online access to their payslips.

Last year, we also launched our enhanced Intranet website that serves as our primary portal of knowledge within the Bank. The e-Channel gives all employees access to documents, internal advertisements, corporate event photos and blogs authored by EastWest bank president.

And to make the processing and approval of loan applications faster, a Customer Acquisition System was introduced during the year. This resulted in higher loan bookings. Auto dealers and account officers can check on the status of applications with just a few clicks on their keypad using this system.

Given our aggressive store expansion, we saw the need to sustain our network resources. This called for upgrading of our network to increase our capacity to handle the volume of transactions being processed.

As we introduce more products, the high volume of telephone inquiries to our Call Center needed to be handled efficiently. To handle these huge transactions, we increased the capacity and efficiency of our PABX system.

We also launched an internal service management tool for handling service requests and reporting of incidents. It reduced the cost of printing paper for approval and ensured acknowledgement and tracking of requests.

People power our bank

As competition in the local banking industry intensifies, so does the human resource competition for the best talents. We aim to be an employer of choice. As such, we launched several initiatives to build a strong pipeline of talent at all levels in the organization. EastWest Bank recognizes the fact that having the right and fully engaged people is a critical step in achieving the bank's vision of being a "world class bank anchored on service excellence in our chosen markets."

Employee Development and Incentive Structure

We follow a remuneration policy that enables us to attract, motivate and retain quality employees. Our compensation programs are designed to support our business strategy by rewarding behavior that delivers results against business goals. The programs drive performance to meet the expectations of our internal and external stakeholders.

To attract, retain, and motivate our employees, we reward them at a level that is competitive in the banking industry. We ensure that our compensation package exceeds the minimum wages and benefits provided by law. This includes guaranteed bonuses of additional three months (inclusive of the mandated 13th month pay) and variable pay such as performance bonuses and other performance-based incentive schemes through strong individual, team, or company performance.

Merit increases are given to employees depending on the performance of the employee and that of the bank. We also offer affordable loan rates for auto, housing and multi-purpose loans for our employees as part of the benefits.

Caring for the health and well being, as well as for the safety and security of our employees, we provide HMO and group life insurance coverage. Employees' financial security extends beyond retirement with a retirement benefit plan that helps them reap the benefits of long years of hard work and allows them to enjoy life after their tenure with EastWest.

Furthermore, the members of our Board of Directors receive compensation based on the amount approved by the Board Compensation Committee. However, their total yearly compensation shall not exceed ten percent of the net income before tax of EastWest during the preceding year. Also, the members of our Board of Directors and the Corporate Secretary receive per diems for every attendance in Board or Committee meetings.

The EastWest Academy

As an organization, EastWest believes in providing a learning environment which gives our people all the opportunities for them to accumulate knowledge,

Operational Highlights

continuously hone their skills and sharpen their competencies. EastWest Bank Academy's mission is to provide the necessary training programs to all employees that will help them increase their level of awareness, improve their skills and develop the right attitude in performing their jobs.

Below are some of the EastWest Academy's new and banner programs in 2013:

Time to Exceed

This is a store network-wide campaign to increase awareness and enable store frontliners to imbibe and exhibit the EW Service Standards. It was facilitated by Store Heads and utilized a blended approach of online, video, and facilitator-led discussions to teach the required knowledge and skills. A total of 2,870 employees, security guards and utility personnel participated in the workshop.

Service Managers Certification Course

Using a blended approach of online and face-to-face, 51 store service managers acquired advanced technical operational and leadership knowledge and skills.

IT Bootcamp

IT Bootcamp is a fast-track development program with an extensive curriculum that equipped candidates with the necessary knowledge and skills needed to become an effective IT officer in one year. Twelve out of 21 candidates became full-fledged officers whereas the remaining nine were promoted on the first half of the training.

Core Banking Transformation/T24

A bankwide simulation training for T24 was developed to go live in 2014.

Strengthened Academy portal usage

The dedicated Intranet portal allows everyone in the organization to access information relating to all training activities. In 2013, there were 15 additional courses that were published in the Academy portal. The number of employees who accessed the portal to take the mandated courses such as those on the Anti-Money Laundering Act and service quality-related programs increased significantly to 90% from 40%. We plan to further strengthen our training programs to provide employees with specific track on the trainings they need to enhance their knowledge and skills and advance their careers with EastWest Bank.

Abreast and ahead

We were able to look after the EastWest brand to ensure that all brand marks, internal and external communications are aligned with EastWest standards. This included the development of brand guidelines for EastWest Rural Bank, as well as the subsequent revamp of the rural bank's forms and merchandising.

In 2013, we kept customers abreast on the products we launched as well as sales and promotions activities through advertising and publicity.

Catering to the specific needs of various market segments, we launched the EastWest Travel Money; the EastWest Gift Card; as well as new deposit accounts that are highly affordable, namely the Basic Savings Account, Basic Checking Account; and the Renminbi Savings Account for our customers with businesses in China. The number of accounts for Basic Savings and Basic Checking continued to grow at a monthly average of 32% and 36%, respectively, until the end of the year. The EastWest Debit Card also garnered citations from Visa Philippines, namely the 2012 Best Performer in Visa Debit Transaction Number Growth and Visa Debit Cards in Force Growth.

We also embarked on financial literacy initiatives to educate our various customers on money matters. This included the publication of weekly columns in a major broadsheet which tackled topics based on relevant customer insights derived from the Bank's frontliners and customer research studies. In partnership with the Bank Marketing Association of the Philippines (BMAP), we also conducted eight classroom sessions at the Mariners' Polytechnic Training Center to raise financial literacy among Filipino seafarers.

In solidarity with the nation, we also launched a fundraising drive for the communities affected by super typhoon Yolanda in Eastern Visayas. Our

employees gave up their Christmas party celebration to help the survivors, on top of their personal contributions and donations in-kind.

At your service

Customer service is key to ensuring that EastWest becomes a formidable player in the industry. To continue gaining our customers' trust and confidence, we established Service Level Agreements among our business units to ensure quality and timely service delivery.

In 2013, we implemented several programs on service quality enhancements and monitoring such as Mystery Caller and Mystery Shopper to strengthen the drive for everyone in the organization to work towards service excellence.

Aside from ensuring quality customer service, EastWest's Customer Service Division also made immense contributions to support our marketing campaigns, store network expansion, and subsequent increase in our customer base. Initiatives through Outbound Telemarketing such as Balance Transfer and Insta-Cash pushed up sales by 26% year-on-year. The Inbound Contact Center, meanwhile, also helped generate increased sales revenues, as well as improved productivity and service efficiency.

We launched new and innovative products that cater to the specific needs of various consumer and middle-market segments.

Preserving our gains

Behind every success, some say, is a two-sided coin: one whose face spells out opportunity, and the other, risk.

Striking a balance between risk and opportunity is to look at both two sides of the same coin. And banks, to be successful, must master the management of the risk that lies at the heart of its business.

Risk is inherent in our business. That is why it is important that it is recognized, quantified and managed.

One of the main risks that we typically incur as a bank arises from extending credit to customers through our lending, investing and trading operations. Beyond credit risk, we are also exposed to a range of other risk types.

The tone from the top

Managing risk is a responsibility that is shared from the top (Board of Directors) and cascades to every employee in the entire organization.

Like a well-managed orchestra, the Board holds the baton; it sets the direction in the conduct of risk management at all levels within the Bank and its subsidiaries. Every employee embraces this risk philosophy.

Risk management is a critical part of our strategy. It helps us:

- Know our risk appetite and know how much risk we can tolerate that will enable us to achieve growth;
- Identify and understand uncertainties and risks that may hamper us from achieving our goals;
- Set and communicate a framework that guides us in building a robust and proactive risk management culture;
- Avoid surprises or undetermined potential losses; and
- Make good use of our capital with optimal risk and return decisions.

Managing risk is a responsibility that is shared from the top and cascades to every employee in the entire organization.

A structured approach

Managing risk takes a village. To instill a culture of risk management, we need to adopt a structured and disciplined approach that will allow us to align our strategy, processes, people, technology and knowledge. We do this through an enterprise-wide risk management (ERM) framework that requires integrating risk and capital management effectively across our organization.

Well-established governance processes were used that involves every member of our organization taking responsibility for managing risk, supported by comprehensive reporting. Our Board performs a strong corporate oversight, senior executive management proactively executes while independent risk management structures are put in place through various governance units.

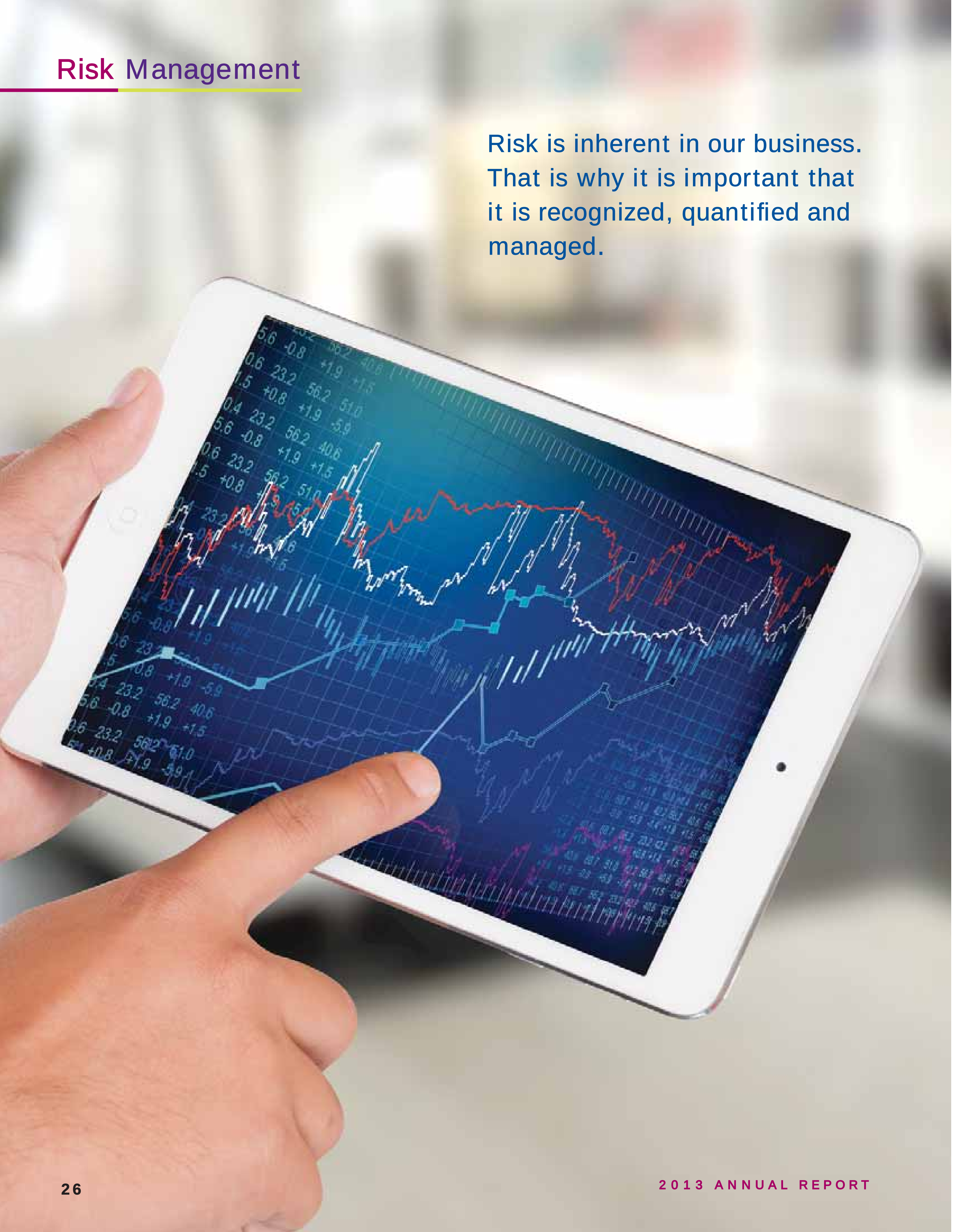
Managing credit risk

Most of our resources go to lending, our bread-and-butter business. This exposes us to the risk that borrowers – from large corporations to individual credit cardholders – will not be able to pay their loans. Credit risk managers work in partnership with all of our business units to identify and sum up the exposures across all our business lines.

As lending businesses differ, we use various methodologies to measure credit risk.

However, at the core of these varying methodologies, is to assess the likelihood of default (i.e., non-repayment or non-collection of the loan payment) and the corresponding probable losses. Thus, we measure credit risk by answering basically two questions: "What is the likelihood of an event happening?" and "How much will the Bank lose if the event happens?"

Risk Management



Risk is inherent in our business. That is why it is important that it is recognized, quantified and managed.

Through the Risk Management Committee (RMC), our Board is responsible for establishing and overseeing compliance with credit risk policies of the Bank and that of the Bangko Sentral ng Pilipinas. An example of what is being monitored is credit risk concentrations so that the Bank is protected against over exposure to a single borrower and/or industry.

It is also important for the Bank to ensure that measures such as monitoring and limiting credit concentration, evaluating collaterals and credit enhancements, maintaining credit quality with the aid of risk ratings, and monitoring loan performance via the regular impairment testing process are in place. These controls help us offset or reduce the impact of any adverse instances or conditions on the Bank. We regularly monitor the Bank's credit risk indicators and report these to Management and the RMC.

Managing market and interest rate risk

While the resources we set aside for investments, such as fixed income instruments, foreign currencies, equities and derivatives, are relatively small compared to lending, the possible large swings in the market may cause losses. Thus, we need to be vigilant in managing market risk, and this task begins with our Treasury Group which identifies and verifies market risks. Treasury's practices are guided by Board-approved product manuals it co-developed with the RMD. These practices include, among other things, processes for measuring and managing market and credit risks related to investments Treasury deals with, operational controls, and approval procedures.

There is no single measure that can truly reflect all aspects of market risk. Thus we use various metrics, both statistical and non-statistical, including Value-at-Risk (VaR) for the trading portfolio, Earnings-at-Risk (EaR) for the banking portfolio, interest rate sensitivity analysis, and stress testing. These measures provide information on the Bank's market risk exposure. They are summed up by line of business and by risk type, and are used for monitoring limits, one-off approvals and tactical control.

Market risk is primarily controlled through a series of limits that reflects our risk appetite, given the current market environment and business strategy.

In setting limits, we take into consideration factors such as market volatility, product liquidity, business trends and management experience. We maintain different levels of limits and these serve as the fence that corrals the potential loss we face. The Treasury Group is responsible for adhering to these limits. We report breaches in a timely manner to the President, Treasurer, and Chief Risk Officer.

Managing liquidity risk

This risk is closely tied to all other risk areas as losses incurred in credit, market or operational activities when funds are no longer available to meet obligations, primarily in the form of deposit withdrawals. This risk, therefore, is not concentrated in specific units rather relegated to all Bank transactions and activities.

Though liquidity risk is a bank-wide risk, the center of EastWest's liquidity risk management activities rests within the Treasury Group. This centralized approach to funding and liquidity risk management enhances the Bank's ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely response to liquidity events. The smooth orchestration of managing fund movements is made possible with EW's embedded risk management culture of ensuring pertinent information are captured and acted upon on a timely basis.

Various tools are used to measure liquidity risk and gain an overall picture of the Bank's liquidity state. Tools for risk measurement include: liquidity ratios, regulatory liquidity reserve ratios, and the Maximum Cumulative Outflow (MCO), which plots the amount of prospective funding that the Bank shall require at pre-specified future dates under normal operating environments.

We consistently maintain liquidity reserve levels within the BSP-prescribed minimums. RMC regularly oversees the Bank's liquidity state through its monthly meets. In 2013, the Board, through the RMC, approved a more robust limits system for the MCO model, more robust as it is more attuned to the Bank's practical and strategic liquidity management objectives and initiatives.

Managing operational risk

Risk is inherent when we set out to compete, gain advantage, and fail to keep pace with the changing financial services marketplace. Operational risk is evident in each product and service we offer.

It encompasses product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment. This risk is not specific to any unit, but is a risk that is inherent in all units and in all individuals in the Bank.

Due to its wide scope, operational risk is often varied and sometimes specific to the unit concerned. Thus, our Board approved an operational risk management framework and limit structure tailored for each business, operating, and governance unit. This framework guides everyone in the Bank to manage operational risk by adopting a uniform and structured methodology in identifying, measuring, controlling, monitoring and reporting exposures; and manage and maintain risk exposure of business and operating units within the Board-approved limits. The framework is likewise the basis of policy-making bodies and the RMD in reviewing and providing clearance to various operational policies and procedures in the Group to ensure its consistency with the framework and the adequacy of prescribed internal controls that have a good balance of directive, preventive, and detective controls.

While we take risks to reap profits, taking operational risk does not automatically result to any returns. Operational risk is more evident as a cost rather than an opportunity and, as such, the Bank avoids operational risk unless the cost of mitigation is greater than the expected operational loss. To do this successfully, we put in place a Risk and Control Self-Assessment (RCSA) for the analysis of business activities and identification of operational risks that could affect the achievement of business objectives. Due diligence in performing internal controls to address these risks and control effectiveness is tested. This process is a proactive risk management process that is a key component in determining the risk profiles and understanding the residual risk of each unit, and overall operational risk profile of the Bank. This likewise provides an opportunity to process owners to keep internal controls relevant and effective in view of any changes in the operating environment.

Ensuring compliance

We employ proactive mechanisms to manage compliance risk or the risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies and procedures or ethical standards. These measures are based on the philosophy of zero tolerance for deliberate non-compliance that may expose the Bank to fines, payment of damages, the voiding of contracts, reputation, reduced franchise value, limited business opportunities, reduced expansion potential, and lack of contract enforceability.

Although our Compliance Division provides leadership on complying with current and emerging regulatory developments, including money laundering, identifying and managing conflicts of interest and mitigating reputational risk, our business and operating units are primarily responsible in ensuring consistent and adequate compliance with applicable laws and regulations. Compliance Champions at the unit level monitor the adherence to applicable governing rules and regulations of the Bank, as well as in our internal policies and standards. They assist management in effectively managing the compliance risks faced by their respective units through regular collaborations with concerned units.

Managing capital

Our capital management philosophy is to maximize shareholder value through optimum use of capital while maintaining prudent levels as safeguard against risks while providing the flexibility to seize opportunities as they may arise. The framework that is utilized integrates strategic and financial planning, risk appetite and management, and performance measurement. It is designed to ensure adequate capitalization for the Bank commensurate to its risk taking as prescribed and/or allowed by the Board and by our regulators.

The Bank's capital management objectives are to:

- Maintain sufficient capital resources to meet minimum regulatory capital requirements in accordance with prevailing capital standards;
- Maintain sufficient capital resources to support the Bank's strategic growth plans, and economic capital requirements hinged on the Bank's risk exposure;
- Allocate capital to business lines to support the Bank's strategic objectives in those business lines, including optimizing returns;
- Ensure the Bank holds capital in excess of minimum requirements in order to achieve the desired capital adequacy ratios set by management; and
- Ensure that the Bank sustains adequate capital buffer on top of the minimum required level to cover for risk from potential stress events.

In 2013, our capital ratios consistently remained above the Basel II minimum requirements of 5% for Tier 1 (T1) ratio and 10% for Capital Adequacy Ratio (CAR). As of end-December 2013, our Common Equity Tier 1 (CET1) ratio and CAR stand at 13.8% and 17.0%, respectively. With T1 capital closely approximating the Bank's CET1 capital, T1 ratio also stands at the same level. Consistent with our risk and capital management philosophy, we commit to maintain prudent capital levels while delivering optimum shareholder value.

From the Bank's regular exercise of capital assessment, we are already compliant with Basel III even prior to the prescribed implementation in 2014. This comes amid a backdrop of having the fastest store expansion in the Philippines and a rapidly-growing balance sheet.

As we continue to pursue our aggressive growth plans, we recognize the need to raise Basel III-compliant capital, not for compliance's sake, but to support our business strategies and corresponding risk-taking.

We shall issue Basel III-compliant capital to be completed in 2014. The Bank also has the option to raise additional common equity to fund its future growth. However, we also recognize that market conditions continue to evolve, opportunities are not permanent, and macroeconomic conditions may reverse. With these views of the future, the real measure of stability is the ability to reasonably anticipate and withstand difficulties that may happen in the future.

The Bank's increasing infrastructure and business growth objectives are supported by its capital management framework

Active risk and capital management shall continue to permeate and will further be enriched by the Bank. It is our firm belief that, for risk and capital management to be effective, everyone must understand the practical benefits of managing risks and optimizing capital. With this focus, we will be able to significantly improve risk and capital management education across the Bank and operationalize risk-adjusted performance measures. This will foster a strong culture capable to steer us towards building and protecting shareholder and customer value underpinned by effective risk and capital management.

Anchored on strong corporate governance

"Good governance" is a term that has been around for years, but has become a favorite corporate buzzword after the scandal at Enron, a once high-flying U.S. energy colossus that turned into a household word for massive corporate failure in 2001.

Since then, many banks and financial institutions, especially those in the global arena, have started using "good corporate governance" as a mantra. As the term means different things to different organizations, not to mention to different actors within these organizations, manuals have been prescribed to define corporate governance and how it is being embraced by an organization.

Our philosophy and principles

At EastWest Bank, good corporate governance is not just a mantra; it is a crucial cog in realizing our vision and mission. By observing fairness, accountability and transparency, we can achieve growth and stability, as well as enhance investor confidence.

We aim to create and sustain value for our various stakeholders. To achieve this, our Board of Directors, senior management and employees understand that each of them has a part to play in the Bank, whether it is to comply with rules and regulations or adopting best practice standards. We design measures that align the goals of our shareholders and senior management with that of our employees.

Our governance process

Our Board conducts its functions through six committees: Executive, Corporate Governance and Compliance, Audit, Risk Management, Compensation and Trust.

A Manual on Corporate Governance contains corporate governance policies that have been approved by the Board. This manual is based on the Corporate Code of the Philippines, Securities Regulations Code, 2009 SEC Revised Code of Corporate Governance and relevant provisions from the Bangko Sentral ng Pilipinas' Manual of Regulations for Banks. Policies are made known to every member of the EastWest Bank organization.

We have a Code of Ethics that ensures that all our employees adhere to the highest standards of quality, honesty, transparency and accountability. As a commitment to integrity, we have a program called EthicsDirect that encourages our employees to report, in good faith, to Senior Management any misconduct within their respective business units. EthicsDirect is a program that protects in confidence the identity of the employee who disclosed the suspected offense within the organization.

We value the contribution of our employees in fostering a culture of good corporate governance. The Employee Relations Council, composed of representatives from various units, ensures that interests and concerns of personnel are heard and addressed.

Going beyond compliance, we foster a culture of partnership within our organization to ensure our long-term success and performance.

Board of Directors

The Board of Directors conducts its functions as a full Board and through its six committees. Board-approved Corporate Governance policies are contained in the Manual on Corporate Governance which is premised on the Corporate Code of the Philippines, Securities Regulations Code, 2009 SEC Revised Code of Corporate Governance and relevant provisions from the Bangko Sentral ng Pilipinas Manual of Regulations for Banks. These policies are made known to every member of the EastWest Bank organization.

The Board's primary mandate is to ensure the sustainable and successful continuation of business activities by providing strategic direction to Executive management. The Board comprises of nine Directors of whom the majority are non-executive. The non-executive Directors which include the three independent directors have diverse skills, experience and backgrounds and are, in general, free from any business relationship that could hamper their objectivity or judgment on the business and activities of the Bank.

All the non-executive Directors have unrestricted access to information, documents, records and property of the Company in fulfilling their responsibilities as non-executive Directors.

Board Election and Attendance

The Board consists of six regular members and three Independent Directors. The members of the Board are elected annually by the stockholders and shall each serve a term of one year until the election and qualification of a new set of Directors. Furthermore, the Board shall elect among themselves a Chairman and a Vice-Chairman.

Going beyond compliance, we foster a culture of partnership within our organization to ensure our long-term success and performance.

The Bank held a total of 19 Board meetings during the year. Of these, 12 are regular Board meetings from January to December 2013; six were Special Board Meetings on March 14, April 04, April 18, May 03, October 19 and December 6, 2013; and one Organizational meeting on April 19, 2013.

Board Committees

Consistent with corporate governance best practices, the Board has established Committees to assist it in discharging its responsibilities. Each Committee has a mandate outlining the authority delegated to it by the Board. Minutes of the Committee meetings are available to all Directors and are included in the Board meeting documents.

The Chairpersons of the Committees furnish reports on the activities of their Committees at each Board meeting. Executives considered relevant for the effective execution of the mandates of such Committees attend the Committee meetings by invitation.

The following Committees assist the Board in carrying out its role and responsibilities:

Executive Committee

Chairman: Jonathan T. Gotianun (Chairman)

The Executive Committee is empowered to approve and/or implement any or all corporate acts within the competence of the Board except those acts expressly reserved by the Corporation Code for the Board of Directors. The Committee also assumes the reviews and approval of bank-wide credit strategy, profile and performance. It approves the credit risk taking-activities of the Bank based on the established approving authorities and likewise reviews and endorses credit-granting activities. The Committee meets weekly or as often as it may be necessary to address all matters referred to it.

Corporate Governance and Compliance Committee
Chairman: Paul A. Aquino
(Independent Director)

The Corporate Governance and Compliance Committee leads the Bank in defining corporate governance policies and attaining best practices while overseeing the implementation of the Bank's compliance program, money laundering prevention program and ensuring that regulatory compliance issues are resolved expeditiously. Added to its strategic governance role is the nomination function where it reviews and evaluates the qualification of individuals nominated to the Board as well as those nominated to other positions requiring appointment by the Board. The Committee is responsible for the periodic administration of performance evaluation of the Board and its committees. It conducts an annual self-evaluation of its performance in accordance with the criteria provided in the 2009 SEC Code of Corporate Governance and the Bangko Sentral ng Pilipinas Manual of Regulations for Banks. At the forefront of the implementation of its mandates is the Compliance Division led by the Chief Compliance Officer.

The Committee, consisting of the Chairman of the Board and four directors, meets every two months.

Audit Committee
Chairman: Carlos R. Alindada
(Independent Director)

The Audit Committee provides oversight on the institution's financial reporting and internal and external audit functions. Through the Internal Audit, it provides reasonable assurance of the overall management of credit, market, liquidity, operational, legal and other risks of the bank. It also monitors and evaluates the adequacy and effectiveness of the risk management, controls and governance processes of the Bank. The Audit Committee is responsible for the appointment of the Chief Audit Executive and an independent external auditor who both report directly to them. It ensures that Internal Audit is independent of all other organizational units of the Bank as well as of the personnel and work it audits. The Committee consists of four members, three of whom are Independent Directors.

Risk Management Committee
Chairman: Jose S. Sandejas
(Independent Director)

The Risk Management Committee (RMC) assists the Board in managing the Bank's risk-taking activities through policy institution and oversight. As defined in the Bank's Risk Management Charter, the RMC reviews and approves principles, policies, strategies, processes and control frameworks pertaining to risk management, as well as recommends to the Board any necessary modifications or amendments to these strategies and policies. Its functions include identification and evaluation of the Bank's risk exposures, estimating its impact to the organization and assessing the magnitude, direction and distribution of risks across the Bank, which likewise serves as one of the basis in determining the risk tolerances that RMC recommends to the Board for approval. Periodically, the RMC updates the Board on the overall risk exposures and the effectiveness of its risk management practices and processes.

The Risk Management Committee comprises four members of the Board where all are non-executive directors, and majority are Independent Directors. Members possess adequate knowledge and understanding of the institution's risk exposures and expertise in developing appropriate risk policies and strategies. Effective February 2013, the RMC conducts monthly (from quarterly) meetings at a minimum with majority of the members required to be present. In 2013, a total of eleven meetings have been conducted and majority attended by the committee members.

Compensation Committee
Chairman: Lourdes Josephine T. Gotianun Yap
(Director)

The Compensation Committee is composed of five members including the President & CEO and one Independent Director. It ensures that the compensation policies and practices are consistent with the corporate culture, strategy and the business environment under which it operates. It evaluates and recommends to the Board incentives and other equity-based plans designed to attract and retain qualified and competent individuals. The Committee meets at least once a year and provides overall direction on the compensation and benefits strategy of the Bank.

Trust Committee
Chairman: Jonathan T. Gotianun
(Chairman)

The Board of Directors is responsible for the proper administration and management of Trust and other fiduciary businesses. It may, however, delegate its authority through its Trust Committee which shall ensure that funds and properties held in Trust or in any fiduciary capacity shall be administered with the skill, care, prudence and diligence necessary under the circumstances then prevailing that a prudent man, acting in a like capacity and familiar with such matters, would exercise in the conduct of an enterprise of like character and with similar aims.

The Trust Committee is duly constituted and authorized by the Board, acts within the sphere of authority as provided in the Bank's By-Laws and/or as may be delegated by the Board. It undertakes such responsibilities as, but not limited to, the following:

1) The acceptance and closure of trust and other fiduciary accounts;
2) The initial review of assets placed under the trustee's or fiduciary custody;
3) The investment, re-investment and disposition of funds or properties;
4) The review and approval of transactions between trust and/or fiduciary accounts; and
5) The periodic review of trust and other fiduciary accounts to determine the advisability of retention or disposition of assets and whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship.

The Trust Committee also presides over the proper conduct of the Trust Group's business, reviewing on a periodic basis, business development initiatives such as: staffing and delineation of responsibility/accountability; proactive development and implementation of strategies to cultivate revenue streams and cost management; application and monitoring of the proper performance benchmarks. The President, Trust Officer and three Directors comprise the Trust Committee.

Attendance in Board Meetings

The Bank held one Stockholders Meeting on April 19, 2013.

There were twelve regular Board meetings from January to December 2013: six Special Board Meetings on March 14, April 04, April 18, May 03, October 19 & December 06, 2013 and one Organizational meeting on April 19, 2013 or a total of nineteen Board meetings during the year.

Board of Directors	No. of Meetings Attended
Andrew L. Gotianun, Sr.	15
Jonathan T. Gotianun	17
Antonio C. Moncupa, Jr.	19
Mercedes T. Gotianun	17
Lourdes Josephine G. Yap	16
Paul A. Aquino	19
Jose S. Sandejas	19
Carlos R. Alindada	18
Atty. Benedicto M. Valerio, Jr.	19

Board of Directors

JONATHAN T. GOTIANUN
Chairman

ANDREW L. GOTIANUN, SR.
Chairman Emeritus

CARLOS R. ALINDADA
Independent Director

JOSE S. SANDEJAS
Independent Director

ANTONIO C. MONCUPA, JR.
President, CEO and Director

MERCEDES T. GOTIANUN
Director

LOURDES JOSEPHINE T. GOTIANUN YAP
Director

ATTY. BENEDICTO M. VALERIO, JR.
Director / Corporate Secretary

PAUL A. AQUINO
Independent Director

EastWest is overseen by its Board of Directors (BOD) consisting of six regular members and three Independent Directors.

The members of the Board are elected annually by the stockholders and shall each serve a term of one year until the election and qualification of a new set of BOD. Furthermore, the BOD shall elect among themselves a Chairman and a Vice-Chairman.

ANDREW L. GOTIANUN, SR.
Chairman Emeritus

Mr. Andrew Gotianun, Sr. is the Founder of Filinvest Development Corporation and Chairman Emeritus of EastWest Bank since April 2007. Concurrently, he is the Chairman Emeritus of the Board of Filinvest Development Corporation, Chairman of Andremerc Holdings Corp., Filinvest Land Inc., Pacific Sugar Holdings and A.L Gotianun Inc. (formerly ALG Holdings Inc.). He worked for the Insular Bank of Asia and America from 1980 to 1985 and for Filinvest Credit Corporation from 1970 to 1985. He is a graduate of San Beda College with an Associate Degree in Commercial Science.

JONATHAN T. GOTIANUN
Chairman

Mr. Jonathan Gotianun is the Chairman of Filinvest Development Corporation and Chairman of EastWest Rural Bank. Prior to his election as Chairman of the Board, he was Vice-Chairman and Director since 1994. He holds a degree in Commerce from the Santa Clara University in California and a Masters in Management from Northwestern University in Illinois. Mr. Gotianun sits as Chairman of EastWest Bank since April 2007.

ANTONIO C. MONCUPA, JR.
President, CEO and Director

Mr. Antonio Moncupa, Jr. has been the President and CEO of EastWest since January 1, 2007. He is currently the First Vice President of the Bankers Association of the Philippines (BAP) and Chairman of the BAP Open Market Committee. Mr. Moncupa also sits as Board Member of PDEX Market Governance Board and Pasberfund Realty Holdings, Inc. He is a Director of Green Bank. Mr. Moncupa holds a double degree in Economics and Accounting from the De La Salle University, and a Masters in Business Administration from the University of Chicago. Before joining EastWest, he was EVP and Chief Financial Officer of the International Exchange Bank.

MERCEDES T. GOTIANUN
Director

Mrs. Mercedes Gotianun is a Director of Filinvest Development Corporation, Davao Sugar Central Corporation, Filinvest Land, Inc., and Vice-Chairman of Filinvest Alabang, Inc. Mrs. Gotianun holds a degree in BS Pharmacy (magna cum laude) from the University of the Philippines. She has been serving as a Director of EastWest Bank since 1995.

LOURDES JOSEPHINE T. GOTIANUN YAP
Director

Mrs. Lourdes Josephine Gotianun Yap is the President and Chief Executive Officer of Filinvest Development Corporation and Chairman of Filinvest Asia Corporation, Cyberzone Properties, Inc. and The Palms Country Club. She is also the President of Filinvest Land, Inc., Filinvest Alabang, Inc. and Festival Supermall, Inc. Mrs. Yap holds a degree in Business Management from the Ateneo de Manila University and a Masters in Business Administration major in Finance from the University of Chicago. She has been a Director of EastWest Bank since August 2000.

CARLOS R. ALINDADA
Independent Director

Mr. Carlos Alindada is formerly Chairman and Managing Partner of SGV & Co., Director of the National Power Corporation and Commissioner of the Energy Regulation Commission. He graduated with a degree in Accounting from the University of the East, and a Masters in Business Administration in Corporate Finance from New York University. He also pursued an Advance Management Program at Harvard University. Mr. Alindada has been a Director of EastWest Bank since April 2002.

PAUL A. AQUINO
Independent Director

Mr. Paul Aquino is an Adviser of the Energy Development Corporation, President of Keitech Educational Foundation and the Honorary Consul of the Government of Malta. Mr. Aquino is also a Director of Skycable Inc. He is a graduate of BS in Electrical Engineering and holds a Masters in Business Administration from Santa Clara University in California. He was conferred Doctor of Management Science (Honoris Causa) by the Philippine School of Business Administration. He has been a Director of the Bank since October 2009.

JOSE S. SANDEJAS
Independent Director

Mr. Jose Sandejas is formerly a Director of Benguet Consolidated Corporation, Petron Corporation, and the Board of Investments. He graduated with a degree in Chemical Engineering from the De La Salle University and pursued a doctorate degree in Materials Engineering from Rensselaer Polytechnic Institute. He has been serving as Director of EastWest Bank since April 2002.

ATTY. BENEDICTO M. VALERIO, JR.
Director/Corporate Secretary

Atty. Benedicto M. Valerio, Jr. is actively engaged in the practice of law and specializes in litigation and corporate work. He was Assistant Corporate Secretary of International Exchange Bank from 2001-2006 and also served as its General Counsel. He holds a BS Commerce degree from the De La Salle University and Bachelor of Laws from the Ateneo de Manila University. He finished his Masters in Business Administration at the Ateneo Graduate School of Business. Atty. Valerio has been a Director since July 2012 and a Corporate Secretary of EastWest Bank since April 2007.

Senior Management


Antonio C. Moncupa, Jr.
President & CEO


Jacqueline S. Fernandez
Executive Vice President


Arturo L. Kimseng
Executive Vice President


Gerardo Susmerano
Executive Vice President


Virgilio L. Camilo
First Vice President


Consuelo V. Dantes
First Vice President


Randall Rogelio A. Evangelista
First Vice President


Bernadette T. Ratcliffe
First Vice President


Arnulfo V. De Pala
Vice President


Gina Marie C. Galita
Vice President


Geronimo Nilo G. Jimenez
Vice President


Renato P. Peralta
Vice President


Renato K. De Borja, Jr.
Senior Vice President


Manuel D. Goseco
Senior Vice President


Ernesto T. Uy
Senior Vice President


Ivy B. Uy
Senior Vice President


Agerico S. Verzola
First Vice President


Arlene S. Viernes
First Vice President


Grace N. Ang
Vice President


Isagani A. Cortes
Vice President


Ma. Edwina L. Pineda
Vice President


Allan John M. Tumbaga
Vice President


Clarissa Maria A. Villalon
Vice President


Mari Cris Q. Mauhay
Senior Assistant
Vice President

List of Senior Officers

President & CEO

Antonio C. Moncupa, Jr.

Executive Vice Presidents

Jacqueline S. Fernandez
Arturo L. Kimseng
Gerardo Susmerano

Senior Vice Presidents

Renato K. De Borja, Jr.
Manuel Andres D. Goseco
Ernesto T. Uy
Ivy B. Uy

First Vice Presidents

Alan E. Atienza
Virgilio L. Camilo
Consuelo V. Dantes
Randall Rogelio A. Evangelista
Elisa O. Go
Eloida F. Oquialda
Bernadette T. Ratcliffe
Agerico S. Verzola
Arlene S. Viernes
Alessandro L. Villaraza

Vice Presidents

Josephine Vilma A. Abad
Grace N. Ang
Doli D. Cabahug
Mary Jane D. Caliwan
Luisito M. Cornejo
Isagani A. Cortes
Alastair S. De Lara
Arnulfo V. De Pala
Efren O. Dela Cruz, Jr.
Gina Marie C. Galita
Eduardo S. Garcia
Ma. Agnes E. Jazmines
Geronimo Nilo G. Jimenez
Arlene D. Lamarroza
Jocelyn C. Legaspi
Steve L. Lim
Maricel L. Madrid
Manuel L. Manalastas
Michael T. Medrero
Jocelyn T. Pavon
Renato P. Peralta
Isabel S. Pijuan
Ma. Edwina L. Pineda
Xavier C. Ramos
Raymond T. Reboredo
Ben Valentino U. Rodriguez, Jr.
Renato Z. Sampang
Mai G. Sangalang
Aylwin Herminia P. Tamayo
Allan John M. Tumbaga
Margaret S. Unson
Clarissa Maria A. Villalon
Ferdinand E. Yap

EastWest Rural Bank

Serving the unbanked and underserved Filipinos

To extend its reach to underserved segments of the market that have the potential for growth, EastWest Bank set up its rural bank arm, EastWest Rural Bank, Inc. (EWRB).

Backed by the strong track record of the entities behind it, EWRB will be able to cater to the banking needs of customers outside the urban areas in the country and provide wider access to innovative products and delivery channels. It currently offers deposits and loans, including DepEd Salary Loan, Business Loan and SSS Pension Loan, through its network of 47 stores, mostly located in the Visayas and Mindanao.

EWRB (formerly FinMan Rural Bank, Inc.) consolidated, through an asset acquisition effective November 1, 2013 the rural banking business of the two rural banks that EastWest earlier acquired, namely Green Bank, Inc. and FinMan Bank, Inc.

FinMan Bank is a 16-year-old rural bank based in Pasig City and engaged in extending credit to farmers, tenants, and rural enterprises. EastWest injected a total of P460 million in fresh capital into EWRB subsequent to the regulatory approval effective May 21, 2013 on the latter's increase in authorized capital stock from P80 million to P1 billion.

On October 31, 2013, EWRB acquired the good assets of Green Bank, Inc. (also known as the Rural Green Bank of Caraga), the largest rural bank in the Caraga Region in terms of assets. Based in Butuan City, Agusan del Norte, Green Bank has been serving the needs of mostly farmers, government and private employees, barangay officials, pensioners and small-scale businessmen. Its strong branch network in the Visayas and Mindanao will allow EWRB to gain entry into the microfinance business.

Products and Services

EastWest Bank

DEPOSIT PRODUCTS

Peso
- Basic Checking
- Regular Checking
- Checking with Interest
- Checking with Rewards
- Basic Savings
- Savings with Statement
- Savings with Passbook
- Passbook + Debit Card
- Kiddie Savings
- Time Deposit
- Long Term Negotiable Certificates of Deposit

Foreign Currency
- USD Savings
- USD Time Deposit
- RMB Savings

Payment Facilities
- Debit Card
- Prepaid Card
- Travel Money Card
- Gift Card

CONSUMER LOANS

Auto Loan
- Auto Loan
- Fleet Financing
- Refinancing

Home Loans
- Lot Loan
- Home Loan
- Condominium Loan
- Home Construction Loan
- Multi-purpose Home Loan

Salary Loan

Personal Loan

CREDIT CARDS

Platinum MasterCard

Gold and Classic Visa

Gold and Classic MasterCard

Dolce Vita Titanium MasterCard

EveryDay Titanium MasterCard

Practical MasterCard

Hyundai MasterCard

CORPORATE CREDIT FACILITIES

Bills Purchase Line
- Domestic Bills Purchase Line
- Foreign Bills Purchase Line

Working Capital Loans
- Short Term Loan
- Revolving Promisory Note Line
- Revolving Credit Facility
- Trade Check Discounting Discounting Line

Inventory Financing
- Floor Stock Revolving Facility

Guarantees
- Standby Letters of Credit (SBLC)
  - Domestic SBLC
  - Foreign SBLC
- Bank Guarantees
- Committed Credit Line

Trade Finance
- Domestic Letters of Credit with Trust Receipt Facility
- Import Letters of Credit with Trust Receipt Facility
- Export Financing Facility

Term Financing
- Term Loans
- Project Finance
- Contract To Sell Financing

TREASURY PRODUCTS

Foreign Exchange
- Spot
- Forwards

Fixed Income
- Peso Government and Corporate Securities
- USD Government Securities

TRUST PRODUCTS

Trusteeship Functions
- Personal Trust
- Institutional Trust

Agency Functions
- Investment Management Accounts (IMA)
- Escrow
- Custodianship

Investment Funds
- Peso Money Market Fund
- Peso Intermediate Term Bond Fund
- Peso Long Term Bond Fund
- Dollar Intermediate Term Bond Fund

CASH MANAGEMENT SERVICES

Deposit Pick-up

Check Warehousing

Check Writing

Payment Services

Collection Services

Payroll Services

EMERGING MARKETS BANKING

Revolving Credit Facility

Trade Check Discounting Line

Revolving Promissory Note Line

Term Loan

EastWest Rural Bank

DEPOSIT PRODUCTS

Individual
- Regular Savings
- Current Deposits
- Current Deposits (Interest-bearing)
- Special Savings Deposit

Corporate
- Regular Savings
- Current Deposits
- Current Deposits (Interest-bearing)
- Special Savings Deposit

LOANS

DepEd Teachers Loan

Micro Business Loan

SSS Pensioners Loan

EastWest Bank Store Directory

As of April 30, 2014

METRO MANILA

168 Mall
4/F, Unit 4H 09-11, Bldg. 5
168 Shopping Mall, Soler St.
Binondo, Manila
Tel: (02) 708-4488
(02) 575-3888 loc. 8130

999 Shopping Mall
3/F, Unit 10 & 3C-2
999 Shopping Mall 2
C.M. Recto St., Tondo, Manila
Tel: (02) 516-2120
(02) 575-3888 loc. 8200

A. Bonifacio - Balingasa
G/F, 2/F & 3/F, Units D to E
Winston Plaza 1 Bldg.
880 A. Bonifacio Ave.
Brgy. Balingasa, Quezon City
Tel: (02) 361-0192
(02) 575-3888 loc. 8276

Alabang - Commerce Ave.
Spectrum Center – Block 28
Commerce Ave. cor. Filinvest Ave.
Filinvest City, Alabang
Muntinlupa City
Tel: (02) 524-0875

Alabang - Entrata
Units G3 to G4, Entrata
Filinvest Corporate City
Alabang, Muntinlupa City
Tel: (02) 519-6407
(02) 575-3888 loc. 8215

Alabang Hills
Don Gesu Bldg., Don Jesus Blvd.
Brgy. Cupang, Muntinlupa City
Tel: (02) 551-0983
(02) 575-3888 loc. 8290

Alabang - Madrigal
G/F, Philam Bldg.
Madrigal Business Park
Acacia Ave., Muntinlupa City
Tel: (02) 850-8092
(02) 575-3888 loc. 8389

Alabang Westgate
Westgate, Filinvest Coraporate City
Alabang, Muntinlupa City
Tel: (02) 771-0814
(02) 575-3888 loc. 8336

Amorsolo - Aegis
G/F, Unit C
Aegis People Support Bldg.
Amorsolo St., Makati City
Tel: (02) 887-6223
(02) 575-3888 loc. 8104

Amorsolo - Queensway
G/F, Queensway Bldg.
118 Amorsolo St., Legaspi Village
Makati City
Tel: (02) 511-7006
(02) 575-3888 loc. 8201

Annapolis
G/F, Unit 1-A
The Meriden Condominium Bldg.
Annapolis St., Northeast Greenhill
San Juan City
Tel: (02) 705-1517
(02) 575-3888 loc. 8331

Anonas
94 Anonas St. cor. KM.6
Kamias, Quezon Cty
Tel: (02) 924-3402
(02) 575-3888 loc. 8314

Antipolo - M.L. Quezon Ave.
146 M.L. Quezon Ave.
cor. F. Dimanlig St., San Roque
Antipolo City
Tel: (02) 661-9677
(02) 575-3888 loc. 8135

Antipolo - Marcos Hi-way
Ciannat Complex, Brgy. Mayamot
Marcos Hi-way, Antipolo City
Tel: (02) 682-2250
(02) 575-3888 loc. 8316

Ayala Avenue - Herrera
G/F, PBCom Tower, 6795 Ayala Ave.
cor. V. Rufino St., Makati City
Tel: (02) 784-5644
(02) 575-3888 loc. 8309

Ayala Avenue - MSE
Makati Stock Exchange Bldg.
Ayala Triangle, Ayala Ave.
Makati City
Tel: (02) 659-8625
(02) 575-3888 loc. 8105

Ayala Avenue - Rufino
G/F, Unit 1, Rufino Bldg.
6784 Ayala Ave. cor. V.A. Rufino St.
Makati City
Tel: (02) 844-7463
(02) 575-3888 loc. 8213

Ayala Avenue - SGV
SGV 1 Bldg., 6760 Ayala Ave.
Makati City
Tel: (02) 621-9811
(02) 575-3888 loc. 8168

Baclaran
2/F, New Galleria Baclaran
Shopping Mall, LRT South Terminal
Taft Ave. Ext., Pasay City
Tel: (02) 851-3488
(02) 575-3888 loc. 8397

Baesa Town Center
Baesa Town Center, Retail Store #4
232 Quirino Highway, Baesa
Quezon City
Tel: (02) 990-4537
(02) 575-3888 loc. 8155

Bagumbayan
184-B, E. Rodriguez Ave.
Bagumbayan, Libis, Quezon City
Tel: (02) 911-3601
(02) 575-3888 loc. 8318

Balintawak - A. Bonifacio
659 A. Bonifacio Ave.
Balintawak, Quezon City
Tel: (02) 442-1802
(02) 575-3888 loc. 8398

Banawe - Kaliraya
Titan 168 Bldg., 126 Banawe
cor. Kaliraya St., Quezon City
Tel: (02) 711-0925
(02) 575-3888 loc. 8295

Banawe - N. Roxas
42 Banawe Ave.
cor. Nicanor Roxas St., Quezon City
Tel: (02) 354-5024
(02) 575-3888 loc. 8162

Banawe - Sct. Alcaraz
G/F, Units A to C, 740 Banawe Ave.
cor. Sct. Alcaraz St. Quezon City
Tel: (02) 354-5042
(02) 575-3888 loc. 8156

Benavidez
Unit 103, One Corporate Plaza
Benavidez St., Legaspi Village
Brgy. San Lorenzo, Makati City
Tel: (02) 812-0019
(02) 575-3888 loc. 8197

Better Living - Doña Soledad
100 Doña Soledad Ave.
Brgy. Don Bosco, Betterliving Subd.
Parañaque City
Tel: (02) 823-4280
(02) 575-3888 loc. 8312

Better Living - Peru
Blk. 9 Lot 3, Doña Soledad Ave.
cor. Peru St., Betterliving Subd.
Parañaque City
Tel: (02) 511-1213
(02) 575-3888 loc. 8171

BF Homes - Aguirre
327 Aguirre Ave., BF Homes
Parañaque City
Tel: (02) 856-0149
(02) 575-3888 loc. 8206

Bicutan - East Service Rd
G/F, Waltermart Bicutan
East Service Rd. cor. Mañalac Ave.
Brgy. San Martin de Porres
Parañaque City
Tel: (02) 556-2690
(02) 575-3888 loc. 8277

Binondo
G/F, Uy Su Bin Bldg.
535-537 Quintin Paredes St.
Binondo, Manila
Tel: (02) 247-3708
(02) 575-3888 loc. 8374

Blumentritt - Rizal Avenue
2412 Rizal Ave., Sta. Cruz, Manila
Tel: (02) 230-4276
(02) 575-3888 loc. 8525

Boni Avenue
G/F, Lourdes Bldg. II, 667 Boni Ave.
Brgy. PlainView, Mandaluyong City
Tel: (02) 655-9409
(02) 575-3888 loc. 8216

C. Raymundo Avenue
172 C. Raymundo Ave.
Brgy. Maybunga, Pasig City
Tel: (02) 640-5690
(02) 575-3888 loc. 8113

Caloocan - A. Mabini
G/F, Gee Bee Bldg. No. 428
A. Mabini St. Brgy. 15
Caloocan City
Tel: (02) 294-8403

Chino Roces - Bagtikan
G/F, High Pointe Bldg.
1184 Chino Roces Ave.
near cor. Bagtikan St.
Brgy. San Antonio, Makati City
Tel: (02) 478-7782
(02) 575-3888 loc. 8160

Chino Roces - Dela Rosa
G/F Kings Court II Bldg.
2129 Chino Roces Ave.
Makati City
Tel: (02) 864-0632
(02) 575-3888 loc. 8396

Chino Roces - La Fuerza
Unit/s 10 to 11 La Fuerza Plaza 1
2241 Don Chino Roces Ave.
cor. Dela Rosa St. Makati City
Tel: (02) 478-9705
(02) 575-3888 loc. 8527

City Place Square
3/F, C-P 2-3, City Place Square
Reina Regente cor. Felipe II St.
Binondo, Manila
Tel: (02) 621-1293
(02) 575-3888 loc. 8154

Commonwealth
G/F, 272 Commonwealth Ave.
Brgy. Old Balara, Quezon City
Tel: (02) 355-7736
(02) 575-3888 loc. 8231

Congressional Ave.
Blk. 7 Lot 4-A, Congressional Ave.
Project 8, Quezon City
Tel: (02) 926-6609
(02) 575-3888 loc. 8313

Cubao - Araneta Center
G/F, Philamlife Bldg., Aurora Blvd.
cor. Gen. Araneta St., Cubao
Quezon City
Tel: (02) 709-7702
(02) 575-3888 loc. 8232

Cubao - P. Tuazon
G/F, Prince John Condominium
291 P. Tuazon Ave., Cubao
Quezon City
Tel: (02) 913-5266
(02) 575-3888 loc.8302

Del Monte
271 Del Monte Ave.
cor. Biak na Bato, Quezon City
Tel: (02) 367-1813
(02) 575-3888 loc. 8372

Del Monte - D. Tuazon
155 Del Monte Ave.
Brgy. Manresa, Quezon City
Tel: (02) 416-4712
(02) 575-3888 loc. 8535

Divisoria
802 Ilaya St., Binondo, Manila
Tel: (02) 244-9928
(02) 575-3888 loc. 8386

Don Antonio Heights
Blk. 7 Lot 24, Holy Spirit Drive
Don Antonio Heights
Brgy. Holy Spirit, Quezon City
Tel: (02) 376-0817
(02) 575-3888 loc. 8153

E. Rodriguez Ave.
G/F, MC Rillo Bldg.
1168 E. Rodriguez Ave.
Brgy. Mariana, Quezon City
Tel: (02) 695-3519
(02) 575-3888 loc. 8165

E. Rodriguez Ave. - Cubao
1731, E. Rodriguez Sr. Ave.
Brgy. Pinagkaisahan, Cubao
Quezon City
Tel: (02) 477-3979
(02) 575-3888 loc. 8537

Eastwood City
Unit D, Techno Plaza One Bldg.
Eastwood City Cyberpark
E. Rodriguez Ave., Bagumabayan
Quezon City
Tel: (02) 234-1389
(02) 575-3888 loc. 8204

EDSA - Howmart
1264 EDSA near cor. Howmart Road
Brgy. A Samson, Quezon City
Tel: (02) 990-9588
(02) 575-3888 loc. 8164

EDSA - Kalookan
490 EDSA, Caloocan City
Tel: (02) 364-1858
(02) 575-3888 loc. 8305

EDSA - Muñoz
Lemon Square Bldg., 1199 EDSA Muñoz
Brgy. Katipunan, Quezon City
Tel: (02) 376-5087
(02) 575-3888 loc. 8177

Elcano
Elcano Bldg., 622 El Cano St.
Binondo, Manila
Tel: (02) 242-0254
(02) 575-3888 loc. 8241

Escolta
G/F, First United Bldg.
413 Escolta cor. Banquero Sts.
Binondo, Manila
Tel: (02) 245-3983
(02) 575-3888 loc. 8328

Evangelista
Evangelista cor. Hen Mojica St.
Bangkal, Makati City
Tel: (02) 846-8516
(02) 575-3888 loc. 8118

F. Ortigas Jr.
AIC Gold Tower Condominium
F. Ortigas Jr. cor. Garnet Ave.
Pasig City
Tel: (02) 687-0038
(02) 575-3888 loc. 8303

Fairview
72 Commonwealth Ave.
cor. Camaro St., East Fairview
Quezon City
Tel: (02) 430-5260
(02) 575-3888 loc. 8242

EastWest Bank Store Directory

As of April 30, 2014

Festival Mall Level 1
1/F, Festival Supermall
Filinvest Corporate City
Alabang, Muntinlupa City
Tel: (02) 850-6461
(02) 575-3888 loc. 8351

Festival Mall Level 2
2/F, Festival Supermall
Filinvest Corporate City
Alabang, Muntinlupa City
Tel: (02) 850-3605
(02) 575-3888 loc. 8330

G. Araneta Ave.
195 Araneta Ave., Brgy. Santol
Quezon City
Tel: (02) 715-9671
(02) 575-3888 loc. 8198

General Luis - Kaybiga
4 Gen. Luis St., Brgy. Kaybiga
Caloocan City
Tel: (02) 922-5346
(02) 575-3888 loc. 8509

Gil Puyat - Dian
G/F, Wisma Cyberhub Bldg.
45 Sen. Gil Puyat Ave., Makati City
Tel: (02) 845-0493
(02) 575-3888 loc. 8275

Gil Puyat - Metro House
G/F, Metro House Bldg.
345 Sen. Gil Puyat Ave., Makati City
Tel: (02) 890-8102
(02) 575-3888 loc. 8301

Gil Puyat - Pacific Star
G/F, Pacific Star Bldg.
Sen. Gil Puyat Ave., Makati City
Tel: (02) 403-7657
(02) 575-3888 loc. 8185

Gil Puyat – Salcedo Village
G/F, Unit 1 C, Country Space 1 Bldg.
Gil Puyat, Makati City
Tel: (02) 823-2685
(02) 575-3888 loc. 8528

Grace Park - 3th Ave.
215 Rizal Ave. Ext., Brgy. 45
Grace Park West, Caloocan City
Tel: (02) 310-5081
(02) 575-3888 loc. 8512

Grace Park - 7th Ave.
G/F, Units 1 to 3, 330 Rizal Ave. Ext.
cor. 7th Ave., East Grace Park
Caloocan City
Tel: (02) 709-5548
(02) 575-3888 loc. 8209

Grace Park - 8th Ave.
896 8th Ave. cor. J. Teodoro St.
Grace Park, Caloocan City
Tel: (02) 361-7545
(02) 575-3888 loc. 8373

Grace Park - 11th Ave.
G/F, Blk. 172, Lot 5, Remcor V Bldg.
Rizal Ave. Ext., Caloocan City
Tel: (02) 376-5825
(02) 575-3888 loc. 8286

Greenhills - Connecticut
G/F, Unit B, Fox Square Bldg.
53 Connecticut St.
Northeast Greenhills, San Juan City
Tel: (02) 705-1413
(02) 575-3888 loc. 8175

Greenhills - North
G/F, BTTC Bldg., Ortigas Ave.
cor. Roosevelt St. Greenhills
San Juan City
Tel: (02) 477-3499
(02) 575-3888 loc. 8272

Greenhills - Promenade
G/F & 2/F, Unit 3, Promenade Bldg.
Missouri St., Greenhills, San Juan City
Tel: (02) 571-5985
(02) 575-3888 loc. 8526

Greenhills - West
G/F, ALCCO Bldg., Ortigas Ave.
Greenhills-West, San Juan City
Tel: (02) 721-9605
(02) 575-3888 loc. 8346

Greenhills Shopping Center
Unit AC-14, Annapolis Carpark
Greenhills Shopping Center
San Juan City
Tel: (02) 721-4886
(02) 575-3888 loc. 8138

H.V. Dela Costa
Unit GFC-2, Classica 1 Bldg.
112 H.V. Dela Costa St.
Salcedo Village, Makati City
Tel: (02) 550-2268
(02) 575-3888 loc. 8237

Intramuros
G/F, B.F. Condominium
104 A. Serrano Ave. cor. Solano St.
Intramuros, Manila
Tel: (02) 523-4921
(02) 575-3888 loc. 8369

J.P. Rizal
805 J.P. Rizal cor. F. Zobel St.
San Miguel Village, Makati City
Tel: (02) 511-0789
(02) 575-3888 loc. 8208

Jose Abad Santos - Tayuman
G/F and 2/F, Cada Bldg.
1200 Tayuman St.
cor. Jose Abad Santos Ave.
Tondo, Manila
Tel: (02) 230-2339
(02) 575-3888 loc. 8166

Juan Luna - Binondo
580 Juan Luna St., Binondo, Manila
Tel: (02) 523-0275
(02) 575-3888 loc. 8531

Juan Luna - Pritil
G/F, 1953-1955 Juan Luna St.
Tondo, Manila
Tel: (02) 230-2217
(02) 575-3888 loc. 8279

Julia Vargas
G/F, Unit 101, One Corporate Center
Julia Vargas cor. Meralco Aves.
Ortigas Center, Pasig City
Tel: (02) 655-3339
(02) 575-3888 loc. 8246

Jupiter - Paseo de Roxas
G/F, Royal Banner Property Bldg.
30 Jupiter or Paseo de Roxas Sts.
Brgy. Bel-Air, Makati City
Tel: (02) 823-1989
(02) 575-3888 loc. 8521

Kalentong
G/F, Unit 1 and 2, 908 Kalentong St.
Mandaluyong City
Tel: (02) 534-0669
(02) 575-3888 loc. 8278

Kamias
10 Kamias Road cor. Col. Salgado St.
Brgy. West Kamias, Quezon City
Tel: (02) 376-6136
(02) 575-3888 loc. 8178

Katipunan - St. Ignatius
132 Katipunan Road
St. Ignatius Village, Quezon City
Tel: (02) 913-2398
(02) 575-3888 loc. 8327

Lagro
Blk. 6 Lot 2, Quirino Highway
Lagro, Novaliches, Quezon City
Tel: (02) 352-4948
(02) 575-3888 loc. 8248

Las Piñas - Almanza
Aurora Arcade Bldg.
Alabang-Zapote Road
Almanza Uno, Las Piñas City
Tel: (02) 551-0597
(02) 575-3888 loc. 8271

Las Piñas - BF Resort
10 BF Resort Drive Phase IV
BF Resort Village, Las Piñas City
Tel: (02) 822-2802
(02) 575-3888 loc. 8129

Las Piñas - Marcos Alvarez
G/F and 2/F, 575 Marcos Alvarez Ave.
Talon V, Las Piñas City
Tel: (02) 550-2163
(02) 575-3888 loc. 8182

Las Piñas - Pamplona
Lot 16-B Pamplona III
Alabang-Zapote Road, Las Piñas City
Tel: (02) 873-1925
(02) 575-3888 loc. 8304

Legaspi - Dela Rosa
G/F, I-Care Bldg., Dela Rosa St.
cor. Legaspi Village, Makati City
Tel: (02) 844-6307
(02) 575-3888 loc. 8238

Legaspi - Rufino
G/F, Libran Bldg., Legaspi St.
cor. V.A. Rufino Ave.
Legaspi Village, Makati City
Tel: (02) 519-7398
(02) 575-3888 loc. 8103

Leviste
Unit Ground B. LPL Mansion Bldg.
122 L.P. Leviste St. Salcedo Village
Makati City
Tel: (02) 828-9897
(02) 575-3888 loc. 8532

Loyola Heights - Katipunan
Unit 13, Blk. 41 Lot 1
Elizabeth Hall Bldg.
Loyola Heights, Quezon City
Tel: (02) 426-0361
(02) 575-3888 loc. 8249

Makati Ave.- Junio
Unit 2-A, W Bldg., Juno St.
cor. Makati Ave., Brgy. Bel-air
Makati City
Tel: (02) 880-0529
(02) 575-3888 loc. 8202

Malabon - Gov. Pascual
3315 Gov. Pascual Ave.
cor. Ma. Clara St., Malabon City
Tel: (02) 332-9441
(02) 575-3888 loc. 8384

Malabon - Potrero
Units 1 to 2, Mary Grace Bldg.
Del Monte St., McArthur Highway
Potrero, Malabon City
Tel: (02) 352-7682
(02) 575-3888 loc. 8116

Malabon - Rizal Avenue
726 Rizal Ave., Brgy. Tañong
Malabon City
Tel: (02) 441-4446
(02) 575-3888 loc. 8250

Mandaluyong - Libertad
G/F, Units A to C, Dr. Aguilar Bldg.
46 D.M. Guevarra cor. Esteban Sts.
Highway Hills, Mandaluyong City
Tel: (02) 535-3091
(02) 575-3888 loc. 8119

Mandaluyong - Shaw Blvd.
G/F, Sunshine Square
312 Shaw Blvd., Mandaluyong City
Tel: (02) 534-7958 / 534-3942
(02) 575-3888 loc. 8325

Mandaluyong - Wack-Wack
G/F, GDC Bldg., 710 Shaw Blvd.
Brgy. Wack-Wack, Mandaluyong City
Tel: (02) 570-4031
(02) 575-3888 loc. 8273

Marikina - Concepcion
Bayan-Bayanan Ave.
Concepcion, Marikina City
Tel: (02) 234-5360
(02) 575-3888 loc. 8169

Marikina - Gil Fernando
Gil Fernando Ave. cor. Estrador St.
Midtown Subd., San Roque
Marikina City
Tel: (02) 681-7143
(02) 575-3888 loc. 8137

Marikina - J.P. Rizal
367 J.P. Rizal St., Sta. Elena
Marikina City
Tel: (02) 645-2890
(02) 575-3888 loc. 8251

Marikina - Parang
JNJ Bldg., 108 BG Molina St.
Parang, Marikina City
Tel: (02) 625-5541
(02) 575-3888 loc. 8291

Masambong
L/G, Annexes B to C
Atkimson Bldg., 627 Del Monte Ave.
Brgy. Masambong, Quezon City
Tel: (02) 376-6952
(02) 575-3888 loc. 8183

Masangkay
1411-1413 Masangkay St.
Tondo, Manila
Tel: (02) 230-2363
(02) 575-3888 loc. 8184

Mayon
170 Mayon Ave., Quezon City
Tel: (02) 354-4717
(02) 575-3888 loc. 8151

McKinley Hills
Unit 1 Cp-1
Commerce and Industry Plaza
McKinley Hill, Bonifacio Global City
Taguig City
Tel: (02) 511-8827
(02) 575-3888 loc. 8252

MIA Road
Salud-Dizon Bldg. 1, No. 5 MIA Road
Tambo, Parañaque City
Tel: (02) 808-1825

Muntinlupa
G/F, Remenes Center Bldg.
22 National Highway, Putatan
Muntinlupa City
Tel: (02) 846-9311
(02) 575-3888 loc. 8122

Navotas - M. Naval
895 M. Naval St.
Brgy. Sipac-Almasen, Navotas City
Tel: (02) 355-4148
(02) 575-3888 loc. 8292

Navotas - North Bay
G/F, Melandria III Bldg.
1090 Northbay Blvd. South
Navotas City
Tel: (02) 922-0812
(02) 575-3888 loc. 0812

New Manila
Doña Juana Rodriguez Ave.
cor. Aurora Blvd., New Manila
Quezon City
Tel: (02) 725-1700
(02) 575-3888 loc. 8367

North EDSA
UG/F, Units 4 to 7
EDSA Grand Residences, EDSA
cor. Corregidor St., Quezon City
Tel: (02) 376-3059
(02) 575-3888 loc. 8205

Novaliches - Gulod
Blk. 2 Lot 489, Quirino Highway
Novaliches, Quezon City
Tel: (02) 355-2741
(02) 575-3888 loc. 8110

Novaliches - Talipapa
G/F, Units C to G, 526 Quirino Highway
Brgy. Talipapa Novaliches, Quezon City
Tel: (02) 332-3592
(02) 575-3888 loc. 8266

Ongpin
G/F, Commercial Unit G-1
Strata Gold Condominium Bldg.
738 Ongpin St., Binondo, Manila
Tel: (02) 241-0451
(02) 575-3888 loc. 8293

EastWest Bank Store Directory

As of April 30, 2014

Ortigas - Emerald
Unit 103, Hanston Bldg.
F. Ortigas Jr. Road, Ortigas Center
Pasig City
Tel: (02) 477-4975
(02) 575-3888 loc. 8112

Ortigas - Garnet
Unit 102, Prestige Tower, Emerald Ave.
Ortigas Center, Pasig City
Tel: (02) 234-1272
(02) 575-3888 loc. 8255

Ortigas - Rockwell
Unit W-01, Tower 1
The Rockwell Business Center
Ortigas Ave., Pasig City
Tel: (02) 575-3888 loc. 8148

Paco
1050 Pedro Gil St., Paco, Manila
Tel: (02) 527-3609
(02) 575-3888 loc. 8100

Padre Faura
G/F, Unit D, Metrosquare Bldg. 2
M.H. Del Pilar cor. Padre Faura Sts.
Ermita, Manila
Tel: (02) 404-0536
(02) 575-3888 loc. 8322

Pasay - D. Macapagal Blvd.
No. 8 Pres. Diosdado Macapagal Blvd.
Pasay City
Tel: (02) 511-8351 to 53
(02) 575-3888 loc. 8180

Pasay - Libertad
Unit 265-E, Nemar Bldg.
Libertad St., Pasay City
Tel: (02) 550-2427
(02) 575-3888 loc. 8212

Paseo de Magallanes
G/F, Unit 102, Tritan Plaza Bldg.
San Antonio St., Paseo de Magallanes
Makati City
Tel: (02) 478-4858
(02) 575-3888 loc. 8132

Paseo de Roxas - Legaspi
G/F, Paseo de Roxas Bldg.
111 Paseo de Roxas cor. Legaspi Sts.
Legaspi Village, Makati City
Tel: (02) 840-5434
(02) 575-3888 loc. 8375

Paseo - Philam Tower
G/F, Philam Tower
8767 Paseo de Roxas St., Makati City
Tel: (02) 884-8810
(02) 575-3888 loc. 3324

Pasig - Kapasigan
A. Mabini cor. Blumentrit St.
Brgy. Kapasigan, Pasig City
Tel: (02) 642-8559
(02) 575-3888 loc. 8308

Pasig - Rosario
Unit 3, 1866 Ortigas Ave. Ext.
Rosario, Pasig City
Tel: (02) 234-1992
(02) 575-3888 loc. 8259

Pasig - Santolan
G/F, Santolan Bldg.
344 A. Rodriguez Ave.
Santolan, Pasig City
Tel: (02) 654-0196
(02) 575-3888 loc. 8260

Pasig - Shaw Blvd.
27 Shaw Blvd., Pasig City
Tel: (02) 570-9356
(02) 575-3888 loc. 8307

Pasig - Valle Verde
102 E. Rodriguez Jr. Ave.
Ugong, Pasig City
Tel: (02) 695-3345
(02) 575-3888 loc. 8258

Pasig Boulevard
2 Lakeview Derive cor. Pasig Blvd.
Brgy. Bagong Ilog, Pasig City
Tel: (02) 661-8785
(02) 575-3888 loc. 8150

Paso de Blas
191 Paso de Blas, Valenzuela City
Tel: (02) 332-2246
(02) 575-3888 loc. 8382

Pasong Tamo Extension
G/F, Dacon Bldg.
2281 Pasong Tamo Ext., Makati City
Tel: (02) 575-8324
(02) 575-3888 loc. 8324

Paz M. Guazon
Unit 5 to 6 Topmark Bldg.
1763 Paz M. Guazon St., Paco Manila
Tel: (02) 516-2263
(02) 575-3888 loc. 8533

Perea
G/F, Greenbelt Mansion, 106 Perea St.
Legaspi Village, Makati City
Tel: (02) 511-0317
(02) 575-3888 loc. 8508

Pioneer
Unit UG-09
Pioneer Pointe Condominium
Pioneer St., Highway Hills
Mandaluyong City
Tel: (02) 584-3515
(02) 575-3888 loc. 8107

President's Ave.
35 President's Ave., BF Homes
Parañaque City
Tel: (02) 807-5549
(02) 575-3888 loc. 8315

Project 8 - Shorthorn
G/F, West Star Business Ctr. Bldg.
31 Shorthorn St. Brgy. Bahay Toro
Project 8, Quezon City
Tel: (02) 952-4526
(02) 575-3888 loc. 8520

Quezon Ave. - Banawe
G/F, PPSTA-1 Bldg., Quezon Ave.
cor. Banawe St., Quezon City
Tel: (02) 743-4715
(02) 575-3888 loc. 8329

Quezon Ave. - Dr. Garcia
940 Quezon Ave. cor. Dr. Garcia St.
Brgy. Paligsahan, Quezon City
Tel: (02) 709-7807
(02) 575-3888 loc. 8207

Quezon Ave. - Sct. Albano
1604 Quezon Ave.
Brgy. South Triangle, Quezon City
Tel: (02) 352-8163
(02) 575-3888 loc. 8109

Quezon Ave. - Sct. Santiago
G/F, Sushine Blvd. Plaza, Quezon
cor. Scout Santiago Aves., Quezon City
Tel: (02) 372-8214
(02) 575-3888 loc. 8326

Quiapo
G/F, E and L Haw Bldg.
502 Evangelista St., Quiapo, Manila
Tel: (02) 353-0052
(02) 575-3888 loc. 8199

Rada
G/F, Unit 102
La Maision Condominium Bldg.
Rada St., Legaspi Village, Makati City
Tel: (02) 804-2866
(02) 575-3888 loc. 8189

Regalado
Regalado Ave. cor. Archer St.
North Fairview Subd., Quezon City
Tel: (02) 939-5459
(02) 575-3888 loc. 8317

Roosevelt - Frisco
184 Roosevelt Ave.
San Francisco del Monte, Quezon City
Tel: (02) 372-9480
(02) 575-3888 loc. 8306

Roosevelt - Sto. Niño
282 Roosevelt Ave., Brgy. Sto. Niño
San Francisco Del Monte
Quezon City
Tel: (02) 922-1723
(02) 575-3888 loc. 8190

Roxas Boulevard
G/F, DENR Bldg., 1515 Roxas Blvd.
Ermita, Manila
Tel: (02) 536-5271
(02) 575-3888 loc. 8114

Salcedo
G/F, First Life Center, 174 Salcedo St.
Legaspi Village, Makati City
Tel: (02) 815-8747
(02) 575-3888 loc. 8348

San Juan
EastWest Bank Bldg.
F. Blumentritt cor. M. Salvador Sts.
Brgy. San Perfecto, San Juan City
Tel: (02) 723-8991
(02) 575-3888 loc. 8102

San Lorenzo - A. Arnaiz
The E-Hotels Makati Bldg.
906 A. Arnaiz Ave.
(formerly Pasay Road)
San Lorenzo Village, Makati City
Tel: (02) 845-0263
(02) 575-3888 loc. 8257

San Miguel Ave.
Medical Plaza Bldg., San Miguel Ave.
Ortigas, Pasig City
Tel: (02) 637-5121
(02) 575-3888 loc. 8388

Soler
G/F, R&S Tower, 941 Soler St.
Binondo, Manila
Tel: (02) 243-5872
(02) 575-3888 loc. 8101

Sto. Cristo
G/F, Sto. Cristo Po Taw Bldg.
107-108 Sto. Cristo cor. Foderama Sts.
Binondo, Manila
Tel: (02) 247-7110
(02) 575-3888 loc. 8323

Sucat - Evacom
8208 Dr. A. Santos Ave.
Brgy. San Isidro, Parañaque City
Tel: (02) 822-4249
(02) 575-3888 loc. 8161

Sucat - Kabihasnan
G/F, Units 3 to 4
Perry Logistics Center Bldg.
Ninoy Aquino Ave., Parañaque City
Tel: (02) 553-5064
(02) 575-3888 loc. 8274

Sucat - Kingsland
G/F and 2/F, Units 5 to 6
Kingsland Bldg., Dr. A. Santos Ave.
Sucat, Parañaque City
Tel: (02) 553-5108
(02) 575-3888 loc. 8192

Sucat - NAIA
Unit 707-6
Columbia AirFreight Complex
Miascor Drive, Ninoy Aquino Ave.
Brgy. Sto. Niño, Parañaque City
Tel: (02) 852-2732
(02) 575-3888 loc. 8343

T. Alonzo
G/F, 623 T. Alonzo St.
Sta.Cruz, Manila
Tel: (02) 735-6954
(02) 575-3888 loc. 8354

T.M. Kalaw
A-1 to A-4, Ditz Bldg.
444 T.M. Kalaw St., Ermita, Manila
Tel: (02) 353-9773
(02) 575-3888 loc. 8195

Taft Avenue
Philippine Academy of Family
Physicians Bldg., 2244 Taft Ave.
Manila
Tel: (02) 708-5902
(02) 575-3888 loc. 8193

Taft - Nakpil
RLR Bldg., 1820 Taft Ave.
near cor. Nakpil St., Malate, Manila
Tel: (02) 575-3888 loc. 8141

Tandang Sora
Lot 80-A, Kalaw Hills Subd.
Brgy. Culiat, Tandang Sora
Quezon City
Tel: (02) 951-2550
(02) 575-3888 loc. 8321

Taytay - Ortigas Ext.
Valley Fait Town Center
Ortigas Ave. Ext., Taytay, Rizal
Tel: (02) 660-1826
(02) 575-3888 loc. 8311

Tektite
East Tower
Philippine Stock Exchange Center
Exchange Drive, Ortigas Center
Pasig City
Tel: (02) 637-4164
(02) 575-3888 loc. 8349

The Fort - Beaufort
The Beaufort, 5th Ave. cor. 23rd St.
Bonifacio Global City, Taguig City
Tel: (02) 808-2236
(02) 575-3888 loc. 8203

The Fort - Burgos Circle
G/F, Units H to I
Crescent Park Residences
Burgos Circle cor. 2nd Ave.
Bonifacio Global City, Taguig
Tel: (02) 478-5483
(02) 575-3888 loc. 8125

The Fort - F1 Center
G/F, Unit F, F1 Center Bldg.
32nd St. cor. 5th Ave.
Bonifacio Global City, Taguig City
Tel: (02) 478-5213
(02) 575-3888 loc. 8268

The Fort - Marajo Tower
G/F, Unit 3A Marajo Tower, 26th St.
cor. 4th Ave., Bonifacio Global City
Taguig City
Tel: (02) 856-2722
(02) 575-3888 loc. 8379

Timog Ave.
G/F, Timog Arcade
67 Timog Ave., Quezon City
Tel: (02) 376-7884
(02) 575-3888 loc. 8157

Tomas Mapua - Lope de Vega
G/F and 2/F, Valqua Bldg.
1003 Tomas Mapua
cor. Lope de Vega Sts.
Sta. Cruz, Manila
Tel: (02) 711-0411
(02) 575-3888 loc. 8194

Tomas Morato
257 Tomas Morato
cor. Scout Fuentebella, Quezon City
Tel: (02) 929-5313
(02) 575-3888 loc. 8342

Tordesillas
Unit 105, Le Metropole Condominium
H.V Dela Costa St. cor Tordesillas St.
Amd Sen Gil Puyat Ave.
Salcedo Village Makati City
Tel: (02) 828-8407
(02)575-3888 loc 8524

UN Avenue
G/F, Philam Bldg.,U.N. Ave.
cor. Ma. Orosa St., Ermita, Manila
Tel: (02) 524-7753
(02) 575-3888 loc. 8393

UP Village
65 Maginhawa St., U.P. Village
Diliman, Quezon City
Tel: (02) 433-8625
(02) 575-3888 loc. 8196

Valenzuela - Dalandanan
212 Km. 15 Mac Arthur Highway
Brgy. Dalandanan, Valenzuela City
Tel: (02) 277-0276
(02) 575-3888 loc. 8289

EastWest Bank Store Directory

As of April 30, 2014

Valezuela - Gen. T. De Leon
G/F, Units 4 to 5, Liu Shuang Yu Bldg.
3026 Gen. T. De Leon St.
Brgy. Gen T. De Leon, Valenzuela City
Tel: (02) 440-5635
(02) 575-3888 loc. 8536

Valenzuela - Marulas
JLB Enterprise Bldg.
Km. 12 McArthur Highway
Marulas, Valenzuela City
Tel: (02) 445-0670
(02) 575-3888 loc. 8345

Valero
G/F, Retail 1-B Area
Paseo Parkview Tower
142 Valero St., Salcedo Village
Makati City
Tel: (02) 751-0003
(02) 575-3888 loc. 8347

Visayas Avenue
G/F, Units B to D, 15 Visayas Ave.
Brgy. Vasra, Quezon City
Tel: (02) 441-6604
(02) 575-3888 loc. 8280

West Avenue
108 West Ave. cor. West Lawin St.
Quezon City
Tel: (02) 928-5920
(02) 575-3888 loc. 8356

West Service Road
West Service Road
cor. Sampaguita Ave.
UPS IV Subd., Parañaque City
Tel: (02) 822-3910
(02) 575-3888 loc. 8158

Wilson
G/F, 220-B Wilson St.
Greenhills, San Juan City
Tel: (02) 696-7366
(02) 575-3888 loc. 8159

Ylaya - Padre Rada
G/F, 981 Josefa Bldg., Ylaya St.
cor. Padre Rada St., Tondo, Manila
Tel: (02) 243-9006
(02) 575-3888 loc. 8294

LUZON

Angeles - Balibago
Saver's Mall Bldg.
McArthur Highway, Balibago
Angeles City, Pampanga
Tel: (045) 458-0613
(02) 575-3888 loc. 8170

Bacoor - Aguinaldo Hi-way
Gen. E. Aguinaldo Hi-way
Talaba, Bacoor City, Cavite
Tel: (046) 417-0345
(02) 575-3888 loc. 8320

Bacoor - Molino
G/F, Units 101 to 103
VCENTRAL Mall Molino Bldg.
Molino Blvd., Bacoor City, Cavite City
Tel: (046) 424-2037
(02) 575-3888 loc. 8210

Baguio City - Abanao Ave.
77 Abanao Ave., Baguio City
Tel: (074) 448-0515
(02) 575-3888 loc. 8340

Baguio City - Session Rd
Unit 101-B, Lopez Bldg.
Session Road, Baguio City
Tel: (074) 442-3339
(02) 575-3888 loc. 8163

Baliuag
Benigno Aquino Ave., Poblacion
Baliuag, Bulacan
Tel: (044) 766-4878
(02) 575-3888 loc. 8376

Bataan - Balanga
Don Manuel Banzon Ave.
cor. Cuaderno St., Doña Francisca
Balanga City, Bataan
Tel: (047) 237-0351
(02) 575-3888 loc. 8120

Batangas - Bauan
J.P. Rizal cor. San Agustin Sts.
Bauan, Batangas
Tel: (043) 702-4970
(02) 575-3888 loc. 8214

Batangas - Sto. Tomas
Km. 67 Maharlika Highway, Poblacion,
Sto. Tomas, Batangas
Tel: (02) 575-3888 Loc. 8544

Bataan - Dinalupihan
Brgy. San Ramon
Dinalupihan, Bataan
Tel: (047) 636-0040
(02) 575-3888 loc. 8239

Batangas - Lemery
G/F, LDMC Bldg., Ilustre Ave.
Dist. III, Lemery, Batangas
Tel: (043) 740-2602
(02) 575-3888 loc. 8502

Batangas - Nasugbu
J. P. Laurel St. Poblacion
Nasugbu, Batangas
Tel: (043) 740-1103
(02) 575-3888 loc. 8530

Batangas - Rosario
Rosario-Padre Garcia-Lipa Road
Poblacion, Rosario, Batangas
Tel: (043) 706-4854
(02) 575-3888 loc. 8511

Batangas - Tanauan
98 J.P. Laurel Highway
Tanauan City, Batangas
Tel: (043) 702-4939
(02) 575-3888 loc. 8267

Batangas City
54-A., D. Silang St.
Batangas City, Batangas
Tel: (043) 723-7665
(02) 575-3888 loc. 8355

Benguet - La Trinidad
Km. 5, Central Pico
La Trinidad, Benguet
Tel: (074) 422-1581
(02) 575-3888 loc. 8247

Bulacan - Balagtas
Burol 1st, McArthur Highway
Balagtas, Bulacan
Tel: (044) 308-2072
(02) 575-3888 loc. 8297

Bulacan - Plaridel
Lot 1071-A, Daang Maharlika Road
(formerly Cagayan Valley Road)
Banga First Plaridel, Bulacan
Tel: (044) 794-9947
(02) 575-3888 loc. 8282

Cabanatuan - Melencio
Melencio cor. Gen. Luna St.
Cabanatuan City, Nueva Ecija
Tel: (044) 464-1634
(02) 575-3888 loc. 8333

Calamba
G/F, SQA Bldg., Brgy. Uno, Crossing
Calamba City, Laguna
Tel: (049) 545-9614
(02) 575-3888 loc. 8335

Carmona
Lot 1947-B, Paseo de Carmona Compd.
Governor's Drive, Brgy. Maduya
Carmona, Cavite
Tel: (046) 482-0411
(02) 575-3888 loc. 8106

Cavite - Naic
Ibayo Silangan cor. Sabang Road
Naic, Cavite
Tel: (046) 412-0146
(02) 575-3888 loc. 8221

Cavite - Silang
J.P. Rizal St., Cavite
Tel: (046) 413-2600
(02) 575-3888 loc. 8517

Cavite - Tanza
Antero Soriano Ave.
Daang Amaya 2, Tanza, Cavite
Tel: (046) 431-2097
(02) 575-3888 loc. 8222

Cavite - Trece Martires
G/F, Dionets Commercial Place Bldg.
San Agustin Road, Trece Martires City
Cavite
Tel: (046) 514-0071
(02) 575-3888 loc. 8299

Cavite City
P. Burgos Ave., Brgy. Caridad
Cavite City, Cavite
Tel: (046) 431-0510
(02) 575-3888 loc. 8284

Dagupan - A.B. Fernandez Avenue
New Star Bldg., A.B. Fernandez Ave.
Dagupan City, Pangasinan
Tel: (075) 529-1903
(02) 575-3888 loc. 8233

Dagupan - Perez
Maria P. Lee Bldg., Perez Blvd.
Dagupan City, Pangasinan
Tel: (075) 522-9221
(02) 575-3888 loc. 8337

Dasmariñas
Km. 31, Gen. Emilio Aguinaldo Highway
Brgy. Zone 4, Dasmariñas City
Cavite
Tel: (046) 424-1454
(02) 575-3888 loc. 8234

General Trias
G/F, Unit 102, VCentral Getri Bldg.
Governor's Drive, Manggahan
Gen. Trias, Cavite
Tel: (046) 476-0598
(02) 575-3888 loc. 8124

Ilocos Norte - San Nicolas
Brgy.2, San Nicolas, Ilocos Norte
Tel: (077) 670-6465
(02) 575-3888 loc. 8515

Ilocos Sur - Candon
G/F, KAMSU Bldg., Brgy. San Jose
Candon City, Ilocos Sur
Tel: (077) 674-0253
(02) 575-3888 loc. 8172

Imus
G/F, LDB Bldg.
552 Gen. Aguinaldo Highway
Imus City, Cavite
Tel: (046) 471-5188
(02) 575-3888 loc. 8310

Isabela - Cauayan
Maharlika Highway
Cauayan City, Isabela
Tel: (078) 652-3945
(02) 575-3888 loc. 8383

Isabela - Ilagan
Maharlika Highway
cor. Florencio Apostol St.
Calamagui 1, Ilagan, Isabela
Tel: (078) 624-0193
(02) 575-3888 loc. 8513

Isabela - Santiago
74 National Highway
Brgy. Victory Norte
Santiago City, Isabela
Tel: (078) 305-0344
(02) 575-3888 loc. 8366

La Union - Agoo
Mac Arthur Highway
Brgy. San Antonio, Agoo, La Union
Tel: (02) 575-3888 loc. 8501

Laguna - Biñan
G/F, Units 1 to 4
Simrey's Commercial Bldg.
National Highway
cor. Alma Manzo Road
Brgy. San Antonio, Biñan City, Laguna
Tel: (049) 511-7408
(02) 575-3888 loc. 8501

La Union - San Fernando
Kenny Plaza, Brgy. Catbangen
Quezon Ave., San Fernando
La Union
Tel: (072) 888-2638
(02) 575-3888 loc. 8362

Laoag City
Ablan Bldg., J.P. Rizal Ave.
cor. Don Severo Hernandez Ave.
Laoag City, Ilocos Norte
Tel: (077) 771-3866
(02) 575-3888 loc. 8359

Lipa City
Lots 712-A, B and C
18 B. Morada Ave., Lipa City
Batangas
Tel: (043) 784-1336
(02) 575-3888 loc. 8378

Lucena City
152 Quezon Ave., Lucena City, Quezon
Tel: (042) 373-7623
(02) 575-3888 loc. 8334

Malolos
G/F, 1197 BUFECO Bldg.
Brgy. Sumapang Matanda
Mac Arthur Highway Malolos, Bulacan
Tel: (044) 896 -4773
(02) 575-3888 loc. 8540

Meycauayan - Malhacan
Malhacan Toll Exit
Meycauayan City, Bulacan
Tel: (044) 769-9394
(02) 575-3888 loc. 8253

Mindoro - Calapan
G/F, Paras Bldg., J.P. Rizal St.
Brgy. San Vicente South
Calapan, Oriental Mindoro
Tel: (043) 288-1809
(02) 575-3888 loc. 8220

Naga City
G/F, LAM Bldg., 19 Peñafrancia Ave.
Naga City, Camarines Sur
Tel: (054) 811-1003
(02) 575-3888 loc. 8358

Nueva Ecija - Gapan
G/F and 2/F, Units 105 to 106 and 205
TSI Bldg., Jose Abad Santos Ave.
Sto. Niño, Gapan City, Nueva Ecija
Tel: (044) 486-2258
(02) 575-3888 loc. 8288

Nueva Ecija - San Jose
Paulino Bldg., Brgy. Aber 1st
Maharlika Road, San Jose City
Nueva Ecija
Tel: (044) 958-1563
(02) 575-3888 loc. 8262

Nueva Ecija - Talavera
Lot No. 269-A Maharlika Road
Poblacion, Talavera, Nueva Ecija
Tel: (044) 958-3849
(02) 575-3888 loc. 8541

Nueva Vizcaya - Solano
Maharlika Road, Poblacion
Solano, Nueva Vizcaya
Tel: (02) 575-3888 loc. 8263

Olongapo City
G/F, 1215 Rizal Ave.
West Tapinac St., Olongapo City
Tel: (047) 222-8592
(02) 575-3888 loc. 8108

Palawan
Brgy. Manggahan, Rizal Ave.
Puerto Princesa City, Palawan
Tel: (048) 433-0186
(02) 575-3888 loc. 8187

Pampanga - Angeles City
G/F, Unit 241-A to 242
AYA Commercial Bldg.
2014 Sto. Rosario St., Brgy. San Jose
Angeles City, Pampanga
Tel: (045) 879-1637
(02) 575-3888 loc. 8344

EastWest Bank Store Directory

As of April 30, 2014

Pampanga - Apalit
Brgy. San Vicente, Apalit, Pampanga
Tel: (045) 652-0037
(02) 575-3888 loc. 8167

Pampanga - Guagua
303 Guagua, Sta. Rita Arterial Road
Brgy. San Roque Guagua, Pampanga
Tel: (045) 458-0567
(02) 575-3888 loc. 8243

Pangasinan - Lingayen
J.S. Molano Real State Lessor Bldg.
Avenida Rizal East, Lingayen
Pangasinan
Tel: (075) 206-0081
(02) 575-3888 loc. 8296

Pangasinan - Rosales
Estrella Compd., Carmen East Rosales
McArthur Highway, Pangasinan
Tel: (075) 632-1017
(02) 575-3888 loc. 8218

Pangasinan - San Carlos
Palaris St., San Carlos City, Pangasinan
Tel: (075) 632-3095 to 96
(02) 575-3888 loc. 8149

San Fernando - Dolores
2/F, Felix S. David Bldg.
McArthur Highway
San Fernando City, Pampanga
Tel: (045) 961-7936
(02) 575-3888 loc. 8332

San Fernando - JASA
G/F, Units 1-A and 1-B
Kingsborough Commercial Center Bldg.
Jose Abad Santos Ave.
San Fernando City, Pampanga
Tel: (045) 436-0411
(02) 575-3888 loc. 8516

San Fernando - Sindalan
G/F, T and M Bldg., Brgy. Sindalan
McArthur Highway, San Fernando City
Pampanga
Tel: (045) 455-1192
(02) 575-3888 loc. 8191

San Pablo
9022 J.P. Rizal Ave.
San Pablo City, Laguna
Tel: (049) 503-2835
(02) 575-3888 loc. 8127

San Pedro
Old National Highway, Brgy. Nueva
San Pedro, Laguna
Tel: (049) 478-9552
(02) 575-3888 loc. 8128

Sorsogon City
Ma. Bensuat T. Dogillo Bldg.
Magsaysay St. Poblacion
Sorsogon City
Tel: (056) 421-5778
(02) 575-3888 loc. 8545

Subic Bay
G/F Bldg., 1109 Rizal Highway
Subic Bay Free Zone, Olongapo City
Tel: (047) 250-2775
(02) 575-3888 loc. 8298

Tarlac - F. Tañedo
Mariposa Bldg., F. Tanedo St.
Tarlac City, Tarlac
Tel: (045) 982-1637
(02) 575-3888 loc. 8353

Tarlac - Paniqui
130 M.H. Del Pilar St.
cor. McArthur Highway
Paniqui, Tarlac City, Tarlac
Tel: (045) 491-3846
(02) 575-3888 loc. 8256

Tuguegarao City
College Ave. cor. Rizal
and Bonifacio Sts.
Tuguegarao City, Cagayan
Tel: (078) 844-0958
(02) 575-3888 loc. 8136

Urdaneta City
S&P Bldg., Nancayasan
Urdaneta City, Pangasinan
Tel: (075) 656-2838
(02) 575-3888 loc. 8381

Vigan
Quezon Ave., Vigan City, Ilocos Sur
Tel: (077) 674-0370
(02) 575-3888 loc. 8269

Zambales City - Iba
Lot No. 1-A, Zambales - Pangasinan
Provincial Road, Brgy. Sagapan
Iba, Zambales
Tel: (047) 603-0347
(02) 575-3888 loc. 8542

VISAYAS

Antique - San Jose
St. Nicolas Bldg., T.A. Fornier St.
San Jose, Antique
Tel: (036) 540-7398
(02) 575-3888 loc. 8228

Bacolod - Araneta
Unit 1-A and 1-B, Metrodome Bldg.
Araneta-Alunan St., Brgy. 29
Sincang, Bacolod City
Negros Occidental
Tel: (034) 435-2887
(02) 575-3888 loc. 8503

Bacolod - Hilado
Hilado Street, Bacolod City
Negros Occidental
Tel: (034) 435-1730
(02) 575-3888 loc. 8244

Bacolod - Lacson
Lacson cor. Luzuriaga Sts.
Bacolod City, Negros Occidental
Tel: (034) 433-8321
(02) 575-3888 loc. 8385

Bacolod - Mandalagan
Lopues Mandalagan Corp. Bldg.
Brgy. Mandalagan, Bacolod City
Negros Occidental
Tel: (034) 441-1141
(02) 575-3888 loc. 8181

Boracay
Alexandrea Bldg., Main Road
Brgy. Balabag, Boracay Island
Malay, Aklan
Tel: (036) 288-2677
(02) 575-3888 loc. 8217

Catbalogan City
Curry Ave. cor. San Bartolome St.
Catbalogan City, Samar
Tel: (053) 321-9955
(02) 575-3888 loc. 8529

Cebu - A.C. Cortes
P. Burgos cor. C. Ouano Sts.
Centro, Mandaue City, Cebu
Tel: (032) 236-1458
(02) 575-3888 loc. 8228

Cebu - A.S. Fortuna
AYS Bldg., A.S. Fortuna St.
Banilad, Mandaue City, Cebu
Tel: (032) 236-4792
(02) 575-3888 loc. 8173

Cebu - I.T. Park
G/F, Calyx Center, W. Ginonzon
cor. Abad Sts., Asia Town
I.T. Park, Cebu City, Cebu
Tel: (032) 236-0698
(02) 575-3888 loc. 8224

Cebu - Banilad
G/F, Unit 101, PDI Condominium
Gov. M. Cuenco Ave. cor. J. Panis St.
Banilad, Cebu City. Cebu
Tel: (032) 232-5588
(02) 575-3888 loc. 8360

Cebu - Basak Pardo
South Point Place Bldg.
N. Bacalso Ave., South Road
Basak Pardo, Cebu City, Cebu
Tel: (032) 236-6980
(02) 575-3888 loc. 8229

Cebu - Freedom Park
CLC Bldg., 280 Magallanes St.
near cor. Noli Me Tangere
Cebu City, Cebu
Tel: (032) 236-9301
(02) 575-3888 loc. 8230

Cebu - Fuente Osmeña
G/F, Cebu Women's Club Bldg.
Fuente Osmeña, Cebu City, Cebu
Tel: (032) 260-2381
(02) 575-3888 loc. 8223

Cebu - Grand Cenia
G/F, Grand Cenia Bldg.
Archbishop Reyes Ave.
Cebu City, Cebu
Tel: (032) 417-1709
(02) 575-3888 loc. 8139

Cebu - Juan Luna
Stephen Jo Bldg., Juan Luna
Cebu City, Cebu
Tel: (032) 236-7528
(02) 575-3888 loc. 8225

Cebu - M. Velez
151 M. Velez St., Guadalupe
Cebu City, Cebu
Tel: (032) 236-0152
(02) 575-3888 loc. 8174

Cebu - Mactan
G/F, Bldg. II, M. L. Quezon
National Highway, Pusok
Lapu-Lapu City, Cebu
Tel: (032) 238-4958
(02) 575-3888 loc. 8115

Cebu - Magallanes
60 Quiaco Bldg., Magallanes
cor. Gonzales Sts., Cebu City, Cebu
Tel: (032)254-1005
(02) 575-3888 loc. 8361

Cebu - Mandaue North Road
UG/F, Blocks 01 to 03
ALDO Bldg., North Road
Basak, Mandaue City, Cebu
Tel: (032) 520-3599
(02) 575-3888 loc. 8133

Cebu - Mandaue Subangdaku
Kina Bldg., National Highway
Subangdaku, Mandaue City, Cebu
Tel: (032) 346-5268
(02) 575-3888 loc. 8357

Cebu - Minglanilla
G/F, La Nueva-Minlanilla Center
Ward 2, Poblacion, Minglanilla, Cebu
Tel: (032) 236-9314
(02) 575-3888 loc. 8226

Cebu - N. Escario
Cebu Capitol Commercial
Complex Bldg., N. Escario St.
Cebu City, Cebu
Tel: (032) 253-9226
(02) 575-3888 loc. 8341

Cebu - Park Mall
Alfresco 4, Units 39 to 40-A
Park Mall, Mandaue City, Cebu
Tel: (032) 505-3755
(02) 575-3888 loc. 8188

Cebu - Talisay
Paul Sy Bldg., Tabunok Highway
Talisay City, Cebu
Tel: (032) 236-9433
(02) 575-3888 loc. 8227

Dumaguete City
Don Joaquin T. Villegas Bldg.
Colon St., Dumaguete City
Negros Oriental
Tel: (035) 226-3797
(02) 575-3888 loc. 8240

Iloilo - Iznart
G/F, B & C Square Bldg., Iznart
cor. Solis Sts., Iloilo City, Iloilo
Tel: (033) 338-1207
(02) 575-3888 loc. 8131

Iloilo - Jaro
Jaro Townsquare
Mandaue Foam Bldg.
Qunitin Salas, Jaro, Iloilo City, Iloilo
Tel: (033) 320-0241
(02) 575-3888 loc. 8245

Iloilo - Ledesma
Sta. Cruz Arancillo Bldg., Ledesma
cor. Fuentes Sts., Iloilo City, Iloilo
Tel: (033) 336-0441
(02) 575-3888 loc. 8380

Iloilo - Molo
GT Plaza Mall, MH del Pilar St.
Molo, Iloilo
Tel: (033) 330-2003
(02) 575-3888 loc. 8145

Kalibo
Aklan Triumph Bldg.
Roxas Ave. Ext., Kalibo, Aklan
Tel: (036) 268-3461
(02) 575-3888 loc. 8505

Ormoc City
G/F, Hotel Don Felipe, Annex Bldg.
Bonifacio St., Ormoc City, Leyte
Tel: (053) 255-8689
(02) 575-3888 loc. 8254

Roxas City
Roxas Ave. cor. Osmeña St.
(formerly Pavia St.), Roxas City, Capiz
Tel: (036) 620-0652
(02) 575-3888 loc. 8504

Silay
Rizal St. Silay City, Negros Occidental
Tel: (034) 441 3863
(02) 575-3888 loc. 8546

Tacloban City - Marasbaras
G/F, JGC Bldg., Brgy. 77
Marasbaras, Tacloban City
Tel: (053) 325-3596
(02) 575-3888 loc. 8506

Tagbilaran City
CPG Ave., 2nd District
Tagbilaran City, Bohol
Tel: (038) 411-0903
(02) 575-3888 loc. 8265

MINDANAO

Bukidnon - Valencia
Units 2 to 4, Tamay Lang, Park Lane
G. Laviña Ave., Poblacion
Valencia City, Bukidnon
Tel: (088) 828-4068
(02) 575-3888 loc. 8281

Butuan City
G/F, Deofavente Bldg., Lot 7
J. Rosales Ave., Brgy. Imadejas
Butuan City, Agusan Del Norte
Tel: (085) 225-9621
(02) 575-3888 loc. 8123

Cagayan de Oro City - Carmen
RTS Bldg., Vamenta Blvd., Carmen
Cagayan de Oro City
Tel: (088) 880-1342
(02) 575-3888 loc. 8549

Cagayan de Oro City - Cogon
De Oro Construction Supply, Inc. Bldg.
Don Sergio Osmena St.
cor. Limketkai Drive
Cagayan de Oro City
Misamis Oriental
Tel: (088) 850-0336
(02) 575-3888 loc. 8219

Cagayan de Oro City - Lapasan
Lapasan Highway
Cagayan De Oro City
Tel: (088) 850-1870
(02) 575-3888 loc. 8550

Cagayan de Oro City - Velez
50 Juan Sia Bldg.
Don Apolinar Velez St.
Cagayan de Oro City
Misamis Oriental
Tel: (088) 857-8802
(02) 575-3888 loc. 8338

Cotabato City
31 Quezon Ave., Poblacion 5
Cotabato City
Tel: (064) 421-5962
(02) 575-3888 loc. 8363

Davao - Agdao
Doors 2 to 3, Cabaguio Plaza
Cabaguio Ave., Agdao, Davao City
Tel: (082) 222-2029
(02) 575-3888 loc. 8518

Davao - Bajada
J.P. Laurel Ave. cor. Iñigo St.
Davao City
Tel: (082) 300-5663
(02) 575-3888 loc. 8211

Davao - Buhangin
Km. 5, Buhangin Road
cor. Gladiola St., Buhangin
Davao City
Tel: (082) 221-7420
(02) 575-3888 loc. 8282

Davao - C.M. Recto
P and E Bldg., Poblacion, Brgy. 035
C.M. Recto Ave., Davao City
Tel: (082) 228-6016
(02) 575-3888 loc. 8176

Davao - Digos
Commercial Space 4, Davao RJ
and Sons Realty and Trading Corp.
V. Sotto St., Brgy. Zone-1
Digos City, Davao del Sur
Tel: (082) 272-1896
(02) 575-3888 loc. 8507

Davao - J.P. Laurel
J.P. Laurel Ave., Davao City
Tel: (082) (082) 222-0137
(02) 575-3888 loc. 8235

Davao - Lanang
Blk. 5 Lot 6, Insular Village
Pampanga, Lanang, Davao City
Tel: (082) 234-0726
(02) 575-3888 loc. 8370

Davao - Magsaysay
Lot 100-C Brgy. 030 Poblacion
R. Magsasay Ave. Davao City
Tel: (082) 222-1279
(02) 575-3888 loc. 8548

Davao - Matina
Block 3 Lot 16, McArthur Highway
Matina, Davao City
Tel: (082) 297-0012
(02) 575-3888 loc. 8377

Davao - McArthur Matina
BGP Commercial Complex II Bldg.
McArthur Highway, Matina
Davao City
Tel: (082) 285-8086
(02) 575-3888 loc. 8519

Davao - Panabo City
Quezon St., Sto. Niño, Panabo City
Davao del Norte
Tel: (084) 628-4025
(02) 575-3888 loc. 8236

Davao - Quirino
Centron Bldg., Quirino Ave.
cor. General Luna St. Davao City
Tel: (082) 224-0582
(02) 575-3888 loc. 8547

Davao - Sta. Ana
G/F, GH Depot Bldg., Gov. Sales St.
Sta. Ana, Davao City
Tel: (082) 221-4019
(02) 575-3888 loc. 8371

Davao - Toril
Saavedra St., Toril, Davao City
Tel: (082) 295-6623
(02) 575-3888 loc. 8134

Dipolog City
G/F, Felicidad II Bldg., Quezon Ave.
Miputak, Dipolog City
Tel: (065) 908-0272
(02) 575-3888 loc. 8522

General Santos City - Calumpang
Calumpang Medical Specialist Bldg.,
National Highway, Calumpang,
General Santos City
Tel: (02) 575-3888 Loc. 8553

General Santos City - Pioneer
Laiz Bldg., Pioneer cor. Magsaysay Ave.
General Santos City
Tel: (083) 552-2472
(02) 575-3888 loc. 8523

General Santos City - Santiago
Ireneo Santiago Blvd.
General Santos City
Tel: (083) 552-0537
(02) 575-3888 loc. 8117

Iligan City
G/F, Party Plaza Bldg., Quezon Ave. Ext.
Rabago, Iligan City, Lanao del Norte
Tel: (063) 222-1681
(02) 575-3888 loc. 8111

Kidapawan
Doña Leonila Complex
National Highway, Poblacion
Kidapawan City, North Cotabato
Tel: (064) 278-3988
(02) 575-3888 loc. 8551

Koronadal City
G/F, RCA Bldg., Gen. Santos Drive
Koronadal City, South Cotabato
Tel: (083) 520-0013
(02) 575-3888 loc. 8179

Ozamiz City
G/F, Casa Esperanza
Don Alsemo Bernad Ave.
Ozamis City, Misamis Occidental
Tel: (088) 564-0158
(02) 575-3888 loc. 8126

Pagadian City
BMD Estate Bldg.
F. Pajeres cor. Sanson St.
Pagadian City, Zamboanga del Sur
Tel: (062) 215-4681
(02) 575-3888 loc. 8186

Surigao City
G/F, EGX Bldg., Rizal St.
Washington, Surigao del Norte
Tel: (086) 231-5155
(02) 575-3888 loc. 8264

Tagum City
Gaisano Grand Arcade
Apokon Road, Lapu-Lapu Ext.
Brgy. Visayan Village, Tagum City
Davao del Norte
Tel: (084) 216-4325
(02) 575-3888 loc. 8152

Zamboanga City - Canelar
Printex Bldg., M.D. Jaldon St.
Canelar, Zamboanga City
Tel: (062) 990-1110
(02) 575-3888 loc. 8270

Zamboanga City - NS Valderrosa
N.S. Valderrosa cor. Corcuerra Sts.
Zamboanga City
Tel: (062) 992-6571
(02) 575-3888 loc. 8339

METRO MANILA

Pasig
360 Dr. Sixto Antonio Ave.
Caniogan, Pasig City
Tel: (02) 916-1023
Fax: (02) 643-6334

LUZON

Cainta
Unit A, Martensite Bldg.
Karangalan Village, Cainta, Rizal
Tel: (02) 682-0085

Dagupan
Abarabar Bldg., Perez Blvd.
Dagupan City
Tel: (075) 529-0925

Legazpi
Doors 2 to 3
Bicol Wei Due Fraternity Bldg.
Quezon Ave., Oro Site
Legazpi City, Albay
Tel: (052) 820-0697
Fax: (052) 480-3355

Lucena
Benco Bldg., Enriquez
cor. Juarez Sts., Lucena City, Quezon
Tel: (042) 373-0976

Meycauayan
2602 Malhacan National Road
Brgy. Malhacan, Meycauayan City
Bulacan
Tel: (044) 721-2780

Naga
Door 43, Central Business
District 2 Terminal, Naga City
Camarines Sur
Tel: (054) 811-7447
Fax: (054) 472-0447

Puerto Princesa
Km. 2, National Highway
Brgy. San Pedro
Puerto Princesa City, Palawan
Tel: (048) 434-1105

Sta. Rosa
Unit 5/41, Diamond Bldg.
Commercial Complex, Balibago
Sta. Rosa City, Laguna
Tel: (049) 530-3885

VISAYAS

Bacolod
RS Bldg. cor. Hilado and 6th Sts.
Capitol Shopping Center
Bacolod City, Negros Occidental
Tel: (034) 709-1294

Baybay
D. Veloso cor. M.L. Quezon St.
Baybay City, Leyte
Tel: (053) 335-4109
Fax: (053) 563-8019

Bogo
M.H. Del Pilar cor. P. Rodriguez St.
Bogo City, Cebu
Tel: (032) 434-8029

Calbayog
Irigon Bldg., Pajarito St.
Calbayog City, Western Samar
Tel: (055) 533-9767

Dumaguete
D and J Bldg., Dr. V Locsin St.
Poblacion 7, Dumaguete City
Negros Occidental
Tel: (035) 420-9115

F. Ramos
V. Yap Bldg., 29 F. Ramos St.
Cebu City, Cebu
Tel: (032) 253-3760
Fax: (032) 412-9492

Iloilo
Bonifacio Drive (in front of Metro
Iloilo Water District), Iloilo City
Tel: (033) 508-4172
Fax: (033) 335-8770

Maasin
R. Kangleon St., Tunga-Tunga
Maasin City, Southern Leyte
Tel: (053) 570-8513
Fax: (053) 381-3935

Mandaue - Subangdaku
Dayzon Bldg., Lopez Jaena St.
Subangdaku, Mandaue City, Cebu
Tel: (032) 346-4008
Fax: (032) 422-5434

Ormoc
Real St.,cor. San Vidal District 21
Ormoc City,Leyte
Tel: (053) 561-0802 / 561-6004
Fax: (053) 561-0669

Roxas
Unit 2, CLER Grand Hotel
Brgy. Lawaan, Roxas City
Tel: (036) 522-8094
Fax: (036) 621-6287

Tacloban
G/F insular Life Bldg.,
Avenida Veteranos St., Tacloban City
Tel: (053)321-8728 / 523-5478
Fax:(053) 523-9189

Tagbilaran
G/F, Sum Bldg., 29 San Jose St.
Brgy. Cogon, Tagbilaran City, Bohol
Tel: (038) 235-6747
Fax: (038) 501-9166

Toledo
Peñalosa St., Luray I, Toledo City, Cebu
Tel: (032) 467-8696

MINDANAO

Ampayon
Purok 1, Ampayon, Butuan City
Tel: (085) 342-3398

Bayugan
Libres St., Taglatawan
Bayugan City, Agusan del Sur
Tel: (085) 343-6018

Butuan
Brgy. Diego Silang
Montilla Blvd., Butuan City
Tel: (085) 342-5879
Fax: (085) 341-1645

Cabadbaran
Garame St.
Cabadbaran City, Agusan del Norte
Tel: (085) 343-1042

Cagayan de Oro
Tiano-Cruz Taal St., Divisoria
Cagayan de Oro City, Misamis Oriental
Tel/Fax: (088) 856-6401

Dapa
Mabini St., Brgy. 11, Dapa
Surigao del Norte

Davao
T. Monteverde St., Davao City,
Davao del Sur
Tel: (082) 305-5890
Fax: (082) 222-3078

General Santos
J. Catolico Ave., Lagao
General Santos City
Tel: (083) 301-8823

Gingoog
Desmark Arcade, Brgy. 17
National Highway, Gingoog City
Misamis Oriental
Tel: (088) 861-1028

EastWest Rural Bank Store Directory As of April 30, 2014

Kitcharao
Songkoy, Kitcharao, Agusan del Norte
Tel: (086) 826-7542

Koronadal
Zulueta St., Public Market, Zone 1
Koronadal City, South Cotabato
Tel: (083) 520-0863
Fax: (083) 228-7610

Madrid
Guillen St., Quirino, Madrid
Surigao del Sur
Tel: (086) 213-4014

Mangagoy
Espiritu St., Mangagoy, Bislig City
Surigao del Sur
Tel: (086) 853-2008
Fax: (086) 853-2435

Mati
Door 5, Magricom Bldg. II
National Highway, Mati
Davao Oriental
Tel: (087) 811-4083

Nabunturan
L. Arabejo St., Poblacion
Nabunturan, Compostela Valley

Nasipit
Roxas St., Nasipit, Agusan del Norte
Tel: (085) 343-2078

Pagadian
Jamisola cor. Ariosa St., Santiago Dist.
Pagadian City, Zamboanga del Sur
Tel: (062) 215-4263

San Francisco
Quezon St., Brgy. 2, San Francisco
Agusan del Sur
Tel: (085) 343-9469

Sto. Tomas
Brgy. Tibal-og, 2 National Highway
Davao del Norte
Tel: (084) 829-2580
Fax: (084) 400-4469

Surigao
Parkway, Km. 3, Brgy. Luna
Surigao City, Surigao del Norte
Tel: (086) 826-6238

Tagoloan
National Highway, Poblacion
Tagoloan, Misamis Oriental
Tel: (08822) 740-717

Tandag
Pimentel Bldg., Donasco St.
Bagong Lungsod, Tandag
Surigao del Sur
Tel: (086) 211-3513
Fax: (086) 211-4128

Trento
P-7 Juan Luna St., Poblacion Trento
Agusan del Sur
Tel: (085) 255-2525

Valencia
Alkuino Bldg., Sayre Highway
Poblacion, Valencia City, Bukidnon
Tel: (088) 828-4108

Audited Financial Statements

Statement of Management's Responsibility for Financial Statements

The management of EAST WEST BANKING CORPORATION (the Bank) is responsible for the preparation and fair presentation of the consolidated and parent company financial statements for the years ended December 31, 2013, 2012 and 2011, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors (BOD) reviews and approves the consolidated and parent company financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the BOD, has examined the consolidated and parent company financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

JONATHAN T. GOTIANUN
Chairman of the Board

ANTONIO C. MONCUPA, JR.
President and CEO

RENATO K. DE BORJA, JR.
Chief Finance Officer

MANUEL ANDRES D. GOSECO
Treasurer

Independent Auditors' Report

The Stockholders and the Board of Directors
East West Banking Corporation
East West Corporate Center
The Beaufort
5th Avenue corner 23rd Street
Fort Bonifacio Global City
Taguig City

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of East West Banking Corporation and Subsidiaries (the Group) and the parent company financial statements of East West Banking Corporation (the Parent Company), which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013, in accordance with the Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Note 33 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Parent Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca
Partner
CPA Certificate No. 92126
SEC Accreditation No. 0466-AR-2 (Group A),
February 4, 2013, valid until February 3, 2016
Tax Identification No. 163-257-145
BIR Accreditation No. 08-001998-61-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225145, January 2, 2014, Makati City

February 27, 2014

Statements of Financial Position

	Consolidated		Parent Company	
	December 31			
	2013	2012	**2013**	2012
	(Amounts in Thousands)			
ASSETS				
Cash and Other Cash Items (Note 15)	**₱3,884,538**	₱3,235,161	**₱3,811,185**	₱3,180,497
Due from Bangko Sentral ng Pilipinas (Notes 14 and 15)	**18,537,655**	21,855,275	**18,404,125**	21,789,239
Due from Other Banks	**1,751,824**	1,637,917	**1,604,404**	1,524,815
Interbank Loans Receivable	**3,116,529**	582,648	**3,116,529**	582,648
Financial Assets at Fair Value Through Profit or Loss (Note 8)	**1,948,703**	4,260,325	**1,948,703**	4,260,325
Financial Assets at Fair Value Through Other Comprehensive Income (Note 8)	**10,733**	9,982	**10,733**	9,982
Investment Securities at Amortized Cost (Note 8)	**9,080,320**	9,620,505	**9,079,907**	9,620,095
Loans and Receivables (Notes 9, 14 and 26)	**93,960,575**	71,192,741	**91,329,469**	69,469,950
Investments in Subsidiaries (Note 1)	**–**	–	**1,409,449**	241,072
Property and Equipment (Notes 10 and 14)	**3,452,741**	2,740,689	**3,320,631**	2,572,532
Investment Properties (Notes 11 and 14)	**1,006,716**	937,648	**811,423**	730,335
Deferred Tax Assets (Note 23)	**995,125**	973,137	**1,176,342**	1,146,176
Goodwill and Other Intangible Assets (Notes 7 and 12)	**3,655,735**	3,399,851	**2,627,030**	2,370,542
Other Assets (Notes 13 and 14)	**897,499**	957,461	**878,308**	933,105
TOTAL ASSETS	**₱142,298,693**	₱121,403,340	**₱139,528,238**	₱118,431,313
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 15 and 26)				
Demand	**₱39,568,923**	₱34,129,088	**₱39,651,700**	₱34,271,229
Savings	**24,865,438**	16,238,463	**22,338,254**	13,285,003
Time	**41,275,731**	39,317,476	**41,275,731**	39,438,612
Long-term negotiable certificates of deposits	**5,466,003**	1,523,778	**5,466,003**	1,523,778
	111,176,095	91,208,805	**108,731,688**	88,518,622
Bills and Acceptances Payable (Note 16)	**3,288,935**	5,571,387	**3,288,940**	5,571,387
Accrued Taxes, Interest and Other Expenses (Note 17)	**1,038,175**	956,063	**1,011,611**	780,511
Cashier's Checks and Demand Draft Payable	**866,457**	714,398	**866,457**	714,398
Subordinated Debt (Note 18)	**2,862,500**	2,863,751	**2,750,000**	2,750,000
Income Tax Payable	**76,935**	28,113	**52,208**	27,766
Other Liabilities (Note 19)	**3,597,377**	2,739,943	**3,473,640**	2,728,626
TOTAL LIABILITIES	**122,906,474**	104,082,460	**120,174,544**	101,091,310
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Common Stock (Note 21)	**11,284,096**	11,284,096	**11,284,096**	11,284,096
Additional Paid in Capital (Note 21)	**978,721**	978,721	**978,721**	978,721
Surplus Reserves (Note 27)	**41,869**	38,967	**41,869**	38,967
Surplus (Note 27)	**7,087,635**	5,034,967	**7,055,732**	5,067,643
Net Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income (Note 8)	**1,925**	1,174	**1,925**	1,174

(Forward)

	Consolidated		Parent Company	
	December 31			
	2013	2012	**2013**	2012
	(Amounts in Thousands)			
Remeasurement Losses on Retirement Plan	**(₱13,877)**	(₱14,247)	**(₱13,877)**	(₱14,247)
Cumulative Translation Adjustment	**5,228**	(16,351)	**5,228**	(16,351)
	19,385,597	17,307,327	**19,353,694**	17,340,003
NON-CONTROLLING INTEREST	**6,622**	13,553	**–**	–
TOTAL EQUITY	**19,392,219**	17,320,880	**19,353,694**	17,340,003
TOTAL LIABILITIES AND EQUITY	**₱142,298,693**	₱121,403,340	**₱139,528,238**	₱118,431,313

See accompanying Notes to Financial Statements.

Statements of Income

	Consolidated			Parent Company		
	December 31					
	2013	2012	2011	2013	2012	2011
	(Amounts in Thousands)					
INTEREST INCOME						
Loans and receivables (Notes 9 and 26)	₱9,160,880	₱6,835,521	₱5,450,230	₱8,761,129	₱6,688,256	₱5,379,937
Trading and investment securities (Note 8)	533,366	842,262	1,108,695	533,359	842,261	1,108,695
Due from other banks and interbank loans receivable and securities purchased under resale agreements	161,725	137,833	204,422	153,039	136,996	202,947
	9,855,971	7,815,616	6,763,347	9,447,527	7,667,513	6,691,579
INTEREST EXPENSE						
Deposit liabilities (Note 15)	1,171,564	1,424,556	1,477,742	1,044,019	1,393,282	1,465,053
Subordinated debt, bills payable and other borrowings (Notes 16 and 18)	291,811	303,237	372,246	280,017	294,689	354,278
	1,463,375	1,727,793	1,849,988	1,324,036	1,687,971	1,819,331
NET INTEREST INCOME	8,392,596	6,087,823	4,913,359	8,123,491	5,979,542	4,872,248
Service charges, fees and commissions (Note 22)	2,528,470	1,860,223	1,536,774	2,204,867	1,737,154	1,509,182
Trading and securities gain (Note 8)	1,005,237	988,110	447,188	1,005,237	988,110	447,188
Foreign exchange gain	121,236	223,193	184,416	121,236	223,193	184,437
Gain on asset foreclosure and dacion transactions	93,784	42,412	84,650	90,551	29,853	82,622
Gain on sale (loss on derecognition) of investment securities at amortized cost (Note 8)	572,490	276,883	(44,440)	572,490	276,883	(44,440)
Trust income (Note 27)	29,017	27,842	31,103	29,017	27,842	31,103
Gain (loss) on sale of assets	15,161	4,904	(15,580)	8,217	(4,284)	(14,815)
Miscellaneous (Note 22)	406,927	272,237	166,048	401,032	228,118	146,413
TOTAL OPERATING INCOME	13,164,918	9,783,627	7,303,518	12,556,138	9,486,411	7,213,938
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 24 and 26)	2,716,119	1,983,616	1,441,389	2,592,816	1,883,482	1,415,653
Provision for impairment and credit losses (Notes 9, 10, 11, 13 and 14)	3,097,641	1,530,795	731,848	2,975,701	1,507,833	731,848
Taxes and licenses	865,315	722,607	527,439	795,968	682,997	519,205
Depreciation and amortization (Notes 10, 11 and 13)	575,615	431,072	325,950	542,051	393,017	289,899
Rent (Note 25)	542,474	410,178	291,049	518,232	386,662	282,623
Amortization of intangible assets (Note 12)	142,031	129,975	75,246	138,301	125,658	74,387
Miscellaneous (Note 22)	2,951,332	2,583,001	1,800,594	2,818,539	2,473,200	1,786,086
TOTAL OPERATING EXPENSES	10,890,527	7,791,244	5,193,515	10,381,608	7,452,849	5,099,701
INCOME BEFORE INCOME TAX	2,274,391	1,992,383	2,110,003	2,174,530	2,033,562	2,114,237
PROVISION FOR INCOME TAX (Note 23)	218,656	176,002	379,498	183,539	188,015	378,734
NET INCOME	₱2,055,735	₱1,816,381	₱1,730,505	₱1,990,991	₱1,845,547	₱1,735,503
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	₱2,055,570	₱1,817,409	₱1,730,965			
Non-controlling interest	165	(1,028)	(460)			
NET INCOME	₱2,055,735	₱1,816,381	₱1,730,505			
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 29)	₱1.82	₱1.85	₱3.77			
Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 29)	₱1.82	₱1.76	₱2.52			

See accompanying Notes to Financial Statements.

Statements of Comprehensive Income

	Consolidated			Parent Company		
	December 31					
	2013	2012	2011	2013	2012	2011
	(Amounts in Thousands)					
NET INCOME FOR THE YEAR	₱2,055,735	₱1,816,381	₱1,730,505	₱1,990,991	₱1,845,547	₱1,735,503
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX						
Items that may not be reclassified to profit or loss:						
Change in remeasurement loss of retirement liability (Note 24)	370	(31,241)	(6,368)	370	(31,241)	(6,368)
Change in net unrealized gains (losses) on financial assets at fair value through other comprehensive income (Note 8)	751	875	(6,000)	751	875	(6,000)
Items that may be reclassified to profit or loss:						
Cumulative translation adjustment	21,579	(8,652)	46,730	21,579	(8,652)	46,730
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	22,700	(39,018)	34,362	22,700	(39,018)	34,362
TOTAL COMPREHENSIVE INCOME, NET OF TAX	₱2,078,435	₱1,777,363	₱1,764,867	₱2,013,691	₱1,806,529	₱1,769,865
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	₱2,078,270	₱1,778,391	₱1,765,327			
Non-controlling interest	165	(1,028)	(460)			
TOTAL COMPREHENSIVE INCOME	₱2,078,435	₱1,777,363	₱1,764,867			

See accompanying Notes to Financial Statements.

Statements of Changes in Equity

Consolidated
Year Ended December 31, 2013
Equity Attributable to Equity Holders of the Parent Company

	Common Stock	Additional Paid in Capital	Preferred Stock	Surplus Reserves	Surplus	Net Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Remeasurement Losses on Retirement Plan	Cumulative Translation Adjustment	Total	Non-Controlling Interest	Total Equity
						(Amounts in Thousands)					
Balances at January 1, 2013	₱11,284,096	₱978,721	₱-	₱38,967	₱5,034,967	₱1,174	(₱14,247)	(₱16,351)	₱17,307,327	₱13,553	₱17,320,880
Net income	-	-	-	-	2,055,570	-	-	-	2,055,570	165	2,055,735
Other comprehensive income	-	-	-	-	-	751	370	21,579	22,700	-	22,700
Total comprehensive income	-	-	-	-	2,055,570	751	370	21,579	2,078,270	165	2,078,435
Transfer to surplus reserves (Note 27)	-	-	-	2,902	(2,902)	-	-	-	-	-	-
Acquisition of non-controlling interests (Note 1)	-	-	-	-	-	-	-	-	-	(7,096)	(7,096)
Balances at December 31, 2013	**₱11,284,096**	**₱978,721**	**₱-**	**₱41,869**	**₱7,087,635**	**₱1,925**	**(₱13,877)**	**₱5,228**	**₱19,385,597**	**₱6,622**	**₱19,392,219**

Consolidated
Year Ended December 31, 2012
Equity Attributable to Equity Holders of the Parent Company

	Common Stock	Additional Paid in Capital	Preferred Stock	Surplus Reserves	Surplus	Net Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Remeasurement Losses on Retirement Plan	Cumulative Translation Adjustment	Total	Non-Controlling Interest	Total Equity
						(Amounts in Thousands)					
Balances at January 1, 2012	₱3,873,528	₱-	₱3,000,000	₱36,183	₱4,287,842	₱299	₱16,994	(₱7,699)	₱11,207,147	₱16,452	₱11,223,599
Net income	-	-	-	-	1,817,409	-	-	-	1,817,409	(1,028)	1,816,381
Other comprehensive income (loss)	-	-	-	-	-	875	(31,241)	(8,652)	(39,018)	-	(39,018)
Total comprehensive income (loss)	-	-	-	-	1,817,409	875	(31,241)	(8,652)	1,778,391	(1,028)	1,777,363
Conversion of preferred stock to common stock (Note 21)	3,000,000	-	(3,000,000)	-	-	-	-	-	-	-	-
Issuance of common stock (Note 21)	4,410,568	978,721	-	-	-	-	-	-	5,389,289	-	5,389,289
Dividends paid (Note 21)	-	-	-	-	(1,067,500)	-	-	-	(1,067,500)	-	(1,067,500)
Transfer to surplus reserves (Note 27)	-	-	-	2,784	(2,784)	-	-	-	-	-	-
Acquisition of non-controlling interests (Note 1)	-	-	-	-	-	-	-	-	-	(8,773)	(8,773)
Acquisition of a subsidiary (Note 7)	-	-	-	-	-	-	-	-	-	6,902	6,902
Balances at December 31, 2012	₱11,284,096	₱978,721	₱-	₱38,967	₱5,034,967	₱1,174	(₱14,247)	(₱16,351)	₱17,307,327	₱13,553	₱17,320,880

Consolidated
Year Ended December 31, 2011
Equity Attributable to Equity Holders of the Parent Company

	Common Stock	Additional Paid in Capital	Preferred Stock	Surplus Reserves	Surplus	Net Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Remeasurement Losses on Retirement Plan	Cumulative Translation Adjustment	Total	Non-Controlling Interest	Total Equity
						(Amounts in Thousands)					
Balances at January 1, 2011	₱3,873,528	₱-	₱3,000,000	₱33,073	₱2,897,487	₱6,299	₱23,362	(₱54,429)	₱9,779,320	₱-	₱9,779,320
Net income	-	-	-	-	1,730,965	-	-	-	1,730,965	(460)	1,730,505
Other comprehensive income (loss)	-	-	-	-	-	(6,000)	(6,368)	46,730	34,362	-	34,362
Total comprehensive income (loss)	-	-	-	-	1,730,965	(6,000)	(6,368)	46,730	1,765,327	(460)	1,764,867
Dividends paid (Note 21)	-	-	-	-	(337,500)	-	-	-	(337,500)	-	(337,500)
Transfer to surplus reserves (Note 27)	-	-	-	3,110	(3,110)	-	-	-	-	-	-
Acquisition of a subsidiary (Note 7)	-	-	-	-	-	-	-	-	-	16,912	16,912
Balances at December 31, 2011	₱3,873,528	₱-	₱3,000,000	₱36,183	₱4,287,842	₱299	₱16,994	(₱7,699)	₱11,207,147	₱16,452	₱11,223,599

Parent Company
Year Ended December 31, 2013

	Common Stock	Additional Paid in Capital	Preferred Stock	Surplus Reserves	Surplus	Net Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Remeasurement Losses on Retirement Plan	Cumulative Translation Adjustment	Total Equity
						(Amounts in Thousands)			
Balances at January 1, 2012	₱11,284,096	₱978,721	₱-	₱38,967	₱5,067,643	₱1,174	(₱14,247)	(₱16,351)	₱17,340,003
Net income	-	-	-	-	1,990,991	-	-	-	1,990,991
Other comprehensive income	-	-	-	-	-	751	370	21,579	22,700
Total comprehensive income	-	-	-	-	1,990,991	751	370	21,579	2,013,691
Transfer to surplus reserves (Note 27)	-	-	-	2,902	(2,902)	-	-	-	-
Balances at December 31, 2012	**₱11,284,096**	**₱978,721**	**₱-**	**₱41,869**	**₱7,055,732**	**₱1,925**	**(₱13,877)**	**₱5,228**	**₱19,353,694**

Parent Company Year Ended December 31, 2012	Common Stock	Additional Paid in Capital	Preferred Stock	Surplus Reserves	Surplus	Net Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Remeasurement Losses on Retirement Plan	Cumulative Translation Adjustment	Total Equity
				(Amounts in Thousands)					
Balances at January 1, 2012	₱3,873,528	₱–	₱3,000,000	₱36,183	₱4,292,380	₱299	₱16,994	(₱7,699)	₱11,211,685
Net income, as restated	–	–	–	–	1,845,547	–	–	–	1,845,547
Other comprehensive income (loss)	–	–	–	–	–	875	(31,241)	(8,652)	(39,018)
Total comprehensive income (loss)	–	–	–	–	1,845,547	875	(31,241)	(8,652)	1,806,529
Conversion of preferred stock to common stock (Note 21)	3,000,000	–	(3,000,000)	–	–	–	–	–	–
Issuance of common stock (Note 21)	4,410,568	978,721	–	–	–	–	–	–	5,389,289
Transfer to surplus reserves (Note 27)	–	–	–	2,784	(2,784)	–	–	–	–
Dividends paid (Note 2)	–	–	–	–	(1,067,500)	–	–	–	(1,067,500)
Balances at December 31, 2012	₱11,284,096	₱978,721	₱–	₱38,967	₱5,067,643	₱1,174	(₱14,247)	(₱16,351)	₱17,340,003

Parent Company Years Ended December 31, 2011	Common Stock	Additional Paid in Capital	Preferred Stock	Surplus Reserves	Surplus	Net Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Remeasurement Gains (Losses) on Retirement Plan	Cumulative Translation Adjustment	Total Equity
					(Amounts in Thousands)				
Balances at January 1, 2011	₱3,873,528	₱–	₱3,000,000	₱33,073	₱2,897,487	₱6,299	₱23,362	(₱54,429)	₱9,779,320
Net income	–	–	–	–	1,735,503	–	–	–	1,735,503
Other comprehensive income (loss)	–	–	–	–	–	(6,000)	(6,368)	46,730	34,362
Total comprehensive income (loss)	–	–	–	–	1,735,503	–	(6,368)	46,730	1,769,865
Transfer to surplus reserves (Note 27)	–	–	–	3,110	(3,110)	–	–	–	–
Dividends paid (Note 21)	–	–	–	–	(337,500)	–	–	–	(337,500)
Balances at December 31, 2011	₱3,873,528	₱–	₱3,000,000	₱36,183	₱4,292,380	₱299	₱16,994	(₱7,699)	₱11,211,685

See accompanying Notes to Financial Statements.

Statements of Cash Flows

	Consolidated			Parent Company		
	Years Ended December 31					
	2013	2012	2011	**2013**	2012	2011
	(Amounts in Thousands)					
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱2,274,391**	₱1,992,383	₱2,110,003	**₱2,174,530**	₱2,033,562	₱2,114,237
Adjustments for:						
Provision for impairment and credit losses (Note 14)	**3,097,641**	1,530,795	731,848	**2,975,701**	1,507,833	731,848
Depreciation and amortization (Notes 10, 11 and 13)	**575,615**	431,072	325,950	**542,051**	393,017	289,899
Gain on asset foreclosure and dacion transactions	**(93,784)**	(42,412)	(84,650)	**(90,551)**	(29,853)	(82,622)
Amortization of intangible assets (Note 12)	**142,031**	129,975	75,246	**138,301**	125,658	74,387
Loss on derecognition (gain on sale) of investment securities at amortized cost (Note 8)	**(572,490)**	(276,883)	44,440	**(572,490)**	(276,883)	44,440
Loss (gain) on sale of assets	**(15,161)**	(4,904)	15,580	**(8,217)**	4,284	14,815
Write-off of capitalized software	**–**	–	1,542	**–**	–	–
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Financial assets at fair value through profit or loss	**2,311,622**	4,637,440	5,219,300	**2,311,622**	4,637,440	5,219,300
Loans and receivables	**(26,352,284)**	(24,939,561)	(8,752,913)	**(26,023,078)**	(23,090,111)	(8,786,734)
Other assets	**55,444**	(279,269)	65,212	**50,280**	(284,698)	61,469
Increase (decrease) in the amounts of:						
Deposit liabilities	**19,967,290**	14,529,375	9,003,287	**20,213,066**	12,928,919	9,117,008
Accrued taxes, interest and other expenses	**82,640**	202,922	(206,191)	**231,628**	46,730	(19,683)
Cashier's checks and demand draft payable	**152,059**	261,829	153,091	**152,059**	261,829	153,091
Other liabilities	**879,013**	865,775	(1,720,270)	**766,593**	1,031,835	(1,872,937)
Net cash generated from (used in) operations	**2,504,027**	(961,463)	6,981,475	**2,861,495**	(710,438)	7,058,518
Income taxes paid	**(191,980)**	(168,349)	(198,767)	**(189,421)**	(167,475)	(198,424)
Net cash provided by (used in) operating activities	**2,312,047**	(1,129,812)	6,782,708	**2,672,074**	(877,913)	6,860,094

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2013	2012	2011	**2013**	2012	2011
	(Amounts in Thousands)					
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of:						
Investment securities at amortized cost (Note 8)	**₱1,718,088**	₱1,564,795	₱–	**₱1,718,088**	₱1,564,795	₱–
Investment properties and other repossessed assets (Notes 11 and 13)	**419,428**	297,321	224,775	**288,095**	285,412	207,871
Property and equipment (Note 10)	**40,226**	107,507	2,149	**415**	8,909	2,149
Proceeds from maturity of investment securities at amortized cost	**101,485**	363,302	–	**101,485**	363,302	–
Acquisitions of:						
Investment securities at amortized cost	**(706,894)**	(2,322,322)	(2,490,183)	**(706,894)**	(2,322,322)	(2,490,183)
Property and equipment (Note 10)	**(1,216,121)**	(1,221,624)	(724,904)	**(1,188,606)**	(1,153,716)	(699,780)
Branch licenses (Note 12)	**(214,800)**	(822,000)	–	**(214,800)**	(822,000)	–
Capitalized software (Note 12)	**(183,115)**	(248,169)	(135,241)	**(179,989)**	(246,688)	(123,569)
Additional investments in subsidiaries, including deposit for future stock subscription (Notes 1 and 9)	**–**	–	–	**(348,377)**	(168,426)	–
Acquisition of a subsidiary, net of cash acquired (Note 7)	**–**	(19,700)	268,807	**–**	(34,098)	(158,548)
Net cash used in investing activities	**(41,703)**	(2,300,890)	(2,854,597)	**(530,583)**	(2,524,832)	(3,262,060)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bills and acceptances payable	**₱2,847,172**	₱18,317,295	₱12,690,691	**₱2,847,177**	₱18,317,295	₱11,040,621
Payments of bills and acceptances payable	**(5,129,624)**	(14,909,096)	(10,748,189)	**(5,129,624)**	(14,906,730)	(9,040,940)
Issuance of common stock, net of direct cost related to issuance (Note 21)	**–**	5,389,289	–	**–**	5,389,289	–
Payments of dividends (Note 21)	**–**	(1,067,500)	(337,500)	**–**	(1,067,500)	(337,500)
Acquisition of non-controlling interest (Note 1)	**(7,096)**	(8,773)	–	**–**	–	–
Payment of subordinated debts	**(1,251)**	–	–	**–**	–	–
Net cash provided by (used in) financing activities	**(2,290,799)**	7,721,215	1,605,002	**(2,282,447)**	7,732,354	1,662,181
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(20,455)**	4,290,513	5,533,113	**(140,956)**	4,329,609	5,260,215
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**3,235,161**	2,243,104	2,079,324	**3,180,497**	2,190,159	2,079,324
Due from Bangko Sentral ng Pilipinas	**21,855,275**	11,315,202	11,556,018	**21,789,239**	11,306,441	11,556,018
Due from other banks	**1,637,917**	1,739,088	1,253,412	**1,524,815**	1,527,896	1,253,412
Interbank loans receivable	**582,648**	7,723,094	2,598,621	**582,648**	7,723,094	2,598,621
	27,311,001	23,020,488	17,487,375	**27,077,199**	22,747,590	17,487,375
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**3,884,538**	3,235,161	2,243,104	**3,811,185**	3,180,497	2,190,159
Due from Bangko Sentral ng Pilipinas	**18,537,655**	21,855,275	11,315,202	**18,404,125**	21,789,239	11,306,441
Due from other banks	**1,751,824**	1,637,917	1,739,088	**1,604,404**	1,524,815	1,527,896
Interbank loans receivable	**3,116,529**	582,648	7,723,094	**3,116,529**	582,648	7,723,094
	₱27,290,546	₱27,311,001	₱23,020,488	**₱26,936,243**	₱27,077,199	₱22,747,590
NET OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest received	**₱9,788,379**	₱7,771,785	₱6,767,618	**₱9,356,900**	₱7,702,386	₱6,676,758
Interest paid	**1,488,540**	1,857,219	1,858,708	**1,343,580**	1,747,772	1,797,391
Dividend received	**69,237**	975	1,047	**69,237**	975	1,047

See accompanying Notes to Financial Statements.

1. **Corporate Information**

East West Banking Corporation (the Parent Company) was granted authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a commercial bank under Monetary Board (MB) Resolution No. 101 dated July 6, 1994, and commenced operations on July 8, 1994. The Parent Company was also granted authority by the BSP to operate an expanded foreign currency deposit unit under MB Resolution No. 832 dated August 31, 1994. On July 31, 2012, the Parent Company received the approval of the BSP to operate as a universal bank. As of December 31, 2013, the Parent Company is effectively 75% owned by Filinvest Development Corporation (FDC). The Parent Company's ultimate parent company is A.L. Gotianun, Inc. The Parent Company's head office is located at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.

The Parent Company is a domestic corporation registered with the Securities and Exchange Commission (SEC) on March 22, 1994. In 2012, the Parent Company conducted an initial public offering (IPO) of its 283,113,600 common shares. The Parent Company's common shares were listed and commenced trading in the Philippine Stock Exchange (PSE) on May 7, 2012 (see Note 21).

Through its network of 300 and 245 branches as of December 31, 2013 and 2012, respectively, the Parent Company provides a wide range of financial services to consumer and corporate clients. The Parent Company's principal banking products and services include deposit-taking, loan and trade finance, treasury, trust services, credit cards, cash management and custodial services.

On March 19, 2009, the Parent Company effectively obtained control of the following entities:
a) AIG Philam Savings Bank (AIGPASB)
b) PhilAm Auto Finance and Leasing, Inc. (PAFLI)
c) PFL Holdings, Inc. (PFLHI)

On March 31, 2009, AIGPASB, PAFLI and PFLHI were merged to the Parent Company.

On August 19, 2011, the Parent Company acquired 84.78% of the voting shares of Green Bank (A Rural Bank), Inc. (GBI) for ₱158.55 million. GBI is engaged in the business of extending credit to small farmers and tenants and to deserving rural industries or enterprises and to transact all businesses which may be legally done by rural banks (see Note 7). In 2012, the Parent Company acquired additional shares from the non-controlling shareholder amounting to ₱8.77 million and from GBI's unissued capital stock amounting to ₱19.65 million, thereby increasing its ownership to 96.53% as of December 31, 2012. In 2013, the Parent Company's deposit for future stock subscription to GBI amounting to ₱700.00 million was applied to the 441,000,000 common shares issued by GBI to the Parent Company. In addition, the Parent Company contributed additional capital amounting to ₱1.28 million and acquired non-controlling interest amounting to ₱0.20 million, thereby increasing its ownership to 99.84% as of December 31, 2013. The Parent Company's investment in GBI amounted to ₱888.45 million and ₱186.97 million as of December 31, 2013 and 2012, respectively.

On July 11, 2012, the Parent Company acquired 83.17% voting shares of FinMan Rural Bank, Inc. (FRBI) for ₱34.10 million. FRBI's primary purpose is to accumulate deposit and grant loans to various individuals and small-scale corporate entities as well as government and private employees (see Note 7). In 2012, the Parent Company acquired additional shares of FRBI from its unissued capital stock amounting to ₱20.00 million, thereby increasing its ownership to 91.58% as of December 31, 2012. On May 21, 2013, FRBI changed its name to East West Rural Bank, Inc. (EWRB). In 2013, the Parent Company's deposit for future stock subscription to EWRB amounting to ₱120.00 million was applied to the 46,000,000 common shares issued by EWRB to the Parent Company. In addition, the Parent Company contributed additional capital amounting to ₱340.00 million and acquired the remaining non-controlling interest amounting to ₱6.90 million, thereby increasing its ownership to 100.00% as of December 31, 2013. The Parent Company's investment in EWRB amounted to ₱521.00 million and ₱54.10 million as of December 31, 2013 and 2012, respectively.

Both GBI and EWRB (the Subsidiaries) were consolidated with the Parent Company from the time the latter gained control.

In May 2013, GBI and EWRB entered into an asset purchase agreement with assumption of liabilities (the Purchase and Assumption Agreement) for the transfer of certain assets and liabilities of GBI to EWRB. The transfer of the assets and liabilities took effect on October 31, 2013 after the receipt of the required approvals from the regulators. The transfer of the assets and liabilities of GBI to EWRB was part of the Parent Company's plan to combine the rural banking business of its two subsidiaries into a single entity. After the transfer, EWRB will continue the rural banking business of GBI and the remaining assets and liabilities of GBI will be merged to the Parent Company. The Plan of Merger Agreement between the Parent Company and GBI was finalized on June 21, 2013. As of December 31, 2013, the Parent Company and GBI are in the process of securing the necessary regulatory approval for the merger.

The accompanying financial statements of the Group were approved and authorized for issue by the Parent Company's Board of Directors (the Board or BOD) on February 27, 2014.

2. **Summary of Significant Accounting Policies**

Basis of Presentation
The accompanying financial statements include the consolidated financial statements of the Parent Company and its Subsidiaries (collectively referred to herein as the Group) as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, and of the Parent Company as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011.

The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and derivative financial instruments that have been measured at fair value. The financial statements are presented in Philippine peso and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements of the Parent Company include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and the FCDU is the Philippine peso and United States dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine peso, which is the Parent Company's presentation currency (see accounting policy on Foreign Currency Transactions and Translation). The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of both subsidiaries is the Philippine peso.

Statement of Compliance
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements
The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 20.

Basis of Consolidation
The Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continue to be consolidated until the date when the control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies.

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in the consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. Control is achieved where the Parent Company is exposed, or has rights, to variable return from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company has power over the entity when it has existing rights that give it the current ability to direct relevant activities (i.e., activities that signicantly affect the entity's returns). Consolidation of subsidiaries ceases when control is transferred out of the Parent Company. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

Non-Controlling Interest
Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to the Parent Company. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests that does not result in a loss of control are accounted for as equity transaction, whereby the difference between the consideration and the fair value of the share of net assets acquired is recognized as an equity transaction and attributed to the owners of the Parent Company.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended standards and interpretations, which became effective beginning January 1, 2013.

PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments affect disclosures only and have no impact on the Group's financial position or performance. The additional disclosures required by the amendments are presented in Note 30 to the financial statements.

PFRS 10, *Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27, Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC) No. 12, Consolidation - Special Purpose Entities. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of the standard did not have a significant impact on the consolidated financial statements of the Group.

PFRS 12, *Disclosure of Interests with Other Entities*
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The Group has no significant interests in joint arrangements, associates and structured entities that require disclosures. None of the subsidiaries are held by non-controlling interests that are considered material to the Group and which will require additional disclosures by PFRS 12.

PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 5.

Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial

position or performance.

PAS 27, *Separate Financial Statements* (as revised in 2011)
As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the entities in the Group.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), amounts due from BSP and other banks, and interbank loans and receivable (IBLR) with original maturities of three months or less from dates of placements and that are subject to insignificant risks of changes in value.

Foreign Currency Transactions and Translation
The books of accounts of the RBU are maintained in Philippine peso, while those of the FCDU are maintained in USD. For financial reporting purposes, the monetary assets and liabilities of the FCDU and the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Philippine Dealing System (PDS) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rate at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities of the RBU are credited to or charged against operations in the period in which the rates change. Exchange differences arising from translation of the accounts of the FCDU to Philippine peso as the presentation currency are taken to the statement of comprehensive income under Cumulative translation adjustment.

Non-monetary items that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Fair Value Measurement
The Group measures certain financial instruments such as financial assets at FVTPL, financial assets at FVTOCI and derivative financial instruments, at fair value at each statement of financial position date. Also, fair values of financial instruments carried at amortized cost and investment properties carried at cost are measured for disclosure purposes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External appraisers are involved for valuation of significant non-financial assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy (see Note 5).

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date, the date that an asset is delivered to or by the Group. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Group. Securities transactions and related commission income and expense are recorded also on a settlement date basis. Deposits, amounts due to banks and customers, loans and receivables and derivatives are recognized when cash is received by the Group or advanced to the borrowers.

Derivatives are recognized on trade date - the date that the Group becomes a party to the contractual provisions of the instrument. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

The Group recognizes financial instruments when, and only when, the Group becomes a party to the contractual terms of the financial instruments.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Classification, Reclassification and Measurement of Financial Assets and Financial Liabilities
For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is non-derivative and meets the definition of 'equity' for the issuer (under PAS 32, *Financial Instruments: Presentation*). All other non-derivative financial instruments are 'debt instruments'.

Financial assets at amortized cost
Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value, with the interest calculated recognized as Interest income in the statement of income. The Group classified Cash and other cash items, Due from BSP, Due from other banks, IBLR, Investment securities at amortized cost and Loans and receivables as financial assets at amortized cost.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As of December 31, 2013 and 2012, the Group has not made such designation.

Financial assets at FVTOCI
At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Financial assets at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in Net unrealized gain (loss) on financial assets at FVTOCI in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in Net unrealized gain (loss) on financial assets at FVTOCI is not reclassified to profit or loss, but is reclassified directly to Surplus.

The Group has designated certain equity instruments that are not held for trading as at FVTOCI on initial application of PFRS 9 (see Note 8).

Dividends earned on holding these equity instruments are recognized in the statement of income when the Group's right to receive the dividends is established in accordance with PAS 18, *Revenue*, unless the dividends clearly represent recovery of a part of the cost of the investment. Dividends earned are recognized in the statement of income under Miscellaneous income.

Financial assets at FVTPL
Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss.

Equity investments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVTOCI at initial recognition.

The Group's financial assets at FVTPL include government securities, private bonds and equity securities held for trading purposes.

Financial assets at FVTPL are carried at fair value, and fair value gains and losses on these instruments are recognized as Trading and securities gain in the statement of income. Interest earned on these investments is reported in the statement of income under Interest income while dividend income is reported in the statement of income under Miscellaneous income when the right of payment has been established. Quoted market prices, when available, are used to determine the fair value of these financial instruments. If quoted market prices are not available, their fair values are estimated based on inputs provided by the BSP, Bureau of Treasury and investment bankers. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques.

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the PDS closing rate at the statement of financial position date. The foreign exchange component forms part of its fair value gain or loss. For financial assets classified as at FVTPL, the foreign exchange component is recognized in the statement of income. For financial assets designated as at FVTOCI, any foreign exchange component is recognized in other comprehensive income. For foreign currency denominated debt instruments classified at amortized cost, the foreign exchange gains and losses are determined based on the amortized cost of the asset and are recognized in the statement of income.

Reclassification of financial assets
The Group can reclassify financial assets if the objective of its business model for managing those financial assets changes. The Group is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.

Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or is designated as at FVTPL.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Management may designate a financial liability at FVTPL upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial liabilities at amortized cost
Financial liabilities are measured at amortized cost using the effective interest method, except for:

a. financial liabilities at fair value through profit or loss which are measured at fair value; and
b. financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Issued financial instruments or their components, which are not designated at FVTPL, are classified as financial liabilities at amortized cost under Deposit liabilities, Bills and acceptances payable or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, bills payable and similar financial liabilities not qualified as and not designated as FVTPL, are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issuance and fees that are an integral part of the effective interest rate (EIR).

Impairment of Financial Assets
The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets classified and measured at amortized cost such as loans and receivables, due from other banks and investment securities at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. For individually assessed financial assets, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to Provision for impairment and credit losses in the statement of income. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a write-off is later recovered, except for credit card receivables, any amounts formerly charged are credited to the Provision for impairment and credit losses in the statement of income. For credit card receivables, if a write-off is later recovered, any amounts previously charged to Provision for impairment and credit losses are credited to Miscellaneous income in the statement of income.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in property prices, payment status, or other factors that are indicative of incurred losses of the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

For credit cards receivables, salary loans and personal loans, the Group is using net flow rate methodology for collective impairment (see Note 4).

Restructured loans
Loan restructuring may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subjected to an individual or collective impairment assessment, calculated using the loan's original effective interest rate. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in Provision for impairment and credit losses in the statement of income.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Repurchase and reverse repurchase agreements
Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as a loan to the Group, reflecting the economic substance of such transaction.

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented gross in the statement of financial position.

<u>Property and Equipment</u>
Land is stated at cost less any impairment in value and depreciable properties including buildings, leasehold improvements and furniture, fixtures and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the assets. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any accumulated impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives (EUL) of the property and equipment.

	Years
Buildings	30-40
Furniture, fixtures and equipment	3-5

The cost of the leasehold improvements is amortized over the shorter of the covering lease term or the EUL of the improvements of 10 years.

The estimated useful life and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

<u>Investment Properties</u>
Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are recorded as Investment properties upon: (a) entry of judgment in case of judicial foreclosure; (b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or (c) notarization of the Deed of Dacion in case of dation in payment (dacion en pago). Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the statement of income under Gain on sale of assets in the year of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed 10 years for both buildings and condominium units.

Foreclosed properties of land or building are classified under investment properties from foreclosure date. Other foreclosed properties which do not qualify as land or building are classified as other repossessed assets included in Other assets in the statement of financial position.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed in the statement of income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets, excluding goodwill and branch licenses, are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or more frequently, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

Intangible assets include goodwill, branch licenses, customer relationship, core deposits and capitalized software (see Note 12).

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Branch licenses

Branch licenses are determined to have indefinite useful lives. These are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortized. The useful life is reviewed annually to determine whether indefinite useful life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Customer relationship and core deposits

Customer relationship and core deposits are the intangible assets acquired by the Group through business combination. These intangible assets are initially measured at their fair value at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, customer relationship and core deposits are measured at cost less accumulated amortization and any accumulated impairment losses. Customer relationship related to the credit cards business is amortized on a straight-line basis over its useful life of 40 years while the customer relationship related to the auto loans business and core deposits are amortized on a straight-line basis over its useful life of 13 and 10 years, respectively (see Note 12).

Capitalized software

Capitalized software acquired separately is measured at cost on initial recognition. Following initial recognition, capitalized software is carried at cost less accumulated amortization and any accumulated impairment losses. The capitalized software is amortized on a straight-line basis over its estimated useful life of 5 years.

Impairment of Nonfinancial Assets

An assessment is made at each statement of financial position date whether there is any indication of impairment of property and equipment, investment properties, other repossessed assets and intangible assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's value in use or its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against the statement of income in the period in which it arises, unless the asset is carried at a revalued amount in which case the impairment loss is charged against the revaluation increment of the said asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations, unless the asset is carried at a revalued amount in which case the reversal of the impairment loss is credited to the revaluation increment of the said asset.

The following criteria are also applied in assessing impairment of specific assets:

Property and equipment, investment properties and other repossessed assets
The carrying values of the property and equipment and investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or CGUs are written down to their recoverable amounts.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Branch licenses
Branch licenses are tested for impairment annually at the statement of financial position date either individually or at the CGU level, as appropriate.

Other intangible assets
Other intangible assets such as customer relationship, core deposits and capitalized software are assessed for impairment whenever there is an indication that they may be impaired.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial assets at FVTPL, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The adjusted carrying amount is calculated based on the original effective interest rate. The change in the carrying amount is recorded as interest income. Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

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

Fee and commission income
The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

a) *Fee income earned from services that are provided over a certain period of time*
Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income, fiduciary fees and credit related fees.

b) *Fee income from providing transaction services*
Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same effective interest rate as for the other participants.

Dividend income
Dividend income is recognized when the Group's right to receive payment is established.

Trading and securities gain
Trading and securities gain represents results arising from trading activities including all gains and losses from changes in fair value of financial assets and financial liabilities held for trading.

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

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus certain percentage of cost. The excess over cost is credited to Unearned discount and is shown as a deduction from Loans and receivables in the statement of financial position.

The unearned discount is taken to income over the installment terms and is computed using the effective interest method.

Customer loyalty programmes
Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated between the award credits and the other components of the sale. Income generated from customer loyalty programmes is recognized as part of Service charges, fees and commissions in the statement of income.

Other income
Income from sale of services is recognized upon rendition of the service. Income from sale of properties is recognized upon completion of the earning process and when the collectibility of the sales price is reasonably assured.

<u>Expense Recognition</u>
Expenses are recognized in the statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in the statement of income:
- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Expenses in the statement of income are presented using the nature of expense method. General and administrative expenses are cost attributable to administrative and other business activities of the Group.

<u>Leases</u>
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:
(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Group as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term. Contingent rents are recognized as an expense in the period in which they are incurred.

<u>Retirement Cost</u>
Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements are recognized in other comprehensive income account. Remeasurement gains (losses) on retirement plan are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes the related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlement to annual leave are recognized as a liability when the employees render the services that increases their annual leave enititlement. The cost of accumulating annual leave are measured as the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

<u>Provisions and Contingencies</u>
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and where, appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as Interest expense in the statement of income.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

<u>Income Taxes</u>
Current taxes
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

Deferred taxes
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of Minimum Corporate Income Tax (MCIT) over the regular income tax and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Current tax and deferred tax relating to items recognized directly in equity is recognized in other comprehensive income and not in the statement of income.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

<u>Equity</u>
Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to Additional paid in capital account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to Additional paid in capital account. If additional paid-in capital is not sufficient, the excess is charged against Surplus.

Surplus represents accumulated earnings of the Group less dividends declared.

<u>Dividends on Common Shares</u>
Dividends on common shares are recognized as a liability and deducted from equity when declared and approved by BOD of the Parent Company and approved by the BSP. Dividends for the year that are declared and approved after the statement of financial position date, if any, are dealt with as an event after the financial reporting date and disclosed accordingly.

Earnings Per Share (EPS)
Basic EPS is determined by dividing the net income for the year attributable to common shares by the weighted average number of common shares outstanding during the year while diluted EPS is computed by dividing net income for the year attributable to common shares by the weighted average number of outstanding and dilutive potential common shares. Basic and diluted EPS are given retroactive adjustments for any stock dividends declared in the current year, if any.

Segment Reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is one that provides products or services within a particular economic environment that is subject to risks and returns that are different from those segments operating in other economic environments.

The Group's operations are organized according to the nature of products and services provided. Financial information on business segments is presented in Note 6.

Events after the Financial Reporting Date
Post year-end events that provide additional information about the Group's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes when material to the financial statements.

Fiduciary Activities
Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Parent Company acts in a fiduciary capacity such as nominee, trustee or agent.

Future Changes in Accounting Policies
Standards issued but are not yet effective up to the date of issuance of the financial statements are listed below. This is a listing of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards to have a significant impact on the financial statements.

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied.

Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

Annual Improvements to PFRSs (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments effective January 1, 2013. Except as otherwise indicated, the adoption of these improvements did not have an impact on the Group's financial statements.

PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*.

PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required.

PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise.

PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*.

PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2010-2012 cycle)

The *Annual Improvements to PFRSs* (2010-2012 cycle) contain non-urgent but necessary amendments to PFRSs. Except otherwise indicated, the adoption of these improvements will not have an impact on the Group's financial statements.

PFRS 2, *Share-based Payment - Definition of vesting condition*
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014.

PFRS 3, *Business Combinations - Accounting for contingent consideration in a business combination*
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014.

PFRS 8, *Operating Segments - Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets*
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.

PFRS 13, *Fair Value Measurement - Short-term receivables and payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate restatement of accumulated depreciation*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

PAS 24, *Related Party Disclosures - Key management personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 38, *Intangible Assets Revaluation Method Proportionate restatement of accumulated amortization*
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard. The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

Annual Improvements to PFRSs (2011-2013 cycle)

The *Annual Improvements to PFRSs* (2011-2013 cycle) contain non-urgent but necessary amendments to PFRSs. Except otherwise indicated, the adoption of these improvements will not have an impact on the Group's financial statements.

PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

PFRS 3, *Business Combinations - Scope exceptions for joint arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively.

PFRS 13, *Fair Value Measurement - Portfolio exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

PAS 40, *Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

PFRS 9, *Financial Instruments*
PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. The Group had early adopted the first phase of PFRS 9 effective January 1, 2011. The Group will not adopt the third phase of the standard before the completion of the limited amendments and the second phase of the project.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

3. **Significant Accounting Judgments and Estimates**

The preparation of the financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as these become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

<u>Judgments</u>

a) Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the Group's and the Parent Company's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future

results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 28).

b) *Functional currency*
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. The Parent Company determined that the RBU's and FCDU's functional currency is the Philippine peso and USD, respectively. In addition, GBI and EWRB determined that their respective functional currency is in Philippine peso. In making these judgments, the Group considers the following:

- the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled)
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

c) *Operating leases*
The Group has entered into lease commitments for its occupied offices and branches. Based on an evaluation of the terms and conditions of the lease agreements, there will be no transfer of ownership of assets to the Group at the end of the lease term. The Group has determined that all significant risks and rewards of ownership are retained by the respective lessors. Thus, the leases are classified as operating leases (see Note 25).

d) *Business model for managing financial assets*
Change in the Business Model
Under PFRS 9, the Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes.

In 2012, management deemed it necessary to change the way it manages its investment securities because of significant changes in its strategic plans, funding structure and cash flow profile brought about by the Parent Company's IPO and its branch expansion program. Management considered the previous model not adequate to capture the fast evolution of the Parent Company's business strategies. Prior to the change, the Parent Company's business model for the financial assets carried at amortized cost was focused on minimizing, if not to close, the maturity gap in its statement of financial position by matching core deposits, taken from the longest tenor bucket of the maturity gap, with longer termed debt instruments. In 2012, the Parent Company's business model was revised and now focuses on asset-liability management based on the Parent Company's maximum cumulative outflow and expansion of the Parent Company's investment portfolios to reflect the Parent Company's investment strategy.

The Parent Company has determined that the changes qualify as a change in business model for managing financial assets that would require reclassifications of certain financial assets. Accordingly, the Parent Company made certain reclassifications pursuant to the new business model effective July 1, 2012, resulting in ₱711.89 million of Trading and securities gain in the statement of income, representing the difference between the aggregate amortized cost of certain securities amounting to ₱5.58 billion and their aggregate fair value of ₱6.29 billion at the reclassification date.

Sale of Investment Securities at Amortized Cost
The Parent Company's business model allows for financial assets to be held to collect contractual cash flows even when sales of certain financial assets occur. PFRS 9, however, emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Parent Company considers the following:

- sales or derecognition of debt instrument under any of the circumstances spelled out under paragraph 7, Section 2 of BSP Circular No. 708, Series of 2011;
- sales in preparation for funding a potential aberrant behavior in the depositors' withdrawal pattern triggered by news of massive withdrawals or massive withdrawal already experienced by other systemically important banks in the industry;
- sales attributable to an anticipated or in reaction to major events in the local and/or international arena that may adversely affect the collectability of the debt instrument and seen to prospectively affect adversely the behavior of deposits or creditors;
- sales attributable to a change in the Parent Company's strategy upon completion of the other phases of PFRS 9; and
- sales that the Asset-Liability Management Committee (ALCO) deems appropriate to be consistent with managing the Parent Company's balance sheet based upon but are not limited to the set risk limits and target ratios that have been approved by the BOD.

On various dates in 2013, the Parent Company sold a substantial portion of government securities from one of the portfolios in its hold-to-collect business model. The securities were sold to fund the lending requirement for FDC. As a result of the more than infrequent number of sales of securities out of the portfolio, the Parent Company assessed whether such sales are still consistent with the objective of collecting contractual cash flows. The Parent Company concluded that although more than infrequent number of sales has been made out of the portfolio, this is not significant enough to be a change in the business model to trigger reclassification of the remaining securities in the portfolio. The Parent Company has now two business models on the affected portfolio, the first for the remaining securities in the portfolio after the sale and the second for the new securities to be acquired under the portfolio after the sale. The remaining securities in the portfolio will remain to be classified as measured at amortized cost and new securities to be acquired after the sale will be classified as at FVTPL.

In 2012, the Parent Company sold government securities classified as investment securities at amortized cost. The sale of investment securities was contemplated to secure financing for the Parent Company's future capital expenditures. In 2011, the Parent Company participated in a debt exchange program initiated by the Bureau of Treasury for certain investments in government securities at amortized cost. The exchange of investment securities at amortized cost was executed because of a change in the debt structure initiated by the creditor. The Parent Company has determined that the sale of investment securities in 2012 and its participation in the debt exchange program in 2011 are still consistent with its business model of managing financial assets to collect contractual cash flows.

e) *Cash flow characteristics test*
Where the financial assets are classified as at amortized cost, the Group assesses whether the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

<u>Estimates</u>
a) *Impairment of financial assets at amortized cost*
The Group reviews its loans and receivables at each statement of financial position date to assess whether impairment loss should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the loan or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in country risk, industry and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

The carrying values of investment securities and loans and receivables and the related allowance for credit and impairment losses of the Group and of the Parent Company are disclosed in Notes 8 and 9, respectively.

b) *Fair values of financial instruments*
The fair values of derivatives that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, the models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Refer to Note 5 for the fair value measurements of financial instruments.

c) *Recognition of deferred tax assets*
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The recognized and unrecognized net deferred tax assets of the Group and of the Parent Company are disclosed in Note 23.

d) *Impairment of nonfinancial assets*
The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The carrying values of the Group's and of the Parent Company's nonfinancial assets follow:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Property and equipment (Note 10)	**₱3,452,741**	₱2,740,689	**₱3,320,631**	₱2,572,532
Investment properties (Note 11)	**1,006,716**	937,648	**811,423**	730,335
Branch licenses (Note 12)	**1,662,200**	1,447,400	**1,036,800**	822,000
Goodwill (Note 12)	**1,316,728**	1,316,728	**919,254**	919,254
Capitalized software (Note 12)	**522,128**	472,690	**516,297**	466,255
Core deposits (Note 12)	**20,891**	26,046	**20,891**	26,046
Customer relationship (Note 12)	**133,788**	136,987	**133,788**	136,987
Other repossessed assets (Note 13)	**162,194**	119,221	**162,194**	119,221

e) *Impairment of Goodwill*
The Group determines whether goodwill is impaired at least on an annual basis. Goodwill is written down for impairment where the net present value of the forecasted future cash flows from the CGU is insufficient to support its carrying value. The Group has used the cost of equity as the discount rate for the value in use (VIU) computation. The Group determined the cost of equity using capital asset pricing model.

Future cash flows from the CGU are estimated based on the theoretical annual income of the CGUs. Average growth rate was derived from the average increase in annual income during the last 5 years.

The recoverable amount of the CGU has been determined based on a VIU calculation using cash flow projections from financial budgets approved by the BOD covering a five-year period. The pre-tax discount rate applied to cash flow projections is 13.09% and 12.71% as of December 31, 2013 and 2012, respectively. Key assumptions in VIU calculation of CGUs are most sensitive to the following assumptions: a) interest margin; b) discount rates; c) market share during the budget period; and d) projected growth rates used to extrapolate cash flows beyond the budget period.

The carrying values of goodwill of the Group and of the Parent Company are disclosed in Note 12.

f) *Estimated useful lives of property and equipment, investment properties, other repossessed assets and intangible assets (excluding land, goodwill and branch licenses)*
The Group reviews on an annual basis the estimated useful lives of property and equipment, investment properties, other repossessed assets and intangible assets based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment, investment properties, other repossessed assets and intangible assets would decrease their respective balances and increase the recorded depreciation and amortization expense.

As of December 31, 2013 and 2012, the carrying values of property and equipment, investment properties and other repossessed assets and intangible assets (excluding land, goodwill and branch licenses) of the Group and of the Parent Company follow:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Property and equipment (Note 10)	**₱3,162,248**	₱2,441,997	**₱3,056,827**	₱2,308,728
Investment properties (Note 11)	**302,374**	270,518	**255,451**	237,585
Intangible assets (Note 12)	**676,807**	635,723	**670,976**	629,288
Other repossessed assets (Note 13)	**162,194**	119,221	**162,194**	119,221

g) *Retirement obligation*
The cost of defined benefit retirement plans and the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases are based on expected future inflation rates.

The present value of the defined benefit obligation of the Group and of the Parent Company and details about the assumptions used are disclosed in Note 24.

4. Financial Risk Management Objectives and Policies

Risk Management
To ensure that corporate goals and objectives and business and risk strategies are achieved, the Parent Company utilizes a risk management process that is applied throughout the organization in executing all business activities. Employees' functions and roles fall into one of the three categories where risk must be managed in the business units, operating units and governance units.

The Parent Company's activities are principally related to the use of financial instruments and are exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks. Forming part of a coherent risk management system are the risk concepts, control tools, analytical models, statistical methodologies, historical researches and market analysis, which are being employed by the Parent Company. These tools support the key risk process that involves identifying, measuring, controlling and monitoring risks.

Risk Management Structure
a. Board of Directors (the Board or BOD)
The Parent Company's risk culture is practiced and observed across the Group putting the prime responsibility on the BOD. It establishes the risk culture and the risk management organization and incorporates the risk process as an essential part of the strategic plan of the Group. The BOD approves the Parent Company's articulation of risk appetite which is used internally to help management understand the tolerance for risk in each of the major risk categories, its measurement and key controls available that influence the Parent Company's level of risk taking. All risk management policies and policy amendments, risk-taking limits such as but not limited to credit and trade transactions, market risk limits, counterparty limits, trader's limits and activities are based on the Parent Company's established approving authorities which are approved by the Parent Company's BOD. At a high level, the BOD also approves the Parent Company's framework for managing risk.

b. Executive Committee
This is a board level committee, which reviews the bank-wide credit strategy, profile and performance. It approves the credit risk-taking activities based on the Parent Company's established approving authorities and likewise reviews and endorses credit-granting activities, including the Internal Credit Risk Rating System. All credit proposals beyond the credit approving limit of the Loan and Investments Committee passes through this committee for final approval.

c. Asset-Liability Management Committee (ALCO)
ALCO, a management level committee, meets on a weekly basis and is responsible for the over-all management of the Parent Company's market, liquidity, and financial position related risks. It monitors the Parent Company's liquidity position and reviews the impact of strategic decisions on liquidity. It is responsible for managing liquidity risks and ensuring exposures remain within established tolerance levels. The ALCO's primary responsibilities include, among others, (a) ensuring that the Parent Company and each business unit holds sufficient liquid assets of appropriate quality and in appropriate currencies to meet short-term funding and regulatory requirements, (b) managing financial position and ensuring that business strategies are consistent with its liquidity, capital and funding strategies, (c) establishing asset and/or liability pricing policies that are consistent with the financial position objectives, (d) recommending market and liquidity risk limits to the Risk Management Committee and BOD and (e) approving the assumptions used in contingency and funding plans. It also reviews cash flow forecasts, stress testing scenarios and results, and implements liquidity limits and guidelines.

d. Risk Management Committee (RMC)
This board level committee oversees the effectiveness of the Parent Company's over-all risk management strategies, practices and policies. The RMC reviews and approves principles, policies, strategies, processes and control frameworks pertaining to risk management and recommends to the BOD, as necessary, changes in strategies and amendments in these policies. The RMC also evaluates the Parent Company's risk exposures and measures its impact on the Parent Company, evaluates the magnitude, direction and distribution of risks across the Parent Company and uses this as basis in the determination of risk tolerances that it subsequently recommends to the BOD for approval. It reports to the BOD the Parent Company's overall risk exposures and the effectiveness of its risk management practices and processes recommending further policy revisions as necessary.

e. Loan and Investments Committee
This committee is headed by the Chairman of the Parent Company whose primary responsibility is to oversee the Parent Company's credit risk-taking activities and overall adherence to the credit risk management framework, review business/ credit risk strategies, quality and profitability of the Parent Company's credit portfolio and recommend changes to the credit evaluation process, credit risk acceptance criteria and the minimum and target return per credit or investment transaction. All credit risk-taking activities based on the Parent Company's established approving authorities are evaluated and approved by this committee. It establishes infrastructure by ensuring business units have the right systems and adequate and competent manpower support to effectively manage its credit risk.

f. Audit Committee (Audit Com)
The Audit Com assists the BOD in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Parent Company's process for monitoring compliance with laws and regulation and the code of conduct. It retains oversight responsibilities for operational risk, the integrity of the Parent Company's financial statements, compliance, legal risk and overall policies and practices relating to risk management. It is tasked to discuss with management the Parent Company's major risk exposures and ensures accountability on the part of management to monitor and control such exposures including the Parent Company's risk assessment and risk management policies. The Audit Com discusses with management and the independent auditor the major issues regarding accounting principles and financial statement presentation, including any significant changes in the Parent Company's selection or application of accounting principles; and major issues as to the adequacy of the Parent Company's internal controls; and the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Parent Company.

g. Corporate Governance and Compliance Committee (CGCC)
The CGCC is responsible for ensuring the BOD's effectiveness and due observance of corporate governance principles and guidelines. It reviews and assesses the adequacy of the CGCC's charter and Corporate Governance Manual and recommends changes as necessary. It oversees the implementation of the Parent Company's compliance program and ensures compliance issues are resolved expeditiously. It assists Board members in assessing whether the Parent Company is managing its compliance risk effectively and ensures regular review of the compliance program.

h. Risk Management Division (RMD)
RMD performs an independent risk governance function within the Parent Company. RMD is tasked with identifying, measuring, controlling and monitoring existing and emerging risks inherent in the Parent Company's overall portfolio (on- or off-balance sheet). RMD develops and employs risk assessment tools to facilitate risk identification, analysis and measurement. It is responsible for developing and implementing the framework for policies and practices to assess and manage enterprise-wide market, credit, operational, and all other risks of the Parent Company.

It also develops and endorses risk tolerance limits for BOD approval, as endorsed by the RMC, and monitors compliance with approved risk tolerance limits. Finally, it regularly apprises the BOD, through the RMC, the results of its risk monitoring.

i. Internal Audit Division (IAD)
IAD provides an independent assessment of the Parent Company's management and effectiveness of existing internal control systems through adherence testing of processes and controls across the organization. The IAD audits risk management processes throughout the Parent Company annually or in a cycle depending on the latest audit rating. It employs a risk-based audit approach that examines both the adequacy of the procedures and the Parent Company's compliance with the procedures. It discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee which in turn, conducts the detailed discussion of the findings and recommendations during its regular meetings. IAD's activities are suitably designed to provide the BOD with reasonable assurance that significant financial and operating information is materially complete, reliable and accurate; internal resources are adequately protected; and employee performance is in compliance with the Parent Company's policies, standards, procedures and applicable laws and regulations.

j. Compliance Division
Compliance Division is responsible for reviewing any legal or regulatory matters that could have a significant impact on the Parent Company's financial statements, the Parent Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies. It reviews the effectiveness and adequacy of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) for any instances of noncompliance.

Credit Risk
Credit risk refers to the potential loss of earnings or capital arising from an obligor/s, customer/s or counterparty's failure to perform and/or to meet the terms of any contract with the Parent Company. Credit risks may last for the entire tenor and set at the full amount of a transaction and in some cases may exceed the original principal exposures. The risk may arise from lending, trade financing, trading, investments and other activities undertaken by the Parent Company. To identify and assess this risk, the Parent Company has a structured and standardized credit rating, and approval process according to the borrower or business and/or product segment. For large corporate credit transactions, the Parent Company has a comprehensive procedure for credit evaluation, risk assessment and well-defined concentration limits, which are established for each type of borrower. At the portfolio level, which may be on an overall or by product perspective, RMD manages the Parent Company's credit risk.

Credit concentration
Excessive concentration of lending plays a significant role in the weakening of asset quality. The Parent Company reduces this risk by diversifying its loan portfolio across various sectors and borrowers. The Parent Company believes that good diversification across economic sectors and geographic areas, among others, will enable it to ride through business cycles without causing undue harm to its asset quality.

RMD reviews the Parent Company's loan portfolio in line with the Parent Company's policy of not having significant concentrations of exposure to specific industries or group of borrowers. Management of concentration of risk is by client/counterparty and by industry sector. For risk concentration monitoring purposes, the financial assets are broadly categorized into loans and receivables, loans and advances to banks, and investment securities. RMD ensures compliance with BSP's limit on exposure to any single person or group of connected persons by closely monitoring large exposures and top 20 borrowers for both single and group accounts.

Aside from ensuring compliance with BSP's limit on exposures to any single person or group of connected persons, it is the Parent Company's policy to keep the expected loss (determined based on the credit risk rating of the account) of large exposure accounts to, at most, one percent (1.50 %) of their aggregate outstanding balance. This is to maintain the quality of the Parent Company's large exposures. With this, accounts with better risk grades are given priority in terms of being granted a bigger share in the Parent Company's loan facilities.

Aligned with the Manual of Regulations for Banks definition, the Parent Company considers its loan portfolio concentrated if it has exposures of more than thirty percent (30.00%) to a particular industry.

Credit concentration profile as of December 31, 2013 and 2012

Maximum credit risk exposures

The following table shows the Group's and the Parent Company's maximum exposure to credit risk after taking into account any collateral held or other credit enhancements:

Consolidated

	2013				2012			
	Carrying Amount	**Fair Value of Collateral**	**Maximum Exposure to Credit Risk**	**Financial Effect of Collateral**	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral
Loans and receivables								
Receivables from customers								
Corporate lending	**₱47,588,271**	**₱13,143,982**	**₱38,940,835**	**₱8,647,436**	₱31,720,228	₱6,422,793	₱25,297,435	₱6,422,793
Consumer lending	**44,871,825**	**20,544,130**	**38,413,862**	**6,457,963**	38,165,990	14,304,823	31,119,961	7,046,029
	₱92,460,096	**₱33,688,112**	**₱77,354,697**	**₱15,105,399**	₱69,886,218	₱20,727,616	₱56,417,396	₱13,468,822

Parent Company

	2013				2012			
	Carrying Amount	**Fair Value of Collateral**	**Maximum Exposure to Credit Risk**	**Financial Effect of Collateral**	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral
Loans and receivables								
Receivables from customers								
Corporate lending	**₱47,588,271**	**₱13,143,982**	**₱38,940,835**	**₱8,647,436**	₱31,720,228	₱6,422,793	₱25,297,435	₱6,422,793
Consumer lending	**41,887,643**	**20,543,332**	**38,299,448**	**3,588,195**	35,734,037	13,930,516	29,062,315	6,671,722
	₱89,475,914	**₱33,687,314**	**₱77,240,283**	**₱12,235,631**	₱67,454,265	₱20,353,309	₱54,359,750	₱13,094,515

For off-balance sheet items, the figures presented below summarize the Group's and the Parent Company's maximum exposure to credit risk:

Consolidated

	2013			2012		
	Credit Equivalent Amount	**Credit Risk Mitigation**	**Net Credit Exposure**	Credit Equivalent Amount	Credit Risk Mitigation	Net Credit Exposure
Off-balance sheet items						
Direct credit substitutes	**₱400,119**	**₱–**	**₱400,119**	₱214,973	₱–	₱214,973
Transaction-related contingencies	**711,373**	**–**	**711,373**	254,741	–	254,741
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to one (1) year	**419,995**	**–**	**419,995**	221,363	–	221,363
	₱1,531,487	**₱–**	**₱1,531,487**	₱691,077	₱–	₱691,077

Parent Company

	2013			2012		
	Credit Equivalent Amount	**Credit Risk Mitigation**	**Net Credit Exposure**	Credit Equivalent Amount	Credit Risk Mitigation	Net Credit Exposure
Off-balance sheet items						
Direct credit substitutes	**₱400,119**	**₱–**	**₱400,119**	₱214,973	₱–	₱214,973
Transaction-related contingencies	**711,373**	**–**	**711,373**	254,741	–	254,741
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to one (1) year	**419,995**	**–**	**419,995**	221,363	–	221,363
	₱1,531,487	**₱–**	**₱1,531,487**	₱691,077	₱–	₱691,077

Large exposures and top 20 borrowers

The table below summarizes the large exposures and top 20 borrowers of the Parent Company:

	2013			
	Top 20 Borrowers		**Large Exposures**	
	Single Borrowers	**Group Borrowers**	**Single Borrowers**	**Group Borrowers**
Aggregate Exposure (in billions)	**₱20.03**	**₱24.09**	**₱13.83**	**₱16.49**
Composite Risk Rating	**3.25**	**3.40**	**2.80**	**2.93**
Total Expected Loss/Aggregate Exposure	**0.68%**	**0.82%**	**0.54%**	**0.58%**

	2012			
	Top 20 Borrowers		Large Exposures	
	Single Borrowers	Group Borrowers	Single Borrowers	Group Borrowers
Aggregate Exposure (in billions)	₱15.63	₱17.50	₱9.58	₱11.41
Composite Risk Rating	3.71	3.79	3.87	3.72
Total Expected Loss/Aggregate Exposure	0.81%	0.90%	0.88%	0.81%

As of December 31, 2013 and 2012 the maximum credit exposure to any client or counterparty is about ₱4.46 billion and ₱3.87 billion, respectively. The credit exposures, after due consideration of the allowed credit enhancements, of the Parent Company, are all compliant with the regulatory single borrower's limit and considered to be the maximum credit exposure to any client or counterparty.

Concentration by industry

An industry sector analysis of the financial assets of the Group follows:

	2013			
	Loans and Receivables*	**Loans and Advances to Banks****	**Investment Securities*****	**Total**
Financial intermediaries	**₱27,311,023**	**₱23,564,450**	**₱11,039,756**	**₱61,915,229**
Real estate, renting and business activity	**24,897,531**	**–**	**–**	**24,897,531**
Private households with employed persons	**61,426,923**	**–**	**–**	**61,426,923**
Wholesale and retail trade, repair of motor vehicles	**15,129,128**	**–**	**–**	**15,129,128**
Manufacturing	**14,848,725**	**–**	**–**	**14,848,725**
Agriculture, fisheries and forestry	**1,424,364**	**–**	**–**	**1,424,364**
Transportation, storage and communication	**1,632,873**	**–**	**–**	**1,632,873**
Others****	**33,371,803**	**–**	**–**	**33,371,803**
	180,042,370	**23,564,450**	**11,039,756**	**214,646,576**
Allowance for credit losses (Note 14)	**(4,002,355)**	**–**	**–**	**(4,002,355)**
	₱176,040,015	**₱23,564,450**	**₱11,039,756**	**₱210,644,221**

* Includes commitments and contingent accounts.
** Comprised of Other cash items, Due from BSP, Due from other banks and IBLR.
*** Comprised of Financial assets at FVTPL, Financial assets at FVTOCI and Investment securities at amortized cost.
**** Pertains to unclassified loans and receivables, commitments and contingent accounts.

	2012			
	Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Total
Financial intermediaries	₱36,928,126	₱24,089,624	₱13,890,812	₱74,908,562
Real estate, renting and business activity	14,725,528	-	-	14,725,528
Private households with employed persons	49,136,103	-	-	49,136,103
Wholesale and retail trade, repair of motor vehicles	13,922,230	-	-	13,922,230
Manufacturing	6,590,972	-	-	6,590,972
Agriculture, fisheries and forestry	4,911,807	-	-	4,911,807
Transportation, storage and communication	1,955,996	-	-	1,955,996
Others****	26,480,558	-	-	26,480,558
	154,651,320	24,089,624	13,890,812	192,631,756
Allowance for credit losses (Note 14)	(3,154,065)	-	-	(3,154,065)
	₱151,497,255	₱24,089,624	₱13,890,812	₱189,477,691

* Includes commitments and contingent accounts.
** Comprised of Other cash items, Due from BSP, Due from other banks and IBLR.
*** Comprised of Financial assets at FVTPL, Financial assets at FVTOCI and Investment securities at amortized cost.
**** Pertains to unclassified loans and receivables, commitments and contingent accounts.

An industry sector analysis of the financial assets of the Parent Company follows:

	2013			
	Loans and Receivables*	**Loans and Advances to Banks****	**Investment Securities*****	**Total**
Financial intermediaries	**₱27,250,596**	**₱23,133,121**	**₱11,039,343**	**₱61,423,060**
Real estate, renting and business activity	**24,858,454**	**-**	**-**	**24,858,454**
Private households with employed persons	**61,397,521**	**-**	**-**	**61,397,521**
Wholesale and retail trade, repair of motor vehicles	**15,016,409**	**-**	**-**	**15,016,409**
Manufacturing	**14,827,935**	**-**	**-**	**14,827,935**
Agriculture, fisheries and forestry	**605,639**	**-**	**-**	**605,639**
Transportation, storage and communication	**1,628,341**	**-**	**-**	**1,628,341**
Others****	**30,777,047**	**-**	**-**	**30,777,047**
	176,361,942	**23,133,121**	**11,039,343**	**210,534,406**
Allowance for credit losses (Note 14)	**(3,975,337)**	**-**	**-**	**(3,975,337)**
	₱172,386,605	**₱23,133,121**	**₱11,039,343**	**₱206,559,069**

* Includes commitments and contingent accounts.
** Comprised of Other cash items, Due from BSP, Due from other banks and IBLR.
*** Comprised of Financial assets at FVTPL, Financial assets at FVTOCI and Investment securities at amortized cost.
**** Pertains to unclassified loans and receivables, commitments and contingent accounts.

	2012			
	Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Total
Financial intermediaries	₱36,870,604	₱23,910,486	₱13,890,402	₱74,671,492
Real estate, renting and business activity	14,698,962	-	-	14,698,962
Private households with employed persons	49,108,024	-	-	49,108,024
Wholesale and retail trade, repair of motor vehicles	13,805,636	-	-	13,805,636
Manufacturing	6,564,489	-	-	6,564,489
Agriculture, fisheries and forestry	4,312,959	-	-	4,312,959
Transportation, storage and communication	1,949,884	-	-	1,949,884
Others****	24,776,405	-	-	24,776,405
	152,086,963	23,910,486	13,890,402	189,887,851
Allowance for credit losses (Note 14)	(3,132,624)	-	-	(3,132,624)
	₱148,954,339	₱23,910,486	₱13,890,402	₱186,755,227

* Includes commitments and contingent accounts.
** Comprised of Other cash items, Due from BSP, Due from other banks and IBLR.
*** Comprised of Financial assets at FVTPL, Financial assets at FVTOCI and Investment securities at amortized cost.
**** Pertains to unclassified loans and receivables, commitments and contingent accounts.

Collateral and other credit enhancements
Collaterals are taken into consideration during the loan application process as they offer an alternative way of collecting from the client should a default occur. The percentage of loan value attached to the collateral offered is part of the Parent Company's lending guidelines. Such percentages take into account safety margins for foreign exchange rate exposure/fluctuations, interest rate exposure, and price volatility.

Collaterals are valued according to existing credit policy standards and, following the latest appraisal report, serve as the basis for the amount of the secured loan facility.

Premium security items are collaterals that have the effect of reducing the estimated credit risk for a facility. The primary consideration for enhancements falling under such category is the ease of converting them to cash.

The Parent Company is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. It is the Parent Company's policy to dispose foreclosed assets in an orderly fashion. The proceeds of the sale of the foreclosed assets, included under Investment Properties, are used to reduce or repay the outstanding claim. In general, the Parent Company does not occupy repossessed properties for business use.

As part of the Parent Company's risk control on security/collateral documentation, standard documents are made for each security type and deviation from the pro-forma documents are subject to Legal Services Division's approval prior to acceptance.

Credit collaterals profile
The table below provides the collateral profile of the outstanding loan portfolio of the Parent Company:

Security	**Corporate Loans**		**Consumer Loans**	
	2013	2012	**2013**	2012
REM*	**11.13%**	12.53%	**14.80%**	16.50%
Other Collateral**	**24.50%**	13.83%	**23.74%**	33.96%
Unsecured	**64.37%**	73.64%	**61.46%**	49.54%

* Real Estate Mortgage
** Consists of government securities, stocks and bonds, hold-out on deposits, assignment of receivables etc.

As for the computation of credit risk weights, collaterals of the back-to-back and Home Guaranty covered loans, and Philippine sovereign guarantees are the only credit risk mitigants considered as eligible.

<u>Internal Credit Risk Rating System</u>
The Parent Company employs a credit scoring system for all corporate borrowers to assess risks relating to the borrower and the loan exposure. Borrower risk is evaluated by considering (a) quantitative factors under financial condition and (b) qualitative factors, such as management quality and industry outlook.

Financial condition assessment focuses on profitability, liquidity, capital adequacy, sales growth, production efficiency and leverage. Management quality determination is based on the Parent Company's strategies, management competence and skills and management of banking relationship. On the other hand, industry prospect is evaluated based on its importance to the economy, growth, industry structure and relevant government policies. Based on these factors, each borrower is assigned a Borrower Risk Rating (BRR), an 11-scale scoring system that ranges from 1 to 10, including SBL. In addition to the BRR, the Parent Company assigns a Facility Risk Rating (FRR) to determine the risk of the prospective (or existing) exposure with respect to each credit facility that it applied for (or under which the exposure is accommodated). The FRR focuses on the quality and quantity of the collateral applicable to the underlying facility, independent of borrower quality. Consideration is given to the availability and amount of any collateral and the degree of control, which the lender has over the collateral. FRR applies both to balance sheet facilities and contingent liabilities. One FRR is determined for each individual facility taking into account the different security arrangements or risk influencing factors to allow a more precise presentation of risk. A borrower with multiple facilities will have one BRR and multiple FRRs. The combination of the BRR and the FRR results to the Adjusted Borrower Risk Rating (ABRR).

The credit rating for each borrower is reviewed annually. A more frequent review is warranted in cases where the borrower has a higher risk profile or when there are extraordinary or adverse developments affecting the borrower, the industry and/or the Philippine economy.

An industry sector analysis of the financial assets of the Parent Company follows:

Rating	Description	Account/Borrower Characteristics
1	Excellent	▪ low probability of going into default within the coming year; very high debt service capacity and balance sheets show no sign of any weakness ▪ has ready access to adequate funding sources ▪ high degree of stability, substance and diversity ▪ of the highest quality under virtual economic conditions
2	Strong	▪ low probability of going into default in the coming year ▪ access to money markets is relatively good ▪ business remains viable under normal market conditions ▪ strong market position with a history of successful financial performance ▪ financials show adequate cash flows for debt servicing and generally conservative balance sheets
3	Good	▪ sound but may be susceptible, to a limited extent, to cyclical changes in the markets in which they operate ▪ financial performance is good and capacity to service debt remains comfortable ▪ cash flows remain healthy and critical balance sheet ratios are at par with industry norms ▪ reported profits in the past three years and expected to sustain profitability in the coming year
4	Satisfactory	▪ clear risk elements exist and probability of going into default is somewhat greater, as reflected in the volatility of earnings and overall performance ▪ normally have limited access to public financial markets ▪ able to withstand normal business cycles, but expected to deteriorate beyond acceptable levels under prolonged unfavorable economic period ▪ combination of reasonably sound asset and cash flow protection
5	Acceptable	▪ risk elements for the Parent Company are sufficiently pronounced, but would still be able to withstand normal business cycles ▪ immediate deterioration beyond acceptable levels is expected given prolonged unfavorable economic period ▪ there is sufficient cash flow either historically or expected in the future in spite of economic downturn combined with asset protection
5B	Acceptable	▪ financial condition hard to ascertain due to weak validation of financial statements coupled by funding leakages to other business interests whose financial condition is generally unknown ▪ continuous decline in revenues and margins due to competition; increasing debt levels not commensurate to growth in revenues and funding requirements ▪ thin margin business with banks financing bulk of working capital and capex requirements coupled by substantial dividend pay-outs ▪ chronically tight cashflows with operating income negative or barely enough for debt servicing ▪ lines with banks maxed out and availments evergreen with minimal payments made over time or with past record of past due loans with other banks, cancelled credit cards and court cases
6	Watchlist	▪ affected by unfavorable industry or company-specific risk factors ▪ operating performance and financial strength may be marginal and ability to attract alternative sources of finance is uncertain ▪ difficulty in coping with any significant economic downturn; some payment defaults encountered ▪ net losses for at least two consecutive years
7	Special Mention	▪ ability or willingness to service debt are in doubt ▪ weakened creditworthiness ▪ expected to experience financial difficulties, putting the Parent Company's exposure at risk
8	Substandard	▪ collectability of principal or interest becomes questionable by reason of adverse developments or important weaknesses in financial cover ▪ negative cash flows from operations and negative interest coverage ▪ past due for more than 90 days ▪ there exists the possibility of future loss to the Parent Company unless given closer supervision
9	Doubtful	▪ unable or unwilling to service debt over an extended period of time and near future prospects of orderly debt service are doubtful ▪ with non-performing loan (NPL) status ▪ previously rated 'Substandard' by the BSP ▪ loss on credit exposure unavoidable
10	Loss	▪ totally uncollectible ▪ prospect of re-establishment of creditworthiness and debt service is remote ▪ lender shall take or has taken title to the assets and is preparing foreclosure and/or liquidation although partial recovery may be obtained in the future ▪ considered uncollectible or worthless and of such little value that continuance as bankable assets is not warranted although the loans may have some recovery or salvage value

It is the Parent Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates a focused management of the applicable risk and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Parent Company's rating policy. The risk ratings are assessed and updated regularly.

Credit Quality Profile as of December 31, 2013 and 2012

External ratings

The Parent Company also uses external ratings, such as Standard & Poor's, Moody's, and Fitch, to evaluate its counterparties and in its assignment of credit risk weights to its banking book exposures. Transactions falling under this category are normally of the following nature: placements with other banks, money market lending, debt security investments, and to some extent, equity security investments.

Investments and financial securities

The table below shows credit quality, based on external ratings, per class of financial assets that are neither past due nor impaired of the Group:

	2013			
	AA/A	**BB/B**	**Unrated**	**Total**
Due from BSP	**₱18,537,655**	**₱–**	**₱–**	**₱18,537,655**
Due from other banks	**1,309,675**	**375,143**	**67,006**	**1,751,824**
IBLR	**1,340,729**	**1,775,800**	**–**	**3,116,529**
Financial assets at FVTPL				
Government securities	**691,437**	**–**	**–**	**691,437**
Private bonds	**74,483**	**376,855**	**92,288**	**543,626**
Equity securities	**190,915**	**–**	**522,725**	**713,640**
	956,835	**376,855**	**615,013**	**1,948,703**
Investment securities at amortized cost				
Government securities	**7,667,254**	**–**	**–**	**7,667,254**
Private bonds	**928,394**	**484,259**	**413**	**1,413,066**
	8,595,648	**484,259**	**413**	**9,080,320**
Financial assets at FVTOCI				
Quoted equity securities	**–**	**–**	**7,486**	**7,486**
Unquoted equity securities	**127**	**–**	**3,120**	**3,247**
	127	**–**	**10,606**	**10,733**
	₱30,740,669	**₱3,012,057**	**₱693,038**	**₱34,445,764**

	2012			
	AA/A	BB/B	Unrated	Total
Due from BSP	₱–	₱21,855,275	₱–	₱21,855,275
Due from other banks	585,695	856,812	195,410	1,637,917
IBLR	582,648	–	–	582,648
Financial assets at FVTPL				
Government securities	215,853	1,590,086	–	1,805,939
Private bonds	–	1,072,180	134,542	1,206,722
Equity securities	120,627	999,998	127,039	1,247,664
	336,480	3,662,264	261,581	4,260,325
Investment securities at amortized cost				
Government securities	249,698	8,003,549	–	8,253,247
Private bonds	865,932	51,194	450,132	1,367,258
	1,115,630	8,054,743	450,132	9,620,505
Financial assets at FVTOCI				
Quoted equity securities	–	–	6,735	6,735
Unquoted equity securities	–	127	3,120	3,247
	–	127	9,855	9,982
	₱2,620,453	₱34,429,221	₱916,978	₱37,966,652

The table below shows credit quality, based on external ratings, per class of financial assets that are neither past due nor impaired of the Parent Company:

	2013			
	AA/A	**BB/B**	**Unrated**	**Total**
Due from BSP	**₱18,404,125**	**₱–**	**₱–**	**₱18,404,125**
Due from other banks	**1,309,675**	**227,723**	**67,006**	**1,604,404**
IBLR	**1,340,729**	**1,775,800**	**–**	**3,116,529**
Financial assets at FVTPL				
Government securities	**691,437**	**–**	**–**	**691,437**
Private bonds	**74,483**	**376,855**	**92,288**	**543,626**
Equity securities	**190,915**	**–**	**522,725**	**713,640**
	956,835	**376,855**	**615,013**	**1,948,703**
Investment securities at amortized cost				
Government securities	**7,667,254**	**–**	**–**	**7,667,254**
Private bonds	**928,394**	**484,259**	**–**	**1,412,653**
	8,595,648	**484,259**	**–**	**9,079,907**
Financial assets at FVTOCI				
Quoted equity securities	**–**	**–**	**7,486**	**7,486**
Unquoted equity securities	**127**	**–**	**3,120**	**3,247**
	127	**–**	**10,606**	**10,733**
	₱30,607,139	**₱2,864,637**	**₱692,625**	**₱34,164,401**

	2012			
	AA/A	BB/B	Unrated	Total
Due from BSP	₱–	₱21,789,239	₱–	₱21,789,239
Due from other banks	585,695	743,710	195,410	1,524,815
IBLR	582,648	–	–	582,648
Financial assets at FVTPL				
Government securities	215,853	1,590,086	–	1,805,939
Private bonds	–	1,072,180	134,542	1,206,722
Equity securities	120,627	999,998	127,039	1,247,664
	336,480	3,662,264	261,581	4,260,325
Investment securities at amortized cost				
Government securities	249,698	8,003,549	–	8,253,247
Private bonds	865,932	51,195	449,721	1,366,848
	1,115,630	8,054,744	449,721	9,620,095
Financial assets at FVTOCI				
Quoted equity securities	–	–	6,735	6,735
Unquoted equity securities	–	127	3,120	3,247
	–	127	9,855	9,982
	₱2,620,453	₱34,250,084	₱916,567	₱37,787,104

The tables below show the credit quality, based on the credit rating system, by class of loans and receivables that are neither past due nor impaired of the Group:

	2013				
	High Grade	**Standard Grade**	**Substandard Grade**	**Unrated**	**Total**
Receivables from customers					
Corporate lending	**₱21,207,719**	**₱22,489,408**	**₱–**	**₱–**	**₱43,697,127**
Consumer lending	**5,933,895**	**20,580,491**	**19,207,950**	**–**	**45,722,336**
	27,141,614	**43,069,899**	**19,207,950**	**–**	**89,419,463**
Unquoted debt securities	**–**	**–**	**–**	**208,132**	**208,132**
Accounts receivable	**9,064**	**7,548**	**781**	**860,571**	**877,964**
Accrued interest receivable	**51,290**	**3,435**	**270**	**622,055**	**677,050**
Sales contract receivable	**2,247**	**421**	**2,797**	**162,797**	**168,262**
	62,601	**11,404**	**3,848**	**1,853,555**	**1,931,408**
	₱27,204,215	**₱43,081,303**	**₱19,211,798**	**₱1,853,555**	**₱91,350,871**

	2012				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Receivables from customers					
Corporate lending	₱15,218,079	₱15,911,806	₱104,912	₱17,755	₱31,252,552
Consumer lending	1,997,023	16,462,502	16,809,692	188,899	35,458,116
	17,215,102	32,374,308	16,914,604	206,654	66,710,668
Unquoted debt securities	–	–	–	207,935	207,935
Accounts receivable	–	–	–	280,614	280,614
Accrued interest receivable	–	–	–	614,635	614,635
Sales contract receivable	–	–	–	119,534	119,534
	–	–	–	1,222,718	1,222,718
	₱17,215,102	₱32,374,308	₱16,914,604	₱1,429,372	₱67,933,386

The tables below show the credit quality, based on the credit rating system, by class of loans and receivables that are neither past due nor impaired of the Parent Company:

	2013				
	High Grade	**Standard Grade**	**Substandard Grade**	**Unrated**	**Total**
Receivables from customers					
Corporate lending	**₱21,207,719**	**₱22,489,408**	**₱–**	**₱–**	**₱43,697,127**
Consumer lending	**2,820,024**	**20,556,206**	**19,196,101**	**–**	**42,572,331**
	24,027,743	**43,045,614**	**19,196,101**	**–**	**86,269,458**
Unquoted debt securities	**–**	**–**	**–**	**208,132**	**208,132**
Accounts receivable	**–**	**–**	**–**	**860,571**	**860,571**
Accrued interest receivable	**–**	**–**	**–**	**622,055**	**622,055**
Sales contract receivable	**–**	**–**	**–**	**162,797**	**162,797**
	–	**–**	**–**	**1,853,555**	**1,853,555**
	₱24,027,743	**₱43,045,614**	**₱19,196,101**	**₱1,853,555**	**₱88,123,013**

	2012				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Receivables from customers					
Corporate lending	₱15,218,079	₱15,911,806	₱104,912	₱17,755	₱31,252,552
Consumer lending	264,616	16,462,502	16,809,692	–	33,536,810
	15,482,695	32,374,308	16,914,604	17,755	64,789,362
Unquoted debt securities	–	–	–	207,867	207,867
Accounts receivable	–	–	–	1,096,359	1,096,359
Accrued interest receivable	–	–	–	531,428	531,428
Sales contract receivable	–	–	–	102,886	102,886
	–	–	–	1,938,540	1,938,540
	₱15,482,695	₱32,374,308	₱16,914,604	₱1,956,295	₱66,727,902

Borrowers with unquestionable repaying capacity and to whom the Parent Company is prepared to lend on an unsecured basis, either partially or totally, are generally rated as High Grade borrowers. Included in the High Grade category are those accounts that fall under 'Excellent', 'Strong', 'Good' and 'Satisfactory' categories under ICRRS (with rating of 1-4).

Standard rated borrowers normally require tangible collateral, such as real estate mortgage (REM), to either fully or partially secure the credit facilities as such accounts indicate a relatively higher credit risk than those considered as High Grade. Included in Standard Grade category are those accounts that fall under 'Acceptable', 'Watchlist' and 'Special mention' categories under ICRRS (with rating of 5-7).

Substandard Grade accounts pertain to corporate accounts falling under the 'Substandard,' 'Doubtful' and 'Loss' categories under ICRRS (with rating of 8-10) and unsecured revolving credit facilities.

Those accounts that are classified as unrated includes consumer loans, unquoted debt securities, accounts receivable, accrued interest receivable and sales contract receivable for which the Parent Company has not yet established a credit rating system.

Impairment Assessment
On a regular basis, the Parent Company conducts an impairment assessment exercise to determine expected losses on its loans portfolio.

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or if there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Parent Company addresses impairment assessment in two areas: specific or individually assessed allowances and collectively assessed allowances.

a. Specific Impairment Testing
   Specific impairment testing is the process whereby classified accounts are individually significant subject to impairment testing. Classified accounts are past due accounts and accounts whose credit standing and/or collateral has weakened due to varying circumstances. This present status of the account may adversely affect the collection of both principal and interest payments.

   Indicators of impairment testing are past due accounts, decline in credit rating from independent rating agencies and recurring net losses.

   The net recoverable amount is computed using the present value approach. The discount rate used for loans with fixed and floating interest rate is the original effective interest rate and last repriced interest rate, respectively. Net recoverable amount is the total cash inflows to be collected over the entire term of the loan or the expected proceeds from the sale of collateral. Specific impairment testing parameters include the account information (original and outstanding loan amount), interest rate (nominal and historical effective) and the business plan. Also included are the expected date of recovery, expected cash flows, probability of collection, and the carrying value of loan and net recoverable amount.

   The Parent Company conducts specific impairment testing on significant classified and restructured corporate accounts.

b. Collective Impairment Testing
   All other accounts which were not individually assessed are grouped based on similar credit characteristics and are collectively assessed for impairment under the Collective Impairment Testing. This is also in accordance with PAS 39, which provides that all loan accounts not included in the specific impairment test shall be subjected to collective testing.

   Collective impairment testing of corporate accounts
   Corporate accounts, which are unclassified and with current status are grouped in accordance with the Parent Company's internal credit risk rating. Each internal credit risk rating would fetch an equivalent loss impairment where the estimated loss is determined in consideration of the Parent Company's historical loss experience. Impairment loss is derived by multiplying the outstanding loan balance on a per internal credit risk rating basis against a factor rate. The factor rate, which estimates the expected loss from the credit exposure, is the product of the Default Rate (DR) and the Loss Given Default Rate (LGDR). DR is estimated based on the 3-year historical average default experience by internal credit risk rating of the Parent Company, while, LGDR is estimated based on loss experience (net of recoveries from collateral) for the same reference period.

   Collective impairment testing of consumer accounts
   Consumer accounts, both in current and past due status are collectively tested for impairment as required under PAS 39. Accounts are grouped by type of product - personal loans, salary loans, housing loans, auto loans and credit cards.

   The estimation of the impaired consumer products' estimated loss is based on three major concepts: age buckets, probability of default and recoverability. Per product, exposures are categorized according to their state of delinquency - (1) current and (2) past due (which is subdivided into 30, 60, 90, 120, 150, 180 and more than 180 days past due). Auto, housing and salary loans have an additional bucket for its items in litigation accounts. The Parent Company partitions its exposures as it recognizes that the age buckets have different rates and/ or probabilities of default. The initial estimates of losses per product due to default are then adjusted based on the recoverability of cash flows, to calculate the expected loss of the Parent Company. Auto and housing loans consider the proceeds from the eventual sale of foreclosed collaterals in approximating its recovery rate; while credit cards, salary loans and personal loans depend on the collection experience of its receivables. Further for housing loans, due to the nature of the assets offered as security, and as the exposures are limited to a certain percentage of the same, this product possess the unique quality of obtaining full recoverability. These default and recovery rates are based on the Parent Company's historical experience, which covers a minimum of two to three (2-3) years cycle, depending on the availability and relevance of data.

The table below shows the aging analysis of the past due but not impaired loans and receivables per class of the Group and of the Parent Company. Under PFRS 7, a financial asset is past due when a counterparty has failed to make payments when contractually due.

	Consolidated					
	2013					
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Loans and receivables						
Corporate lending	**₱–**	**₱–**	**₱–**	**₱–**	**₱77,232**	**₱77,232**
Consumer lending	**–**	**–**	**85,037**	**261,972**	**807,377**	**1,154,386**
	₱–	**₱–**	**₱85,037**	**₱261,972**	**₱884,609**	**₱1,231,618**

	Consolidated					
	2012					
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	More than 180 days	Total
Loans and receivables						
Corporate lending	₱36,152	₱–	₱–	₱–	₱–	₱36,152
Consumer lending	152,989	8,254	120,837	150,281	623,330	1,055,691
	₱189,141	₱8,254	₱120,837	₱150,281	₱623,330	₱1,091,843

	Parent Company					
	2013					
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Loans and receivables						
Corporate lending	**₱–**	**₱–**	**₱–**	**₱–**	**₱77,232**	**₱77,232**
Consumer lending	**–**	**–**	**85,037**	**226,984**	**450,994**	**763,015**
	₱–	**₱–**	**₱85,037**	**₱226,984**	**₱528,226**	**₱840,247**

	Parent Company					
	2012					
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	More than 180 days	Total
Loans and receivables						
Corporate lending	₱36,152	₱–	₱–	₱–	₱–	₱36,152
Consumer lending	101,994	3,407	111,439	132,666	196,437	545,943
	₱138,146	₱3,407	₱111,439	₱132,666	₱196,437	₱582,095

Collaterals of past due but not impaired loans mostly consist of real estate mortgage (REM) of industrial, commercial, residential and developed agricultural real estate properties.

Credit risk weighting as of December 31, 2013 and 2012

Total credit risk exposure after risk mitigation

The table below shows the different credit risk exposures of the Group and of the Parent Company after credit risk mitigation, by risk weight applied in accordance with BSP Circular No. 538:

	Consolidated							
	2013							
	Capital Deduction	**Risk Buckets**						
		0%	**20%**	**50%**	**75%**	**100%**	**150%**	**Total**
Credit risk exposure after risk mitigation								
On-balance sheet assets	**₱2,462,822**	**₱22,413,466**	**₱3,663,390**	**₱4,514,002**	**₱6,933,876**	**₱85,758,201**	**₱3,823,801**	**₱127,106,736**
Off-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**1,531,487**	**-**	**1,531,487**
Counterparty in the banking book (derivatives and repo-style transactions)	**-**	**-**	**-**	**-**	**-**	**2,029,162**	**-**	**2,029,162**
Counterparty in the trading book (derivatives and repo-style transactions)	**-**	**-**	**2,177**	**-**	**-**	**20,777**	**-**	**22,954**
Credit-linked notes in the banking book	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**–**
Securitization exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**–**
	2,462,822	**22,413,466**	**22,413,466**	**4,514,002**	**6,933,876**	**89,339,627**	**3,823,801**	**130,690,339**
Credit Risk Weighted Assets	**₱-**	**₱-**	**₱-**	**₱2,257,001**	**₱5,200,407**	**₱89,339,627**	**₱5,735,702**	**₱103,265,850**

	Consolidated							
	2012							
	Capital Deduction	Risk Buckets						
		0%	20%	50%	75%	100%	150%	Total
Credit risk exposure after risk mitigation								
On-balance sheet assets	₱2,388,614	₱26,145,142	₱882,578	₱3,922,097	₱5,936,410	₱69,818,770	₱2,937,661	₱109,669,658
Off-balance sheet assets	-	-	-	-	-	691,077	-	691,077
Counterparty in the banking book (derivatives and repo-style transactions)	-	-	-	-	-	3,230,922	-	4,607,452
Counterparty in the trading book (derivatives and repo-style transactions)	-	-	14,391	6,190	-	88,732	-	109,313
Credit-linked notes in the banking book	-	-	-	-	-	-	-	–
Securitization exposures	-	-	-	-	-	-	-	–
	2,388,614	27,521,672	896,969	3,928,287	5,963,410	73,829,501	2,937,661	115,077,500
Credit Risk Weighted Assets	₱-	₱-	₱179,394	₱1,964,144	₱4,472,557	₱73,829,501	₱4,406,491	₱84,852,087

	Parent Company							
	2013							
	Capital Deduction	**Risk Buckets**						
		0%	**20%**	**50%**	**75%**	**100%**	**150%**	**Total**
Credit risk exposure after risk mitigation								
On-balance sheet assets	**₱3,788,855**	**₱22,207,803**	**₱3,662,406**	**₱4,514,002**	**₱6,933,876**	**₱82,168,463**	**₱3,498,936**	**₱22,985,486**
Off-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**1,531,487**	**-**	**1,531,487**
Counterparty in the banking book (derivatives and repo-style transactions)	**-**	**-**	**-**	**-**	**-**	**2,029,162**	**-**	**2,029,162**
Counterparty in the trading book (derivatives and						**20,777**		**22,954**
repo-style transactions)	**-**	**-**	**2,177**	**-**	**-**	**-**	**-**	**–**
Credit-linked notes in the	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**–**
banking book	**-**	**-**	**-**	**-**	**-**		**-**	
Securitization exposures	**3,788,855**	**22,207,803**	**3,664,583**	**4,514,002**	**6,933,876**	**85,749,889**	**3,498,936**	**126,569,089**
	₱-	**₱-**	**₱732,917**	**₱2,257,001**	**₱5,200,407**	**₱85,749,889**	**₱5,248,404**	**₱99,188,618**
Credit Risk Weighted Assets								

	Parent Company							
	2012							
	Capital Deduction	Risk Buckets						
		0%	20%	50%	75%	100%	150%	Total
Credit risk exposure after risk mitigation								
On-balance sheet assets	₱2,177,997	₱26,018,586	₱882,316	₱3,922,097	₱5,957,573	₱67,524,554	₱2,667,813	₱106,972,939
Off-balance sheet assets	-	-	-	-	-	691,077	-	691,077
Counterparty in the banking book (derivatives and repo-style transactions)	-	1,376,530	-	-	-	3,230,922	-	4,607,452
Counterparty in the trading book (derivatives and repo-style transactions)	-	-	14,391	6,190	-	88,732	-	109,313
Credit-linked notes in the banking book	-	-	-	-	-	-	-	–
Securitization exposures	-	-	-	-	-	-	-	–
	2,177,997	27,395,116	896,707	3,928,287	5,957,573	71,535,285	2,667,813	112,380,781
Credit Risk Weighted Assets	₱-	₱-	₱179,341	₱1,964,144	₱4,468,180	₱71,535,285	₱4,001,720	₱82,148,670

Liquidity Risk

Liquidity risk is the risk that sufficient funds are unavailable to adequately meet all maturing liabilities, including demand deposits and off-balance sheet commitments. The main responsibility of daily asset liability management lies with the Treasury Group, specifically the Liquidity Desk, which is tasked to manage the Parent Company's balance sheet and have a thorough understanding of the risk elements involved in the business. The Parent Company's liquidity risk management is then monitored through ALCO. Resulting analysis of the balance sheet along with the recommendation is presented during the weekly ALCO meeting where deliberations, formulation of actions and decisions are made to minimize risk and maximize Parent Company returns. Discussions include actions taken in the previous ALCO meeting, economic and market status and outlook, liquidity risk, pricing and interest rate structure, limit status and utilization. To ensure that the Parent Company has sufficient liquidity at all times, the ALCO formulates a contingency funding plan which sets out the amount and the sources of funds (such as unutilized credit facilities) available to the Parent Company and the circumstances under which such funds will be used.

By way of the Maximum Cumulative Outflow (MCO) limit, the Parent Company is able to manage its short-term liquidity risks by placing a cap on the outflow of cash on a per tenor and on a cumulative basis. The Parent Company takes a multi-tiered approach to maintaining liquid assets. The Parent Company's principal source of liquidity is comprised of COCI, Due from BSP, Due from other banks and IBLR with maturities of less than one year. In addition to regulatory reserves, the Parent Company maintains a sufficient level of secondary reserves in the form of liquid assets such as short-term trading and investment securities that can be realized quickly.

Analysis of financial assets and liabilities by remaining contractual maturities

The table below shows the maturity profile of the financial assets and liabilities of the Group and of the Parent Company, based on its internal methodology that manages liquidity based on contractual undiscounted cash flows (amounts in millions):

	Consolidated						
	2013						
	On demand	**Up to 1 month**	**>1 to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**Beyond 1 year**	**Total**
Financial Assets							
Cash and cash equivalents*	**₱21,780**	**₱5,451**	**₱-**	**₱-**	**₱-**	**₱210**	**₱27,441**
Investments and trading securities**	**–**	**881**	**759**	**244**	**665**	**13,942**	**16,491**
Loans and receivables	**–**	**12,526**	**9,937**	**8,077**	**4,146**	**68,917**	**103,603**
	₱21,780	**₱18,858**	**₱10,696**	**₱8,321**	**₱4,811**	**₱83,069**	**₱147,535**
Financial Liabilities							
Deposit liabilities***	**₱-**	**₱12,213**	**₱15,398**	**₱12,633**	**₱6,676**	**₱66,271**	**₱113,191**
Bills and acceptances payable	**–**	**2,379**	**588**	**–**	**–**	**460**	**3,427**
Subordinated debt	**–**	**1,250**	**–**	**–**	**–**	**1,613**	**2,863**
Other liabilities	**919**	**56**	**18**	**22**	**12**	**5,006**	**6,033**
Contingent liabilities	**–**	**713**	**553**	**681**	**1,093**	**(1,753)**	**1,287**
	₱919	**₱16,611**	**₱16,557**	**₱13,336**	**₱7,781**	**₱71,597**	**₱126,801**

* Consist of cash and cash other items, due from BSP, due from other banks and IBLR

** Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost.

*** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities.

	Consolidated 2012						
	On demand	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	Beyond 1 year	Total
Financial Assets							
Cash and cash equivalents*	₱18,156	₱9,155	₱–	₱–	₱–	₱–	₱27,311
Investments and trading securities**	–	51	48	2,296	2,642	18,226	23,263
Loans and receivables	–	10,833	9,067	5,128	4,809	41,355	71,192
	₱18,156	₱20,039	₱9,115	₱7,424	₱7,451	₱59,581	₱121,766
Financial Liabilities							
Deposit liabilities***	₱–	₱8,785	₱14,050	₱12,007	₱4,069	₱54,733	₱93,644
Bills and acceptances payable	–	3,868	1,669	–	–	35	5,572
Subordinated debt	–	–	113	1	–	2,750	2,864
Other liabilities	733	32	55	65	52	3,523	4,460
Contingent liabilities	–	464	777	595	776	(1,098)	1,514
	₱733	₱13,149	₱16,664	₱12,668	₱4,897	₱59,943	₱108,054

* Consist of cash and cash other items, due from BSP, due from other banks and IBLR
** Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost.
*** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities.

	Parent Company 2013						
	On demand	**Up to 1 month**	**>1 to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**Beyond 1 year**	**Total**
Financial Assets							
Cash and cash equivalents*	**₱21,535**	**₱5,401**	**₱–**	**₱–**	**₱–**	**₱–**	**₱26,936**
Investments and trading securities**	**–**	**880**	**759**	**244**	**665**	**15,341**	**17,889**
Loans and receivables	**–**	**12,517**	**9,930**	**8,068**	**4,118**	**65,352**	**99,985**
	₱21,535	**₱18,798**	**₱10,689**	**₱8,312**	**₱4,783**	**₱80,693**	**₱144,810**
Financial Liabilities							
Deposit liabilities***	**₱–**	**₱11,168**	**₱14,765**	**₱12,158**	**₱6,379**	**₱66,113**	**₱110,583**
Bills and acceptances payable	**–**	**2,251**	**588**	**–**	**–**	**450**	**3,289**
Subordinated debt	**–**	**1,250**	**–**	**–**	**–**	**1,500**	**2,750**
Other liabilities	**919**	**55**	**17**	**22**	**12**	**4,379**	**5,404**
Contingent liabilities	**–**	**713**	**553**	**681**	**1,093**	**(1,753)**	**1,287**
	₱919	**₱15,437**	**₱15,923**	**₱12,861**	**₱7,484**	**₱70,689**	**₱123,313**

* Consist of cash and cash other items, due from BSP, due from other banks and IBLR
** Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost.
*** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities.

	Parent Company 2012						
	On demand	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	Beyond 1 year	Total
Financial Assets							
Cash and cash equivalents*	₱18,043	₱9,034	₱–	₱–	₱–	₱–	₱27,077
Investments and trading securities**	–	51	48	2,296	2,642	18,226	23,263
Loans and receivables	–	10,808	9,059	5,109	4,710	39,784	69,470
	₱18,043	₱19,893	₱9,107	₱7,405	₱7,352	₱58,010	₱119,810
Financial Liabilities							
Deposit liabilities***	₱–	₱8,658	₱13,630	₱11,450	₱3,267	₱53,903	₱90,908
Bills and acceptances payable	–	3,868	1,669	–	–	35	5,572
Subordinated debt	–	–	–	–	–	2,750	2,750
Other liabilities	733	16	29	31	3	3,458	4,270
Contingent liabilities	–	464	777	595	776	(1,098)	1,514
	₱733	₱13,006	₱16,105	₱12,076	₱4,046	₱59,048	₱105,014

* Consist of cash and cash other items, due from BSP, due from other banks and IBLR
** Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost.
*** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities.

The Parent Company manages liquidity by maintaining sufficient liquid assets in the form of cash and cash equivalents, investments securities and loan receivables with what it assesses to be sufficient of short-term loans. As of December 31, 2013 and 2012, ₱35.59 billion and ₱32.14 billion, respectively, or 37.50% and 42.30%, respectively, of the Parent Company's total gross loans and receivables had remaining maturities of less than one (1) year. The total portfolio of trading and investment securities is comprised mostly of sovereign-issued securities that have high market liquidity. The Parent Company was fully compliant with BSP's limits on FCDU Asset Cover and FCDU Liquid Assets Cover, having reported ratios above 100.00% and 30.00%, respectively, as of December 31, 2013 and 2012. With the above presented liquidity profile, the Group remains to be inhibited from liquidity risk that it can't adequately manage.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Parent Company treats exposures to market risk as either trading portfolio or balance sheet exposure. The market risk for the trading portfolio is managed and monitored based on a VaR methodology which reflects the interdependency between risk variables. Balance sheet exposures are managed and monitored using sensitivity analyses.

Market risk in the trading books

The Board has set limits on the level of risk that may be accepted. Price risk limits are applied at the business unit level and approved by the BOD based on, among other things, a business unit's capacity to manage price risks, the size and distribution of the aggregate exposure to price risks and the expected return relative to price risks.

The Parent Company applies VaR methodology to assess the market sensitive positions held and to estimate the potential economic loss based on a number of parameters and assumptions on market conditions. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

Objectives and limitations of the VaR Methodology

The Parent Company uses the parametric VaR model, using one-year historical Bloomberg data set to assess possible changes in the market value of the trading portfolio. The VaR model is designed to measure market risk in a normal market environment. The model assumes that any change occurring in the risk factors affecting the normal market environment will create outcomes that follow a normal distribution. The use of VaR has limitations because correlations and volatilities in market prices are based on historical data and VaR assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption.

VaR may also be under or over estimated due to assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolio at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

In practice, actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR model, actual outcomes are monitored through actual backtesting to test the accuracy of the VaR model.

Stress testing provides a means of complementing VaR by simulating the potential loss impact on market risk positions from extreme market conditions, such as 500 bps increase in Philippine peso interest rates and 300 bps increase in US dollar interest rates (based on the uniform stress testing framework of BSP).

VaR assumptions

The VaR that the Parent Company measures is an estimate, using a confidence level of 99.00% of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for 5 days. The use of a 99.00% confidence level means that within a five-day horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

VaR is an integral part of the Parent Company's market risk management and encompasses investment positions held for trading. VaR exposures form part of the market risk monitoring which is reviewed daily against the limit approved by the Board. If the Market Risk Limit is exceeded, such occurrence is promptly reported to the Treasurer, Chief Risk Officer and the President, and further to the Board through the RMC.

The VaR below pertains to interest rate risk of the Parent Company's trading books.

	2013	2012
Year-end VaR	**₱13,122**	₱47,534
Average VaR	**67,046**	66,490
Highest VaR	**324,284**	166,946
Lowest VaR	**3,392**	13,725

The year-end VaR for 2013 was based on a portfolio position size equal to ₱1.20 billion with an average yield of 3.56% and average maturity of 5 years and 5 months. The year-end VaR for 2012 had a position size equal to ₱2.46 billion with an average yield of 4.18 % and average maturity of 10 years and 3 months.

In 2012, the Parent Company bought preferred shares for its trading portfolio. The VaR methodology is likewise applied in measuring the potential loss arising from the price fluctuations of these shares at a 99.00% confidence level with a 10-day horizon.

The VaR below pertains to the market risk of the equity positions of the Parent Company.

	2013	2012
Year-end VaR	**₱39,759**	₱58,842
Average VaR	**60,457**	58,531
Highest VaR	**87,143**	60,107
Lowest VaR	**39,759**	55,692

Foreign Currency Risk

The Parent Company holds foreign currency denominated assets and liabilities, thus, fluctuations on the foreign exchange rates can affect the financial and cash flows of the Parent Company. Managing the foreign exchange exposure is important for banks with exposures in foreign currencies. It includes managing foreign currency positions in order to control the impact of changes in exchange rates on the financial position of the Parent Company.

As noted above, the Parent Company likewise applies the VaR methodology in estimating the potential loss of the Parent Company due to foreign currency fluctuations. The Parent Company uses a 99.00% confidence level with one-day horizon in estimating the foreign exchange (FX) VaR. The use of a 99.00% confidence level means that within a one-day horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

The Parent Company's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. In 2013 and 2012, the Parent Company's profile of foreign currency exposure on its assets and liabilities is within limits for financial institutions engaged in the type of businesses in which the Parent Company is engaged.

The VaR below pertains to foreign exchange risk of the Parent Company.

	2013	2012
Year-end VaR	**₱1,963**	₱1,826
Average VaR	**2,423**	2,073
Highest VaR	**8,364**	8,514
Lowest VaR	**13**	9

Some of the Parent Company's transactions exposed to foreign currency fluctuations include spots and forwards contracts, investments in bonds and due from other banks. The FX position emanates from both the RBU and FCDU books. In the FCDU books, BSP requires banks to match the foreign currency assets with the foreign currency liabilities. Thus, banks are required to maintain at all times a 100.00% cover for their currency liabilities held through FCDU. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDU.

Total foreign exchange currency position is monitored through the daily BSP FX position reports, which are subject to the overbought and oversold limits set by the BSP at 20.00% of unimpaired capital or USD50.00 million, whichever is lower. Internal limits regarding the intraday trading and end-of-day trading positions in FX, which take into account the trading desk and the branch FX transactions, are also monitored.

The table below summarizes the exposure to foreign exchange risk of the Parent Company as of December 31, 2013 and 2012:

	2013		
	USD	**Other Currencies**	**Total**
Assets			
Gross FX assets	**$494,222**	**$1,203**	**$495,425**
Contingent FX assets	**31,524**	**–**	**31,524**
	525,746	**1,203**	**526,949**
Liabilities			
Gross FX liabilities	**462,080**	**81**	**462,161**
Contingent FX liabilities	**59,000**	**24**	**59,024**
	521,080	**105**	**521,185**
Net exposure	**$4,666**	**$1,098**	**$5,764**

	2012		
	USD	Other Currencies	Total
Assets			
Gross FX assets	$453,371	$909	$454,280
Contingent FX assets	81,300	–	81,300
	534,671	909	535,580
Liabilities			
Gross FX liabilities	413,440	–	413,440
Contingent FX liabilities	127,700	–	127,700
	541,140	–	541,140
Net exposure	($6,469)	$909	($5,560)

The table below indicates the currencies to which the Parent Company had significant exposures as of December 31, 2013 and 2012 (amounts in millions). The analysis calculates the effect of a reasonably possible movement of the currency rate against Peso, with all other variables held constant on the statement of income. A negative amount reflects a potential net reduction in statement of income while a positive amount reflects net potential increase. There is no other impact on the Parent Company's equity other than those already affecting the statements of income.

Foreign currency appreciates (depreciates)	2013			
	USD	**GBP**	**EUR**	**JPY**
+10.00%	**₱20.72**	**₱1.96**	**₱1.85**	**₱.25**
-10.00%	**(20.72)**	**(1.96)**	**(1.85)**	**(.25)**

Foreign currency appreciates (depreciates)	2012			
	USD	GBP	EUR	JPY
+10.00%	(₱26.56)	₱.56	₱1.2	₱2.05
-10.00%	26.56	(.56)	(1.2)	(2.05)

Market Risk in the Non-Trading Books

Interest rate risk

A critical element of risk management program consists of measuring and monitoring the risks associated with fluctuations in market interest rates on the Group's net interest income. The short-term nature of its assets and liabilities reduces the exposure of its net interest income to such risks.

The Parent Company employs 'Gap Analysis' on a monthly basis to measure the interest rate sensitivity of its assets and liabilities. The asset/liability gap analysis measures, for any given period, any mismatches between the amounts of interest-earning assets and interest-bearing liabilities that would re-price, or mature (for contracts that do not re-price), during that period. Non-maturing deposits are treated as non repricing liabilities by the Parent Company. The re-pricing gap is calculated by first distributing the assets and liabilities contained in the Group's statement of financial position into tenor buckets according to the time remaining to the next re-pricing date (or the time remaining to maturity if there is no re-pricing), and then obtaining the difference between the total of the re-pricing (interest rate sensitive) assets and re-pricing (interest rate sensitive) liabilities. If there is a positive gap, there is asset sensitivity which generally means that an increase in interest rates would have a positive effect on the Group's net interest income. If there is a negative gap, this generally means that an increase in interest rates would have a negative effect on net interest income.

The following table provides for the average effective interest rates by period of re-pricing (or by period of maturity if there is no re-pricing) of the Group as of December 31, 2013 and 2012:

	2013				
	Up to 1 month	**>1 to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**>12 months**
RBU					
Financial assets					
Cash and cash equivalents	**1.99%**	**–**	**–**	**–**	**–**
Loans and receivables	**4.82%**	**5.23%**	**5.21%**	**7.15%**	**8.04%**
Investment securities	**2.49%**	**2.49%**	**–**	**–**	**3.08%**
Financial liabilities					
Deposit liabilities	**1.08%**	**1.43%**	**1.65%**	**4.01%**	**4.26%**
Bills payable	**0.77%**	**0.68%**	**–**	**–**	**–**
Subordinated debt	**8.63%**	**–**	**–**	**–**	**7.65%**
FCDU					
Financial assets					
Cash and cash equivalents	**0.19%**	**–**	**–**	**–**	**–**
Loans and receivables	**1.49%**	**–**	**3.55%**	**5.35%**	**6.77%**
Investment securities	**3.15%**	**3.15%**	**3.15%**	**–**	**3.24%**
Financial liabilities					
Deposit liabilities	**1.34%**	**1.37%**	**1.43%**	**1.63%**	**2.54%**

	2012				
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>12 months
RBU					
Financial assets					
Cash and cash equivalents	3.55%	–	–	–	–
Loans and receivables	5.50%	5.34%	7.47%	7.0%	11.43%
Investment securities	–	–	–	–	4.92%
Financial liabilities					
Deposit liabilities	3.32%	3.83%	3.89%	4.71%	5.41%
Bills payable	0.81%	0.78%	–	–	–
Subordinated debt	–	10.08%	–	–	8.18%
FCDU					
Financial assets					
Cash and cash equivalents	0.83%	–	–	–	–
Loans and receivables	3.02%	5.23%	4.07%	2.66%	7.56%
Investment securities	4.23%	–	–	–	5.11%
Financial liabilities					
Deposit liabilities	1.57%	1.52%	1.83%	1.60%	2.02%

The following table provides for the average effective interest rates by period of re-pricing (or by period of maturity if there is no re-pricing) of the Parent Company as of December 31, 2013 and 2012:

	2013				
	Up to 1 month	**>1 to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**>12 months**
RBU					
Financial assets					
Cash and cash equivalents	**1.99%**	**–**	**–**	**–**	**–**
Loans and receivables	**4.92%**	**6.41%**	**7.34%**	**9.77%**	**9.34%**
Investment securities	**2.49%**	**2.49%**	**–**	**–**	**3.08%**
Financial liabilities					
Deposit liabilities	**1.06%**	**1.40%**	**1.54%**	**4.14%**	**4.26%**
Bills payable	**0.77%**	**0.68%**	**–**	**–**	**–**
Subordinated debt	**8.63%**	**–**	**–**	**–**	**7.50%**

(Forward)

	2013				
	Up to 1 month	**>1 to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**>12 months**
FCDU					
Financial assets					
Cash and cash equivalents	**0.19%**	**–**	**–**	**–**	**–**
Loans and receivables	**1.49%**	**–**	**3.55%**	**5.35%**	**6.77%**
Investment securities	**3.15%**	**3.15%**	**3.15%**	**–**	**3.24%**
Financial liabilities					
Deposit liabilities	**1.34%**	**1.37%**	**1.43%**	**1.63%**	**2.54%**

	2012				
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>12 months
RBU					
Financial assets					
Cash and cash equivalents	3.55%	–	–	–	–
Loans and receivables	5.48%	5.34%	7.53%	6.92%	12.72%
Investment securities	–	–	–	–	4.92%
Financial liabilities					
Deposit liabilities	3.32%	3.60%	3.63%	4.60%	5.40%
Bills payable	0.81%	0.78%	–	–	–
Subordinated debt	–	–	–	–	8.01%
FCDU					
Financial assets					
Cash and cash equivalents	0.83%	–	–	–	–
Loans and receivables	3.02%	5.23%	4.07%	2.66%	7.56%
Investment securities	4.23%	–	–	–	5.11%
Financial liabilities					
Deposit liabilities	1.57%	1.52%	1.83%	1.60%	2.02%

The following table sets forth the asset-liability gap position of the Group as of December 31, 2013 and 2012 (amounts in millions):

	2013					
	Up to 1 month	**>1 to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**>12 months**	**>12 months**
Financial assets						
Cash and cash equivalents	**₱2,512**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,512**
Loans and receivables	**30,721**	**4,136**	**4,549**	**4,470**	**30,548**	**74,424**
Investment securities	**870**	**708**	**13**	**–**	**8,173**	**9,764**
Total financial assets	**34,103**	**4,844**	**4,562**	**4,470**	**38,721**	**86,700**
Financial liabilities						
Deposit liabilities	**29,768**	**3,619**	**545**	**360**	**14,462**	**48,754**
Bills and acceptances payable	**2,251**	**1,032**	**–**	**–**	**–**	**3,283**
Other liabilities	**–**	**–**	**–**	**–**	**–**	**–**
Subordinated debt	**1,250**	**–**	**–**	**–**	**1,613**	**2,863**
Contingent liabilities	**22**	**–**	**–**	**–**	**–**	**22**
Total financial liabilities	**33,291**	**4,651**	**545**	**360**	**16,075**	**54,922**
Asset-liability gap	**₱812**	**₱193**	**₱4,017**	**₱4,110**	**₱22,646**	**₱31,778**

	2012					
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>12 months	>12 months
Financial assets						
Cash and cash equivalents	₱8,815	₱–	₱–	₱–	₱–	₱8,815
Loans and receivables	21,957	5,884	2,866	5,569	16,938	53,214
Investment securities	51	–	–	–	8,585	8,636
Total financial assets	30,823	5,884	2,866	5,569	25,523	70,665
Financial liabilities						
Deposit liabilities	31,191	7,534	1,162	451	3,261	43,599
Bills and acceptances payable	3,047	1,669	–	–	–	4,716
Other liabilities	–	–	–	–	–	–
Subordinated debt	–	114	–	–	2,750	2,864
Contingent liabilities	84	777	145	273	15	1,294
Total financial liabilities	34,322	10,094	1,307	724	6,026	52,473
Asset-liability gap	(₱3,499)	(₱4,210)	₱1,559	₱4,845	₱19,497	₱18,192

The following table sets forth the asset-liability gap position of the Parent Company as of December 31, 2013 and 2012 (amounts in millions):

	2013					
	Up to 1 month	**>1 to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**>12 months**	**>12 months**
Financial assets						
Cash and cash equivalents	**₱2,512**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,512**
Loans and receivables	**30,839**	**4,116**	**4,530**	**4,434**	**27,433**	**71,352**
Investment securities	**870**	**708**	**13**	**–**	**8,173**	**9,764**
Total financial assets	**34,221**	**4,824**	**4,543**	**4,434**	**35,606**	**83,628**
Financial liabilities						
Deposit liabilities	**28,209**	**3,153**	**512**	**339**	**14,462**	**46,675**
Bills and acceptances payable	**2,251**	**1,032**	**–**	**–**	**–**	**3,283**
Other liabilities	**–**	**–**	**–**	**–**	**–**	**–**
Subordinated debt	**1,250**	**–**	**–**	**–**	**1,500**	**2,750**
Contingent liabilities	**22**	**–**	**–**	**–**	**–**	**22**
Total financial liabilities	**31,732**	**4,185**	**512**	**339**	**15,962**	**52,730**
Asset-liability gap	**₱2,489**	**₱639**	**₱4,031**	**₱4,095**	**₱19,644**	**₱30,898**

	2012					
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>12 months	>12 months
Financial assets						
Cash and cash equivalents	₱8,815	₱–	₱–	₱–	₱–	₱8,815
Loans and receivables	21,932	5,876	2,847	5,470	15,613	51,738
Investment securities	51	–	–	–	8,585	8,636
Total financial assets	30,798	5,876	2,847	5,470	24,198	69,189
Financial liabilities						
Deposit liabilities	30,953	5,351	981	417	3,261	40,963
Bills and acceptances payable	3,047	1,669	-	–	-	4,716
Other liabilities	-	-	-	–	–	-
Subordinated debt	-	-	-	–	2,750	2,750
Contingent liabilities	84	777	145	273	15	1,294
Total financial liabilities	34,084	7,797	1,126	690	6,026	49,723
Asset-liability gap	(₱3,286)	(₱1,921)	₱1,721	₱4,780	₱18,172	₱19,466

With the above positive re-pricing profile, the Group could expect positive returns from the following months after the end of 2013 should there be an upward movement in interest rates.

The Group also monitors its exposure to fluctuations in interest rates by using scenario analysis to estimate the impact of interest rate movements on its interest income. This is done by modeling the impact to the Group's interest income and interest expenses of different parallel changes in the interest rate curve, assuming the parallel change only occurs once and the interest rate curve after the parallel change does not change again for the next twelve months.

The following table sets forth, for the period indicated, the impact of changes in interest rates on the Group's non-trading net interest income (amounts in millions). There is no other impact on the Group's equity other than those already affecting the statements of income.

Change in basis points	**2013**	2012
+10.00%	**₱44.8**	(₱46.7)
-10.00%	**(44.8)**	46.7

The following table sets forth, for the period indicated, the impact of changes in interest rates on the Parent Company's non-trading net interest income (amounts in millions). There is no other impact on the Parent Company's equity other than those already affecting the statements of income.

Change in basis points	**2013**	2012
+10.00%	**₱64.6**	(₱4.8)
-10.00%	**(64.6)**	24.8

Market Risk Weighting as of December 31, 2013 and 2012
The table below shows the different market risk-weighted assets (in millions) of the Group and the Parent Company using the standardized approach:

Type of Market Risk Exposure	**2013**	2012
Interest Rate Exposures	**₱1,874**	₱5,243
Foreign Exposures	**256**	266
Equity Exposures	**7**	27
	₱2,137	₱5,536

Operational Risk
Operational risk is the loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal, compliance and reputational risks but excludes strategic risk.

Adopting the Basic Indicator Approach in computing, below is the total operational risk-weighted assets of the Group and Parent Company (amounts in millions).

	2013	2012	2011
Group	**₱15,338**	₱12,973	₱12,973
Parent Company	**14,701**	12,229	12,229

Other Risk Exposures
Group risk exposures other than credit, market, liquidity and operational, while existent, are deemed insignificant relative to the mentioned risks and if taken in isolation. Hence, management of these risks are instead collectively performed and made an integral part of the Group's internal capital adequacy assessment process (ICAAP) and enterprise risk management initiatives.

The last internal capital adequacy assessment results of the Group show that these other risks remain insignificant to pose a threat on the Group's capacity to comply with the minimum capital adequacy ratio of 10% as prescribed by BSP.

5. Fair Value Measurement

The following table provides the fair value hierarchy of the Group's and of the Parent Company's assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

Consolidated 2013

	Carrying Value	Fair Value: Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱691,437	₱691,437	₱691,437	₱–	₱–
Private bonds	543,626	543,626	543,626	–	–
Equity securities	713,640	713,640	713,640	–	–
	1,948,703	1,948,703	1,948,703	–	–
Derivative assets	90	90	–	90	–
Financial assets at FVTOCI	10,733	10,733	10,733	–	–
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	7,667,254	7,778,029	7,778,029	–	–
Private bonds	1,413,066	1,752,318	1,752,318	–	–
	9,080,320	9,530,347	9,530,347	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	47,558,271	47,011,932	–	–	47,011,932
Consumer lending	41,871,825	50,102,457	–	–	50,102,457
Unquoted debt securities	208,753	208,753	–	–	208,753
	89,638,849	97,323,142	–	–	97,323,142
Non-financial assets					
Investment properties	1,006,716	1,420,398	–	1,420,398	–
Total assets	₱101,685,411	₱110,233,413	₱11,489,783	₱1,420,488	₱97,323,142
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	₱21,978	₱21,978	₱–	₱21,978	₱–
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	41,275,731	41,314,743	–	–	41,314,743
LTNCD	5,466,003	6,997,876	–	–	6,997,876
	46,741,734	48,312,619	–	–	48,312,619
Subordinated debt	2,862,500	4,099,986	–	–	4,099,986
Total liabilities	₱49,626,212	₱52,434,583	₱–	₱21,978	₱52,412,605

Consolidated 2012

	Carrying Value	Fair Value: Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱1,805,939	₱1,805,939	₱1,805,939	₱–	₱–
Private bonds	1,206,722	1,206,722	1,206,722	–	–
Equity securities	1,247,664	1,247,664	1,247,664	–	–
	4,260,325	4,260,325	4,260,325	–	–
Derivative assets	₱41,316	₱41,316	₱–	₱41,316	₱–
Financial assets at FVTOCI	9,982	9,982	9,982	–	–

(Forward)

Consolidated 2012

	Carrying Value	Fair Value: Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	8,253,247	8,862,425	8,862,425	–	–
Private bonds	1,367,258	1,887,344	1,887,344	–	–
	9,620,505	10,749,769	10,749,769	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	31,720,228	34,128,059	–	–	34,128,059
Consumer lending	38,165,990	39,482,447	–	–	39,482,447
Unquoted debt securities	207,937	207,937	–	–	207,937
	70,094,155	73,818,443	–	–	73,818,443
Non-financial assets					
Investment properties	937,468	1,666,786	–	1,666,786	–
Total assets	₱84,963,751	₱90,546,621	₱15,020,076	₱1,708,102	₱73,818,443
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	₱97,684	₱97,684	₱–	₱97,684	₱–
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	39,317,476	39,510,418	–	–	39,510,418
LTNCD	1,523,778	1,755,861	–	–	1,755,861
	40,841,254	41,266,279	–	–	41,266,279
Subordinated debt	2,863,751	3,550,031	–	–	3,550,031
Total liabilities	₱43,802,689	₱44,913,994	₱–	₱97,684	₱44,816,310

Parent Company 2013

	Carrying Value	Fair Value: Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱691,437	₱691,437	₱691,437	₱–	₱–
Private bonds	543,626	543,626	543,626	–	–
Equity securities	713,640	713,640	713,640	–	–
	1,948,703	1,948,703	1,948,703	–	–
Derivative assets	90	90	–	90	–
Financial assets at FVTOCI	10,733	10,733	10,733	–	–
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	7,667,254	7,778,029	7,778,029	–	–
Private bonds	1,412,653	1,751,904	1,752,904	–	–
	9,079,907	9,529,933	9,529,933	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	47,558,271	47,011,932	–	–	47,011,932
Consumer lending	41,887,643	46,716,063	–	–	46,716,063
Unquoted debt securities	208,132	208,132	–	–	208,132
	89,654,046	93,936,127	–	–	97,323,142
Non-financial assets					
Investment properties	811,423	1,048,808	–	1,048,808	–
Total assets	₱101,504,902	₱106,474,394	₱11,489,369	₱1,048,898	₱93,936,127

		Parent Company			
		2013			
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	**₱21,978**	**₱21,978**	**₱–**	**₱21,978**	**₱–**
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	**41,275,731**	**41,379,781**	**–**	**–**	**41,379,781**
LTNCD	**5,466,003**	**6,997,876**	**–**	**–**	**6,997,876**
	46,741,734	**48,377,657**	**–**	**–**	**48,377,657**
Subordinated debt	**2,750,000**	**3,952,174**	**–**	**–**	**3,952,174**
Total liabilities	**₱49,513,712**	**₱52,351,809**	**₱–**	**₱21,978**	**₱52,329,831**

		Parent Company			
		2012			
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱1,805,939	₱1,805,939	₱1,805,939	₱–	₱–
Private bonds	1,206,722	1,206,722	1,206,722	–	–
Equity securities	1,247,664	1,247,664	1,247,664	–	–
	4,260,325	4,260,325	4,260,325	–	–
Derivative assets	41,316	41,316	–	41,316	–
Financial assets at FVTOCI	9,982	9,982	9,982	–	–
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	8,253,247	8,862,425	8,862,425	–	–
Private bonds	1,366,848	1,887,344	1,887,344	–	–
	9,620,095	10,749,769	10,749,769	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	31,720,228	34,128,059	–	–	34,128,059
Consumer lending	35,734,037	37,628,781	–	–	37,628,781
Unquoted debt securities	207,869	207,869			207,869
	67,662,134	71,964,709	–	–	71,964,709
Non-financial assets					
Investment properties	937,648	1,297,364	–	1,297,364	–
Total assets	₱82,531,500	₱88,323,465	₱15,020,076	₱1,338,680	₱71,964,709
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	₱97,684	₱97,684	₱–	₱97,684	₱–
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	39,438,612	39,662,110	–	–	39,662,110
LTNCD	1,523,778	1,755,861	–	–	1,755,861
	40,962,390	41,417,971	–	–	41,417,971
Subordinated debt	2,750,000	3,439,083	–	–	3,439,083
Total liabilities	₱43,810,074	₱44,954,738	₱–	₱97,684	₱44,857,054

In 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

COCI, due from BSP and other banks and IBLR - The carrying amounts approximate fair values due to the short-term nature of these accounts. IBLR consist mostly of overnight deposits and floating rate placements.

Loans and receivables - Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Parent Company's current incremental lending rates for similar types of loans and receivables.

Debt securities - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Equity securities - Fair values of quoted equity securities are based on quoted market prices. Unquoted equity investments are simply carried at cost since there is insufficient information available to determine fair values and there are no indicators that the investments are impaired.

Derivative instruments - Fair values of derivative instruments, mainly forward foreign exchange contracts, are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique is forward pricing, which uses present value calculations. The model incorporates various inputs including the foreign exchange rates and interest rate curves prevailing at the statement of financial position date.

Liabilities - The fair values of liabilities approximate their carrying amounts due to either the demand nature or the relatively short-term maturities of these liabilities except for time deposit liabilities, LTNCD and subordinated debt whose fair value are estimated using the discounted cash flow methodology using the Parent Company's incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

Derivative Financial Instruments

The Parent Company's freestanding derivative financial instruments, which mainly consist of foreign currency forward contracts and swaps, are transactions not designated as hedges. The table below sets out information about the Parent Company's derivative financial instruments and the related fair value as of December 31, 2013 and 2012:

	2013	2012
Notional amount	**$32,000**	$209,000
Derivative assets	**₱90**	₱41,316
Derivative liabilities	**22,017**	97,684

The net movements in fair value changes of all derivative instruments are as follows:

	2013	2012
Derivative assets (liabilities) - net at beginning of year	**(₱56,368)**	₱449
Changes in fair value of derivatives	**(3,585,414)**	(8,324,636)
Fair value of settled instruments	**3,619,855**	8,267,819
Derivative assets (liabilities) - net at end of year	**(₱21,927)**	(₱56,368)

Fair value changes of derivatives are recognized as Foreign exchange gain in the statements of income.

6. Segment Reporting

The Group's main operating businesses are organized and managed primarily, according to the current organizational structure. Each segment represents a strategic business unit that caters to the bank's identified markets. The Group's business segments are:

(a) **Retail banking -** this segment mainly covers traditional branch banking products and services such as deposits, back-to-back/emerging market loans and other over-the-counter (OTC) transactions. It likewise caters to the needs of high net-worth clients for alternative investment channels. It includes entire transaction processing, service delivery and infrastructure consisting of the Group's network of branches, automated teller machines as well as its internet banking platform;

(b) **Corporate banking -** this segment handles lending and trade financing for both large corporations and middle market clients;

(c) **Consumer lending -** this segment primarily caters to loans for individuals;

(d) **Treasury and Trust -** this segment consists of Treasury and Trust operations of the Group. Treasury focuses on providing money market, trading and treasury services, as well as the management of the Group's funding operations through debt securities, placements and acceptances with other banks. Trust includes fund management, investment management services, custodianship, administration and collateral agency services, and stock and transfer agency services. In addition, the Parent Company through Trust, provides retail customers with alternative investment opportunities through its unit investment fund products;

The 'Elimination Items' includes the Group's executive office and elimination items related to the Group's segment reporting framework.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment assets are those operating assets employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense.

The Group's revenue-producing assets are located in the Philippines (i.e., one geographical location); therefore, geographical segment information is no longer presented. The Group has no significant customers which contribute 10.00% or more of the consolidated revenue, net of interest expense.

The segment results include internal transfer pricing adjustments across business units as deemed appropriate by management. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to the business units based on a pool rate which approximates the marginal cost of funds.

Segment information of the Group as of and for the years ended December 31, 2013, 2012 and 2011 follow (amounts in millions):

	2013					
	Retail Banking	**Corporate Banking**	**Consumer Banking**	**Treasury and Trust**	**Elimination Items**	**Total**
Statement of Income						
Net Interest Income						
Third Party	₱2,122	₱597	₱5,334	₱5	₱335	₱8,393
Intersegment	50	426	–	–	(476)	–
	2,172	1,023	5,334	5	(141)	8,393
Noninterest Income	654	56	2,391	1,474	197	4,772
Revenue - Net of Interest Expense	2,826	1,079	7,725	1,479	56	13,165
Noninterest Expense	(3,440)	(761)	(5,456)	(267)	(966)	(10,890)
Income Before Income Tax	(614)	318	2,269	1,212	(910)	2,275
Provision for Income Tax	–	–	–	–	(219)	(219)
Net Income for the Year	(₱614)	₱318	₱2,269	₱1,212	(₱1,129)	₱2,056
Statement of Financial Position						
Total Assets	₱25,539	₱47,192	₱44,414	₱10,124	₱15,030	₱142,299
Total Liabilities	109,315	21,556	1,806	10,579	(20,350)	122,906
Statement of Income						
Depreciation and Amortization	417	27	191	17	66	718
Provision for Impairment and Credit Losses	3	376	2,191	4	526	3,100

	2012					
	Retail Banking	Corporate Banking	Consumer Banking	Treasury and Trust	Elimination Items	Total
Statement of Income						
Net Interest Income						
Third Party	₱1,702	₱315	₱3,676	₱90	₱335	₱6,088
Intersegment	30	321	–	–	(351)	–
	1,732	636	3,676	90	(46)	6,088
Noninterest Income	726	72	1,554	1,353	(9)	3,696
Revenue - Net of Interest Expense	2,458	708	5,230	1,443	(55)	9,784
Noninterest Expense	(2,668)	(394)	(4,024)	(265)	(441)	(7,792)
Income Before Income Tax	(210)	314	1,206	1,178	(496)	1,992
Provision for Income Tax	(27)	(11)	379	(29)	(488)	(176)
Net Income for the Year	(₱237)	₱303	₱1,585	₱1,149	(₱984)	₱1,816
Statement of Financial Position						
Total Assets	₱22,152	₱35,424	₱39,246	₱13,067	₱11,514	₱121,403
Total Liabilities	94,377	15,318	1,088	7,464	(14,165)	104,082
Statement of Income						
Depreciation and Amortization	328	19	141	25	48	561
Provision for Impairment and Credit Losses	–	42	1,514	–	(25)	1,531

	2011					
	Retail Banking	Corporate Banking	Consumer Banking	Treasury and Trust	Elimination Items	Total
Statement of Income						
Net Interest Income						
Third Party	₱1,521	₱315	₱2,636	₱66	₱375	₱4,913
Intersegment	28	278	–	–	(306)	–
	1,549	593	2,636	66	69	4,913
Noninterest Income	513	79	1,325	551	(77)	2,391
Revenue - Net of Interest Expense	2,062	672	3,961	617	(8)	7,304
Noninterest Expense	(1,946)	(289)	(2,814)	(230)	85	(5,194)
Income Before Income Tax	116	383	1,147	387	77	2,110
Provision for Income Tax	(38)	(27)	(152)	(74)	(88)	(379)
Net Income for the Year	₱78	₱356	₱995	₱313	(₱11)	₱1,731
Statement of Financial Position						
Total Assets	₱17,478	₱25,190	₱26,822	₱11,489	₱15,028	₱96,006
Total Liabilities	78,687	14,654	1,011	3,846	(13,416)	84,782
Statement of Income						
Depreciation and Amortization	189	18	158	17	19	401
Provision for Impairment and Credit Losses	–	9	920	–	(197)	732

Noninterest income consists of service charges, fees and commissions, gain on sale of assets, gain on asset foreclosure and dacion transactions, trading and securities gain, gain on sale (loss on derecognition) of investment securities at amortized cost, foreign exchange gain, trust income and miscellaneous income. Noninterest expense consists of compensation and fringe benefits, taxes and licenses, depreciation and amortization, rent, amortization of intangible assets, provision for impairment and credit losses, and miscellaneous expenses.

7. **Business Combination**

Acquisition of East West Rural Bank, Inc. (formerly FinMan Rural Bank, Inc.)
On January 26, 2012, the BOD of the Parent Company approved the acquisition of the outstanding shares of FRBI. FRBI is a rural bank engaged in deposit-taking, rural credit, and consumer lending services to the public. On February 9, 2012, the Parent Company entered into a Memorandum of Understanding with the majority shareholders of FRBI to acquire all of the outstanding shares of FRBI.

On June 20, 2012, the BSP approved the acquisition of up to 100.00% of the total outstanding shares of FRBI. On July 11, 2012, the Parent Company obtained control of FRBI through the purchase of 83.17% of the outstanding capital stock of FRBI for ₱34.10 million. The Parent Company acquired additional shares of FRBI amounting to ₱20.00 million, thereby increasing its ownership to 91.58% as of December 31, 2012. On January 23, 2013, the Parent Company acquired the remaining non-controlling interest amounting to ₱6.90 million, thereby increasing its ownership to 100.00%.

The Parent Company has elected to measure the non-controlling interest in the acquiree at fair value.

The fair values of the identifiable assets and liabilities acquired at the date of acquisition are as follows:

	Fair Value recognized on acquisition date
Assets	
Cash and other cash items	₱243
Due from BSP	376
Due from other banks	13,779
Investment securities at amortized cost	410
Loans and receivables	6,005
Property and equipment	7,219
Other assets	315
	28,347
Liabilities	
Deposit liabilities	9,895
Accrued taxes, interest and other expenses	383
Other liabilities	547
	10,825
Fair value of net assets acquired	**₱17,522**

The goodwill recognized by the Parent Company can be attributed to the synergy potentially to be gained by the microfinance business from the planned integration of GBI and FRBI.

Consideration transferred	₱34,098
Non-controlling interest measured at fair value	6,902
Fair value of the net assets acquired	(17,522)
Goodwill	₱23,478

Analysis of cash flows on acquisition:

Consideration transferred	₱34,098
Net cash acquired with the subsidiary*	(14,398)
Net cash outflow (included in cash flows from investing activities)	₱19,700

**includes Cash and other cash items, Due from BSP and Due from other banks.*

From the date of acquisition to December 31, 2012, the total operating income and net loss of FRBI consolidated to the Group amounted to ₱3.00 million and ₱0.29 million, respectively.

If the acquisition had taken place at the beginning of the year, the Group's total operating income would have increased by ₱2.03 million while net income before tax would have increased by ₱0.02 million.

Acquisition of Green Bank (a Rural Bank), Inc. (GBI)
On May 5, 2011, the BOD of the Parent Company approved the acquisition of the outstanding shares of GBI. GBI is a rural bank in the Caraga region with branches scattered across the Visayas and Mindanao. On May 24, 2011, the Parent Company, GBI, and the majority shareholders of GBI entered into a Memorandum of Understanding to acquire the shares representing 84.78% of the outstanding shares of GBI.

On August 12, 2011, the BSP approved the acquisition of up to 100.00% of the total outstanding shares of GBI. On the same date, the BSP approved in-principle the granting of certain incentives to the Parent Company. Subsequently, on January 30, 2012, the Parent Company obtained the final approval of the BSP on the said incentives.

On August 19, 2011, the Parent Company acquired 84.78% of the voting shares of GBI. It is on this date that the Parent Company effectively obtained control of GBI. Consequently, the Parent Company had a tender offer to acquire the shares of the non-controlling shareholders of GBI. The Parent Company acquired non-controlling interest amounting to ₱16.91 million, thereby increasing its ownership to 90.79% as of December 31, 2011.

The acquisition provides the Parent Company the opportunity to expand its nationwide footprint, given GBI's wide network of 46 branches and 94 microfinance-oriented other banking offices, and to pursue the microfinance model of GBI.

The Parent Company has elected to measure the non-controlling interest in the acquiree at fair value.

The fair values of the identifiable assets and liabilities acquired at the date of acquisition are as follows:

	Fair Value recognized on acquisition date
Assets	
Cash and other cash items	₱98,503
Due from BSP	10,843
Due from other banks	318,009
Loans and receivables	1,097,181
Property and equipment	220,035
Investment properties	186,377
Other assets	33,009
	1,963,957
Liabilities	
Deposit liabilities	1,193,553
Bills payable	1,062,878
Unsecured subordinated debt	111,282
Accrued taxes, interest and other expenses	206,388
Other liabilities	26,633
	2,600,734
Fair value of net liabilities acquired	(₱636,777)

In addition to the above identifiable assets and liabilities, the Group recognized the fair value of branch licenses acquired as a result of the business combination amounting to ₱625.40 million and the related deferred tax liability of ₱187.62 million.

	Fair Value recognized on acquisition date
Consideration transferred	₱158,548
Non-controlling interest measured at fair value	16,452
Fair value of net liabilities acquired, including the fair value of branch licenses, net of deferred tax liability	198,996
Goodwill	₱373,996

The goodwill recognized by the Parent Company can be attributed to factors such as increase in geographical presence and customer base due to branch licenses acquired.

Analysis of cash flows on acquisition:

Consideration transferred	₱158,548
Net cash acquired with the subsidiary*	(427,355)
Net cash inflow (included in cash flows from investing activities)	(₱268,807)

*includes Cash and other cash items, Due from BSP and Due from other banks.

From the date of acquisition to December 31, 2011, the total operating income and net loss of GBI consolidated to the Parent Company amounted to ₱89.58 million and ₱5.00 million, respectively.

If the acquisition had taken place at the beginning of the year, the Group's total operating income would have decreased by ₱256.35 million while the Group's net income before tax would have decreased by ₱275.61 million.

8. Trading and Investment Securities

The Group and the Parent Company have the following trading and investment securities:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Financial assets at FVTPL	**₱1,948,703**	₱4,260,325	**₱1,948,703**	₱4,260,325
Financial assets at FVTOCI	**10,733**	9,982	**10,733**	9,982
Investment securities at amortized cost	**9,080,320**	9,620,505	**9,079,907**	9,620,095
	₱11,039,756	₱13,890,812	**₱11,039,343**	₱13,890,402

Financial assets at FVTPL
Financial assets at FVTPL of the Group and of the Parent Company consist of:

	2013	2012
Held-for-trading		
Government securities	**₱691,437**	₱1,805,939
Private bonds	**543,626**	1,206,722
Equity securities	**713,640**	1,247,664
	₱1,948,703	₱4,260,325

As of December 31, 2013 and 2012, financial assets at FVTPL include net unrealized gain of ₱131.15 million and ₱61.84 million, respectively, for the Group and for the Parent Company.

Financial assets at FVTOCI
As of December 31, 2013 and 2012, financial assets at FVTOCI of the Group and of the Parent Company consist of:

	2013	2012
Quoted equity securities	**₱7,486**	₱6,735
Unquoted equity securities	**3,247**	3,247
	₱10,733	₱9,982

The Group has designated the above equity investments as at FVTOCI because they are held for long-term investments rather than for trading. The unquoted equity securities pertain to golf shares.

In 2013 and 2012, no dividends were recognized on these equity investments and no cumulative gain or loss was transferred within equity.

The movements in Net unrealized gain on financial assets at FVTOCI follow:

	2013	2012
Balance at beginning	**₱1,174**	₱299
Unrealized gains for the year	**751**	875
Balance at end	**₱1,925**	₱1,174

Investment securities at amortized cost
As of December 31, 2013 and 2012, investment securities at amortized cost of the Group and of the Parent Company consist of:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Government securities	**₱7,667,254**	₱8,253,247	**₱7,667,254**	₱8,253,247
Private bonds	**1,413,066**	1,367,258	**1,412,653**	1,366,848
	₱9,080,320	₱9,620,505	**₱9,079,907**	₱9,620,095

Peso-denominated government bonds have effective interest rates ranging from 5.70% to 6.02% in 2013 and 2012, and 5.27% to 12.38% in 2011. Foreign currency-denominated bonds have effective interest rates ranging from 2.87% to 7.07% in 2013, 2.87% to 8.08% in 2012, and 2.87% to 9.88% in 2011.

In 2013, the Parent Company sold government securities carried at amortized cost, with aggregate carrying amount of ₱1.10 billion, and recognized a gain amounting to ₱572.49 million. The gain is presented as Gain on sale of investment securities at amortized cost in the statement of income. The securities were sold to fund the lending requirement for FDC. As a result of the sale, subsequent acquisitions of investment securities in the portfolio will be classified as financial assets at FVTPL while the remaining securities will remain to be classified as investment securities at amortized cost. As of December 31, 2013, the remaining government securities in the portfolio amounted to ₱231.42 million. There were no additions to the portfolio subsequent to the sale.

In 2012, the Parent Company sold government securities classified as investment securities at amortized cost with aggregate carrying amount of ₱1.29 billion and recognized a gain amounting to ₱276.88 million, which is presented as Gain on sale of investment securities at amortized cost in the statement of income. The sale was contemplated to secure financing for the Parent Company's capital expenditures on branch expansion. The Parent Company concluded that the sale is consistent with its business model of managing financial assets to collect contractual cash flows.

In 2011, the Parent Company participated in a debt exchange program for certain investments in government securities classified as financial assets at FVTPL and at amortized cost. The carrying amount of the financial assets at FVTPL surrendered amounted to ₱1.26 billion, and the carrying amount of the investment securities at amortized cost surrendered amounted to ₱3.27 billion. The fair value of the debt securities received amounted to ₱4.47 billion, and the Parent Company recognized Loss on derecognition of investment securities at amortized cost amounting to ₱44.44 million and Loss on derecognition of financial assets at FVTPL, included in Trading and securities gain, amounting to ₱9.93 million. The exchange of investment securities at amortized cost was executed because of a change in the debt structure initiated by the creditor. The management believes that participation in the bond swap is consistent with its business model of managing financial assets to collect contractual cash flows.

Refer to Note 3 for the judgments made related to the sale and derecognition of investment securities at amortized cost.

Interest income on trading and investment securities follows:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Financial assets at FVTPL	**₱106,912**	₱185,963	₱444,520	**₱106,912**	₱185,963	₱444,520
Investment securities at amortized cost	**426,454**	656,299	664,175	**426,447**	656,298	664,175
	₱533,366	₱842,262	₱1,108,695	**₱533,359**	₱842,261	₱1,108,695

Trading and securities gain (loss) of the Group and of the Parent Company consists of:

	2013	2012	2011
Financial assets at FVTPL	**₱1,005,237**	₱988,110	₱447,188
Investment securities at amortized cost	**572,490**	276,883	(44,440)
	₱1,577,727	₱1,264,993	₱402,748

On June 25, 2012, the BOD approved the change in the Parent Company's business model. Management deemed it necessary to change the way it manages its investment securities because of significant changes in its strategic plans, funding structure and cash flow profile brought about by the IPO and its branch expansion program. Accordingly, the Parent Company made certain reclassifications pursuant to the new business model effective July 1, 2012, resulting in ₱711.89 million of Trading and securities gain in the statement of income representing the difference between the aggregate amortized cost of certain securities amounting to ₱5.58 billion and their aggregate fair value of ₱6.29 billion at the reclassification date. Refer to Note 3 for the discussion on the change in the business model.

9. **Loans and Receivables**

Loans and receivables consist of:

	Consolidated		Parent Company	
	2013	2012	2013	2012
Receivables from customers				
Corporate lending	₱49,015,326	₱34,323,221	₱49,015,326	₱34,323,221
Consumer lending	47,256,601	39,706,955	44,198,217	37,253,268
	96,271,927	74,030,176	93,213,543	71,576,489
Unearned discounts	(636,865)	(1,645,390)	(589,681)	(1,645,097)
	95,635,062	72,384,786	92,623,862	69,931,392
Unquoted debt securities				
Government securities	37,184	33,924	36,563	33,856
Private bonds	342,897	341,983	342,897	341,983
	380,081	375,907	379,460	375,839
Other receivables				
Accounts receivable	985,244	666,989	1,415,482	1,482,733
Accrued interest receivable	784,853	716,730	723,205	632,578
Sales contracts receivable	177,690	202,394	162,797	180,032
	1,947,787	1,586,113	2,301,484	2,295,343
	97,962,930	74,346,806	95,304,806	72,602,574
Allowance for credit and impairment losses (Note 14)	(4,002,355)	(3,154,065)	(3,975,337)	(3,132,624)
	₱93,960,575	₱71,192,741	₱91,329,469	₱69,469,950

Credit card receivables under consumer lending amounted to ₱19.41 billion and ₱16.28 billion as of December 31, 2013 and 2012, respectively.

As of December 31, 2012, accounts receivable of the Parent Company includes the Parent Company's deposits for future stock subscription in GBI and EWRB amounting to ₱700.00 million and ₱120.00 million, respectively. In 2013, the application for the increase in authorized capital stock of GBI and EWRB had been approved by the regulators and the Parent Company's deposits for future stock subscriptions had been applied to the common stock issued by GBI and EWRB to the Parent Company (see Note 1).

Receivables from customers consist of:

	Consolidated		Parent Company	
	2013	2012	2013	2012
Loans and discounts	₱91,645,274	₱70,940,952	₱88,586,890	₱68,487,265
Customers' liabilities under letters of credit/trust receipts	2,704,310	1,763,323	2,704,310	1,763,323
Bills purchased	1,922,343	1,325,901	1,922,343	1,325,901
	₱96,271,927	₱74,030,176	₱93,213,543	₱71,576,489

In 2013, the Parent Company entered into a purchase of receivables agreement with EWRB, whereby the Parent Company purchased, on a without recourse basis, loans receivables of EWRB amounting to ₱2.91 billion. The Parent Company's acquisition cost of the loans receivables approximates fair value at the acquisition date. As of December 31, 2013, loans and receivables purchased from EWRB, included in Loans and discounts of the Parent Company, amounted to ₱2.49 billion. In connection with the purchase of receivables agreement, the Parent Company and EWRB also entered into an account servicing and collection agreement whereby the Parent Company agreed to pay service fees equivalent to 0.37% of the loan amounts collected by EWRB on behalf of the Parent Company. The service fees paid by the Parent Company to EWRB in 2013 amounted to ₱1.67 million (see Note 26).

The Parent Company has a memorandum of understanding with Filinvest Land, Inc. (FLI), an entity under common control of FDC, whereby the Parent Company will purchase, on a without recourse basis, installment contracts receivable from FLI. On various dates in 2013 and 2012, several deeds of assignment were executed wherein FLI sold, assigned and transferred without recourse to the Parent Company all the rights, titles and interest in various loan accounts and the related mortgages. During 2013 and 2012, the total receivables purchased by the Parent Company without recourse under the terms of the foregoing assignment agreement amounted to ₱0.27 billion and ₱1.81 billion, respectively. Outstanding receivables purchased included in Loans and discounts amounted to ₱1.31 billion and ₱1.66 billion as of December 31, 2013 and 2012, respectively. The Parent Company's acquisition cost of the installment contracts receivable approximates fair value at the acquisition date. In 2012, the Parent Company and FLI also entered into an account servicing and collection agreement wherein the Parent Company would pay service fees equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company related to its purchase of installment contracts receivable. The total service fees paid by the Parent Company to FLI amounted to ₱2.58 million and ₱1.64 million in 2013 and 2012, respectively (see Note 26).

A reconciliation of the allowance for impairment and credit losses for loans and receivables per class for the Group and the Parent Company as of December 31, 2013 follows:

	Consolidated			
	2013			
	Corporate Lending	Consumer Lending	Others	Total
At January 1	₱1,068,639	₱1,429,929	₱655,497	₱3,154,065
Provision for impairment and credit losses (Note 14)	411,967	2,229,435	354,747	2,996,149
Write-off (Note 14)	(6,210)	(1,911,453)	(182,855)	(2,100,518)
Interest accrued on impaired loans	(47,341)	–	–	(47,341)
At December 31	₱1,427,055	₱1,747,911	₱827,389	₱4,002,355
Specific impairment	₱948,461	₱–	₱–	₱948,461
Collective impairment	478,594	1,747,911	827,389	3,053,894
	₱1,427,055	₱1,747,911	₱827,389	₱4,002,355
Gross amount of individually impaired loans	₱963,228	₱–	₱–	₱963,228

	Parent Company			
	2013			
	Corporate Lending	Consumer Lending	Others	Total
At January 1	₱1,068,639	₱1,408,488	₱655,497	₱3,132,624
Provision for impairment and credit losses (Note 14)	411,967	2,112,733	354,747	2,879,447
Write-off (Note 14)	(6,210)	(1,800,328)	(182,855)	(1,989,393)
Interest accrued on impaired loans	(47,341)	–	–	(47,341)
At December 31	₱1,427,055	₱1,720,893	₱827,389	₱3,975,337
Specific impairment	₱948,461	₱–	₱–	₱948,461
Collective impairment	478,594	1,720,893	827,389	3,026,876
	₱1,427,055	₱1,720,893	₱827,389	₱3,975,337
Gross amount of individually impaired loans	₱963,228	₱–	₱–	₱963,228

A reconciliation of the allowance for the impairment and credit losses of loans and receivables per class for the Group and the Parent Company as of December 31, 2012 follows:

	Consolidated			
	2012			
	Corporate Lending	Consumer Lending	Others	Total
At January 1	₱1,071,459	₱1,562,535	₱476,049	₱3,110,043
Provision for impairment and credit losses (Note 14)	38,357	1,292,109	179,448	1,509,914
Write-off (Note 14)	–	(1,424,715)	–	(1,424,715)
Interest accrued on impaired loans	(41,177)	–	–	(41,177)
At December 31	₱1,068,639	₱1,429,929	₱655,497	₱3,154,065
Specific impairment	₱632,691	₱–	₱–	₱632,691
Collective impairment	435,948	1,429,929	655,497	2,521,374
	₱1,068,639	₱1,429,929	₱655,497	₱3,154,065
Gross amount of individually impaired loans	₱933,323	₱–	₱–	₱933,323

	Parent Company			
	2012			
	Corporate Lending	Consumer Lending	Others	Total
At January 1	₱1,071,459	₱1,562,535	₱476,049	₱3,110,043
Provision for impairment and credit losses (Note 14)	38,357	1,270,668	179,448	1,488,473
Write-off (Note 14)	–	(1,424,715)	–	(1,424,715)
Interest accrued on impaired loans	(41,177)	–	–	(41,177)
At December 31	₱1,068,639	₱1,408,488	₱655,497	₱3,132,624
Specific impairment	₱632,691	₱–	₱–	₱632,691
Collective impairment	435,948	1,408,488	655,497	2,499,993
	₱1,068,639	₱1,408,488	₱655,497	₱3,132,624
Gross amount of individually impaired loans	₱933,323	₱–	₱–	₱933,323

The Parent Company took possession of various properties previously held as collateral with an estimated value of ₱563.45 million in 2013, ₱357.76 million in 2012 and ₱358.28 million in 2011 (see Notes 11 and 13).

The following is a reconciliation of the individual and collective allowances for impairment and credit losses on loans and receivables of the Group and of the Parent Company:

	Consolidated					
	2013			2012		
	Specific Impairment	**Collective Impairment**	**Total**	Specific Impairment	Collective Impairment	Total
At January 1	**₱632,691**	**₱2,521,374**	**₱3,154,065**	₱812,909	₱2,297,134	₱3,110,043
Provision for impairment and credit losses	**369,321**	**2,626,828**	**2,996,149**	(139,041)	1,648,955	1,509,914
Write-off	**(6,210)**	**(2,094,308)**	**(2,100,518)**	–	(1,424,715)	(1,424,715)
Interest accrued on impaired loans	**(47,341)**	**–**	**(47,341)**	(41,177)	–	(41,177)
At December 31	**₱948,461**	**₱3,053,894**	**₱4,002,355**	₱632,691	₱2,521,374	₱3,154,065

	Parent Company					
	2013			2012		
	Specific Impairment	**Collective Impairment**	**Total**	Specific Impairment	Collective Impairment	Total
At January 1	**₱632,691**	**₱2,499,933**	**₱3,132,624**	₱812,909	₱2,297,134	₱3,110,043
Provision for impairment and credit losses	**369,321**	**2,510,126**	**2,879,447**	(139,041)	1,627,514	1,488,473
Write-off	**(6,210)**	**(1,983,183)**	**(1,989,393)**	–	(1,424,715)	(1,424,715)
Interest accrued on impaired loans	**(47,341)**	**–**	**(47,341)**	(41,177)	–	(41,177)
At December 31	**₱948,461**	**₱3,026,876**	**₱3,975,337**	₱632,691	₱2,499,933	₱3,132,624

Interest income on loans and receivables consist of:

	Consolidated			**Parent Company**		
	2013	2012	2011	**2013**	2012	2011
Receivables from customers	**₱9,106,302**	₱6,772,393	₱5,389,982	**₱8,706,551**	₱6,625,128	₱5,319,707
Unquoted debt securities	**7,237**	21,951	31,242	**7,237**	21,951	31,224
Interest accrued on impaired loans	**47,341**	41,177	29,006	**47,341**	41,177	29,006
	₱9,160,880	₱6,835,521	₱5,450,230	**₱8,761,129**	₱6,688,256	₱5,379,937

BSP Reporting

Of the total receivables from customers of the Parent Company as of December 31, 2013, 2012 and 2011, 33.27%, 34.70% and 37.90%, respectively, are subject to periodic interest repricing. The remaining peso receivables from customers earn annual fixed interest rates ranging from 1.50% to 40.00%, 2.23% to 23.86% and 2.78% to 18.50% in 2013, 2012 and 2011, respectively, while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 1.56% to 7.56%, 2.78% to 9.00% and 5.00 % to 8.00% in 2013, 2012 and 2011, respectively.

The details of the secured and unsecured loans receivables of the Group and of the Parent Company follow:

	Consolidated							
	2013		2012		**2013**		2012	
	Gross Amount	**%**	Gross Amount	%	**Gross Amount**	**%**	Gross Amount	%
Loans secured by:								
Chattel	**₱10,691,354**	**11.18**	₱8,215,319	11.35	**₱10,691,353**	**11.54**	₱8,215,319	11.75
Real estate	**12,079,279**	**12.63**	10,683,691	14.76	**11,933,785**	**12.88**	10,519,179	15.04
Hold-out on deposit	**6,986,624**	**7.31**	594,035	0.82	**6,986,624**	**7.54**	594,035	0.85
Others	**4,455,937**	**4.66**	11,561,516	15.97	**4,455,937**	**4.82**	11,561,516	16.53
	34,213,194	**35.78**	31,054,561	42.90	**34,067,699**	**36.78**	30,890,049	44.17
Unsecured	**61,421,868**	**64.22**	41,330,225	57.10	**58,556,163**	**63.22**	39,041,343	55.83
	₱95,635,062	**100.00**	₱72,384,786	100.00	**₱92,623,862**	**100.00**	₱69,931,392	100.00

Information on the concentration of credit as to industry follows (in millions):

	Consolidated							
	2013		2012		**2013**		2012	
	Gross Amount	**%**	Gross Amount	%	**Gross Amount**	**%**	Gross Amount	%
Personal consumption	₱35,819	**37.45**	₱26,775	36.99	**₱33,295**	**35.95**	₱26,714	38.20
Real estate, renting and business activity	14,108	**14.75**	6,105	8.43	**14,096**	**15.22**	6,033	8.63
Wholesale and retail trade	11,871	**12.41**	10,436	14.42	**11,933**	**12.88**	10,295	14.72
Manufacturing	6,307	**6.60**	4,344	6.00	**6,298**	**6.80**	4,311	6.16
Financial intermediaries	5,941	**6.21**	4,570	6.31	**5,541**	**5.98**	4,499	6.43
Agriculture, fisheries and forestry	1,214	**1.27**	1,150	1.59	**606**	**0.65**	405	0.58
Transportation, storage and communications	661	**0.69**	1,346	1.86	**658**	**0.71**	1,338	1.91
Others	19,714	**20.62**	17,659	24.40	**20,197**	**21.81**	16,336	23.37
	₱95,635	**100.00**	₱72,385	100.00	**₱92,624**	**100.00**	₱69,931	100.00

BSP Circular No. 351 allows banks to exclude from nonperforming classification receivables classified as 'Loss' in the latest examination of the BSP which are fully covered by allowance for credit losses, provided that interest on said receivables shall not be accrued and that such receivables shall be deducted from the total receivable portfolio for purposes of computing NPLs. Subsequently, the BSP issued BSP Circular No. 772, which requires banks to compute their net NPLs by deducting the specific allowance for credit losses on the total loan portfolio from the gross NPLs. The specific allowance for credit losses shall not be deducted from the total loan portfolio in computing the NPL ratio.

As of December 31, 2013 and 2012, NPLs of the Group and of the Parent Company as reported to the BSP follow:

	Consolidated		**Parent Company**	
	2013	2012	**2013**	2012
Gross NPLs	**₱5,311,975**	₱3,998,592	**₱4,648,407**	₱3,405,266
Deductions as required by the BSP	**(2,743,840)**	(2,452,419)	**(2,224,252)**	(1,943,520)
	₱2,568,135	₱1,546,173	**₱2,424,155**	₱1,461,746

As of December 31, 2013 and 2012, secured and unsecured NPLs of the Group and of the Parent Company as reported to the BSP follow:

	Consolidated		**Parent Company**	
	2013	2012	**2013**	2012
Secured	**₱2,151,441**	₱2,046,874	**₱2,016,763**	₱1,887,266
Unsecured	**3,160,534**	1,951,718	**2,631,644**	1,518,000
	₱5,311,975	₱3,998,592	**₱4,648,407**	₱3,405,266

10. **Property and Equipment**

The composition of and movements in the Group's property and equipment follow:

	2013				
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Total**
Cost					
As of January 1	**₱298,692**	**₱919,934**	**₱1,528,710**	**₱1,614,702**	**₱4,362,038**
Additions	**–**	**62,557**	**421,945**	**731,619**	**1,216,121**
Disposals	**(8,199)**	**(23,193)**	**(87,699)**	**(34,202)**	**(153,293)**
As of December 31	**290,493**	**959,298**	**1,862,956**	**2,312,119**	**5,424,866**
Accumulated Depreciation and Amortization					
As of January 1	**–**	**53,710**	**1,043,391**	**524,248**	**1,621,349**
Depreciation and amortization	**–**	**30,080**	**254,690**	**182,046**	**466,816**
Disposals	**–**	**(6,323)**	**(76,967)**	**(34,174)**	**(117,464)**
As of December 31	**–**	**77,467**	**1,221,114**	**672,120**	**1,970,701**
Allowance for Impairment Losses (Note 14)					
Provision during the year	**–**	**1,955**	**–**	**–**	**1,955**
Disposals	**–**	**(531)**	**–**	**–**	**(531)**
As of December 31	**–**	**1,424**	**–**	**–**	**1,424**
Net Book Value	**₱290,493**	**₱880,407**	**₱641,842**	**₱1,639,999**	**₱3,452,741**

	2012					
	Land	Buildings	Construction in Progress	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost						
As of January 1	₱313,981	₱134,773	₱537,792	₱1,360,394	₱947,192	₱3,294,132
Additions	5,131	195,622	55,017	247,834	718,020	1,221,624
Acquisitions from business combination	6,532	466	–	221	–	7,219
Reclassification	–	592,809	(592,809)	–	–	–
Disposals	(26,952)	(3,736)	–	(79,739)	(50,510)	(160,937)
As of December 31	298,692	919,934	–	1,528,710	1,614,702	4,362,038
Accumulated Depreciation and Amortization						
As of January 1	–	37,531	–	883,914	424,970	1,346,415
Depreciation and amortization	–	16,179	–	203,172	125,616	340,967
Disposals	–	–	–	(43,695)	(22,338)	(66,033)
As of December 31	–	53,710	–	1,043,391	524,248	1,621,349
Net Book Value	₱298,692	₱866,224	₱–	₱485,319	₱1,090,454	₱2,740,689

As of December 31, 2013 and 2012, the cost of fully depreciated property and equipment still in use by the Group amounted to ₱981.12 million and ₱453.54 million, respectively.

The composition of and movements in the Parent Company's property and equipment follow:

	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Total**
Cost					
As of January 1	**₱263,804**	**₱807,518**	**₱1,505,265**	**₱1,599,007**	**₱4,175,594**
Additions	**–**	**61,281**	**401,358**	**725,967**	**1,188,606**
Disposals	**–**	**–**	**(49,972)**	**–**	**(49,972)**
As of December 31	**263,804**	**868,799**	**1,856,651**	**2,324,974**	**5,314,228**
Accumulated Depreciation and Amortization					
As of January 1	**–**	**31,923**	**1,050,468**	**520,671**	**1,603,062**
Depreciation and amortization	**–**	**22,639**	**240,835**	**176,337**	**439,811**
Disposals	**–**	**–**	**(49,276)**	**–**	**(49,276)**
As of December 31	**–**	**54,562**	**1,242,027**	**697,008**	**1,993,597**
Net Book Value	**₱263,804**	**₱814,237**	**₱614,624**	**₱1,627,966**	**₱3,320,631**

	2012					
	Land	Buildings	Construction in Progress	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost						
As of January 1	₱263,804	₱70,117	₱537,792	₱1,288,664	₱888,596	₱3,048,973
Additions	–	144,592	55,017	243,696	710,411	1,153,716
Reclassification	–	592,809	(592,809)	–	–	–
Disposals	–	–	–	(27,095)	–	(27,095)
As of December 31	263,804	807,518	–	1,505,265	1,599,007	4,175,594
Accumulated Depreciation and Amortization						
As of January 1	–	20,883	–	883,914	410,222	1,315,019
Depreciation and amortization	–	11,040	–	188,155	110,449	309,644
Disposals	–	–	–	(21,601)	–	(21,601)
As of December 31	–	31,923	–	1,050,468	520,671	1,603,062
Net Book Value	₱263,804	₱775,595	₱–	₱454,797	₱1,078,336	₱2,572,532

As of December 31, 2013 and 2012, the cost of fully depreciated property and equipment still in use by the Parent Company amounted to ₱862.55 million and ₱389.24 million, respectively.

In 2007, the Parent Company entered into a memorandum of agreement with FDC for the construction of a building in The Fort Global City, Taguig. The Parent Company's cash contribution for the construction of the building was recorded as Construction in Progress. In 2012, the construction was completed and the building became the new principal place of business of the Parent Company. The amounts recorded as Construction in Progress amounting to ₱592.81 million was transferred to the Buildings account.

11. **Investment Properties**

The composition of and movements in the Group's investment properties follow:

	2013		
	Land	**Buildings and Improvements**	**Total**
Cost			
At January 1	**₱796,858**	**₱502,897**	**₱1,299,755**
Additions	**209,064**	**134,486**	**343,550**
Disposals	**(158,918)**	**(65,711)**	**(224,629)**
At December 31	**847,004**	**571,672**	**1,418,676**
Accumulated Depreciation and Amortization			
At January 1	**–**	**218,281**	**218,281**
Depreciation and amortization	**–**	**50,250**	**50,250**
Disposals	**–**	**(20,300)**	**(20,300)**
At December 31	**–**	**248,231**	**248,231**
Accumulated Impairment Losses (Note 14)			
At January 1	**129,728**	**14,098**	**143,826**
Provisions during the year	**19,090**	**15,439**	**34,529**
Disposals	**(6,156)**	**(8,470)**	**(14,626)**
At December 31	**142,662**	**21,067**	**163,729**
Net Book Value	**₱704,342**	**₱302,374**	**₱1,006,716**

	2012		
	Land	Buildings and Improvements	Total
Cost			
At January 1	₱928,979	₱505,500	₱1,434,479
Additions	57,112	69,694	126,806
Disposals	(189,233)	(72,297)	(261,530)
At December 31	796,858	502,897	1,299,755

(Forward)

		2012	
	Land	Buildings and Improvements	Total
Accumulated Depreciation and Amortization			
At January 1	–	184,044	184,044
Depreciation and amortization	–	51,160	51,160
Disposals	–	(16,923)	(16,923)
At December 31	–	218,281	218,281
Accumulated Impairment Losses (Note 14)			
At January 1	139,204	26,077	165,281
Provisions during the year	32,408	12,155	44,563
Disposals	(41,884)	(24,134)	(66,018)
At December 31	129,728	14,098	143,826
Net Book Value	₱667,130	₱270,518	₱937,648

The composition of and movements in the Parent Company's investment properties follow:

		2013	
	Land	**Buildings and Improvements**	**Total**
Cost			
At January 1	**₱648,861**	**₱462,835**	**₱1,111,696**
Additions	**105,233**	**110,897**	**216,130**
Disposals	**(30,552)**	**(61,852)**	**(92,404)**
At December 31	**723,542**	**511,880**	**1,235,422**
Accumulated Depreciation and Amortization			
At January 1	**–**	**207,886**	**207,886**
Depreciation and amortization	**–**	**43,691**	**43,691**
Disposals	**–**	**(19,683)**	**(19,683)**
At December 31	**–**	**231,894**	**231,894**
Accumulated Impairment Losses (Note 14)			
At January 1	**156,111**	**17,364**	**173,475**
Provisions during the year	**15,913**	**15,333**	**31,246**
Disposals	**(4,454)**	**(8,162)**	**(12,616)**
At December 31	**167,570**	**24,535**	**192,105**
Net Book Value	**₱555,972**	**₱255,451**	**₱811,423**

		2012	
	Land	Buildings and Improvements	Total
Cost			
At January 1	₱751,710	₱459,648	₱1,211,358
Additions	36,415	65,874	102,289
Disposals	(139,264)	(62,687)	(201,951)
At December 31	648,861	462,835	1,111,696
Accumulated Depreciation and Amortization			
At January 1	–	179,389	179,389
Depreciation and amortization	–	44,428	44,428
Disposals	–	(15,931)	(15,931)
At December 31	–	207,886	207,886
Accumulated Impairment Losses (Note 14)			
At January 1	139,204	26,663	165,867
Provisions during the year	30,887	12,155	43,042
Disposals	(13,980)	(21,454)	(35,434)
At December 31	156,111	17,364	173,475
Net Book Value	₱492,750	₱237,585	₱730,335

The Group's and the Parent Company's investment properties consist entirely of real estate properties and land improvements acquired in settlement of loans and receivables.

The aggregate fair value of the investment properties of the Group amounted to ₱1.42 billion as of December 31, 2013 and 2012. The aggregate fair value of the investment properties of the Parent Company amounted to ₱1.05 billion as of December 31, 2013 and 2012. Fair value has been determined based on valuations made by independent and/or in-house appraisers. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties taking into account the economic conditions prevailing at the time the valuations were made.

As of December 31, 2013 and 2012, the carrying values of foreclosed investment properties of the Parent Company still subject to redemption period by the borrower amounted to ₱153.70 million and ₱73.95 million, respectively.

Direct operating expenses from investment properties not generating rent income amounted to ₱49.33 million, ₱69.87 million and ₱58.73 million for the Group in 2013, 2012 and 2011, respectively, and ₱43.57 million, ₱64.75 million and ₱55.96 million for the Parent company in 2013, 2012 and 2011, respectively.

12. **Goodwill and Other Intangible Assets**

As of December 31, 2013 and 2012, the intangible assets of the Group consist of:

				2013		
	Goodwill	**Branch Licenses**	**Customer Relationship**	**Core Deposits**	**Capitalized Software**	**Total**
Cost						
As of January 1, 2013	**₱1,316,728**	**₱1,447,400**	**₱154,626**	**₱40,433**	**₱794,758**	**₱3,753,945**
Acquisitions	**–**	**214,800**	**–**	**–**	**183,115**	**397,915**
As of December 31, 2013	**1,316,728**	**1,662,200**	**154,626**	**40,433**	**977,873**	**4,151,860**
Accumulated Amortization						
As of January 1, 2013	**–**	**–**	**17,639**	**14,387**	**322,068**	**354,094**
Amortization	**–**	**–**	**3,199**	**5,155**	**133,677**	**142,031**
As of December 31, 2013	**–**	**–**	**20,838**	**19,542**	**455,745**	**496,125**
Net Book Value	**₱1,316,728**	**₱1,662,200**	**₱133,788**	**₱20,891**	**₱522,128**	**₱3,655,735**

				2012		
	Goodwill	Branch Licenses	Customer Relationship	Core Deposits	Capitalized Software	Total
Cost						
As of January 1, 2012	₱1,293,250	₱625,400	₱154,626	₱40,433	₱546,589	₱2,660,298
From business combination	23,478	–	–	–	–	23,478
Acquisitions	–	822,000	–	–	248,169	1,070,169
As of December 31, 2012	1,316,728	1,447,400	154,626	40,433	794,758	3,753,945
Accumulated Amortization						
As of January 1, 2012	–	–	13,328	10,344	200,447	224,119
Amortization	–	–	4,311	4,043	121,621	129,975
As of December 31, 2012	–	–	17,639	14,387	322,068	354,094
Net Book Value	₱1,316,728	₱1,447,400	₱136,987	₱26,046	₱472,690	₱3,399,851

As of December 31, 2013 and 2012, the intangible assets of the Parent Company consist of:

				2013		
	Goodwill	**Branch Licenses**	**Customer Relationship**	**Core Deposits**	**Capitalized Software**	**Total**
Cost						
As of January 1, 2013	**₱919,254**	**₱822,000**	**₱154,626**	**₱40,433**	**₱783,147**	**₱2,719,460**
Acquisitions	**–**	**214,800**	**–**	**–**	**179,989**	**394,789**
As of December 31, 2013	**919,254**	**1,036,800**	**154,626**	**40,433**	**963,136**	**3,114,249**
Accumulated Amortization						
As of January 1, 2013	**–**	**–**	**17,639**	**14,387**	**316,892**	**348,918**
Amortization	**–**	**–**	**3,199**	**5,155**	**129,947**	**138,301**
As of December 31, 2013	**–**	**–**	**20,838**	**19,542**	**446,839**	**487,219**
Net Book Value	**₱919,254**	**₱1,036,800**	**₱133,788**	**₱20,891**	**₱516,297**	**₱2,627,030**

	2012					
	Goodwill	Branch Licenses	Customer Relationship	Core Deposits	Capitalized Software	Total
Cost						
As of January 1, 2012	₱919,254	₱–	₱154,626	₱40,433	₱536,459	₱1,650,772
Acquisitions	–	822,000	–	–	246,688	1,068,688
As of December 31, 2012	919,254	822,000	154,626	40,433	783,147	2,719,460
Accumulated Amortization						
As of January 1, 2012	–	–	13,328	10,344	199,588	223,260
Amortization	–	–	4,311	4,043	117,304	125,658
As of December 31, 2012	–	–	17,639	14,387	316,892	348,918
Net Book Value	₱919,254	₱822,000	₱136,987	₱26,046	₱466,255	₱2,370,542

Goodwill

The acquisition of EWRB in 2012 resulted in goodwill amounting ₱23.48 million, which has been allocated to EWRB (see Note 7).

The acquisition of GBI in 2011 resulted in goodwill amounting to ₱374.00 million. The goodwill has been allocated to branch operations of GBI (see Note 7).

As discussed in Note 1, on October 31, 2013, GBI transferred certain assets and liabilities to EWRB. The assets and liabilities transferred include the branches where the goodwill from the acquisition of GBI had been allocated. The branches coming from GBI were combined with the branch operations of EWRB after the transfer. Consequently, the goodwill from the acquisition of EWRB and GBI amounting to ₱23.48 million and ₱374.00 million, respectively are now allocated to the branch operations of EWRB, which is now considered as a single CGU for purposes of impairment testing.

The business combination between the Parent Company and AIG Philam Savings Bank (AIGPASB) Group in 2009 resulted in goodwill amounting to ₱769.04 million, which has been allocated to the auto and credit cards lending unit acquired from the AIGPASB Group.

The business combination between the Parent Company and Ecology Savings Bank (ESBI) in 2003 resulted in goodwill amounting to ₱172.80 million, which has been allocated to various branches acquired from ESBI. As of December 31, 2013 and 2012, the carrying amount of goodwill, after impairment recognized in prior years, amounted to ₱150.21 million.

Key assumptions used in value in use calculations

The recoverable amount of the consumer business lending and branch units have been determined based on value in use calculations using cash flow projections based on financial budgets approved by the management covering a five-year period. The discount rates applied to the cash flow projections is 13.09% and 12.71% in 2013 and 2012, respectively.

Discount rates

Discount rates reflect the current market assessment of the risk specific to each CGU.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the units to exceed their recoverable amount.

Customer Relationship and Core Deposits

The business combination between the Parent Company and AIG Philam Savings Bank (AIGPASB) Group in 2009 resulted in acquisition of customer relationship and core deposits amounting to ₱154.63 million and ₱40.43 million, respectively.

Branch Licenses

Branch licenses of the Group amounting to ₱1.66 billion as of December 31, 2013 represents: 10 branch licenses acquired by the Parent Company from the BSP amounting to ₱214.80 million in 2013; 42 branch licenses acquired by the Parent Company from the BSP amounting to ₱822.00 million in 2012; and 46 branch licenses acquired by the Parent Company from the acquisition of GBI amounting to ₱625.40 million in 2011.

Branch licenses of the Parent Company amounting to ₱1.04 billion as of December 31, 2013 represents: 10 branch licenses acquired by the Parent Company from the BSP amounting to ₱214.80 million in 2013; and 42 branch licenses acquired by the Parent Company from the BSP amounting to ₱822.00 million in 2012.

Capitalized Software

Capitalized software pertains to computer software licenses and programs acquired by the Group and Parent Company for its banking operations. Included in the 2013 and 2012 acquisitions are software licenses acquired by the Group for the upgrade of its core banking systems amounting to ₱153.66 million and ₱202.33 million, respectively.

13. **Other Assets**

This account consists of:

	Consolidated		Parent Company	
	As of December 31			
	2013	2012	**2013**	2012
Security deposits	**₱195,835**	₱373,612	**₱189,098**	₱366,653
Other repossessed assets	**172,646**	134,877	**172,646**	134,877
Card acquisition costs	**136,555**	125,435	**136,555**	125,435
Prepaid expenses	**99,326**	85,023	**95,819**	78,546
Returned cash and other cash items	**39,536**	35,735	**39,301**	35,493
Documentary stamps	**36,893**	38,490	**36,893**	32,314
Derivative assets (Note 5)	**90**	41,316	**90**	41,316
Miscellaneous	**284,274**	174,547	**275,562**	170,045
	965,155	1,009,035	**945,964**	984,679
Allowance for impairment losses (Note 14)	**(67,656)**	(51,574)	**(67,656)**	(51,574)
	₱897,499	₱957,461	**₱878,308**	₱933,105

Miscellaneous assets consist mainly of suspense accounts, unused stationery and supplies.

The movements in the allowance for impairment losses on other assets of the Group and of the Parent Company follow:

	2013	2012
Accumulated Impairment Losses		
As of January 1	**₱51,574**	₱58,804
Provision during the year	**65,008**	3,334
Reversal of allowance from disposals	**(31,506)**	(4,265)
Write-off	**(17,420)**	(6,299)
As of December 31	**₱67,656**	₱51,574

The movements in other repossessed assets of the Group and of the Parent Company follow:

	2013	2012
Cost		
As of January 1	**₱159,176**	₱97,873
Additions	**347,316**	255,475
Disposals	**(300,246)**	(194,172)
As of December 31	**206,246**	159,176
Accumulated Depreciation		
As of January 1	**24,299**	11,961
Depreciation and amortization	**58,549**	38,945
Disposals	**(49,248)**	(26,607)
As of December 31	**33,600**	24,299
Net Book Value, gross of impairment	**172,646**	134,877
Accumulated Impairment Losses		
As of January 1	**15,656**	6,936
Provision during the year	**26,302**	12,985
Disposals	**(31,506)**	(4,265)
As of December 31	**10,452**	15,656
Net Book Value, net of impairment	**₱162,194**	₱119,221

14. **Allowance for Impairment and Credit Losses**

Details of and changes in the allowance for impairment and credit losses follow:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Balances at the beginning of year				
Due from BSP	**₱–**	₱27,016	**₱–**	₱27,016
Loans and receivables (Note 9)	**3,154,065**	3,110,043	**3,132,624**	3,110,043
Investment properties (Note 11)	**143,826**	165,281	**173,475**	165,867
Other assets (Note 13)	**51,574**	58,804	**51,574**	58,804
	3,349,465	3,361,144	**3,357,673**	3,361,730
Provisions charged to current operations (Notes 9, 10, 11 and 13)	**3,097,641**	1,530,795	**2,975,701**	1,507,833
Interest accrued on impaired loans	**(47,341)**	(41,177)	**(47,341)**	(41,177)
Write-off of loans and receivables	**(2,100,518)**	(1,424,715)	**(1,989,393)**	(1,424,715)
Reversal of allowance on disposals of property and equipment, investment properties and other repossessed other assets (Notes 10, 11 and 13)	**(46,663)**	(70,283)	**(44,122)**	(39,699)
Write-off of other assets	**(17,420)**	(6,299)	**(17,420)**	(6,299)
Balances at the end of year				
Due from BSP	**–**	–	**–**	–
Loans and receivables (Note 9)	**4,002,355**	3,154,065	**3,975,337**	3,132,624
Property and equipment (Note 10)	**1,424**	–	**–**	–
Investment properties (Note 11)	**163,729**	143,826	**192,105**	173,475
Other assets (Note 13)	**67,656**	51,574	**67,656**	51,574
	₱4,235,164	₱3,349,465	**₱4,235,098**	₱3,357,673

15. **Deposit Liabilities**

Non-FCDU deposit liabilities are subject to liquidity reserve equivalent to 11.00% starting July 15, 2005 (under BSP Circular No. 491), and statutory reserve equivalent to 10.00% starting August 5, 2011 (under BSP Circular No. 732). Prior to August 5, 2011, statutory reserve equivalent was 9.00%. In accordance with BSP Circular No. 753 issued in 2012, reserve requirement effective on the April 6, 2012 reserve week shall be 18.00% for deposits and deposit substitutes and 3.00% for long-term negotiable certificates of deposits. As of December 31, 2013 and 2012, the Parent Company is in compliance with such regulations.

Due from BSP of the Parent Company amounting to ₱15.89 billion and ₱12.99 billion were set aside as reserves as of December 31, 2013 and 2012, respectively.

Of the total deposit liabilities of the Parent Company as of December 31, 2013, 2012 and 2011, about 42.93%, 46.28% and 61.73%, respectively, are subject to periodic interest repricing. The remaining deposit liabilities earn annual fixed interest rates ranging from 3.25% to 9.50% in 2013, 1.21% to 5.23% in 2012, and 1.28% to 6.61% in 2011.

The Group's interest expense on deposit liabilities amounted to ₱1.17 billion in 2013, ₱1.42 billion in 2012 and ₱1.48 billion in 2011. The Parent Company's interest expense on deposit liabilities amounted to ₱1.04 billion in 2013, ₱1.39 billion in 2012 and ₱1.47 billion in 2011.

Long-term Negotiable Certificates of Deposits due 2018 (LTNCD Series 1)
In 2013 and 2012, the Parent Company issued 5.00% fixed coupon rate (average EIR of 4.37%) unsecured LTNCD maturing on May 18, 2018. The first tranche of the LTNCD Series 1 amounting to ₱1.53 billion was issued at a discount on November 23, 2012, and the second to seventh tranches aggregating to ₱3.12 billion were issued at a premium in February to May 2013. The net premium, net of debt issue costs, related to the issuance of the LTNCD Series 1 in 2013 and 2012 amounted to ₱107.91 million and ₱10.64 million, respectively.

Long-term Negotiable Certificates of Deposits due 2019 (LTNCD Series 2)
In 2013, the Parent Company issued 3.25% fixed coupon rate (average EIR of 3.48%) unsecured LTNCD maturing on June 9, 2019. The first to third tranches of the LTNCD Series 2 aggregating to ₱0.74 billion were issued in December 2013. The discount, net of debt issue costs related to the issuance of the LTNCD Series 2 in 2013 amounted to ₱8.42 million.

The movements in unamortized net premium (discount) as of December 31, 2013 and 2012 follow:

	2013	2012
Beginning balance	**(₱10,643)**	₱–
Premium (discount) of issuance during the year	**99,496**	(10,678)
Amortization during the year	**(21,288)**	35
Ending balance	**₱67,565**	(₱10,643)

16. **Bills and Acceptances Payable**

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Banks and other financial institutions	**₱3,274,219**	₱5,536,528	**₱3,274,224**	₱5,536,528
Outstanding acceptances	**5,903**	34,859	**5,903**	34,859
BSP	**8,813**	–	**8,813**	–
	₱3,288,935	₱5,571,387	**₱3,288,940**	₱5,571,387

As of December 31, 2013 and 2012, investments in government securities of the Parent Company (included in Investment securities at amortized cost in the statements of financial position) with face value of ₱2.90 billion and ₱4.74 billion, respectively, and fair value of ₱3.44 billion and ₱5.40 billion, respectively, were pledged with other banks as collateral for borrowings amounting to ₱2.83 million and ₱4.57 billion, respectively.

Bills payable to the BSP, other banks and other financial institutions are subject to annual interest rates ranging from 0.60% to 3.50% in 2013, 0.65% to 5.00% in 2012, and 2.63% to 4.00% in 2011.

The Group's interest expense on bills and acceptances payable amounted to ₱40.23 million in 2013, ₱66.85 million in 2012 and ₱147.26 million in 2011. The Parent Company's interest expense on bills and acceptances payable amounted to ₱38.85 million in 2013 and ₱70.40 million in 2012 and ₱133.41 million in 2011.

17. **Accrued Taxes, Interest and Other Expenses**

This account consists of:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Accrued expenses	**₱758,361**	₱640,305	**₱743,424**	₱498,407
Accrued interest payable	**223,663**	247,653	**217,976**	236,574
Accrued other taxes	**56,151**	68,105	**50,211**	45,530
	₱1,038,175	₱956,063	**₱1,011,611**	₱780,511

Accrued expenses pertain to accruals of various operating expenses such as rent, utilities, management and professional fees, employee bonus and other expenses of similar nature. As of December 31, 2013 and 2012, accrued expenses also includes net retirement obligation amounting to ₱1.36 million and ₱27.04 million, respectively, for the Group, and ₱1.20 million and ₱8.93 million, respectively, for the Parent Company (see Note 24).

18. **Subordinated Debt**

The Group's and the Parent Company's subordinated debt consists of (in millions):

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Lower Tier 2 unsecured subordinated notes due 2021	**₱1,500**	₱1,500	**₱1,500**	₱1,500
Lower Tier 2 unsecured subordinated notes due 2019	**1,250**	1,250	**1,250**	1,250
Lower Tier 2 unsecured subordinated notes due 2018	**113**	114	**–**	–
	₱2,863	₱2,864	**₱2,750**	₱2,750

Lower Tier 2 unsecured subordinated notes due 2021
On July 2, 2010, the Parent Company issued 7.50% coupon rate Lower Tier 2 unsecured subordinated note (the 2021 Notes) with par value of ₱1.50 billion, maturing on January 2, 2021 but callable on January 2, 2016, and with step-up in interest if not called.

Unless the 2021 Notes are previously redeemed, the 2021 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of January 2, 2021.

From and including the issue date to, but excluding the optional redemption date of January 2, 2016, the 2021 Notes bear interest at the rate of 7.50% per annum and shall be payable semi-annually in arrears on January 2 and July 2 of each year, commencing on January 2, 2011. Unless the 2021 Notes are previously redeemed, the interest rate from and including January 2, 2016 to, but excluding January 2, 2021, will be reset and such Step-Up interest shall be payable semi-annually in arrears on January 2 and July 2 of each year, commencing on July 2, 2016.

The Step-Up interest rate shall be computed as the higher of:

a. 80.00% of the 5-year on-the-run Philippine Treasury benchmark bid yield (PDST-F) on optional redemption date plus the Step-Up spread of 3.44% per annum. The Step-Up spread is defined as follows:

   Step-Up spread = 150.00% of the difference between the Interest Rate and 80.00% of the 5-year PDST-F on the Pricing Date, preceding the initial Issue Date, equivalent to 3.44% per annum.

b. 150.00% of the difference between the interest rate and the 5-year PDST-F on the pricing date preceding the initial issue date plus the 5-year PDST-F on the optional redemption date.

Lower Tier 2 unsecured subordinated notes due 2019
On July 25, 2008, the Parent Company issued 8.63% coupon rate Lower Tier 2 unsecured subordinated note (the 2019 Notes) with par value of ₱1.50 billion, maturing on January 26, 2019 but callable on January 25, 2014, and with step-up in interest if not called.

Unless the 2019 Notes are previously redeemed, the 2019 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of January 26, 2019.

From and including the issue date to, but excluding the optional redemption date of January 25, 2014, the 2019 Notes bear interest at the rate of 8.63% per annum and shall be payable semi-annually in arrears on January 25 and July 25 of each year, commencing on January 25, 2009. Unless the 2019 Notes are previously redeemed, the interest rate from and including January 25, 2014 to, but excluding January 26, 2019, will be reset and such Step-Up interest shall be payable semi-annually in arrears on January 25 and July 25 of each year, commencing on July 25, 2014.

The Step-Up rate shall be computed as the higher of:

a. 80.00% of the 5-year on-the-run Philippine Treasury benchmark bid yield (PDST-F) on optional redemption date plus the Step-Up spread. The Step-Up spread is defined as follows:

   Step-Up spread = 150.00% [8.25% - 80.00% (5-year PDST-F on the pricing date before the initial issue date)]

b. 150.00% of the difference between the interest rate and the 5-year PDST-F on the pricing date preceding the initial issue date plus the 5-year PDST-F on the optional redemption date.

Lower Tier 2 unsecured subordinated notes due 2018
On March 12, 2008, GBI issued 9.72% per annum Lower Tier 2 unsecured subordinated notes (the 2018 Notes) in favor of Land Bank of the Philippines (LBP) with par value of ₱112.50 million, maturing on March 13, 2018 but callable on March 13, 2013, and with step-up in interest if not called. The issuance of the 2018 Notes under the terms approved by the BOD was approved by the BSP on February 14, 2008.

Among the significant terms and conditions of the issuance of the Notes are:

a. The 2018 Notes must be issued and fully paid up. Only the net proceeds received from the issuance of the 2018 Notes shall be included as capital.

b. The 2018 Notes bear interest at 9.72% per annum for the first five years of the term, payable quarterly. On the next 5 years, the rate will be reset at 5-year PDST-F at the time of extension plus a spread of 4.00% per annum or 10.00% per annum, whichever is higher, subject to allowable interest rate step-up regulation of the BSP. Upon resetting in 2013, the interest rate has been fixed at 10.72%.

c. The 2018 Notes are neither secured nor covered by a guarantee by GBI or related party of GBI or other arrangement that legally or economically enhances the priority of the claim of any holder of the 2018 Notes as against depositors and other creditors.

d. The 2018 Notes shall not have a priority claim, in respect of principal and coupon payments in the event of winding up of the Issuer, which is higher than or equal with that of depositors and other creditors.

e. The 2018 Notes cannot be terminated by LBP before maturity date.

f. LBP cannot set off any amount that it may owe to GBI against the 2018 Notes.

g. The payment of principal may be accelerated only in the event of insolvency of GBI.

h. The coupon rate or the formulation for calculating coupon payments shall be fixed at the time of the issuance of the 2018 Notes and may not be linked to the credit standing of GBI.

The Group's interest expense on subordinated debt amounted to ₱232.16 million in 2013, ₱232.36 million in 2012 and ₱223.96 million in 2011. The Parent Company's interest expense on subordinated debt amounted to ₱220.31 million in 2013, 2012 and 2011.

The movements in unamortized premium in 2013 and 2012 are as follows:

	2013	2012
Beginning balance	**₱8,413**	₱1,095,337
Amortization	**(8,413)**	(1,086,924)
Ending balance	**₱–**	₱8,413

19. **Other Liabilities**

This account consists of:

	Consolidated		**Parent Company**	
	2013	2012	**2013**	2012
Bills purchased-contra	**₱1,363,885**	₱1,282,201	**₱1,363,885**	₱1,282,201
Accounts payable	**1,223,604**	707,961	**1,102,960**	707,324
Deferred revenue	**381,376**	271,142	**381,376**	271,142
Retention payable	**174,451**	132,781	**174,451**	132,781
Payment orders payable	**52,844**	18,501	**52,844**	18,501
Withholding tax payable	**52,202**	64,025	**49,846**	61,693
Derivative liabilities (Note 5)	**22,017**	97,684	**22,017**	97,684
Miscellaneous	**326,998**	165,648	**326,261**	157,300
	₱3,597,377	₱2,739,943	**₱3,473,640**	₱2,728,626

Deferred revenue pertains to deferral and release of loyalty points program transactions and membership fees and dues. Miscellaneous liabilities consist mainly of Social Security System pension of the Group's clients for remittance and suspense accounts.

20. Maturity Analysis of Assets and Liabilities

The following tables show an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of financial position date:

	Consolidated					
	2013			2012		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Financial Assets						
Cash and other cash items	**₱3,884,538**	**₱–**	**₱3,884,538**	₱3,235,161	₱–	₱3,235,161
Due from BSP	**18,537,655**	**–**	**18,537,655**	21,855,275	–	21,855,275
Due from other banks	**1,751,824**	**–**	**1,751,824**	1,637,917	–	1,637,917
IBLR	**3,116,529**	**–**	**3,116,529**	582,648	–	582,648
Financial assets at FVTPL (Note 8)	**1,948,703**	**–**	**1,948,703**	4,260,325	–	4,260,325
Investments at FVTOCI (Note 8)	**–**	**10,733**	**10,733**	–	9,982	9,982
Investment securities at amortized cost (Note 8)	**–**	**9,080,320**	**9,080,320**	–	9,620,505	9,620,505
Loans and receivables - gross (Note 9)	**57,216,009**	**41,383,786**	**98,599,795**	42,495,232	33,496,964	75,992,196
	86,455,258	**50,474,839**	**136,930,097**	74,066,558	43,127,451	117,194,009
Nonfinancial Assets						
Property and equipment (Note 10)	**–**	**3,452,741**	**3,452,741**	–	2,740,689	2,740,689
Investment properties (Note 11)	**–**	**1,006,716**	**1,006,716**	–	937,648	937,648
Deferred tax assets (Note 23)	**–**	**995,125**	**995,125**	–	973,137	973,137
Goodwill and other intangible assets (Note 12)	**–**	**3,655,735**	**3,655,735**	–	3,399,851	3,399,851
Other assets (Note 13)	**307,628**	**589,871**	**897,499**	187,135	770,326	957,461
	307,628	**9,700,188**	**10,007,816**	187,135	8,821,651	9,008,786
	86,762,886	**60,175,027**	**146,937,913**	74,253,693	51,949,102	126,202,795
Allowances for impairment and credit losses on loans and receivable (Note 14)	**–**	**–**	**(4,002,355)**	–	–	(3,154,065)
Unearned discounts (Note 9)	**–**	**–**	**(636,865)**	–	–	(1,645,390)
	₱86,762,886	**₱60,175,027**	**₱142,298,693**	₱74,253,693	₱51,949,102	₱121,403,340
Financial Liabilities						
Deposit liabilities	**102,121,470**	**9,054,625**	**111,176,095**	₱85,588,336	₱5,620,469	₱91,208,805
Bills and acceptances payable (Note 16)	**3,288,935**	**–**	**3,288,935**	5,571,387	–	5,571,387
Cashiers' checks and demand drafts payable	**866,457**	**–**	**866,457**	714,398	–	714,398
Subordinated debt (Note 18)		**2,862,500**	**2,862,500**	–	2,863,751	2,863,751
Accrued interest, taxes and other expenses (Note 17)	**982,024**	**–**	**982,024**	925,153	–	925,153
Other liabilities (Note 19)	**1,093,516**	**257,154**	**1,350,670**	726,462	196,911	923,373
	108,352,402	**12,174,279**	**120,526,681**	93,525,736	8,681,131	102,206,867
Nonfinancial liabilities						
Income tax payable	**76,935**	**–**	**76,935**	28,113	–	28,113
Accrued interest, taxes and other expenses (Note 17)	**56,151**	**–**	**56,151**	3,867	27,043	30,910
Other liabilities (Note 19)	**1,416,087**	**830,620**	**2,246,707**	1,395,735	420,835	1,816,570
	1,549,173	**830,620**	**2,379,793**	1,427,715	447,878	1,875,593
	₱109,901,575	**₱13,004,899**	**₱122,906,474**	₱94,953,451	₱9,129,009	₱104,082,460

	Parent Company					
	2013			2012		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Financial Assets						
Cash and other cash items	**₱3,811,185**	**₱–**	**₱3,811,185**	₱3,180,497	₱–	₱3,180,497
Due from BSP	**18,404,125**	**–**	**18,404,125**	21,789,239	–	21,789,239
Due from other banks	**1,604,404**	**–**	**1,604,404**	1,524,815	–	1,524,815
IBLR	**3,116,529**	**–**	**3,116,529**	582,648	–	582,648
Financial assets at FVTPL (Note 8)	**1,948,703**	**–**	**1,948,703**	4,260,325	–	4,260,325
AFS investments (Note 8)	**–**	**–**	**–**	–	–	–
Investments at FVTOCI (Note 8)	**–**	**10,733**	**10,733**	–	9,982	9,982
Investment securities at amortized cost (Note 8)	**–**	**9,079,907**	**9,079,907**	–	9,620,095	9,620,095
Loans and receivables - gross (Note 9)	**56,509,839**	**39,384,648**	**95,894,487**	41,559,056	32,688,615	74,247,671
	85,394,785	**48,475,288**	**133,870,073**	72,896,580	42,318,692	115,215,272
Nonfinancial Assets						
Investment in subsidiaries (Note 7)	**–**	**1,409,449**	**1,409,449**	–	241,072	241,072
Property and equipment (Note 10)	**–**	**3,320,631**	**3,320,631**	–	2,572,532	2,572,532
Investment properties (Note 11)	**–**	**811,423**	**811,423**	–	730,335	730,335
Deferred tax assets (Note 23)	**–**	**1,176,342**	**1,176,342**	–	1,146,176	1,146,176
Goodwill and other intangible assets (Note 12)	**–**	**2,627,030**	**2,627,030**	–	2,370,542	2,370,542
Other assets (Note 13)	**307,628**	**570,680**	**878,308**	187,135	745,970	933,105
	307,628	**9,915,555**	**10,223,183**	187,135	7,806,627	7,993,762
	85,702,413	**58,390,843**	**144,093,256**	73,083,715	50,125,319	123,209,034
Allowances for impairment and credit losses on loans and receivable (Note 14)	**–**	**–**	**(3,975,337)**	–	–	(3,132,624)
Unearned discounts (Note 9)	**–**	**–**	**(589,681)**	–	–	(1,645,097)
	₱85,702,413	**₱58,390,843**	**₱139,528,238**	₱73,083,715	₱50,125,319	₱118,431,313
Financial Liabilities						
Deposit liabilities	**₱99,686,240**	**₱9,045,448**	**₱108,731,688**	₱82,555,551	₱5,963,071	₱88,518,622
Bills and acceptances payable (Note 16)	**3,288,940**	**–**	**3,288,940**	5,571,387	–	5,571,387
Cashiers' checks and demand drafts payable	**866,457**	**–**	**866,457**	714,398	–	714,398
Subordinated debt (Note 18)	**–**	**2,750,000**	**2,750,000**	–	2,750,000	2,750,000
Accrued interest, taxes and other expenses (Note 17)	**961,400**	**–**	**961,400**	726,052	–	726,052
Other liabilities (Note 19)	**1,093,516**	**964,037**	**2,057,553**	726,462	196,911	923,373
	105,896,553	**12,759,485**	**118,656,038**	90,293,850	8,909,982	99,203,832
Nonfinancial liabilities						
Income tax payable	**52,208**	**–**	**52,208**	27,766	–	27,766
Accrued interest, taxes and other expenses (Note 17)	**50,211**	**–**	**50,211**	45,530	8,929	54,459
Other liabilities (Note 19)	**1,416,087**	**–**	**1,416,087**	1,395,735	409,518	1,805,253
	1,518,506	**–**	**1,518,506**	1,469,031	418,447	1,887,478
	₱107,415,059	**₱12,759,485**	**₱120,174,544**	₱91,762,881	₱9,328,429	₱101,091,310

21. Equity

Capital Management

The Parent Company actively manages its capital to comply with regulatory requirements. The primary objective of the Parent Company's capital management is to ensure that it maintains adequate capital to cover risks inherent to its banking activities without prejudice to optimizing shareholder's value. The Parent Company adopts the capital adequacy requirements of the New Capital Accord or Basel II, as contained in the implementation guidelines of BSP Circular No. 538, which took effect in July 2007. Under this rule, risk weight ratings shall be based on external rating agencies and total risk weighted assets shall be computed based on credit, market and operational risks.

Regulatory Qualifying Capital
Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based Capital Adequacy Ratio (CAR) of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

The regulatory Gross Qualifying Capital of the Parent Company consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprises share capital, retained earnings (including current year profit) and non-controlling interest less required deductions such as deferred income tax and unsecured credit accommodations to DOSRI. Tier 2 capital includes unsecured subordinated debts, revaluation reserves and general loan loss provision. Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to equity investments in unconsolidated subsidiary banks and other financial allied undertakings, but excluding investments in debt capital instruments of unconsolidated subsidiary banks (for solo basis) and equity investments in subsidiary and non-financial allied undertakings.

Risk-weighted assets are determined by assigning defined risk weights to the statement of financial position exposure and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors. Below is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type*
0.00%	Cash on hand; claims collateralized by securities issued by the national government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20.00%	COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation
50.00%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75.00%	Direct loans of defined Small Medium Enterprise (SME) and microfinance loans portfolio; non-performing housing loans fully secured by first mortgage
100.00%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred income tax)
150.00%	All non-performing loans (except non-performing housing loans fully secured by first mortgage) and all non-performing debt securities

* Not all inclusive

With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.00% to 100.00%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.00%, while items not involving credit risk has a CCF of 0.00%.

In the case of derivatives, the credit equivalent amount (against which the risk weight factor is multiplied to arrive at the risk-weighted exposure) is generally the sum of the current credit exposure or replacement cost (the positive fair value or zero if the fair value is negative or zero) and an estimate of the potential future credit exposure or add-on. The add-on ranges from 0.00% to 1.50% (interest rate-related) and from 1.00% to 7.50% (exchange rate-related), depending on the residual maturity of the contract. For credit-linked notes and similar instruments, the risk-weighted exposure is the higher of the exposure based on the risk weight of the issuer's collateral or the reference entity or entities.

The risk-weighted CAR is calculated by dividing the sum of its Tier 1 and Tier 2 capital, as defined under BSP regulations, by its risk-weighted assets. The risk-weighted assets, as defined by the BSP regulations, consist of all of the assets on the balance sheet at their respective book values, together with certain other off-balance sheet items, weighted by certain percentages depending on the risks associated with the type of assets. The determination of compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting practices which differ from PFRS in some respects.

In 2013 and 2012, the Parent Company has complied with the required 10.00% capital adequacy ratio of the BSP.

The capital-to-risk assets ratio reported to the BSP as of December 31, 2013 and 2012 are shown in the table below (amounts in millions):

	Consolidated			
	2013		2012	
	Actual	**Required**	Actual	Required
Tier 1 capital	**₱19,128**		₱16,836	
Tier 2 capital	**3,896**		3,489	
Gross qualifying capital	**23,024**		20,325	
Less required deductions	**2,463**		2,389	
Total qualifying capital	**₱20,561**		₱17,936	
Risk weighted assets	**₱120,725**		₱103,361	
Tier 1 capital ratio	**13.80%**		13.98%	
Total capital ratio	**17.03%**	**10%**	17.35%	10%

	Parent Company			
	2013		2012	
	Actual	**Required**	Actual	Required
Tier 1 capital	**₱19,130**		₱16,937	
Tier 2 capital	**3,739**		3,353	
Gross qualifying capital	**22,869**		20,290	
Less required deductions	**3,789**		2,178	
Total qualifying capital	**₱19,080**		₱18,112	
Risk weighted assets	**₱116,029**		₱99,914	
Tier 1 capital ratio	**13.83%**		14.77%	
Total capital ratio	**16.45%**	**10%**	18.13%	10%

Presented below are the composition of qualifying capital and the related deductions as reported to the BSP (amounts in millions):

	Consolidated		**Parent Company**	
	2013	2012	**2013**	2012
Tier 1 capital				
Paid up common stock	**₱11,284**	₱11,284	**₱11,284**	₱11,284
Additional paid-in capital	**979**	979	**979**	979
Retained earnings	**4,804**	2,749	**4,910**	2,888
Undivided profits	**2,050**	1,827	**1,952**	1,803
Cumulative foreign currency translation	**5**	(17)	**5**	(17)
Minority interest	**6**	14	**–**	–
Core Tier 1 capital	**19,128**	16,836	**19,130**	16,937

(Forward)

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Deductions from Tier 1 capital				
Total outstanding unsecured credit				
accommodation to a DOSRI	**₱160**	₱315	**₱288**	₱315
Deferred income tax	**986**	965	**1,173**	1,150
Goodwill	**1,317**	1,109	**919**	713
Total Deductions	**2,463**	2,389	**2,380**	2,178
Total Tier 1 Capital	**16,665**	14,447	**16,750**	14,759
Tier 2 capital				
General loan loss provision	**1,033**	626	**989**	603
Unsecured subordinated debt	**2,863**	2,863	**2,750**	2,750
Total Tier 2 capital	**3,896**	3,489	**3,739**	3,353
Deductions from Tier 1 and Tier 2 capital	**–**	–	**1,409**	–
Qualifying capital				
Net Tier 1 capital	**16,665**	14,447	**16,046**	14,759
Net Tier 2 capital	**3,896**	3,489	**3,034**	3,353
Total qualifying capital	**20,561**	17,936	**19,080**	18,112
Capital requirements				
Credit risk	**10,325**	8,485	**9,919**	8,215
Market risk	**214**	553	**214**	553
Operational risk	**1,534**	1,297	**1,470**	1,223
Total capital requirements	**₱12,073**	₱10,335	**₱11,603**	₱9,991

The policies and processes guiding the determination of the sufficiency of capital of the Parent Company have been incorporated in the Parent Company's Internal Capital Adequacy Assessment Process (ICAAP) which supplements the BSP's risk-based capital adequacy framework under BSP Circular Nos. 538 and 639 to comply with the requirements of the BSP. While the Parent Company has added the ICAAP to its capital management policies and processes, there were no changes made on the objectives and policies for the years ended December 31, 2013 and 2012.

On January 15, 2013, the BSP issued Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular is effective on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.0% and Tier 1 capital ratio of 7.5%. It also introduces a capital conservation buffer of 2.5% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

The Parent Company has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

Capital Stock

Capital stock consist of:

	2013	2012	2011
Common stock - ₱10.00 par value			
Authorized - 1,500,000,000 shares in 2013 and 2012			
Issued and outstanding - 1,128,409,610 shares in 2013 and 2012 and 387,352,810 in 2011	**₱11,284,096**	₱11,284,096	₱3,873,528
Preferred stock - ₱10.00 par value convertible, nonvoting shares			
Authorized - 500,000,000 shares in 2013 and 2012 and 300,000,000 shares in 2011			
Issued and outstanding - none in 2013 and 2012, and 300,000,000 in 2011	**–**	–	3,000,000
	₱11,284,096	₱11,284,096	₱6,873,528

On January 19, 2012 and February 10, 2012, the Parent Company received cash from its shareholders totaling ₱3.00 billion as deposits for future stock subscription for 300 million common shares which were subsequently issued in March 2012. Also in the same period, the preferred shareholders converted a total of 300 million preferred shares amounting to ₱3.00 billion to 300 million common shares.

With the approvals by the PSE of the Parent Company's application for listing and by the SEC for the Registration Statement both on March 14, 2012, a total of 245,316,200 common shares, with P=10.00 par value per share, representing 21.70% of outstanding capital stock, were offered and subscribed through an initial public offering at ₱18.50 per share on April 20 to 26, 2012. The common shares comprise of (a) 141,056,800 new shares issued by the Parent Company by way of a primary offer, and (b) 104,259,400 existing shares offered by FDC, the selling shareholder, pursuant to a secondary offer. Subsequently, on September 5, 2012, 36,715,300 shares under the over-allotment option were exercised at a price of ₱18.50 per share that brought the subscriptions to 25.00% of the outstanding capital stock. The Parent Company's common shares were listed and commenced trading in the PSE on May 7, 2012. As of December 31, 2013 and 2012, 58 and 32 shareholders owned at least 100 shares of stock, respectively.

The total proceeds raised by the Parent Company from the sale of primary offer shares amounted to ₱2.61 billion while the net proceeds (after deduction of direct costs related to equity issuance) amounted to ₱2.39 billion.

Dividends

The following cash dividends were paid by the Parent Company in 2012 and 2011:

2012

Class	Date of declaration	Date of record	Date of BSP approval	Date of payment	Per share	Total amount
Preferred	November 24, 2011	November 24, 2011	January 10, 2012	January 18, 2012	₱0.225	₱67,500,000
Common	December 15, 2011	November 30, 2011	January 30, 2012	February 10, 2012	2.582	1,000,000,000
						₱1,067,500,000

2011

Class	Date of declaration	Date of record	Date of BSP approval	Date of payment	Per share	Total amount
Preferred	August 27, 2010	August 27, 2010	February 14, 2011	February 16, 2011	₱0.225	₱67,500,000
Preferred	November 25, 2010	November 25, 2010	February 14, 2011	February 16, 2011	0.225	67,500,000
Preferred	February 24, 2011	February 24, 2011	April 27, 2011	May 2, 2011	0.225	67,500,000
Preferred	May 26, 2011	May 26, 2011	July 22, 2011	July 25, 2011	0.225	67,500,000
Preferred	August 25, 2011	August 25, 2011	October 3, 2011	October 4, 2011	0.225	67,500,000
						₱337,500,000

For the years ended December 31, 2013 and 2012, no cash dividends were declared.

22. **Income and Expenses**

Service charges, fees and commissions consist of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Service charges	**₱1,424,416**	₱1,084,687	₱988,308	**₱1,402,264**	₱1,083,567	₱988,308
Fees and commissions	**1,104,054**	775,536	548,466	**802,603**	653,587	520,874
	₱2,528,470	₱1,860,223	₱1,536,774	**₱2,204,867**	₱1,737,154	₱1,509,182

Service charges include loan processing fees, late payment charges and service charges on deposit taking-related transactions.

Fees and commissions include credit card membership fees, interchange fees, merchant discounts and other commissions.

Miscellaneous income consists of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Recovery on charged-off assets	**₱299,399**	₱183,537	₱111,382	**₱297,781**	₱180,821	₱111,382
Rental income	**3,333**	3,823	2,841	**3,333**	3,823	2,841
Dividend income	**76,946**	975	1,047	**76,946**	975	1,047
Others	**27,249**	83,902	50,778	**22,972**	42,499	31,143
	₱406,927	₱272,237	₱166,048	**₱401,032**	₱228,118	₱146,413

Others include referral income earned on insurance premiums charged through credit cards.

Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Service charges, fees and commissions	**₱494,454**	₱363,722	₱258,217	**₱485,648**	₱363,630	₱257,967
Advertising	**395,164**	420,141	320,898	**394,513**	419,628	320,572
Security, messengerial and janitorial services	**362,303**	271,631	188,428	**340,782**	253,743	188,178
Postage, telephone, cables and telegram	**282,808**	156,915	118,049	**274,372**	146,840	116,044
Brokerage fees	**239,503**	161,194	135,327	**239,503**	161,194	135,278
Insurance	**211,207**	185,419	156,190	**197,357**	176,655	156,123
Transportation and travel	**189,705**	151,334	111,444	**156,789**	141,237	108,979
Technological fees	**179,279**	143,240	106,446	**178,866**	143,201	106,239
Power, light and water	**165,633**	122,391	78,572	**155,079**	110,939	76,166
Stationery and Supplies	**74,742**	95,945	62,422	**68,156**	89,401	62,435
Management and other professional fees	**57,000**	52,289	31,594	**53,818**	47,970	29,682
Entertainment, amusement and recreation	**47,970**	45,781	28,900	**43,838**	39,310	28,770
Repairs and maintenance	**40,525**	39,353	46,373	**31,635**	33,132	46,321
Litigation expenses	**37,763**	22,893	13,907	**36,753**	22,893	13,884
Supervision fees	**35,431**	25,780	24,348	**34,270**	25,427	23,810
Others	**137,845**	324,883	119,479	**127,160**	298,000	115,728
	₱2,951,332	₱2,583,001	₱1,800,594	**₱2,818,539**	₱2,473,200	₱1,786,086

Others include payments for subscriptions, membership fees, trainings, donations and contributions, delivery and freight expenses, fines, penalties, other charges and clearing fees.

23. **Income and Other Taxes**

Under Philippine tax laws, the RBU of the Parent Company and its subsidiaries are subject to percentage and other taxes (presented as Taxes and licenses in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp taxes. Income taxes include corporate income tax, as discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as Provision for (benefit from) income tax in the statements of income.

Republic Act (RA) No. 9397, An Act Amending National Internal Revenue Code, provides that the Regular Corporate Income Tax (RCIT) rate shall be 30.00% and the interest expense allowed as a deductible expense shall be reduced by 33.00% of interest income subjected to final tax.

An MCIT of 2.00% of modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the period of incurrence.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10.00% gross income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units is subject to a 7.50% final tax. RA No. 9294, which became effective in May 2004, provides that the income derived by the FCDU from foreign currency transactions with non-residents, Offshore Banking Units (OBUs), local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

In 2011, the BIR issued Revenue Regulation 14-2011, which prescribes the proper allocation of costs and expenses among the income earnings of financial institutions for income tax reporting. Only costs and expenses attributable to the operations of the RBU can be claimed as deduction to arrive at the taxable income of the RBU subject to the RCIT. All costs and expenses pertaining to the FCDU/EFCDU are excluded from the RBU's taxable income. Within the RBU, common costs and expenses should be allocated among taxable income, tax-paid income and tax-exempt income using the specific identification or the allocation method.

Provision for income tax consists of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Current:						
Regular corporate income tax	**₱171,993**	₱84,873	₱–	**₱146,917**	₱84,873	₱–
Minimum corporate income tax	**–**	2,350	68,445	**–**	–	68,383
Final tax	**68,809**	120,369	154,481	**66,946**	120,151	153,779
	240,802	207,592	222,926	**213,863**	205,024	222,162
Deferred	**(22,146)**	(31,590)	156,572	**(30,324)**	(17,009)	156,572
	₱218,656	₱176,002	₱379,498	**₱183,539**	₱188,015	₱378,734

The components of the Group's and the Parent Company's net deferred tax assets as of December 31, 2013 and 2012 follow:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Deferred tax asset on:				
Allowance for impairment and credit losses	**₱1,326,604**	₱1,040,389	**₱1,281,117**	₱1,012,345
Accumulated depreciation of assets foreclosed or dacioned	**80,892**	71,681	**76,914**	69,655
Accrued expenses	**42,040**	45,116	**42,040**	45,116
Unamortized past service cost	**5,958**	7,023	**5,958**	7,023
Unrealized foreign exchange loss	**–**	117,340	**–**	117,340
Net retirement obligation	**4,240**	8,113	**359**	2,679
Unrealized trading loss	**46**	–	**46**	–
MCIT	**–**	2,350	**–**	–
NOLCO	**–**	2,038	**–**	–
	1,459,780	1,294,050	**1,406,434**	1,254,158

(Forward)

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Deferred tax liability on:				
Branch licenses acquired from business combination	**₱187,620**	₱187,620	**₱–**	₱–
Gain on asset foreclosure and dacion transactions	**134,346**	83,084	**88,528**	58,898
Unrealized foreign exchange gain	**94,987**	–	**94,987**	–
Excess of fair value over carrying value of net assets acquired from business combinations	**46,577**	49,084	**46,577**	49,084
Prepaid rent	**1,125**	1,125	**–**	–
	464,655	320,913	**230,092**	107,982
	₱995,125	₱973,137	**₱1,176,342**	₱1,146,176

As of December 31, 2013 and 2012, the Group and the Parent Company did not recognize deferred tax assets on the following temporary differences:

	2013	2012
Allowance for credit and impairment losses	**₱394,890**	₱686,379
NOLCO	**8,134**	126,396
Excess of MCIT over RCIT	**–**	3,264
Accrued Expenses	**–**	474
	₱403,024	₱816,513

The Group believes that it is not reasonably probable that the tax benefits of these temporary differences will be realized in the future.

Provision for deferred income tax charged directly to OCI during the year for the Group and the Parent Company follows:

	2013	2012
Remeasurements on retirement plan	**₱158**	(₱13,389)

The movements in NOLCO and MCIT follows:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
NOLCO				
At beginning of year	**₱133,189**	₱180,172	**₱–**	₱60,667
Addition	**–**	15,351	**–**	–
Used	**(125,055)**	(62,334)	**–**	(60,667)
At end of year	**₱8,134**	₱133,189	**₱–**	₱–
MCIT				
At beginning of year	**₱5,614**	₱71,718	**₱–**	₱68,383
Addition	**–**	2,279	**–**	–
Used	**(5,614)**	(68,383)	**–**	(68,383)
At end of year	**₱–**	₱5,614	**₱–**	₱–

The reconciliation of statutory income tax at statutory tax rate to the effective income tax follows:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Statutory income tax	**₱682,317**	₱597,715	₱633,001	**₱652,359**	₱610,069	₱634,271
Additions to (reductions from) income taxes resulting from the tax effects of:						
Nondeductible expenses	**185,303**	135,428	139,234	**180,061**	135,062	137,455
FCDU income	**(73,524)**	(186,543)	(97,998)	**(73,524)**	(186,543)	(97,998)
Non taxable and tax-exempt income	**(639,005)**	(255,598)	(204,984)	**(516,165)**	(237,827)	(204,984)
Interest income subjected to final tax net of tax paid	**(62,767)**	(132,771)	(89,755)	**(59,192)**	(132,746)	(90,010)
Change in unrecognized deferred tax assets	**126,332**	17,771	–	**–**	–	–
Effective income tax	**₱218,656**	₱176,002	₱379,498	**₱183,539**	₱188,015	₱378,734

24. **Retirement Plan**

The existing regulatory framework, RA No. 7641, the Retirement Pay Law requires companies with at least ten (10) employees to pay retirement benefits to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

<u>Parent Company</u>
The Parent Company has a funded, noncontributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits (equivalent to 125.00% of the final monthly salary for every year of service depending on the tenure of the employee) after satisfying certain age and service requirements. The Parent Company's retirement plan is in the form of a trust administered by the Parent Company's Trust Division under the supervision of the Retirement Committee.

<u>GBI</u>
GBI has a funded, noncontributory defined benefit plan covering substantially all of its officers and regular employees. The benefits are based on years of service and final compensation. The retirement plan provides retirement benefits equal to 100.00% of the final monthly salary for every year of service. The retirement plan is in the form of a trust administered by the Parent Company's Trust Division.

As of December 31, 2013, the Bank only has four remaining employees. As a result of GBI's transfer of its assets and liabilities to EWRB (see Note 1), the employment of GBI's employees had been terminated. These employees were hired by EWRB after their termination from GBI. The total amount of retirement benefits paid by GBI to its employees amounted to ₱42.27 million. Loss on settlement of the retirement plan amounting to ₱24.65 million was recognized and included in Compensation and fringe benefits expense in the consolidated statement of income. As of December 31, 2013, there were no retirement benefits accruing to the remaining employees of GBI.

<u>EWRB</u>
In 2013, EWRB provided a noncontributory defined benefit plan covering substantially all of its officers and regular employees. The benefits are based on years of service and final compensation. The retirement plan provides retirement benefits equal to 100.00% of the final monthly salary for every year of service. As of December 31, 2013, the retirement plan of EWRB is unfunded. Prior to 2013, EWRB provides accrual for retirement benefits of its employees based on the requirements of RA No. 7641.

The net retirement obligation included in 'Accrued taxes, interest and other expenses' in the statements of financial position are as follows:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Present value of the defined benefit obligation	**₱432,948**	₱342,590	**₱432,782**	₱322,467
Fair value of plan assets	**431,584**	315,547	**431,584**	313,538
Net retirement obligation	**₱1,364**	₱27,043	**₱1,198**	₱8,929

Changes in the present value of the defined benefit obligation as of December 31, 2013 and 2012 recognized in the statements of financial position follow:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Balance at beginning of year	**₱342,590**	₱255,252	**₱322,467**	₱237,235
Current service cost	**76,300**	50,762	**74,391**	49,986
Interest cost	**20,439**	17,633	**19,670**	16,132
Loss on settlement	**24,647**	–	**–**	–
Remeasurement (gains) losses:				
Actuarial (gains) and losses arising from changes in demographic assumptions	**(185,747)**	3,977	**(185,747)**	3,977
Actuarial losses arising from changes in financial assumptions	**150,447**	38,953	**150,447**	38,953
Actuarial losses arising from devistions of experience from assumptions	**75,822**	–	**75,822**	–
Benefits paid	**(71,550)**	(23,987)	**(24,268)**	(15,492)
Balance at end of year	**₱432,948**	₱342,590	**₱432,782**	₱322,467

Changes in the fair value of plan assets are as follows:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Balance at beginning of year	**₱315,547**	₱279,562	**₱313,538**	₱278,285
Contributions	**82,438**	42,646	**82,138**	41,846
Interest income	**19,228**	19,026	**19,126**	18,923
Remeasurements	**41,050**	(1,700)	**41,050**	(10,024)
Benefits paid	**(26,679)**	(23,987)	**(24,268)**	(15,492)
Balance at end of year	**₱431,584**	₱315,547	**₱431,584**	₱313,538

Changes in the fair value of plan assets are as follows:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Cash and cash equivalents	**₱275,907**	₱72,048	**₱275,907**	₱70,039
Debt instruments				
Government securities	**54,502**	153,426	**54,502**	153,426
Private securities	**30,330**	25,432	**30,330**	25,432
Equity instruments				
Holding	**23,801**	16,895	**23,801**	16,895
Financial services	**12,684**	12,476	**12,684**	12,476
Telecommunications	**8,319**	7,176	**8,319**	7,176
Real estate	**7,273**	16,189	**7,273**	16,189
Utilities	**4,970**	3,149	**4,970**	3,149
Services	**4,343**	4,396	**4,343**	4,396
Manufacturing	**3,358**	3,311	**3,358**	3,311
Retail	**3,032**	–	**3,032**	–
Mining	**2,008**	982	**2,008**	982
Transportation	**234**	–	**234**	–
Others	**823**	67	**823**	67
Fair value of plan assets	**₱431,584**	₱315,547	**₱431,584**	₱313,538

The Group's plan assets are carried at fair value. All equity and debt instruments held have quoted prices in active market. The fair value of other assets and liabilities, which include deposits in banks, accrued interest and other receivables and trust fee payables, approximate carrying amount due to the short-term nature of these accounts.

The plan assets are diversified investments and are not exposed to concentration risk.

Each year, an Asset-Liability Matching Study (ALMS) is performed with the result being analyzed in terms of risk-and-return profiles. The Group's current strategic investment strategy consists of 70.00% of debt instruments, 25.00% of equity instruments, and 5.00% cash.

The Group expects to contribute ₱88.70 million to the plans in 2014.

The cost of defined benefit retirement plans as well as the present value of the benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used are shown below:

	Parent Company		EWRB	GBI
	2013	2012	**2013**	2012
Discount rate				
At January 1	**6.10%**	6.80%	**5.99%**	8.33%
At December 31	**4.20%**	6.10%	**5.13%**	8.33%
Future salary increase rate	**5.00%**	5.00%	**5.00%**	1.00%
Average remaining working life	**19**	14	**24**	13

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2013, assuming all other assumptions were held constant.

	Increase in defined benefit obligation	
	Consolidated	Parent Company
Decrease in discount rate of 1%	**₱50,250**	₱50,215
Increase in salary rate increase of 1%	**49,371**	49,336
Improvement in employee turnover by 10%	**20,988**	20,960

In 2012, the Group only performed sensitivity analysis for the decrease in the discount rate as the decrease in the discount rate will increase the amount of the defined benefit obligation. Management assessed that as of December 31, 2012, it is only the decline in discount rate that could significantly affect the retirement obligation. The sensitivity analysis has been determined based on reasonably possible change in the discount rate occurring as of December 31, 2012, assuming all other assumptions were held constant. If the discount rate would decrease by 50 basis points, the defined benefit obligation would increase by ₱40.89 million for the Group and ₱24.67 million for the Parent Company.

The amounts included in Compensation and fringe benefits expense in the statements of income are as follows:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Current service cost	**₱76,300**	₱50,762	₱31,802	**₱74,391**	₱49,986	₱31,563
Loss on settlement	**24,647**	–	–	**–**	–	–
Net interest expense (income)	**1,211**	(1,393)	(1,534)	**544**	(2,791)	(1,652)
Expense recognized	**₱102,158**	₱49,369	₱30,268	**₱74,935**	₱47,195	₱29,911

25. **Leases**

The Group leases several premises occupied by its head office and branches. Some leases are subject to annual escalation of 5.00% to 10.00% and for periods ranging from 5 to 15 years, renewable upon mutual agreement of both parties. For the years ended December 31, 2013, 2012 and 2011, the total rentals of the Group charged to operations amounted to ₱542.47 million, ₱410.18 million and ₱291.05 million, respectively. For the years ended December 31, 2013, 2012 and 2011, total rentals charged to operations by the Parent Company amounted to ₱518.23 million, ₱386.66 million and ₱282.62 million, respectively.

Future minimum annual rentals payable under the aforementioned lease agreements follow:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Within one year	**₱441,672**	₱296,914	**₱424,498**	₱281,762
After one year but not more than five years	**1,783,259**	1,133,633	**1,742,601**	1,108,746
More than five years	**2,304,121**	1,128,635	**2,220,774**	1,126,800
	₱4,529,052	₱2,559,182	**₱4,387,873**	₱2,517,308

26. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel, and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- subsidiaries, joint ventures and associates and their respective subsidiaries, and
- post-employment benefit plans for the benefit of the Group's employees.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

The amounts and the balances arising from the foregoing significant related party transactions of the Group and of the Parent Company are as follows:

	2013		
Category	**Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions/Nature**
Significant investors:			
Loans receivable	**₱5,621,850**	**₱5,621,850**	Loans granted with a term of one year, interest of 4.50%, unsecured, no impairment
Deposit liabilities	–	**5,019,354**	Deposit liabilities with interest ranging from 0.00% to 1.00%
Accrued interest receivable	–	**33,599**	Interest income accrued on outstanding loans receivable
Accrued expenses	–	**7,427**	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	–	**3,878,150**	Unused credit lines
Interest income	**57,476**	–	Interest income on loans receivable
Interest expense	**700**	–	Interest expense on deposit liabilities

(Forward)

	2013		
Category	**Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions/Nature**
Key management personnel:			
Loans receivable	**₱–**	**29,528**	Loans granted with terms ranging from five to fifteen years, interest ranging from 5.59% to 10.20%, unsecured, no impairment
Deposit liabilities	–	**194,467**	Deposit liabilities with interest ranging from 0.00% to 5.88%
Accrued interest receivable	–	**257**	Interest income accrued on outstanding loans receivable
Interest income	**2,567**	–	Interest income on loans receivable
Interest expense	**702**	–	Interest expense on deposit liabilities
Other related parties:			
Loans receivable	**900**	**729,431**	Loans granted with terms ranging from three months to five years, interest ranging from 4.00% to 4.50%, secured by real estate and chattel mortgage, no impairment
Receivables purchased	**266,777**	**1,305,636**	Receivables purchased by the Parent Company from FLI
Deposit liabilities	–	**2,782,334**	Deposit liabilities with interest ranging from 0.00% to 5.88%
Accrued interest receivable	–	**390**	Interest income accrued on outstanding loans receivable
Guarantees and commitments	–	**20,271,800**	Unused credit lines
Accounts receivables	–	**746**	Noninterest-bearing advances, payable on demand, no impairment
Interest income	**26,654**	–	Interest income on loans receivable
Interest expense	**8,765**	–	Interest expense on deposit liabilities
Service fee expense	**2,582**	–	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company (see Note 9)
Rent expense	**41,033**	–	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, Filinvest Alabang, Inc. and FLI

	2012		
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
Significant investors:			
Loans receivable	₱–	₱958,055	Loans granted with terms of one year, interest ranging from 2.38% to 4.50%, secured by real estate and chattel mortgage, no impairment
Deposit liabilities	–	600,808	Deposit liabilities with interest ranging from 1.24% to 3.50%
Accrued interest receivable	–	8,655	Interest income accrued on outstanding loans receivable
Accrued expenses	–	5,558	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	–	4,284,055	Unused credit lines
Derivative assets	–	28,102	Fair value of the foreign exchange forward contracts with FDC
Interest income	28,566	–	Interest income on loans receivable
Interest expense	8,418	–	Interest expense on deposit liabilities
Foreign exchange gain	23,731	–	Foreign exchange gain on the foreign exchange forward contracts with FDC

(Forward)

Category	2012 Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
Key management personnel:			
Loans receivable	₱–	26,277	Loans granted with terms ranging from five to fifteen years, interest ranging from 7.00% to 10.20%, unsecured, no impairment
Deposit liabilities	–	515,923	Deposit liabilities with interest ranging from 1.24% to 3.50%
Interest income	2,755	–	Interest income on loans receivable
Interest expense	325	–	Interest expense on deposit liabilities
Other related parties:			
Loans receivable	–	501,581	Loans granted with terms ranging from three months to five years, interest ranging from 4.50% to 11.52%, secured by real estate and chattel mortgage, no impairment
Receivables purchased	1,836,807	1,664,331	Receivables purchased by the Parent Company from FLI
Deposit liabilities	–	1,228,756	Deposit liabilities with interest ranging from 1.24% to 3.50%
Accrued interest receivable	–	389	Interest income accrued on outstanding loans receivable
Guarantees and commitments	–	9,900,000	Unused credit lines
Accounts receivables	–	9,050	Noninterest-bearing advances, payable on demand, no impairment
Interest income	581	–	Interest income on loans receivable
Interest expense	1,388	–	Interest expense on deposit liabilities
Service fee expense	1,635	–	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company (see Note 9)
Service charges, fees and commissions	1,034	–	Commissions received by the Parent Company for its services as a selling agent of FLI's bonds issued in 2012
Rent expense	39,652	–	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, Filinvest Alabang, Inc. and FLI
Gain on sale of assets	232	–	Gain on sale of investment property to Filinvest Alabang, Inc

The Group's significant investors pertain to FDC, the immediate Parent Company of the Group, and FDC Forex Corporation (a company under common control of FDC).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24. The Group provides banking services to its key management personnel.

Other related parties pertain to the Group's affiliates (subsidiaries of FDC).

The Group and the Parent Company had no outright purchases and outright sale of debt securities with significant shareholders, key management personnel and other related parties in 2013 and 2012.

No provision and allowance for loan losses was recognized by the Group for loans to significant investors, key management personnel and other related parties.

The Parent Company's subsidiaries have no transactions with related parties outside of the Group. The transactions disclosed above are the same for the Group and the Parent Company.

Parent Company Related Party Transactions

Transactions between the Parent Company and its subsidiaries meet the definition of related party transactions. Details of the Parent Company's subsidiaries are disclosed in Note 1.

In addition to the transactions discussed above, the following are the transactions between the Parent Company and its subsidiaries that are recognized in the Parent Company's statements of financial position and statements of income and eliminated in the consolidated financial statements:

Category	**2013 Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions/Nature**
Subsidiaries:			
Loans receivable	**₱1,007**	**₱128,200**	Loans granted with a term of one month or 30 days, interest rate of 4.00%, unsecured, no impairment
Receivables purchased	**2,908,212**	**2,486,170**	Receivables purchased by the Parent Company from EWRB
Guarantees and commitments	**–**	**3,371,800**	Unused credit lines.
Deposit liabilities	**–**	**148,868**	Deposit liabilities with interest rate of 0.00%
Interest income	**1,369**	**–**	Interest income on outstanding loans receivable
Interest expense	**–**	**–**	Interest expense on deposit liabilities.
Service fee expense	**1,665**	**–**	Service fees paid to EWRB for account servicing equivalent to 0.37% of loan amounts collected by EWRB in behalf of the Parent Company for the receivables purchased (see Note 9)

Category	2012 Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
Subsidiaries:			
Deposit liabilities	₱–	₱353,960	Deposit liabilities with interest from 0.00% to 2.50%.
Other receivables	–	820,000	Additional investments in GBI and FRBI amounting to ₱700.00 million and ₱20.00 million, respectively, presented as deposits for future stock subscription in the subsidiaries' financial statements (See Notes 1 and 9)
Interest income	69,696		Interest income on outstanding loans receivable
Interest expense	588		Interest expense on deposit liabilities

Transactions with Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company's retirement plan is in the form of a trust administered by the Parent Company's Trust Division under the supervision of the Retirement Committee. The values of the assets of the fund are as follows:

	2013	2012
Cash and cash equivalents	**₱275,907**	₱70,039
Equity instruments	**70,022**	64,574
Debt instruments	**84,832**	178,858
Others	**823**	67
	₱431,584	₱313,538

As of December 31, 2013 and 2012, cash and cash equivalents include the savings deposit with the Parent Company amounting to ₱16.41 million and ₱1.20 million, respectively and debt instruments include investments in the Parent Company's LTNCD amounting to ₱62.24 million and ₱46.15 million, respectively. Equity instruments include investments in the Parent Company's equity securities amounting to ₱0.73 million, equivalent to 30,000 common shares with fair market value of ₱24.30 per share as of December 31, 2013, and ₱0.87 million equivalent to 30,000 common shares with fair market value of ₱29.00 per share as of December 31, 2012. The Trust Division exercises the voting rights over the shares.

The following are the amounts recognized by the retirement plan arising from its transactions with the Parent Company for the years ended December 31, 2013, 2012 and 2011.

	2013	2012	2011
Trust fees	**₱2,095**	₱1,265	₱1,351
Interest income on savings deposit	**4,796**	149	–
Interest income on investments in LTNCD	**2,669**	45	–
Gain on investments in equity shares	**1,232**	91	–

Remunerations of Directors and other Key Management Personnel

Total remunerations of key management personnel are as follows:

	Consolidated			**Parent Company**		
	2013	2012	2011	**2013**	2012	2011
Short-term employee benefits	**₱197,933**	₱231,210	₱171,883	**₱187,535**	₱225,199	₱141,744
Post employment benefits	**7,448**	4,320	7,515	**4,160**	4,320	7,515
	₱205,381	₱235,530	₱179,398	**₱191,695**	₱229,519	₱149,259

Remunerations given to directors which were approved by the Board Remuneration Committee amounted to ₱10.16 million in 2013, ₱7.30 million in 2012 and ₱8.00 million in 2011 for the Group and the Parent Company.

Regulatory Reporting

As required by BSP, the Group discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Group. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said circular:

	Consolidated			**Parent Company**		
	2013	2012	2011	**2013**	2012	2011
Total outstanding DOSRI accounts	**₱6,394,361**	₱1,596,916	₱1,102,394	**₱6,394,361**	₱1,596,916	₱2,102,394
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**0.000%**	0.001%	0.01%	**0.000%**	0.001%	0.01%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	**6.494%**	2.27%	1.88%	**6.738%**	2.27%	3.53%
Percent of DOSRI accounts to total loans	**6.495%**	2.27%	1.89%	**6.738%**	2.27%	3.54%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**2.499%**	19.71%	29.11%	**2.499%**	19.71%	62.83%
Percent of past due DOSRI accounts to total DOSRI accounts	**0.067%**	0.00%	0.00%	**0.067%**	0.00%	0.00%

The amounts of loans disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive that that of key management personnel.

BSP Circular No. 560 provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank. As of December 31, 2013 and 2012, the Parent Company is in compliance with these requirements.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation. As of December 31, 2013 and 2012, the Parent Company is in compliance with these requirements.

27. Trust Operations

Securities and other properties held by the Parent Company in fiduciary or agency capacity for clients and beneficiaries are not included in the accompanying statements of financial position since these are not assets of the Parent Company. The combined trust and managed funds of the Trust Department of the Parent Company amounted to ₱7.80 billion and ₱13.80 billion as of December 31, 2013 and 2012, respectively.

Government securities with total face value of ₱161.90 million and ₱181.80 million as of December 31, 2013 and 2012, respectively, are deposited with the BSP in compliance with current banking regulations related to the Parent Company's trust functions. These government securities are recorded as part of investment securities at amortized cost as of December 31, 2013 and 2012.

In accordance with BSP regulations, 10.00% of the profits realized by the Parent Company from its trust operations are appropriated to surplus reserves. The yearly appropriation is required until the surplus reserves for trust operations amounts to 20.00% of the Parent Company's authorized capital stock.

The Parent Company's income from its trust operations amounted to ₱29.02 million, ₱27.84 million and ₱31.10 million in 2013, 2012 and 2011, respectively.

28. Commitments and Contingent Liabilities

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. The Group does not anticipate material unreserved losses as a result of these transactions.

The Group has several loan related suits and claims that remain unsettled. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, the suits and claims, if decided adversely, will not involve sums having a material effect on the Group's financial statements.

The following is a summary of commitments and contingencies of the Parent Company at their peso-equivalent contractual amounts arising from off-balance sheet items:

	2013	2012	2011
Unused credit line - credit card	**₱26,932,813**	₱22,108,158	₱15,549,780
Trust department accounts (Note 27)	**7,819,270**	13,803,205	8,857,411
Treasurer/cashier/manager's checks	**4,867,487**	5,258,228	–
Unused commercial letters of credit	**2,965,080**	1,348,261	612,741
Forward exchange sold	**2,308,540**	7,150,910	15,119,147
Spot exchange sold	**1,711,332**	1,429,038	9,325,935
Outstanding guarantees	**957,760**	483,008	568,910
Inward bills for collection	**930,110**	68,507	88,054
Outward bills for collection	**37,132**	14,010	47,814
Late deposits/payments received	**12,581**	20,202	3,620
Items held for safekeeping	**676**	555	455
Unsold traveler's check	**27**	25	26
Others	**27**	20	21

29. **Financial Performance**

Earnings per share amounts were computed as follows:

		2013	2012	2011
a.	Net income attributable to equity holders of the Parent Company	**₱2,055,570**	₱1,817,409	₱1,730,965
b.	Dividends declared on convertible preferred shares	**-**	-	(270,000)
c.	Net income attributable to common shareholders of the Parent Company	**2,055,570**	1,817,409	1,460,965
d.	Weighted average number of outstanding common shares (Note 21)	**1,128,410**	981,391	387,353
e.	Weighted average number of convertible preferred shares(Note 22)	**-**	50,000	300,000
f.	Total weighted average number of outstanding common and convertible preferred shares	**1,128,410**	1,031,391	687,353
g.	Basic EPS (c/d)	**1.82**	1.85	3.77
h.	Diluted EPS (a/f)	**1.82**	1.76	2.52

The following basic ratios measure the financial performance of the Group and of the Parent Company:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Return on average equity	**11.11%**	11.86%	17.00%	**10.65%**	12.04%	17.11%
Return on average assets	**1.60%**	1.87%	2.02%	**1.59%**	1.92%	2.09%
Net interest margin on average earning assets	**8.43%**	7.04%	6.60%	**8.50%**	7.03%	6.56%

30. **Offsetting of Financial Assets and Liabilities**

The amendments to PFRS 7, which is effective January 1, 2013, require the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments subject to enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Financial assets

December 31, 2013

Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative assets (Note 5)	**₱90**	**₱–**	**₱90**	**₱–**	**₱–**	**₱90**
Total	**₱90**	**₱–**	**₱90**	**₱–**	**₱–**	**₱90**

December 31, 2012

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets (Note 5)	₱41,316	₱–	₱41,316	₱–	₱–	₱41,316
Total	₱41,316	₱–	₱41,316	₱–	₱–	₱41,316

Financial liabilities

December 31, 2013

Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities (Note 5)	**₱22,017**	**₱–**	**₱22,017**	**₱–**	**₱–**	**₱22,017**
Bills payable* (Note 16)	**63,752**	**–**	**63,752**	**–**	**63,572**	**–**
Total	**₱85,769**	**₱–**	**₱85,769**	**₱–**	**₱63,572**	**₱22,017**

December 31, 2012

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities (Note 5)	₱97,684	₱–	₱97,684	₱–	₱–	₱97,684
Bills payable* (Note 16)	4,571,853	–	4,571,853	–	4,571,853	–
Total	₱4,669,537	₱–	₱4,669,537	₱–	₱4,571,853	₱97,684

** Included in bills and acceptances payable in the statements of financial position*

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

31. **Notes to Statement of Cash Flows**

Transfers from loans and receivables to investment properties as a result of foreclosures amounted to ₱249.77 million, ₱84.40 million and ₱149.12 million in 2013, 2012 and 2011 respectively, for the Group, and ₱125.58 million, ₱72.44 million and ₱96.15 million in 2013, 2012 and 2011 respectively, for the Parent Company. Amounts mentioned are exclusive of gain on asset foreclosure and dacion transactions amounting to ₱93.78 million, ₱42.41 million and ₱84.65 million in 2013, 2012 and 2011 respectively, for the Group, and ₱90.55 million, ₱29.85 million and ₱82.62 million in 2013, 2012 and 2011, respectively, for the Parent Company.

In 2013, the Parent Company applied deposits for future stock subscription amounting to ₱700.00 million and ₱120.00 million as payments for the acquisitions of 441,000,000 common shares of GBI and 46,000,000 common shares of EWRB, respectively.

In 2012, the Parent Company assigned to GBI bills payable amounting to ₱700.00 million as deposits for subscription of 46,000,000 common shares of GBI. Also in 2012, the preferred shareholders converted a total of 300 million preferred shares amounting to ₱3.00 billion to 300 million common shares.

In 2011, the Parent Company participated in a debt exchange program for certain investments in government securities classified as financial assets at FVTPL and at amortized cost. The carrying amount of the financial assets at FVTPL surrendered amounted to ₱1.26 billion, and the carrying amount of the investment securities at amortized cost surrendered amounted to ₱3.27 billion. The fair value of the debt securities received amounted to ₱4.47 billion.

32. **Events Subsequent to Reporting Period**

Redemption of Lower Tier 2 Unsecured Subordinated Notes due 2019 (the 2019 Notes)
On January 25, 2014, the Parent Company exercised its call option on the ₱1.25 billion 2019 Notes due on January 26, 2019 and with optional redemption date of January 25, 2014.

The redemption was approved by the Parent Company's BOD on August 29, 2013 and by the BSP on November 7, 2013. The call option amount was the sum of the face value of the Notes, plus accrued interest amounting to ₱53.85 million, covering the 11th interest period from July 25, 2013 to January 25, 2014 at the interest rate of 8.625%, as of but excluding the call option date.

Long-term Negotiable Certificates of Deposits due 2019 (LTNCD Series 2)
In February 2014, the Parent Company issued the fourth tranche of its 3.25% fixed coupon rate unsecured LTNCD maturing on June 9, 2019 amounting to ₱0.83 billion. The discount, net of debt issue costs related to the issuance of the LTNCD Series 2, amounted to ₱34.77 million.

33. **Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010**

Supplementary Information under RR No. 19-2011
On December 9, 2011, the Bureau of Internal Revenue issued RR No. 19-2011 which prescribes the new annual income tax forms that will be used for filing effective taxable year 2011 and requires disclosure of taxable income, cost of service and other deductions in the notes to the financial statements.

The Parent Company reported the following gross receipts and expenses in its annual income tax return under Regular/ Normal rate for the year ended December 31, 2013:

	RBU	FCDU
Gross receipts		
Interest income	₱8,568,982	₱–
Other income	1,926,414	57,623
	10,495,396	57,623
Cost of Services		
Interest expense	1,013,291	–
Compensation	1,846,177	5,145
Other direct expenses	1,200,988	11,565
	4,060,456	16,710

(Forward)

	RBU	FCDU
Other administrative expenses		
Write-off and losses	₱2,063,697	₱–
Other outside services	720,897	693
Taxes and licenses	645,816	–
Salaries and allowances	615,743	2,783
Advertising	415,390	658
Computer cost	254,286	853
Communication, light and water	250,449	511
Security services	180,168	1,394
Janitorial and messengerial services	174,651	926
Transportation and travel	163,172	529
Asset Acquisition	121,224	–
Office supplies	69,256	351
Management and consultancy fee	52,595	143
Representation and entertainment	41,804	204
Repairs and maintenance	30,078	152
NOLCO	–	30,040
Insurance	28,496	108
Rental	28,371	29
Commissions	15,733	–
Miscellaneous	75,425	1,539
	5,947,251	40,913
Net Taxable Income	₱487,689	₱–

Supplementary Information under RR No. 15-2010
On November 25, 2010, the BIR issued RR No. 15-2010, requiring the inclusion of information on various taxes paid and accrued during the taxable year in the notes to the financial statements.

The Parent Company reported and/or paid the following types of taxes for the year ended December 31, 2013:

Gross Receipts Tax (GRT)
The Parent Company is subject to GRT on its gross income from Philippine sources. GRT is imposed on interest, commissions and discounts from lending activities at 5.00% or 1.00%, depending on the remaining maturities of instruments from which such receipts are derived, and at 7.00% on non-lending fees and commissions, trading and foreign exchange gains and other items constituting gross income.

Details of the Parent Company's income and GRT accounts in 2013 are as follows:

	Gross Receipts	Gross Receipts Tax
Income derived from lending activities	9,834,442	458,968
Other income	2,234,903	156,443
	12,069,345	615,411

Exclusive of the above GRT schedule, the Parent Company charged GRT to its clients amounting to ₱13.48 million in December 31, 2013.

Other Taxes and Licenses
For the year ended December 31, 2013, other taxes and licenses included in 'Taxes and licenses' account of the Parent Company consist of:

Documentary stamps taxes	₱141,002
Local taxes	19,061
Fringe benefit taxes	12,624
Others	1,400
	₱174,087

Withholding Taxes
Details of withholding taxes remitted and balances as of December 31, 2013 are as follows:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	₱381,654	₱32,780
Expanded withholding taxes	105,522	15,432
Final withholding taxes	146,344	9,439
	₱633,520	₱57,651

As of December 31, 2013, the Parent Company has no tax assessments which are covered by a Final Assessment Notice (FAN) issued by the BIR.

Shareholder Information

For shareholder services and assistance,
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34th Floor, Unit D, Rufino Pacific Tower
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Tel: (632) 403-2410 / 403-2412
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