eastwest
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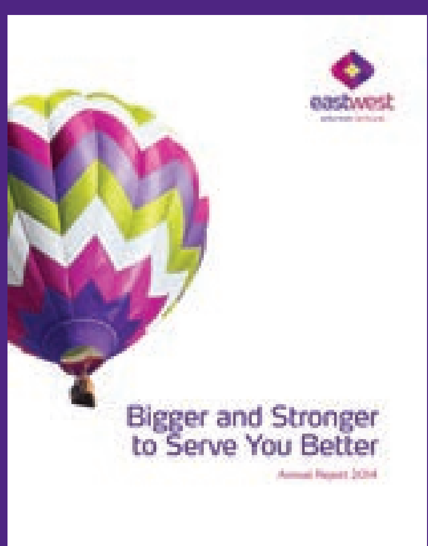
Bigger and Stronger to Serve You Better

Annual Report 2014



Bigger and Stronger to Serve You Better

East West Banking Corporation embarked on a strategic expansion program in 2012. From 122 branch stores and 2,789 EastWest Bankers then, we proceeded to complete a record breaking organic expansion.

By 2014, we have built 405 branch stores nationwide, putting us among the top five in the industry in number of branches. In terms of personal loans, we have become number four. In auto loan bookings, we are 4th and in credit card receivables, we rank 5th. We now have 5,251 EastWest Bankers, all eager to serve you.

Our game plan remains the same: focusing on our customers and providing for their needs even before they become aware of it. Our edge is our agility that gives us the flexibility to respond quicker to developing conditions. Our passion powers us and sets us apart.

Courage brought us to where we are now, one of the fastest growing universal banks in the country, and it is our determination that will bring us to even greater heights.

EastWest now stands shoulder to shoulder with the bigger banks, pumped to compete. As we continue to build on our gains, we will not lose sight of what brought us here – you, our customers.

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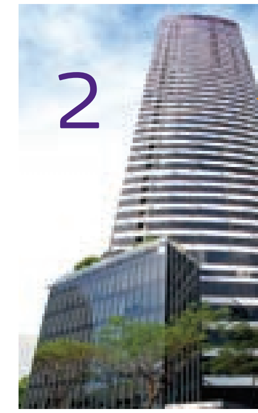
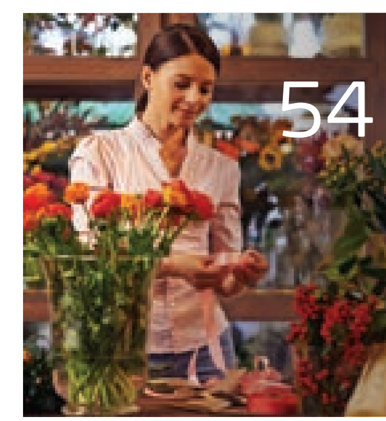
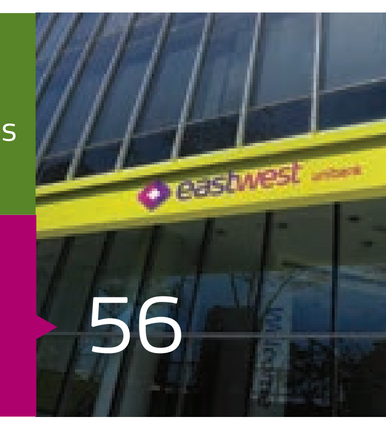


WHO WE ARE

As one of the country's fastest-growing banks, EastWest Bank caters to the financial needs of consumers and the corporate middle-market, including small and medium-scale businesses. They are at the heart of everything we do.

We have 5,251 people, 405 branch stores and 538 ATMs nationwide. These touch points include those of our rural bank arm, EastWest Rural Bank, that extends our reach to areas that do not have much access to financial services.

By growing our presence, we can serve more customers.

EastWest is a subsidiary of the Filinvest Development Corporation (FDC), one of the country's leading conglomerates with a diverse range of interests from real estate, banking, sugar, hospitality/tourism to power generation.

For more information about EastWest Bank, log on to www.eastwestbanker.com

OUR MILESTONES

1994

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

2003

AUG Acquired Ecology Savings Bank, Inc.

2009

AIG PhilAm Savings Bank

MAR Acquired AIG PhilAm Savings Bank

2011

Green Bank

AUG Acquired Green Bank of Caraga, Inc.

NOV Received universal banking license from the BSP

2012

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

MAY Held an initial public offering (IPO), the first by a Philippine bank in 8 years

Finman Rural

JUNE Acquired Finman Rural Bank, Inc.

JULY Received the BSP Certificate of Authority as a universal bank

NOV Listed on the Morgan Stanley Capital International Global Small Cap Index

2013

JUL Earned 5 distinctions from the 2012 Visa Performance Awards

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

Travel Money

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

NOV Nominated in the Asian Business Leaders Awards (ABLA)

2014

NOV Upgraded its core banking system to Temenos T24 in support of its growing customer base.

NOV Included in the top 10 strongest banks in the Philippines by The Asian Banker

DEC Opened a total of 58 new branch stores throughout the year to bring its total consolidated branch store network to 405 by end-2014.

HOW WE DID

FINANCIAL HIGHLIGHTS

NET INCOME

Php2.073 billion
+0.86% YoY

YEAR 2014	2.073
2013	2.056
2012	1.816
2011	1.731
2010	1.778

in billions Php

TOTAL ASSETS

Php188.263 billion
+32.30% YoY

YEAR 2014	188.263
2013	142.299
2012	121.403
2011	96.006
2010	83.777

in billions Php

DEPOSITS

Php147.687 billion
+32.84% YoY

YEAR 2014	147.687
2013	111.176
2012	91.209
2011	76.670
2010	66.473

in billions Php

LOANS

Php121.423 billion
+29.23% YoY

YEAR 2014	121.423
2013	93.961
2012	71.193
2011	48.087
2010	40.264

in billions Php

TOTAL BRANCH STORES

405 branch stores

YEAR 2014	405
2013	347
2012	292
2011	168
2010	113

ROA

1.30 %

YEAR 2014	1.30%
2013	1.60%
2012	1.87%
2011	2.02%
2010	2.34%

ROE

10.20 %

YEAR 2014	10.20%
2013	11.08%
2012	11.86%
2011	17.00%
2010	19.80%

Making the Numbers Count

More access for our customers

- 405 number of branch stores by the end of 2014
- 58 new branch stores opened in 2014

More growth

- 33% growth in deposits in 2014 versus 2013
- 29% growth in loans in 2014 versus 2013
- 34% growth in consumer loans in 2014 versus 2013
- 21% growth in corporate loans in 2014 versus 2013
- 32% growth in total assets in 2014 versus 2013

More confidence

- 5^{th} largest Philippine bank in terms of network size (parent bank only)
- 4^{th} leading auto loans provider in 2014
- 3^{rd} largest credit card issuer in terms of receivables growth
- 5^{th} largest credit card issuer in terms of total receivables

MESSAGE FROM THE CHAIRMAN

To our customers and shareholders, 2014 was another year of accelerating momentum for our bank which we measure not only in terms of the continued growth in customers, branch store network, loan and deposit volumes but, more importantly, in the way we serve our customers.

Serving our customers continues to be our highest priority. In 2014, we made improvements on how we interact with our customers every day and how we positively impact their lives through our people, products and services.

The Big Picture

EastWest Bank operates in a highly dynamic and competitive yet tightly regulated environment. As a banking player, we contribute to the growth of the Philippine economy by lending funds and keeping people's hard-earned money safe. This is why our performance must be viewed in the context of the macroeconomic environment and the overall state of the industry.

In 2014, our business benefited from the growth of the domestic economy, which stood at 6.1% in GDP. While slower than the record-high 7.2% growth in 2013, the Philippines' economic performance still managed to place second after China, which grew by 7.4%, and slightly higher than Vietnam's 6%. The services sector remained the largest contributor to growth, aided by the uptick in real estate, renting and business activities which include the IT-business process outsourcing (IT-BPO) industry. The double-digit expansion in construction also boosted the economy, which drove growth in the industry sector.

While the economic pie has grown bigger, monetary authorities have kept the financial system healthy. In 2014, many banks beefed up their capital to comply with Basel III requirements. Congress passed a law that allows the full entry of foreign banks. The country is also bracing for the integration of the ASEAN economies in 2015. While these developments will not dramatically alter the financial landscape overnight, it is reason enough for us to anticipate increased competition and banking regulations that could lead to industry consolidation.

EastWest is confident of meeting these challenges. We are fully aware that our commitment to delivering exceptional customer experience rests heavily on our ability to keep talented people engaged. So we consider continuous employee engagement as a top priority in our ongoing growth plan.

Gearing Up to Serve You Better

In 2012, we promised our shareholders that we will reach out to more customers by growing our nationwide branch store network to 350 by the end of 2014. We have already exceeded this target and extended our reach to underserved markets through EastWest Rural Bank and more provincial lending desks.

Brand Promise. Our brand promise focuses on our customers' dreams and making them happen. This means always striving to improve our services, our products and the experience we provide our customers. We still have a lot of work to do to consistently deliver on our promise. Putting our customers first will continue to drive our strategy for growth.

Internal System. Throughout the year, we continued to transform our internal business processes to streamline how we work and remove internal barriers that impede productivity, collaboration, innovation and better customer service. We started rolling out our new core banking system, Temenos T24, so our customers can look forward to fast service in all channels such as branch stores, ATMs and online banking. It also allows us greater capability and flexibility to quickly launch new products or modify existing ones to satisfy the needs of our clients and deliver service with world-class quality.

Employee Engagement. Much of EastWest's reputation and core strength is built on the foundation of providing customers with excellent service that is consistently delivered across all channels. This means that even if our products and services change, we continue to build a team that works towards one goal: delivering the best customer experience in the industry as measured by our customers' likelihood to recommend our products, services and people.

We will continue to enhance our recruitment and retention policies and programs for continuing learning. It is the only way for us to elevate our winning culture and sustain our competitive advantage.

Moving ahead

With 2016 in the horizon, we are guardedly optimistic yet confident of the national government's ability to protect the gains the country has achieved – in managing the economy, in restoring the people's faith in the bureaucracy and in working towards peace. All these brought about renewed business confidence and resulted in a series of upgrades in the country's credit ratings that are now investment grade.

I am confident that 2015 will be a better year for EastWest to demonstrate its unwavering commitment in advancing customer service excellence and creating additional long-term value for our customers, investors, and the communities where we live, work and serve.

We will continue listening to all our stakeholders and embracing new ideas to enhance the EastWest experience.

JONATHAN T. GOTIANUN
CHAIRMAN

THE PRESIDENT SPEAKS

In 2014, Philippine banks continued to benefit from the growing domestic economy that favored a healthier banking system.

Among those that were buoyed up by this growth was EastWest Bank, which was able to sustain the growth momentum that started when its President and CEO, Antonio C. Moncupa, Jr., took over the helm in 2007.

In this interview, the President speaks about building a more confident organization, transforming a winning culture, and meeting regulatory and competitive challenges and opportunities head on, toward the singular goal of delivering the best customer experience in the industry.

How would you describe the operating environment for EastWest in 2014?

For us, the 2014 environment was as good as it could get. Yes, there were increasing competitive pressures as everybody tried to outdo each other. These are perfectly normal and expected as the country's growth momentum continues to gain strength.

For EastWest, we reached important milestones in 2014. We delivered on the promise we made during our 2012 IPO to have 350 stores, and more. We did 405. While we expected the cost of this expansion to peak in 2014 and book lower income, we actually did better than what we expected. We saw our total assets,

deposits, and loans increasing by 32%, 29%, and 33%, respectively. We also saw substantial improvement in core recurring earnings. And most importantly, we can see EastWest Bankers getting more confident of their ability to compete and achieve.

> *How far have you gone to build this 'organizational confidence'?*

Organizational confidence is the result, not the cause. It is very important because

if we, as an organization, believe that we can compete with anyone, including the biggest banks in the country, we will reflect this in our actions and move with confidence to extend to our customers the service they deserve.

And we have been investing on the 'causes' these past years. We have been building the foundation of long-term, sustainable growth. We invested in branch stores which, based on our own count at the end of 2014, is the 5th biggest in the industry, excluding subsidiaries, and 7th overall including subsidiaries.

We have also upgraded our IT infrastructure. We have just completed the migration to our new core banking system, Temenos T24, which is among the top 3 rated and best-selling core banking solutions worldwide. We continue to invest in training. We are about to complete our product offerings as we revitalize our Fixed Income Distribution and Trust businesses. We have secured our investment banking license. And soon, we will be into leasing and insurance.

These, plus the growth momentum that made EastWest one of the fastest growing banks in the country, give the organization the confidence that, indeed, it can compete effectively.

> *How would you know if the organization has already gained confidence when your bottom line still does not show it?*

We have been transparent to our stakeholders – investors, customers and colleagues in the Bank – that the expansion costs a lot of money and that the costs will be upfront and revenues will only come later. The fact that we were able to deliver on our expansion plans, register good growth numbers, and made

substantive gains in our core businesses of loans and deposits, is, in our view, reassuring to our stakeholders.

Actually if you look closely, the financial results have started to show. In 2014 our Net Revenues excluding trading income after provisions for probable losses, or our core revenues net of provisions, increased by 21.7% or by Php1.9 billion to Php10.9 billion. We spent Php1.4 billion to get this done. For an expansion period in an environment of historical low spreads, this is not supposed to happen yet. We believe the organization sees these numbers as indications of better things to come. These numbers reaffirm our belief that we have the fundamental strengths that make our rather ambitious expansion very doable.

The board and management believe that the whole EastWest organization sees that what caused net profit to be flat in 2014 are higher taxes and lower trading gains, with a combined total of Php780 million. These volatile trading gains and taxes offset the substantial growth in recurring core revenues.

The Bank has already completed its store expansion program. What's your next strategy?

In 2015, we will slow down our store expansion and focus more on consolidating what we have built.

If the past two to three years leading up to 2014 was about expansion — or gaining breadth — 2015 will be about consolidation or depth.

We will push our training programs even more, invite more customers to try our brand of service in areas where we are present, fill in the gaps in our product offerings, particularly on wealth management and insurance. We will also focus on more cross selling and increasing our share of wallet. We will tighten up some more on GMRC or on Governance, Management of Risks, and Compliance. Put another way, 2015, is setting the stage for the expected balance sheet growth that will follow.

How has the implementation of Basel III affected your performance in 2014?

Since all banks were affected by Basel III and since we still have capital from our IPO and earnings from the past years, Basel III did not really affect our 2014 performance. However, our fast growth has depleted our capital fast. That is why we are doing a stock rights offer.

In the long run though, we think Basel III will shave off at least a couple of percentage points on the return on equity of banks. For EastWest we think ROE should normalize at around 15%. That is the bad news. The good news is, Basel III will make banking safer and substantially lessen the reoccurrence of a financial crisis as we saw in Southeast Asia in 1997 and in the Western economies in 2008. This is a trade off we have accepted. The thing is, we need to have the scale so that we can be more efficient. With the expansion, we believe we can build the scale needed to optimize the return for our investors and, at the same time, be able to attract and retain the talents the Bank needs. Talented people like growing organizations.

What is your outlook in 2015?

We continue to be optimistic on the country. We continue to share the view that the Philippines is in a secular growth which means that the economic expansion will go on for more years to come. This view is really one key reason EastWest embarked on a serious expansion program some five years ago. We have no reason to change this view. We intend to continue translating this view into action by taking advantage of the opportunities we expect to come. In specific terms, for EastWest, this means consolidation in 2015 and more expansion in the years to come.

How do you view the level of competition in your industry?

We think competition in the market will not get easier. Many of our competitors see the same opportunities. This is only natural and it is actually good as it will benefit customers in terms of better service and better pricing, accelerate financial inclusion, and raise everybody's game higher. We have been preparing for this and our expansion is a recognition that competition will only intensify. Scale will be important. And, those that cannot attain it may well be among those that will be absorbed when the industry consolidates. And, we think there is a good chance that the industry will see mergers and acquisitions in the future.

So now that you are growing in size and gaining competitive edge, what remains to be your biggest challenge?

The challenges will not cease. Our competitors will also try to expand and gain competitive advantage. That is par for the course. But, I really think the biggest challenge is building an organization that is competent, customer-focused, engaged, and has a strong sense of common purpose operating under a clear set of deeply held organizational values.

This is easy to say but, in my view, the most difficult to achieve. In this day and age of tough competition, we need the right skills, competencies, and the right attitude to serve our customers well. We need to empower our people more and push the decision-making process down the organizational line so that customer service will be faster, more accurate, and delivered with empathy. And to do this, it is important that the organization shares the same beliefs and have a common understanding on how these translate in everyday work-life.

ANTONIO C. MONCUPA, JR.
PRESIDENT AND CEO

OPERATIONAL HIGHLIGHTS

Making What Matters To You Our Business

After striving to make our physical presence felt and reaching out to you through our branch stores, we are now gearing up to serve you even better. This means making sure we are meeting your evolving financial needs and consistently delighting you.

That's why we are embracing new ideas that will make your experience better every day. We're on a journey to continue to earn your trust by living up to our brand essence of making good things happen.

Throughout 2014, our business units embarked on various initiatives to help sustain our growth momentum, as well as continue to enhance the customer experience we provide.

RETAIL BANKING

In our Retail Banking operations, we strengthened our direct connection to our customers through our branch store network and ATMs, aimed at creating superior banking experience.

In 2014, we completed our three-year branch store network expansion program that enabled us to achieve our goal of bringing EastWest Bank closer to our customers. During the year, we opened 58 branch stores, bringing our total network to 405 branch stores nationwide.

Through sustained sales and in-branch store marketing efforts, our total deposit base in 2014 grew 33% to Php147.7 billion.

Our industry-first Travel Money also earned EastWest the "Highly Commended Best Prepaid Card Award for Asia Pacific" at the 2014 Card and Electronic Payments International Asia Trailblazer Awards held in Singapore. During the year, Travel Money was also awarded the 2013 Visa Product Trailblazer by Visa Philippines.

During the year, our debit and prepaid cards grew from 2013 levels by 79% and 154%, respectively. Due to the exemplary performance of our debit and prepaid cards, EastWest was awarded by Visa Philippines as Best Performer in these categories: Visa Debit Cards in Force Growth in the Philippines, Visa Debit Transaction Number Growth in the Philippines, Visa Debit Payment Volume Growth in the Philippines and Visa Prepaid Transaction Number Growth in the Philippines.

405
branch stores nationwide

5th
largest branch store network (parent only)

33%
growth in deposit base

CONSUMER LENDING

At EastWest, we remain committed to providing consumer loans to meet the sound borrowing needs of retail customers.

In 2014, we continued to grow our consumer loans portfolio as we started seizing opportunities from our expanded store network. As a result, our consumer lending business grew by 34% from the previous year.

Auto Loans

In terms of loan segments, auto loans remained the biggest profit driver in our consumer lending business in 2014.

We increased our auto loans volume by 54% in 2014 from year-ago levels as we reached out to more car buyers through our wider branch store network. Our branch store presence in the provinces generated more than 30% of our auto loan bookings in 2014, reflecting the robustness of the markets outside Metro Manila.

Largely due to the continued patronage of our loyal customers and our innovative dealer partnerships, EastWest climbed from fifth to fourth among the leading auto loans provider, accounting for more than 10% of the market.

Mortgage Loans

Our mortgage lending business continued to get a boost from the country's economic upswing, the record-low interest rate environment, and sustained remittance flows from overseas Filipino workers that led to higher consumption. Our ability to fulfill our promise to homebuyers and borrowers was reflected in the double-digit growth of our mortgage loan business by 21% from the previous year.

Sustained marketing efforts in our branch stores, intensified partnerships with major developers, and faster turnaround time helped us exceed our 2013 loan bookings volume by 45%.

Credit Cards

Credit cards remained a major contributor to our business during the year. Our full-year billings grew by 12% from 2013 levels. Loyal cardholders continued to discover the convenience and reliability of using EastWest credit cards, enabling us to rank 3rd in terms of receivables growth and 5th in terms of total receivables among major credit card players in the market.

In 2014, we maintained our industry ranking as 5th largest credit card issuer and strengthened our market presence as our cards breached the one-million mark.

The year also saw EastWest gaining another round of international recognition. In July 2014, regional magazine Asian Banking and Finance awarded us the "Credit Card Initiative of the Year – Philippines" for our Dolce Vita Titanium MasterCard.

In the same month, Visa Philippines recognized EastWest in the following categories: 2013 Best Performer for Visa Classic Payment Volume Growth in the Philippines, 2013 Best Performer for Visa Classic Cards in Force Growth in the Philippines and 2013 Best Performer for Visa Classic Transaction Number Growth in the Philippines.

Personal Loans

We continued to cater to the needs of individual borrowers who want to avail of clean and non-collateralized multipurpose loans for their personal use. Boosted by the prevailing record-low interest rates in 2014, our personal loans portfolio (including salary and DepEd loans) rose by 72% from 2013 levels. Our portfolio has a compounded annual growth rate of 85% for the past three years, largely due to credit demand and our fast turnaround time.

#4
auto loan provider

5th
biggest credit card issuer

12%
growth in credit card billings

21%
growth in mortgage loans

72%
growth in personal loans (with salary and DepEd loans)

CORPORATE BANKING

With the expansion of our corporate banking business, we strengthened our operations to better serve the financial needs of large enterprises, as well as small and medium-sized businesses.

Our corporate banking business grew by 21% in 2014.

The year saw the opening of a new corporate banking division that oversees the operations of our three newly-established provincial lending desks in Baguio City, San Fernando - Pampanga and Legaspi City. We now have a total of 11 regional centers that reach out to corporate customers for their specific banking needs.

TREASURY AND TRUST

Through our treasury and trust businesses, we are able to seize market opportunities and help address the needs of a broader customer segment looking to grow their money through investments.

In 2014, our Treasury Group was able to book higher gains from foreign exchange volatility. However, the prevailing record-low interest rates led to lower income from trading and securities gains.

During the year, we rolled out Php5 billion worth of Basel III-compliant unsecured subordinated Tier 2 notes. This provided our investors with additional products to grow their money and gave us additional funds to support our growth plans.

Our Trust Group launched the EastWest PhilEquity Feeder Fund to provide our clients an investment option that is both affordable and high performing in the long term. The peso-denominated unit investment trust fund (UITF) invests 90-100% of its assets in PhilEquity Fund, one of the country's best performing equity mutual funds that provides robust annualized returns.

While we continue to seize opportunities in the market, we will maintain our cautious stance by carefully gauging risks and rewards and minimizing unwarranted volatility and credit risks.

INVESTMENT BANKING

At EastWest, we have an established investments/markets cluster with business units covering treasury, distribution, trust, leasing and wealth management.

When we obtained the license to operate as a universal bank in 2011, we started to engage in investment banking activities. The new business line gave us additional flexibility while keeping our focus on the middle-market segment. It created synergies that provided our clients access to more products and markets.

With an investment banking business, EastWest clients now have access to capital markets transactions. The unit was launched in late 2014, debuting as co-lead underwriter for the Php7 billion bond issuance of its sister company, Filinvest Land Inc.

Our entry into the investment banking arena completes our transformation into a full-fledged universal bank, ready to compete.

21% growth in corporate banking portfolio

Launched **EastWest PhilEquity Feeder Fund**

Support Initiatives

Information Technology

One of our biggest initiatives in 2014 was the implementation of T24 core banking system. T24 is a leading global and multi-awarded technology used by companies and financial institutions worldwide.

With the new core banking system, our customers can look forward to faster service across branch stores, ATMs and online banking. It also gives us greater capability and flexibility to quickly launch new products or modify our existing ones to satisfy the needs of our clients.

As our business grows, we must also ensure against technology-related risks that could potentially disrupt our operations and derail our growth. We will continuously upgrade the bank's systems to ensure that Information Technology services can adapt to the latest technologies, business demands and customer expectations.

Human Resources

While technological innovations abound, we recognize that banking remains a people-centered business. We regard our employees as the most important asset of our business, as they are the ones who execute our strategies and deliver our brand essence of making good things happen for our customers.

In step with the expansion of our branch store network nationwide, we grew our workforce by 10% from a year ago to 5,251 as we continued to support our growing business.

To attract, retain, and motivate 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. Furthermore, merit increases are given to employees depending on the performance of the employee and that of the bank.

As part of our employee benefits, we offer them low interest rates for auto, housing and multi-purpose loans. We also provide HMO and group life insurance coverage for their health and well being as well as for their safety and security.

Employees' financial security extends beyond their employment with a retirement benefit plan that helps them reap the fruits of long years of hard work and allows them to enjoy life after their tenure with EastWest.

As for the members of our Board of Directors, they receive compensation based on the amount approved by the Board Compensation Committee.

With the aid of automation, we continue to improve work productivity and efficiency to focus on competencies that need to be further developed. We measure individual employee performance through their customer service initiatives, attendance in training seminars, and involvement and leadership in bank-wide projects.

Support Initiatives
T24
core banking system

Human Resources
5,251
total workforce

Customer Service
90%
quality assurance rating

As a fast-growing organization, we conducted numerous training programs through our EastWest Academy, to continually hone our internal capability. We identify exceptional employees for training programs to prepare them for bigger responsibilities and groom them for key posts in the organization.

Bank Marketing and Corporate Communications

Through marketing and corporate communications, we establish the first connection with our potential customers through initiatives that carry our brand. As the brand custodian of the bank, our marketing and corporate communications group also ensures steadfast brand guardianship across all internal and external touch points.

Customer Service

We further strengthened our customer service group to drive our service culture and deliver the EastWest experience to our customers at every point of contact.

We were able to improve our ratings in our bank-wide service quality programs. Our adherence to these programs translated to improvements in the quality of service we provide our customers.

We also enhanced our customer service through automation; we completed our service level agreement documentation and tracked services using an IT tool. This allows us to deliver faster and better service to our customers.

The Contact Center's overall quality assurance ratings also improved to 90% from 88% the previous year.

In 2014, we also deployed several service quality programs in EastWest Rural Bank so that our rural bank arm can mirror our efforts and deliver the brand promise of making our customers the focus of our business.

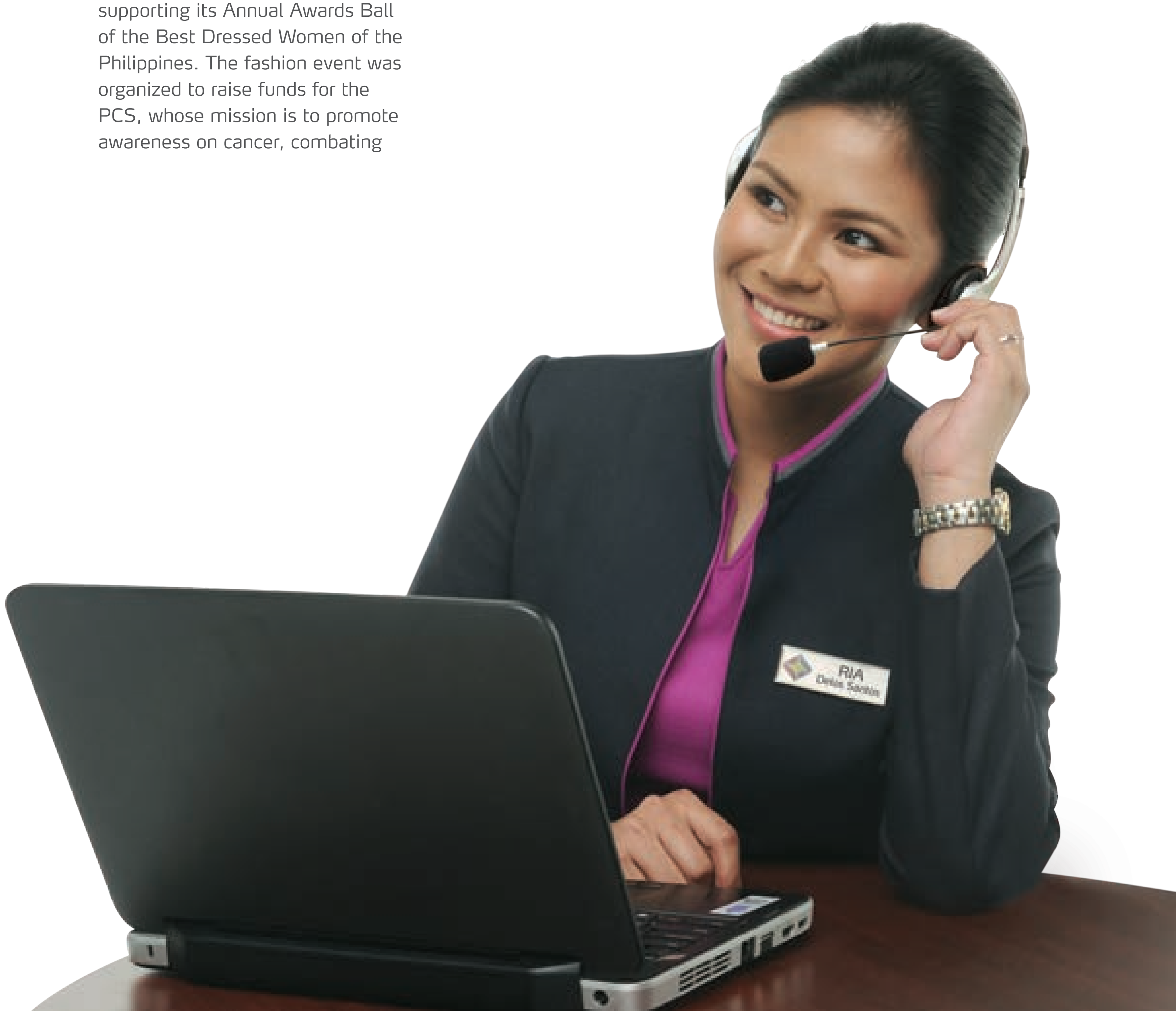
Corporate Social Responsibility

Beyond our responsibility to offer world-class banking service anchored on service excellence, we strive to make a positive contribution to society.

In 2014, EastWest also embarked on two CSR initiatives. Through our Employee Relations Council, we organized a one-day mass blood donation among our employees in February in partnership with the Philippine Red Cross.

We also donated to the Philippine Cancer Society (PCS) by supporting its Annual Awards Ball of the Best Dressed Women of the Philippines. The fashion event was organized to raise funds for the PCS, whose mission is to promote awareness on cancer, combating the spread of the disease, and bringing relief to those afflicted.

We also contribute regularly to various initiatives as part of the Filinvest Group, which has a long history of corporate giving.



RISK MANAGEMENT

Risk Management Protects Your Future

At EastWest, managing risk in everything we do is paramount because it protects our customers and their funds.

Risk management also enables us to seize the growing opportunities that come from operating in a dynamic market while taking prudent measures to ensure reasonable risk-taking.

We identify, measure, manage and control risk when we trade, invest and lend while maintaining and setting aside adequate capital to absorb any unexpected losses from risk events. Provisioning supports our primary goal of maximizing shareholder returns: going after gains while curbing the amount and probability of losses.

Our risk management philosophy emphasizes the integration of effective risk and capital management. This philosophy is embedded across all levels of the organization so that we build a culture where everyone is vested in creating and protecting the value we provide our stakeholders.

This risk management culture hinges on the amount of risk, as determined by the board of directors, that our bank is willing to accept or tolerate in pursuit of our strategic objectives. Business and operating lines act as the first line of defense by managing risks as part of their day-to-day activities.

The business and operating heads, in their capacity as business risk managers, serve as the second line of defense. They ensure that risk policies are implemented and performed effectively. The Risk Management Committee (RMC) of the board oversees the overall risk profile of EastWest and the Risk Management Division (RMD) reports to it monthly.

As a third line of defense, the Internal Audit Division (IAD) independently evaluates if our overall risk management is adequate.

All these efforts help us realize our goals of:
- Formulating risk appetite and limits consistent with our strategic objectives;
- Identifying and understanding principal uncertainties and major risks that may hamper fulfillment of set strategic objectives;
- Establishing and communicating a risk management framework that provides guidance in building a robust risk management culture and the adoption of proactive risk management;
- Setting up and sustaining an effective risk management system and attaining a culture of "no surprises" or "no undetermined" potential losses; and
- Optimizing the use of capital with optimal risk and return decisions.

With these in mind, our RMD updates outstanding models for identified risks and assesses our bank's exposures to check for and measure other risks as they become relevant.

The IAD, along with the audit committee, reviews risk management systems, functions, and activities, and checks if these have been generally performed in accordance with the RMD's defined duties and responsibilities as mandated by the Bangko Sentral ng Pilipinas (BSP). It evaluates the bank's board and senior management oversight to determine if it is generally adequate, with performance and overall risk profiles discussed regularly and policies, regulatory requirements and capital adequacy tackled during monthly meetings. The IAD also concludes if the essential elements of a sound risk management system are in place, consistent with board-approved risk management charters and manuals.

Credit Risk

Credit risk remains to be the largest source of risk for us because the nature of our business focuses on lending. Credit risk is the risk of the loss of principal or financial reward arising from a borrower's failure to honor contractual obligations with the bank. This arises whenever our bank's funds are extended, committed, invested or exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet.

Credit Risk Management

Credit risk, which is spread among various business lines in our bank, is identified through a collaborative effort among business units, credit support units, and the RMD. To evaluate counterparties, we use the internal credit risk rating system (ICRRS) for corporate customers and credit scorecards for each type of consumer product. These tools help us estimate the expected loss that takes into consideration the likelihood of default of a customer, counterparty or issuer (of financial instruments) and the severity of the loss at the time of default. Credit risk models take into consideration changes in borrower profile and behavior to allow us to proactively update estimates of default or flow rates. Measuring credit risk exposure takes into account assumptions based on historical data alongside those stipulated by the BSP.

To ensure that credit risk remains within prescribed tolerance levels, the board approved a credit risk management manual that specifies the framework, risk appetite and tolerance for credit risk. The manual also guides the performance of credit underwriting for corporate customers and credit evaluation for individual consumers. Should unexpected credit loss become unavoidable, we rely on the collateral required of the borrower alongside provisions set aside for losses in order to reduce and cover the amount forgone. Credit impairment provisions are guided by both regulatory prescriptions and internal models.

To further strengthen the credit risk management process, we regularly monitor key credit risk indicators that provide insight into the quality of credit portfolios, levels and areas of credit concentration, quality and sufficiency of collaterals, levels of non-performing loans and adequacy of coverage.

Aside from business-as-usual monitoring efforts of credit risk, we also perform stress tests based on scenarios defined internally and those prescribed by regulators. These stress tests help us look into the largest exposures (concentration risk), our bank's ability and capacity to withstand defaults from top credit portfolios and the incremental amount of credit risk that our bank can still afford.

Market and Interest Rate Risks

Our bank's exposures to market and interest rate risks lie heavily on our trading and investments in fixed-income securities, with some exposure to preferred equity and foreign currency, and recently, derivatives trading.

Market risk is driven by price fluctuations due to market variables such as interest rates, foreign exchange rates and equity prices, and implied volatilities. Additionally, changes in interest rates, largely from mismatches in the terms, affect the fair value of future asset and liability cash flows in EastWest's banking book, and impacts on earnings.

Like credit risk, the act of making sure that market risk is within EastWest's appetite is guided by a manual approved by the board that provides direction for our bank's intended management and supervision of risk. The manual sets out processes in identifying, measuring, controlling, and monitoring market risk. These include transaction approval processes and operational control mechanisms.

In the management of risk-taking, we employ a market risk limit for the trading book representing the maximum level of potential loss we are willing to take. This is further supported by a loss alert limit that serves as early warning to facilitate loss reduction strategies.

Market risk for the trading book is monitored by portfolio and for each trader on a daily basis by the treasury group and Risk Management Division.

Market and Interest Rate Risk Management

Market risk identification is part of the treasury group's mandate. This follows procedures guided by a manual approved by the board and co-authored by the RMD. Measurement of risks uses two models: Value-at-Risk (VaR) and Earnings-at-Risk (EaR). VaR is used to assess potential losses in relation to positions taken by our bank in the trading book. EaR considers repricing of assets and liabilities in the banking book, arriving at a gap value, representing the open position the balance sheet exposed to and subjected to sensitivity (to interest rate movements) measures.

For the banking book, EaR limits are set in the form of triggers for reduced (by certain material amount) net interest income and net income in order to control losses and manage the interest rate sensitivity of our balance sheet.

Breaches of limits are escalated to the treasurer, chief risk officer and the president for disposition and appropriation. EaR is monitored and reported to the RMC on a monthly basis. Aside from these, stress tests that simulate interest rate shocks (on both the trading and banking books) and foreign currency movements are regularly performed to assess their effects on our bank's assets and liabilities. This ensures that gaps and risks are monitored and managed in the event of stress and that capital remains sufficient to cover for the same.

Liquidity Risk

Liquidity risk, while not as significant as credit risk, remains to be one of the critical risk areas of our bank. The performance of risk management ensures that we continue to operate on a going-concern, as we are able to service our liabilities with consideration of reasonable funding costs, asset- and liability-maturity matching, and profitability despite regulatory liquidity constraints. Liquidity concerns may lead to the deterioration of investor and public confidence and may cause panic among stakeholders.

Liquidity Risk Management

Liquidity risk identification is the treasury group's responsibility. A good knowledge of future cash flows is imperative in order to ensure that the optimal level of liquidity is achieved on a day-to-day basis and takes into consideration our funding requirements. It requires that funds are efficiently sourced and deployed and that these are made available to us and are tapped as necessary.

We measure liquidity risk with a cash flow analysis using a Maximum Cumulative Outflow (MCO) model. It takes into consideration projected cash flows of EastWest under a normal operating environment and includes off-balance sheet commitments. The MCO yields a liquidity gap value in relation to our maturing liabilities and assets per bucket on a cumulative basis.

The board approved a liquidity risk management manual that serves as guide and sets the limits of our risk appetite. Adherence to regulator- and internally prescribed liquidity risk limits is observed. It includes liquidity reserve requirements, liquidity ratios, and MCO gap levels, among others. As a proactive measure, we have set a funding contingency plan that ensures readiness in the event that a liquidity problem arises. The plan is reviewed regularly and updated, as needed, by the treasury group.

The treasury group monitors liquidity risk and is complemented by the RMD oversight. It takes into account funding market conditions and earmarks future significant cash flows and provides a performing balance sheet analysis.

We also closely monitor our compliance with BSP regulations. In addition, utilization of credit lines and compliance with internally prescribed MCO limits are also checked regularly. The RMD also simulates stress scenarios that help us look into our ability to service liabilities should these be demanded earlier than expected. EastWest's asset liability management committee maintains oversight over our bank's liquidity position on a weekly basis and is further complemented by monthly reports to the RMC.

Operational Risk

Our bank's operational risk has become more pronounced with our aggressive branch store expansion. Operational risk is defined as potential losses anchored on lapses and failures associated with the delivery and performance of a bank's functions and operations. This may be in any of the processes, people, systems, or even in the occurrence of external events. As we take on more businesses or transactions, the magnitude of operational risk is expected to increase. This comes at a cost and sufficient attention must be given to manage and possibly reduce these potential losses.

Operational Risk Management

Operational risk, which is inherent in our functions and transactions, is identified through the help of everyone in EastWest. Cooperation from various units of our bank is necessary when gathering data on the sources, likelihood and severity of operational risk events to accurately gauge its operational risk exposure. The data is inputted in a matrix that will generate the likelihood of the occurrence of risks and the business impact for each risk category. Simulations are then performed to estimate the operational risk loss for each event, which may further be aggregated to measure our bank's overall operational risk exposure.

The board approved an operational risk management manual that defines our bank's framework, risk appetite and tolerance for operational risk. It guides everyone in EastWest on the operational risk management process and provides a structured approach to identifying, measuring, controlling and monitoring risk, and consequently, in ensuring that it remains within tolerable levels. The manual guides the RMD in its review and clearance of the various operational policies and procedures of EastWest.

Risk and Control Self-Assessment (RCSA) is executed by the different units in the bank to assess our overall operational risk profile. Key risk indicators are regularly monitored to manage risk in an ongoing basis. These procedures also serve to identify areas where there are operational inefficiencies and where performance is inadequate so that these can be improved.

To address threats related to business disruption, we put in place a business continuity and disaster recovery plan that is reviewed and updated at least once a year. To curb operational losses, EastWest purchases insurance coverage for our employees' health and safety and for the potential loss or damage to physical assets.

Operational risk monitoring requires a bank-wide effort, with each business and operating unit contributing to the activity. RMD is responsible for gathering and analyzing the data from the different units and generating operational risk management reports that contain information about actual and potential operational loss levels, results of self-assessment activities and the progress in the implementation of corrective action.

Key operational risk indicators alongside negative news on our bank stemming from operational concerns and occupational safety and health issues are utilized to give insight into financial losses, business disruptions, compliance fines and penalties arising from operational lapses. These reports are delivered to the RMC on a monthly basis.

Non-Quantified and Non-Material Risks

Aside from these risks, we also measure compliance risk — a risk that is perceived to be non-material. Compliance risk refers to 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.

Zero tolerance, in general, is being maintained for risks of this nature. Compliance risk monitoring has been institutionalized by the compliance division by maintaining an effective compliance risk management framework that determines a proactive approach to the adherence of current and emerging regulatory and compliance developments. Compliance champions for each functional area of EastWest help implement this framework through regular collaborations. Currently, historical figures for penalties and sanctions serve as measures of this risk. Nonetheless, we recognize the need to project these risks moving forward and are thus, pursuing the development of a simulation model that can assist in this objective.

Our bank acknowledges our exposure to relevant, non-quantified risks like reputational and strategic risks. Reputational risk arises from negative public opinion of EastWest by our stakeholders. This may be brought about by poor product and service delivery, regulatory and statutory noncompliance, poor corporate governance, or subpar financial performance, among others. Reputational risk involves the entire organization and cannot be isolated to a particular unit or division in the bank. The materialization of this risk may produce consequences ranging from what may be considered as small or negligible, or result in a temporary loss to business, or to massive threats to our bank's going-concern status. An assessment of our historical experience of negative publicity shows that there are no direct and material effects to our bank's reputation observed as a consequence of such adverse opinion.

We recognize our increasing exposure to reputational risk, especially since our public listing in 2012, and are continuously developing a framework for the quantitative identification, measurement, and monitoring of this risk. The framework will allow for the institutionalization of better controls for the mitigation and management of such risk.

Strategic risk refers to the current and prospective impact to earnings or capital we experience as a consequence of adverse business decisions, improper implementation of decisions and the lack of responsiveness to industry changes. We perceive this risk to be highly pervasive across EastWest's businesses and operations, making it difficult to measure it as a separate risk. We, nonetheless, pursue the development of models to assist in this effort, and studies are ongoing. While this risk has yet to be quantified, we are confident overall with our conservative approach to risk management and that the occurrence of events under such risk is mitigated and controlled.

Capital Management

Capital management serves as the thread that ties all the risk management efforts together. At the end of the day, management of all these risks assist in ensuring that capital is both optimized and preserved, supporting the goal of maximizing shareholder value. Capital management thus entails a good command of how and how much capital is utilized so that opportunities are taken advantage of while making sure that prudent levels are maintained to support our bank's risk-taking activities under normal and stressed conditions. Capital management employs a dynamic coordination of our strategic plans, risk management efforts and performance measurement initiatives.

We aim to achieve the following under our integrative capital management philosophy and framework:

- Maintain adequate capital levels to support our strategic objectives and business plans;
- Sustain minimum capital requirements prescribed by prevailing regulations;
- Cover for our bank's risk exposures under normal and stressed conditions; and
- Maintain a competitive position with respect to our peers while meeting rating agency expectations and preserving above industry returns for our shareholders.

In 2014, we maintained capital ratios above the minimum prescribed by the BSP, highlighting that we have successfully maintained adequate capital even with the simultaneous implementation of Basel III.

EastWest is ready and compliant with anticipated capital regulations that the regulators will impose in the near future and will maintain a capital position of the same strength and resiliency.

Thus, additional raising of Basel III-compliant capital is anticipated to further support our plans for organic growth.

As we continue to take an aggressive stance with the onset of a more competitive environment given the forthcoming ASEAN economic integration, the public can only expect a continuous, proactive, and forward-looking risk and capital management practice. This will allow us to continue taking advantage of opportunities as they come while ensuring that enough capital is maintained to support our ventures.

CORPORATE GOVERNANCE

Because Accountability Matters to You

At EastWest, every banking day is more than just an opportunity to serve you better. It is also a chance to demonstrate our strong commitment to sound and effective practices in corporate governance and full and fair disclosure. We continue to strive for higher standards and pursue new approaches that will ensure greater transparency and integrity in what we do.

Our Governance Structure
We aim to create and sustain value for our various stakeholders. To achieve this, our board of directors, senior management and employees understand that everyone has a part to play in EastWest, whether it is in complying with rules and regulations or in adopting best practice standards. We design measures that align the goals of our shareholders and senior management with that of our employees.

Our board conducts its functions through six committees: executive, corporate governance and compliance, audit, risk management, compensation and trust.

Board of Directors
The primary mandate of our board of directors is to ensure the sustainable and successful continuation of business activities by providing strategic direction to executive management.

The board comprises of nine directors, most of whom are non-executive. The president and CEO is the only director serving in an executive capacity. The non-executive directors have diverse skills, experience and backgrounds and are generally 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 nominated and voted by the shareholders annually, each serving a one-year term until the election and qualification of a new set of directors. The chairman is elected by the board members among themselves.

The bank had one (1) stockholders' meeting last year and it was held on April 25, 2014. There were twelve (12) regular board meetings from January to December 2014: four (4) special board meetings and one (1) organizational meeting on April 25, 2014 or a total of seventeen (17) board meetings during the year.

Board Committees
The bank's board conducts its functions as a full board and through its six committees.

Consistent with corporate governance best practices, the board 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 respective committees at each board meeting. Executives considered relevant for the effective execution of the mandates of a committee are invited to attend committee meetings.

The following committees assist the board in carrying out its role and responsibilities:

EXECUTIVE COMMITTEE

Chairman:
JONATHAN T. GOTIANUN

Members:
Andrew L. Gotianun, Sr.
Mercedes T. Gotianun
Lourdes Josephine T. Gotianun-Yap
Antonio C. Moncupa, Jr.
Michael T. Gotianun

	Executive Committee Attendance	No. of Meetings Attended
Chairman	Jonathan T. Gotianun	37
Members	Andrew L. Gotianun, Sr.	35
	Mercedes T. Gotianun	33
	Lourdes Josephine T. Gotianun-Yap	33
	Antonio C. Moncupa, Jr.	38

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 reviews and approves bank-wide credit strategy, profile and performance. It approves the credit risk taking-activities of the bank based on the regulations of established approving authorities and reviews and endorses credit-granting activities. The committee meets weekly or as often as necessary to address all matters referred to it. The committee had thirty-four (34) Regular Committee Meetings from January to December 2014 and four (4) Special Meetings held on March 27, August 28, September 25 and December 23, 2014 or a total of thirty eight (38) Executive Committee Meetings.

CORPORATE GOVERNANCE AND COMPLIANCE COMMITTEE

Chairman:
PAUL A. AQUINO
(Independent Director)

Members:
Jose S. Sandejas
Atty. Benedicto M. Valerio, Jr.
Jonathan T. Gotianun
Carlos R. Alindada

	CGCC Committee Attendance	No. of Meetings Attended
Chairman	Paul A. Aquino	8
Members	Jose S. Sandejas	8
	Carlos R. Alindada	8
	Jonathan T. Gotianun	6
	Atty. Benedicto M. Valerio, Jr.	7

The corporate governance and compliance committee leads the bank in defining corporate governance policies and attaining best practices. It oversees the implementation of the bank's compliance program, money laundering prevention program and ensuring that regulatory compliance issues are resolved expeditiously. It is also the committee that reviews and endorses to the board significant related party transactions to ensure that these are in the best interest of the bank and its stakeholders.

The corporate governance and compliance committee also 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 Manual of Regulations for Banks of the Bangko Sentral ng Pilipinas. The committee meets every other month and is composed of five directors, the majority of whom are independent directors. The committee had six (6) Regular Committee Meetings from January to December 2014 and two (2) Special Meetings held on March 6 and July 24, 2014 or a total of eight (8) Meetings.

AUDIT COMMITTEE

Chairman:
CARLOS R. ALINDADA
(Independent Director)

Members:
Lourdes Josephine T. Gotianun-Yap
Jose S. Sandejas
Paul A. Aquino

Audit Committee Attendance		No. of Meetings Attended
Chairman	Carlos R. Alindada	13
Members	Lourdes Josephine T. Gotianun-Yap	4
	Jose S. Sandejas	13
	Paul A. Aquino	13

The audit committee provides oversight on the institution's financial reporting and internal and external audit functions. 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, and meets every month. The committee had twelve (12) Regular Committee Meetings from January to December 2014 and one (1) Special Meeting held on May 27, 2014 or a total of thirteen (13) Audit Committee Meetings.

RISK MANAGEMENT COMMITTEE

Chairman:
JOSE S. SANDEJAS
(Independent Director)

Members:
Carlos R. Alindada
Lourdes Josephine T. Gotianun-Yap
Paul A. Aquino

Risk Management Committee Attendance		No. of Meetings Attended
Chairman	Jose S. Sandejas	12
Members	Carlos R. Alindada	12
	Lourdes Josephine T. Gotianun-Yap	11
	Paul A. Aquino	12

The risk management committee assists the board in managing the bank's risk-taking activities through policy institution and oversight. It reviews and approves principles, policies, strategies, processes and control frameworks pertaining to risk management and recommends necessary modifications or amendments to these strategies and policies to the board. Its functions include identification and evaluation of the bank's risk exposures, estimating its impact on the organization and assessing the magnitude, direction and distribution of risks across the bank. Its evaluation serves as one of the bases in determining the risk tolerances that it recommends to the board for approval. The risk management committee periodically updates the board on the overall risk exposures and the effectiveness of its risk management practices and processes. The committee is composed of four members, all are non-executive directors and majority are independent directors. Its members possess adequate knowledge and understanding of the institution's risk exposures and expertise in developing appropriate risk policies and strategies. The committee meets at least once a month and majority of the members must be present. The committee had twelve (12) Regular Committee Meetings from January to December 2014.

COMPENSATION COMMITTEE

Chairman:
LOURDES JOSEPHINE T. GOTIANUN-YAP
(Director)

Members:
Mercedes T. Gotianun
Jonathan T. Gotianun
Antonio C. Moncupa, Jr.
Jose S. Sandejas

The compensation committee is composed of five members including the president/CEO and an independent director. It ensures that the compensation policies and practices are consistent with the corporate culture, strategy and the business environment under which EastWest 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. The committee had only one (1) meeting held on May 29, 2014 of which all members were present.

TRUST COMMITTEE

Chairman:
JONATHAN T. GOTIANUN
(Chairman)
Members:
Andrew L. Gotianun, Sr.
Antonio C. Moncupa, Jr.
Atty. Benedicto M. Valerio, Jr.
Arnulfo V. de Pala*
*Angel Marie Pacis in 2015

	Trust Committee Attendance	No. of Meetings Attended
Chairman	Jonathan T. Gotianun	2
Members	Andrew L. Gotianun, Sr.	2
	Antonio C. Moncupa, Jr.	3
	Atty. Benedicto M. Valerio, Jr.	4
	Arnulfo V. de Pala (Trust Officer)	4

The board of directors is responsible for the proper administration and management of trust and other fiduciary businesses. It may, however, delegate its authority to the trust committee that ensures that funds and other properties held in trust or in any fiduciary capacity shall be administered with the skill, care, prudence and diligence necessary. It sees to it that under the circumstances then prevailing, it will make decisions 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 responsibilities such 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, the trust officer and three directors comprise the trust committee that meets quarterly. The committee had four (4) Committee Meetings from January to December 2014.

Remuneration Policy for the Board of Directors

As a principle, the remuneration of the non-executive members of the board should be sufficient to attract, retain and motivate individuals who have the profile determined by the board. The remuneration level should take into account the responsibilities and the commitment of the board members as well as prevailing market conditions.

The board of directors adopts the policy for remuneration of the non-executive directors based on the recommendations of the nomination & remuneration committee on form and structure. Renumerations given to directors which were approved by the Board Renumeration Committee amounted to Php13.1 million in 2014 and Php10.2 million in 2013.

Best Practices

We take a proactive approach to ensuring excellence in corporate governance. Some of these practices include:

- *Corporate Governance Manual:* EastWest understands that it is paramount to set the kind of corporate governance needed in the attainment of the bank's corporate goals. The corporate governance manual is designed to define the framework of rules, systems and processes that governs the performance of the board of directors and management. It establishes the structure by which the bank executes and carries out its corporate governance. This serves as the reference for all the members of the board and management on the conduct of their duties and responsibilities. The manual is based on the Corporate Code of the Philippines, the Securities Regulations Code, the 2009 SEC Revised Code of Corporate Governance and relevant provisions of the Manual of Regulations for Banks of the Bangko Sentral ng Pilipinas. Policies are made known to every member of the EastWest organization.

- *Dividend Policy:* Dividends may be declared from the surplus profits arising from the business of the bank at such time and in such percentage as the board of directors may deem proper. No dividend may be declared that will impair the capital of the bank. Stock dividends shall be declared in accordance to law.

- *Whistle-Blowing Policy:* Our Code of Ethics ensures that 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, directors, stakeholders, clients, service providers and other third parties to report in good faith knowledge of any misconduct, irregularity or act detrimental to the interests of the bank and its stakeholders. We will protect the identity of whistleblowers who disclose suspected offenses within the organization. We also provide various channels for reporting unacceptable behavior such as through the direct supervisor/manager of the employee or officer involved, by emailing the report to the whistle blowing committee or by calling any of the designated officers.

- *Conflict of Interest:* To ensure the transparency and fairness in dealing with all our stakeholders, we have established policies to avoid potential conflict of interest defined as any situation in which the bank's directors, officers and employees have a competing interest against the bank or its customers. As a general rule, all our directors, officers and employees must not engage in any transaction that may be construed as having conflict of interest with the bank or its customers. Conflict of interest of all employees shall be governed by the Code of Ethics and Discipline, and any inquiries and request for clarification on this matter shall be referred to the human resources group. This shall be discussed with the employee's immediate supervisor and chief compliance officer. In case of doubt, any material matter that poses conflict of interest shall be vetted by the corporate governance and compliance committee and endorsed to the board for approval.

- *Insider Trading:* As a publicly-listed company, EastWest is governed by the rules of the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) on disclosure of trading transactions of its directors and principal officers. To preserve the confidentiality and prevent the misuse of any sensitive, confidential or material information, we have a policy that requires all directors and principal officers to secure prior clearance in any trading transaction. They shall likewise inform the investor relations office and the office of the corporate secretary on their trading transactions no later than one banking day after the transaction is executed. Information would be considered widely disseminated if it has been disclosed broadly to the marketplace, such as through a press release, an SEC filing, a PSE disclosure, or placement on the bank's website. We prohibit any director, officer and employee who are in possession of sensitive or material information about the bank or its products or services to apply for, acquire or dispose of such financial products or bank securities, or enter into an agreement to do any of those things, either for himself or for another person.

- *Related Party Transactions:* In line with the bank's thrust to promote transparency, any related party transaction (RPT) shall be on an arms-length basis and no favorable or special treatment shall be afforded to such related party unless the same treatment shall be accorded to all parties similarly interested in such dealing. All RPTs shall be reviewed and vetted by the corporate governance and compliance committee, which serves as the board's related party committee. Upon approval, the transactions shall be endorsed and presented to the board for approval and approved RPTs are reported to the Bangko Sentral ng Pilipinas in accordance with the regulatory reporting requirements.

- *Health, Safety and Welfare of Employees:* We believe that caring for the health and well being and the safety and security of our employees is important to having sound corporate governance. Thus, we provide HMO and group life insurance coverage to all our full-time employees and a retirement benefit plan that helps them reap the benefits of long years of hard work. Through EastWest's Learning Academy, we create a learning environment that gives our people opportunities to gain knowledge, continuously hone their skills and sharpen their competencies. We have an employee relations council composed of representatives from various units that ensures that the interests and concerns of our employees are heard and properly addressed.

- *Environmental Initiatives:* We believe that we have a responsibility to protect the environment as this impacts our bottom line. As such, we have put in place an energy and water conversation policy that the members of the organization observe. We will implement policies on vendor management that will make our value chain environment-friendly and consistent with promoting sustainable development.

BOARD OF DIRECTORS

Standing from left: Antonio C. Moncupa, Jr. - President, CEO and Director, Paul A. Aquino - Independent Director, Jose S. Sandejas - Independent Director, Atty. Benedicto M. Valerio, Jr. - Director and Corporate Secretary, Carlos R. Alindada - Independent Director, Jonathan T. Gotianun - Chairman, Andrew L. Gotianun, Sr. - Chairman Emeritus, Seated from left: Mercedes T. Gotianun - Director, Lourdes Josephine T. Gotianun-Yap - Director

PROFILES OF THE BOARD

ANDREW L. GOTIANUN, SR.

Position:
Chairman Emeritus

Mr. Andrew Gotianun, Sr. is the founder of both Filinvest Development Corporation and EastWest. He has been the chairman emeritus of EastWest since April 2007.

Concurrently, he is the chairman emeritus of the board of Filinvest Development Corporation and Filinvest Land Inc., chairman of Andremerc Holdings Corp., Pacific Sugar Holdings and A.L Gotianun Inc. (formerly ALG Holdings Inc.). He is also a director of FDC Utilities 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

Position:
Chairman

Mr. Jonathan Gotianun sits as chairman of EastWest, a position he has held since April 2007.
Mr. Gotianun is also the chairman of Filinvest Development Corporation, Filinvest Land Inc. and EastWest Rural Bank. He is also a director of FDC Utilities Inc. 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.

ANTONIO C. MONCUPA, JR.

Position:
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. Before joining EastWest, he was EVP and chief financial officer of the International Exchange 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.

MERCEDES T. GOTIANUN

Position:
Director

Mrs. Mercedes Gotianun has been serving as a director of EastWest since 1995.

Mrs. Gotianun is also the chairperson of Filinvest Alabang Inc. and a director of Filinvest Development Corporation, Davao Sugar Central Corporation, Filinvest Land Inc. and FDC Utilities Inc.

Mrs. Gotianun holds a degree in BS Pharmacy (magna cum laude) from the University of the Philippines.

LOURDES JOSEPHINE T. GOTIANUN-YAP

Position:
Director

Mrs. Lourdes Josephine Gotianun-Yap has been a director of EastWest since August 2000.

She is the chairperson of Filinvest Asia Corporation, Cyberzone Properties Inc., The Palms Country Club and Timberland Sports and Nature Club Inc. She is also the president of Filinvest Development Corporation, Filinvest Land Inc., Filinvest Alabang Inc., Festival Supermall Inc. and The Palms Country Club. She is also a Director of FDC Utilities Inc.

Mrs. Gotianun-Yap holds a degree in Business Management from the Ateneo de Manila University and an MBA major in Finance from the University of Chicago.

CARLOS R. ALINDADA

Position:
Independent Director

Mr. Carlos Alindada has been a director of EastWest since April 2002.

Mr. Alindada is a former chairman and managing partner of SGV & Co. and was a 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.

PAUL A. AQUINO

Position:
Independent Director

Mr. Paul Aquino has been a director of EastWest since October 2009.

Mr. 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 graduated with a BS degree 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.

JOSE S. SANDEJAS

Position:
Independent Director

Mr. Jose Sandejas has been serving as a director of EastWest since April 2002.

Mr. Sandejas is formerly a director of Benguet Consolidated Corporation, Petron Corporation and the Board of Investments.

He graduated with a Bachelor of Science degree in Chemical Engineering from the De La Salle University and pursued a doctorate degree in Materials Engineering from Rensselaer Polytechnic Institute.

ATTY. BENEDICTO M. VALERIO, JR.

Position:
Director/Corporate Secretary

Atty. Benedicto Valerio, Jr. has been a director of EastWest since July 2012 and its corporate secretary since April 2007.

Atty. Valerio 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 to 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.

Overseeing EastWest is its Board of Directors (BOD), consisting of six regular members and three independent directors.

The members of the Board are elected annually by stockholders and each serves a term of one year until the election and qualification of a new set of BOD. Members elect the BOD chairman.

The Bank held one (1) stockholders' meeting on April 25, 2014

There were twelve (12) regular board meetings from January to December 2014: four (4) special board meetings and one (1) organizational meeting on April 25, 2014 for a total of seventeen (17) board meetings during the year.

Board of Directors	No. of Meetings Attended	%
Jonathan T. Gotianun	17	100%
Antonio C. Moncupa, Jr.	17	100%
Andrew L. Gotianun, Sr.	17	100%
Mercedes T. Gotianun	16	94%
Lourdes Josephine T. Gotianun-Yap	17	100%
Jose S. Sandejas	17	100%
Carlos R. Alindada	17	100%
Paul A. Aquino	17	100%
Atty. Benedicto M. Valerio, Jr.	17	100%

SENIOR MANAGEMENT

ANTONIO C. MONCUPA, JR.
President & Chief Executive Officer

JOSE EMMANUEL U. HILADO
SEVP & Chief Operating Officer

ARTURO L. KIMSENG
EVP & Chief Audit Executive

ERNESTO T. UY
SVP & Head for Corporate Banking Group 1

RENATO K. DE BORJA, JR.
SVP & Chief Finance Officer

IVY B. UY
SVP & Deputy Head for Retail Banking and Operations Cluster

CONSUELO V. DANTES
FVP & Head for HR Group

RANDALL ROGELIO A. EVANGELISTA
FVP & Head for Information Technology Group

GERARDO SUSMERANO
SEVP & Head for Retail Banking and Operations Cluster

JACQUELINE S. FERNANDEZ
EVP & Head for Consumer Lending Cluster

DENISE N. TAMBUATCO
SVP & Head for Bank Marketing

MANUEL ANDRES D. GOSECO
SVP & Head for Treasury Group

GRACE N. ANG
FVP & Chief Risk Officer

GINA MARIE C. GALITA
FVP & Head for Customer Service Division

VIRGILIO L. CAMILO
FVP & Head for Bank Operations Group

SENIOR MANAGEMENT

ANGEL MARIE L. PACIS
FVP & Trust Officer

GERONIMO NILO G. JIMENEZ
VP & Head for Project Management Group

STEPHEN O. SANTOS
FVP & Head for Corporate Banking Group 2

BERNADETTE T. RATCLIFFE
FVP & Chief Compliance Officer

CLARISSA MARIA A. VILLALON
VP & Head for Administrative Services and Safety & Security

RENATO P. PERALTA
FVP & Head for Credit Policy and Review Division

LOURDES A. ONA
VP & Head for Legal Services Division

SENIOR OFFICERS

President and CEO
Antonio C. Moncupa, Jr.

Senior Executive Vice Presidents
Jose Emmanuel U. Hilado
Gerardo Susmerano

Executive Vice Presidents
Jacqueline S. Fernandez
Arturo L. Kimseng

Senior Vice Presidents
Renato K. De Borja, Jr.
Manuel Andres D. Goseco
Denise N. Tambuatco
Ernesto T. Uy
Ivy B. Uy

First Vice Presidents
Grace N. Ang
Alan E. Atienza
Virgilio L. Camilo
Consuelo V. Dantes
Yolanda L. De Claro
Randall Rogelio A. Evangelista
Gina Marie C. Galita
Elisa O. Go
Eloida F. Oquialda
Vicente P. Ortuoste
Angel Marie L. Pacis
Renato P. Peralta
Bernadette T. Ratcliffe
Stephen O. Santos
Alessandro L. Villaraza
Jeannette Yvonne M. Zagala

Vice Presidents
Josephine Vilma A. Abad
Doli D. Cabahug
Mary Jane D. Caliwan
Paulina L. Chua
Luisito M. Cornejo
Alastair S. De Lara
Arnulfo V. De Pala
Efren O. Dela Cruz, Jr.
Eduardo S. Garcia
Ires C. Guzman
Ma. Agnes E. Jazmines
Geronimo Nilo G. Jimenez
Macrina P. Lazo
Jocelyn C. Legaspi
Steve L. Lim
Maricel L. Madrid
Manuel L. Manalastas
Michael T. Medrero
Ranjeetha Menon
Herman D. Nonato
Lourdes A. Ona
Jocelyn T. Pavon
Raymond T. Reboredo
Ben Valentino U. Rodriguez, Jr.
Renato Z. Sampang
Rafael Z. Sison
Aylwin Herminia P. Tamayo
Allan John M. Tumbaga
Margaret S. Unson
Clarissa Maria A. Villalon
Ferdinand E. Yap

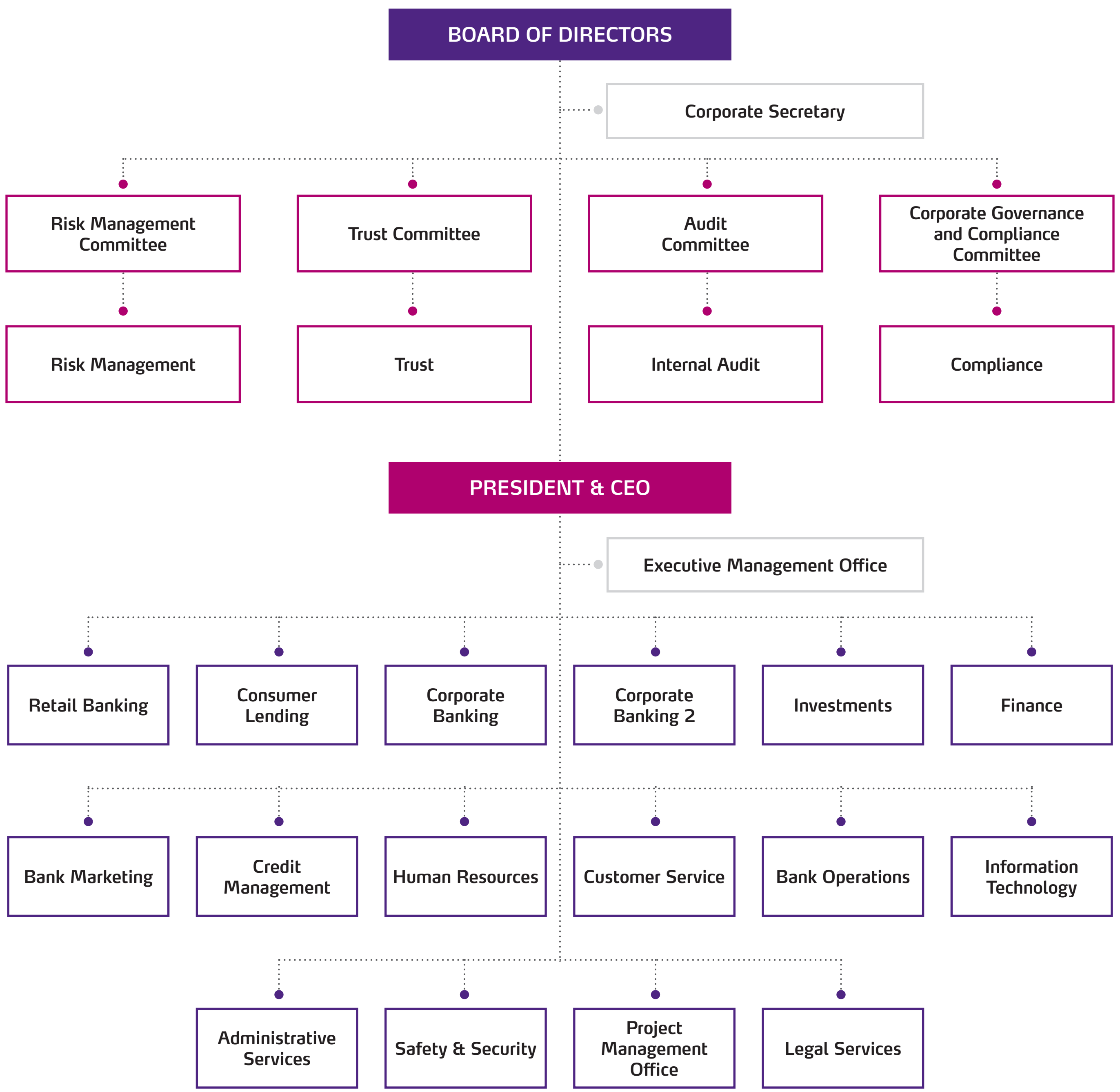
VISION

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 realise best potential

MACRO ORGANIZATION CHART



EASTWEST RURAL BANK

Reaching Out, Touching Lives

At EastWest, we aim to help fulfill the financial goals of our customers wherever they may be. It is because of this focus that we are reaching out to the underserved segments of the population through our subsidiary, EastWest Rural Bank.

EastWest Rural Bank marked a milestone when it generated a net income of Php417.0 million in 2014, a staggering 1,098% jump year on year.

This was driven mainly by the growth in its loan portfolio that soared by 81% to Php10.0 billion from a year ago. Majority of the loans were salary loans to public school teachers while the rest were SSS pension and business loans.

During the year, EastWest Rural Bank introduced additional salary loan products for newly hired teachers and personnel of the Department of Education (DepEd) and variants of existing DepEd salary loans. With these innovations, the number of the bank's borrowers increased by 45% year on year. Despite the rapid growth of its loan portfolio, the rural bank improved its asset quality, with past-due loans even declining by Php65.4 million.

Marketing efforts catering to this niche market in the past year came in the form of incentive programs to loyal clients, and EastWest Rural Bank teams' dynamic participation in various events and activities of the DepEd. To enable its branch stores to reach out to more areas and schools, EastWest Rural Bank hired more people.

EastWest Rural Bank's total deposits in 2014 increased by 81% to Php4.7 billion compared to the year before. It ended 2014 with a total branch store network of 47 (nine in Luzon, 14 in Visayas, and 24 in Mindanao), with its 47th branch store located in Kabacan, North Cotabato. On December 15, 2014, EastWest Rural Bank also moved its support center to Davao City from Butuan to provide greater access and convenience to customers.

With the regulatory approval of its expansion program, EastWest Rural Bank plans to open 16 new branch stores in 2015 that will enable it to reach out to more communities.

In 2015, EastWest Rural Bank plans to strengthen its presence in Luzon, especially the National Capital Region where more than half of the total population of DepEd teachers reside. The rural bank plans to further grow its SSS pension loan offerings to cater to more SSS members whose pension accounts are with EastWest.

It is also eyeing greater synergy with its parent bank by cross-selling its products in EastWest Bank branch stores.

EASTWEST RURAL BANK
SENIOR MANAGEMENT

ELPIDIO
F. MASBAD III
President & CEO

JOSEPH JAY S. LOAYON
Bank Support
Group Leader

EUSELIE C. PAÑARES
Admin Services
Group Leader

JACKJOHN
P. TORREJOS
Branch Operations
Group Leader
- Southern Luzon

HERA A. DUKA
Business Risk
Officer

EDGARDO I. ISAGON
Compliance Officer

JO ANN S. DE ASIS
Credit Services
Group Leader

SHEILA M. BAJADO
Finance Services
Group Leader

IVY D. DUMANACAL
Branch Operations
Group Leader
- Northern Luzon

LORETO S. DIAZON, JR.
Branch Operations
Group Leader
- Mindanao

NELSON B. NAZARENO
Branch Operations
Group Leader
- Visayas

CHRISTOPHER
S. BASILIO
Security Officer

PRODUCTS AND SERVICES

EastWest Unibank

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
  - RMB Time Deposit
- Payment Facilities
  - Debit Card
  - Prepaid Card
    - General Purpose Card
    - Travel Money Card
    - Gift Card

Consumer Loans

- Auto Loan
  - Auto Loan
  - Fleet Financing
  - Refinancing
- Home Loan
  - Lot Acquisition
  - Home and Lot Acquisition
  - Condominium Acquisition
  - Home Construction
  - Home Equity
- Personal Loan
- Salary Loan
- Credit Cards
  - Platinum MasterCard
  - Dolce Vita Titanium MasterCard
  - EveryDay Titanium MasterCard
  - Gold and Classic MasterCard
  - Gold and Classic Visa
  - 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 Promissory 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
- Investment Funds
  - EastWest Philequity Feeder Fund
  - EastWest Peso Money Market Fund
  - EastWest Peso Intermediate Term Bond Fund
  - EastWest Peso Long Term Bond Fund
  - EastWest Dollar Intermediate Term Bond Fund

Cash Management Services

Deposit Pick-up
Check Warehousing
Check Writing
Payment Services
Collection Services
Payroll Services

Small Medium Enterprise Banking

Revolving Credit Facility
Trade Check Discounting Line
Revolving Promissory Note Line
Term Loan

EastWest Rural Bank

Deposits

Regular Savings
- Passbook
- ATM
  - Regular
  - Pension
  - DepEd

Current Deposits
Special Savings Deposit

Loans

- DepEd Teachers Loan
- Micro Business Loan
- SSS Pensioners Loan

EASTWEST BANK STORE DIRECTORY

168 Mall
4/F, Unit 4H 09-11
168 Mall Bldg. 5, Soler St.
Binondo, Manila
Tel. No.: 708-4488
(02) 575-3888
Local 8130

999 Shopping Mall
3/F, Unit 10 and 3C-2
999 Shopping Mall 2
C.M. Recto St., Tondo, Manila
Tel. No.: 516-2120
(02) 575-3888
Local 8200

A. Bonifacio-Balingasa
G/F, 2/F and 3/F, Unit D and E
Winston Bldg., No. 880
A. Bonifacio Ave., Brgy. Balingasa
Quezon City
Tel. No.: 361-0632
(02) 575-3888
Local 8276

A.Mabini-R.Salas
G/F and 2/F, Jesselton Tower
No. 1453 A. Mabini St.
cor. R. Salas St., Brgy. 668
Zone 72, Ermita, Manila
Tel. No.: 450-1083

Alabang Entrata
Unit G3 and G4, Entrata
Filinvest Corporate City
Alabang, Muntinlupa City
Tel. No.: 553-4295
(02) 575-3888
Local 8215

Alabang Hills
Don Gesu Bldg., Don Jesus Blvd.
Brgy. Cupang, Muntinlupa City
Tel. No.: 551-0985
(02) 575-3888
Local 8290

Alabang Madrigal
G/F, CTP Alpha Bldg.
Investment Drive Madrigal
Business Park, Ayala Alabang
Muntinlupa City
Tel. No.: 850-8094
(02) 575-3888
Local 8389

Alabang-Commerce Avenue
Spectrum Center, Block 28
Commerce Ave. cor. Spectrum
Mid-way Filinvest Corp. City
Alabang, Muntinlupa City
Tel. No.: 524-0875

Alabang-Westgate
Westgate, Filinvest Corporate City
Alabang, Muntinlupa City
Tel. No.: 771-0814
(02) 575-3888
Local 8336

Amorsolo-Aegis
G/F, Unit C, Aegis People's
Support Bldg., Amorsolo St.
Makati City
Tel. No.: 887-7368
(02) 575-3888
Local 8104

Amorsolo-Queensway
G/F, Queensway Bldg.
No.118 Amorsolo St.
Legaspi Village, Makati City
Tel. No.: 511-7107
(02) 575-3888
Local 8201

Annapolis
G/F, The Meriden Condominium Bldg.
Unit 1A, Annapolis St., North East
Greenhills, San Juan City
Tel. No.: 705-1517
(02) 575-3888
Local 8331

Anonas
94 Anonas St. cor. K-6th
East Kamias, Quezon City
Tel. No.: 434-0057
(02) 575-3888
Local 8314

Aurora Blvd.-Anonas
Rosario Bldg., No. 999 Aurora
Blvd., near cor. Lauan and
Anonas Sts., Brgy. Duyan-duyan,
Project 3, Quezon City
Tel. No.: 291-3376
(02) 575-3888
Local 8571

Ayala Ave.-Herrera
G/F, PBCom Tower, 6795 Ayala Ave.
cor. V. Rufino St., Salcedo Village
Makati City
Tel. No.: 784-5642
(02) 575-3888
Local 8309

Ayala Ave.-MSE
G/F, Makati Stock Exchange Bldg.
Ayala Triangle, Ayala Ave.
Makati City
Tel. No.: 659-8625
(02) 575-3888
Local 8105

Ayala Ave-Rufino
G/F, Unit 1, Rufino Bldg.
6784 Ayala Ave. cor. V.A. Rufino St.
Makati City
Tel. No.: 845-0096
(02) 575-3888
Local 8213

Ayala Ave-SGV
SGV 1 Bldg., 6760 Ayala Ave.
Makati City
Tel. No.: 621-9811
(02) 575-3888
Local 8168

Baclaran
2/F, New Galleria Baclaran
Shopping Mall, LRT South Terminal
Taft Ave. Extension, Pasay City
Tel. No.: 851-3429
(02) 575-3888
Local 8397

Baesa Town Center
Baesa Town Center Retail Store
No.4, No. 232 Quirino Highway
Baesa, Quezon City
Tel. No.: 990-4537
(02) 575-3888
Local 8155

Bagumbayan
184-B E. Rodriguez, Jr. Ave.
Bagumbayan, Libis, Quezon City
Tel. No.: 709-1729
(02) 575-3888
Local 8318

Balintawak-A. Bonifacio
659 A. Bonifacio Ave.
Balintawak, Quezon City
Tel. No.: 442-1728
(02) 575-3888
Local 8398

Banawe-Kaliraya
Titan 168 Bldg., 126 Banawe St.
near cor. Kaliraya St.
Brgy. Tatalon, Quezon City
Tel. No.: 521-4749
(02) 575-3888
Local 8295

Banawe-N. Roxas
No. 42 Banawe Ave.
cor. Nicanor Roxas, Quezon City
Tel. No.: 354-4980
(02) 575-3888
Local 8162

Banawe-Sct. Alcaraz
G/F, Unit ABC, No. 740 Banawe Ave.
near cor. Scout Alcaraz
Quezon City
Tel. No.: 354-5043
(02) 575-3888
Local 8156

"Shifting to higher gear means efficiency and cost effectiveness. With a broader array of investments products and wider access to markets, EastWest can now provide clients with a more efficient platform to make better investment decisions."

Jose Emmanuel U. Hilado
SEVP and Chief
Operating Officer

Benavidez
Unit 103, One Corporate Plaza
Benavidez St., Legaspi Village
San Lorenzo, Makati City
Tel. No.: 812-0019
(02) 575-3888
Local 8197

Better Living-Peru
Block 9 Lot 3, Dona Soledad Ave.
cor. Peru St., BetterLiving
Parañaque City
Tel. No.: 511-1224
(02) 575-3888
Local 8171

BetterLiving-Doña Soledad
100 Dona Soledad Ave.
Betterliving Subd., Brgy. Don Bosco
Parañaque City
Tel. No.: 823-4284
(02) 575-3888
Local 8312

BF Homes-Aguirre
327 Aguirre Ave., BF Homes
Parañaque City
Tel. No.: 808-4963
(02) 575-3888
Local 8206

Bicutan-East Service Rd
G/F, Waltermart Bicutan
East Service Rd., cor. Mañalac Ave.
Brgy. San Martin de Porres
Parañaque City
Tel. No.: 556-2690
(02) 575-3888
Local 8277

Binondo
G/F, Uy Su Bin Bldg.
535-537 Quintin Paredes St.
Binondo, Manila
Tel. No.: 247-3615
(02) 575-3888
Local 8374

Blumentritt-Rizal Ave
No. 2412 Rizal Ave.
Sta. Cruz, Manila
Tel. No.: 230-4366
(02) 575-3888
Local 8525

Boni Avenue
G/F Lourdes Bldg. II
667 Boni Ave., Brgy. Plain View
Mandaluyong City
Tel. No.: 655-9409
(02) 575-3888
Local 8216

Boni Serrano Ave.
No. 107 Boni Serrano Ave.
Brgy. Lipunan ng Crame
Quezon City
Tel. No.: 532-1475
(02) 575-3888
Local 8572

C. Raymundo Ave.
No. 172 C. Raymundo Ave.
Brgy. Maybunga, Pasig City
Tel. No.: 640-5690
(02) 575-3888
Local 8113

Caloocan-A. Mabini
G/F Gee Bee Bldg. No. 428 A.
Mabini St., Brgy. 15, Zone 2
Caloocan City
Tel. No.: 294-8403
(02) 575-3888
Local 8144

Chino Roces-Bagtikan
G/F, High Pointe Bldg.
No. 1184, Chino Roces Ave.
near cor. Bagtikan
Brgy. San Antonio, Makati City
Tel. No.: 478-7781
(02) 575-3888
Local 8160

Chino Roces-Dela Rosa
G/F, King's Court II Bldg., 2129
Don Chino Roces Ave. cor. Dela
Rosa St., Makati City
Tel. No.: 864-0792
(02) 575-3888
Local 8396

Chino Roces-La Fuerza
Unit 10 and 11 La Fuerza Plaza 1
2241 Don Chino Roces Ave.
Makati City
Tel. No.: 478-9705
(02) 575-3888
Local 8527

City Place Square
3/F, C-P 2-3, City Place Square
Reina Regente near cor. Felipe II St.
Binondo, Manila
Tel. No.: 621-1292
(02) 575-3888
Local 8154

Commonwealth
G/F, No. 272 Commonwealth Ave.
Brgy. Old Balara, Quezon City
Tel. No.: 355-7736
(02) 575-3888
Local 8231

Congressional Ave.
Block 7 Lot 4-A
Congressional Ave.
Project 8, Quezon City
Tel. No.: 426-8587
(02) 575-3888
Local 8313

Cubao-Araneta Center
G/F, Philamlife Bldg., Aurora Blvd.
cor. General Araneta St.
Cubao, Quezon City
Tel. No.: 709-7702
(02) 575-3888
Local 8232

Cubao-P. Tuazon
G/F, Prince John Condominium
No. 291 P. Tuazon Ave.
Cubao, Quezon City
Tel. No.: 913-4730
(02) 575-3888
Local 8302

Del Monte
271 Del Monte cor. Biak na Bato
Quezon City
Tel. No.: 367-1813
(02) 575-3888
Local 8372

Del Monte-D. Tuazon
155 Del Monte Ave.
Brgy. Manresa, Quezon City
Tel. No.: 416-4712
(02) 575-3888
Local 8535

Divisoria
802 Ilaya St.
Binondo, Manila
Tel. No.: 244-9928
(02) 575-3888
Local 8386

Don Antonio Heights
Lot 24 Block 7, Holy Spirit Drive
Don Antonio Heights
Brgy. Holy Spirit, Quezon City
Tel. No.: 376-0817
(02) 575-3888
Local 8153

E. Rodriguez Ave.
G/F, MC Rillo Bldg., No. 1168
E. Rodriguez Ave.
Brgy. Mariana, Quezon City
Tel. No.: 695-3519
(02) 575-3888
Local 8165

E. Rodriguez Ave.-Cubao
No. 1731 E. Rodriguez Sr. Ave.
Brgy. Pinagkaisahan, Cubao
Quezon City
Tel. No.: 477-3979
(02) 575-3888
Local 8537

E.Rod-Welcome Rotonda
AEK Bldg., No. 40
E. Rodriguez Sr. Ave.
Brgy. Don Manuel, Quezon City
Tel. No.: 255-3865
(02) 575-3888
Local 8563

Eastwood City
Unit D Technoplaza 1
Eastwood City, Cyberpark
E. Rodriguez Ave.
Bagumbayan, Quezon City
Tel. No.: 234-1389
(02) 575-3888
Local 8204

Edsa Howmart
1264 EDSA near cor. Howmart Rd.
Brgy. A. Samson, Quezon City
Tel. No.: 990-9588
(02) 575-3888
Local 8164

"We live in a fast paced world that does not stop for anyone. Our job as one of the top-tier banks in the country is to make sure that we keep up by shifting into a higher gear!"

Gerardo Susmerano
SEVP and Head of Retail Banking and Operations Cluster

EDSA-Kalookan
490 EDSA
Kalookan City
Tel. No.: 364-1858
(02) 575-3888
Local 8305

Evangelista
1806 Hen. Mojica
cor. Evangelista St.
Brgy. Bangkal, Makati City
Tel. No.: 846-8516
(02) 575-3888
Local 8118

Festival Mall Level 2
2/F, Festival Supermall
Filinvest Corporate City
Alabang, Muntinlupa City
Tel. No.: 850-3722
(02) 575-3888
Local 8330

EDSA-Muñoz
G/F, Lemon Square Bldg.
1199 EDSA Muñoz
Bgry. Katipunan, Quezon City
Tel. No.: 441-2354
(02) 575-3888
Local 8177

F. Ortigas Jr.
AIC Gold Tower Condominium
F. Ortigas Jr. cor. Garnet Ave.
Pasig City
Tel. No.: 687-0037
(02) 575-3888
Local 8303

G. Araneta Ave.
No. 195 ILO Bldg.
G. Araneta Ave.
Brgy. Santol, Quezon City
Tel. No.: 715-0885
(02) 575-3888
Local 8198

Elcano
Elcano Bldg., 622 El Cano St.
Binondo, Manila
Tel. No.: 242-0254
(02) 575-3888
Local 8241

Fairview
No. 72 Commonwealth Ave.
cor. Camaro St., East Fairview
Quezon City
Tel. No.: 332-8598
(02) 575-3888
Local 8242

General Luis-Kaybiga
No. 4 Gen. Luis St.
Brgy. Kaybiga, Caloocan City
Tel. No.: 922-5346
(02) 575-3888
Local 8509

Escolta
G/F, First United Bldg.
413 Escolta cor. Banquero St.
Binondo, Manila
Tel. No.: 242-4635
(02) 575-3888
Local 8328

Festival Mall Level 1
1/F, Festival Supermall
Filinvest Corporate City
Alabang Muntinlupa City
Tel. No.: 850-6461
(02) 575-3888
Local 8351

Gil Puyat-Dian
G/F, Wisma Cyberhub Bldg.
No. 45 Sen. Gil Puyat Ave.
Makati City
Tel. No.: 845-0487
(02) 575-3888
Local 8275

Gil Puyat-F.B. Harrison
No. 131 Gil Puyat Ave. Ext.
Brgy 24, Zone 4, Pasay City
Tel. No.: 831-7637

Grace Park-3rd Ave.
215 Rizal Ave. Ext.
Brgy. 45, Grace Park West
Caloocan City
Tel. No.: 310-5081
(02) 575-3888
Local 8512

Greenhills Shopping Center
Unit AC-14, Annapolis Carpark
Greenhills Shopping Center
San Juan City
Tel. No.: 721-8292
(02) 575-3888
Local 8138

Gil Puyat-Metro House
G/F, Metro House Bldg.
345 Sen. Gil Puyat Ave.
Makati City
Tel. No.: 890-8102
(02) 575-3888
Local 8301

Grace Park-7th Ave.
G/F, Units 1 to 3
No. 330 Rizal Ave. Ext., near
cor. 7th Ave., East Grace Park
Caloocan City
Tel. No.: 709-5560
(02) 575-3888
Local 8209

Greenhills-Connecticut
Unit B, G/F Fox Square Bldg.
No. 53 Connecticut St.
Northeast Greenhills
San Juan City
Tel. No.: 705-1413
(02) 575-3888
Local 8175

Gil Puyat-Pacific Star
G/F, Pacific Star Bldg.
Sen Gil Puyat Ave.
Makati City
Tel. No.: 403-3368
(02) 575-3888
Local 8185

Greenhills-North
G/F, BTTC Bldg.
Ortigas Ave. cor. Roosevelt St.
Greenhills, San Juan City
Tel. No.: 477-3365
(02) 575-3888
Local 8272

Grace Park-8th Ave.
896 8th Ave. cor. J. Teodoro
Grace Park, Caloocan City
Tel. No.: 361-7545
(02) 575-3888
Local 8373

Greenhills-Promenade
G/F and 2/F, Unit 3
Promenade Bldg., Missouri St.
Greenhills, San Juan City
Tel. No.: 571-5985
(02) 575-3888
Local 8526

Gil Puyat-Salcedo Vill.
G/F, Unit 1 C
Country Space 1 Bldg.
Gil Puyat, Makati City
Tel. No.: 823-5220
(02) 575-3888
Local 8528

Grace Park-11th Ave.
G/F, Block 172 Lot 5
Remcor V Bldg., Rizal Ave. Ext.
Caloocan City
Tel. No.: 376-5825
(02) 575-3888
Local 8286

Greenhills-West
G/F, ALCCO Bldg., Ortigas Ave.
Greenhills-West, San Juan City
Tel. No.: 721-9605
(02) 575-3888
Local 8346

H.V. Dela Costa
Unit GFC-2, Classica 1
Condominium Bldg.
112 H.V. Dela Costa St.
Salcedo Village, Makati City
Tel. No.: 550-2289
(02) 575-3888
Local 8237

Intramuros
G/F, BF Condominium
104 A. Soriano Avenue
cor. Solana St.
Intramuros, Manila
Tel. No.: 527-2627
(02) 575-3888
Local 8369

J.P. Rizal
No. 805, J.P. Rizal
cor. F. Zobel St.
San Miguel Village, Makati City
Tel. No.: 511-0789
(02) 575-3888
Local 8208

Jose Abad Santos-Tayuman
G/F and 2/F, Cada Bldg.
1200 Tayuman St.
cor. Jose Abad Santos Ave.
Tondo, Manila
Tel. No.: 230-2336
(02) 575-3888
Local 8166

Juan Luna-Binondo
No. 580 Juan Luna St.
Binondo, Manila
Tel. No.: 523-0282
(02) 575-3888
Local 8531

Juan Luna-Pritil
G/F, 1953-1955 Juan Luna St.
Tondo, Manila
Tel. No.: 230-2217
(02) 575-3888
Local 8279

Julia Vargas
G/F, Unit 101, Julia Vargas Ave.
cor. Meralco Ave., Ortigas Center
Pasig City
Tel. No.: 655-3339
(02) 575-3888
Local 8246

Jupiter-Paseo de Roxas
G/F, Royal Banner Property Bldg.
No. 30, Jupiter St.
cor. Paseo De Roxas St.
Brgy. Bel-Air, Makati City
Tel. No.: 823-1989
(02) 575-3888
Local 8521

Kalentong
G/F, No. 908 Unit 1 & 2, G/F
Kalentong St., Mandaluyong City
Tel. No.: 534-0669
(02) 575-3888
Local 8278

Kamias
No. 10 Kamias Rd.
cor. Col Salgado St., Brgy. West
Kamias, Quezon City
Tel. No.: 961-8088
(02) 575-3888
Local 8178

Kamuning
JPY Bldg., No. 52, Kamuning Rd.
Brgy. Kamuning, Quezon City
Tel. No.: 412-0573
(02) 575-3888
Local 8562

Katipunan-St. Ignatius
132 Katipunan Rd.
St. Ignatius Village, Quezon City
Tel. No.: 913-2370
(02) 575-3888
Local 8327

Lagro
Block 6 Lot 2, Quirino Highway
Lagro, Novaliches, Quezon City
Tel. No.: 352-4948
(02) 575-3888
Local 8248

Las Piñas-Almanza
Aurora Arcade Bldg.
Alabang Zapote Rd.
Almanza Uno, Las Piñas City
Tel. No.: 551-0612
(02) 575-3888
Local 8271

Las Piñas-BF Resort
No.10 BF Resort Drive
BF Resort Village, Las Piñas City
Tel. No.: 822-2699
(02) 575-3888
Local 8129

Las Piñas-J.Aguilar Ave.
J.Aguilar Ave.cor. Casimiro Dr.
Brgy. BF International
Las Piñas City
Tel. No.: 478-7361
(02) 575-3888
Local 8539

Las Piñas-Marcos Alvarez
G/F and 2/F, 575 Marcos Alvarez Ave.
Talon V, Las Piñas City
Tel. No.: 550-2165
(02) 575-3888
Local 8182

Las Piñas-Pamplona
Lot 16B PSD 208390
Alabang Zapote Rd.
Las Piñas City
Tel. No.: 873-5090
(02) 575-3888
Local 8304

Legaspi-Dela Rosa
G/F, I-Care Bldg., Dela Rosa St.
cor. Legaspi Village, Makati City
Tel. No.: 844-5810
(02) 575-3888
Local 8238

Legaspi-Rufino
G/F, Libran Bldg., Legaspi St.
cor. V.A. Rufino Ave.
Legaspi Village, Makati City
Tel. No.: 519-7398
(02) 575-3888
Local 8103

Leviste
Unit Ground B
LPL Mansions Bldg.
122 L.P. Leviste St.
Salcedo Village Makati City
Tel. No.: 828-9858
(02) 575-3888
Local 8532

Loyola Heights-Katipunan
Unit 13, Elizabeth Hall Bldg.
Lot 1 Blk.41, Loyola Heights
Quezon City
Tel. No.: 426-0420
(02) 575-3888
Local 8249

Makati Ave.-Juno
Unit No.2, A and W Bldg.
Juno St. cor. Makati Ave.
Brgy. Bel-air, Makati City
Tel. No.: 880-0526
(02) 575-3888
Local 8202

Malabon-Gov. Pascual
3315 Gov. Pascual Ave.
cor. Maria Clara St.
Malabon City
Tel. No.: 351-7619
(02) 575-3888
Local 8384

Malabon-Potrero
Units 1 and 2, Mary Grace Bldg.
Mc Arthur Highway, Del Monte St.
Potrero, Malabon
Tel. No.: 352-5490
(02) 575-3888
Local 8116

"We have implemented one of the best core banking solutions and we now have a platform to keep pace with technological advancements to deliver relevant products on-demand and make our delivery channels responsive. It is just a matter of execution now."

Randall Rogelio A. Evangelista
FVP and Head for
Information Technology Group

Malabon-Rizal Avenue
No. 726 Rizal Ave.
Brgy. Tanong, Malabon City
Tel. No.: 441-4446
(02) 575-3888
Local 8250

Mandaluyong - Wack-Wack
G/F, GDC Bldg., 710 Shaw Blvd.
Brgy. Wack-Wack
Mandaluyong City
Tel. No.: 570-4017
(02) 575-3888
Local 8273

Mandaluyong-Libertad
G/F, Units A, B & C
Dr. Aguilar Bldg., No 46 D.M.
Guevarra St., cor. Esteban St.
Highway Hills, Mandaluyong City
Tel. No.: 534-5507
(02) 575-3888
Local 8119

Mandaluyong-Shaw Blvd.
G/F, Sunshine Square 312
Shaw Blvd., Mandaluyong City
Tel. No.: 534-3942
(02) 575-3888
Local 8325

Marikina-Concepcion
Bayan-Bayanan Ave.
Concepcion, Marikina City
Tel. No.: 625-2092
(02) 575-3888
Local 8169

Marikina-Gil Fernando
Gil Fernando Ave., cor. Estrador St.
Midtown Subd., San Roque
Marikina City
Tel. No.: 681-7384
(02) 575-3888
Local 8137

Marikina-J.P. Rizal
No. 367 J.P.Rizal St.
Sta.Elena, Marikina City
Tel. No.: 645-2890
(02) 575-3888
Local 8251

Marikina-Parang
JNJ Bldg. No.108, BG Molina St.
Parang, Marikina City
Tel. No.: 625-6230
(02) 575-3888
Local 8291

Masambong
L/G, Annexes B and C
Atkimson Bldg., No. 627
Del Monte Ave.
Brgy. Masambong, Quezon City
Tel. No.: 709-7701
(02) 575-3888
Local 8183

Masangkay
1411-1413 Masangkay St.
Tondo, Manila
Tel. No.: 230-2363
(02) 575-3888
Local 8184

Mayon
170 Mayon Ave.
Quezon City
Tel. No.: 354-4717
(02) 575-3888
Local 8151

Mayon-Dapitan
No. 181 Mayon St. near
cor. Dapitan St., Brgy. Sta. Teresita
Quezon City
Tel. No.: 230-4750
(02) 575-3888
Local 8560

McKinley Hill
Unit 1, Commerce and
Industry Plaza Bldg.
McKinley Hill Cyberpark
Bonifacio Global City, Taguig City
Tel. No.: 511-8817
(02) 575-3888
Local 8252

Metropolitan Avenue
Savana Bldg. 3, Metropolitan Ave.
cor. Venezia St., Brgy. Sta Cruz
Makati City
Tel. No.: 556-8947
(02) 575-3888
Local 8147

MIA Road
Salud-Dizon Bldg. 1, No. 5
MIA Rd., Tambo
Parañaque City
Tel. No.: 808-9266
(02) 575-3888
Local 8538

"Hard work and teamwork have brought us to where we are. As we face new challenges and become a top player, we need to do more of these."

Jacqueline S. Fernandez
EVP and Head of Consumer Lending Cluster

Muntinlupa
G/F Remenes Center Bldg.
No. 22 National Hi-way,
Putatan, Muntinlupa City
Tel. No.: 846-9311
(02) 575-3888
Local 8122

Navotas-M. Naval
No. 895 M. Naval St.
Brgy. Sipac-Almasen
Navotas City
Tel. No.: 355-4148
(02) 575-3888
Local 8292

Navotas-North Bay
G/F Melandria III Bldg.
No. 1090 Northbay Blvd.
South, Navotas City
Tel. No.: 922-0812
(02) 575-3888
Local 8121

New Manila
Aurora Blvd. cor Doña Juana
Rodriguez Ave., New Manila
Quezon City
Tel. No.: 726-3202
(02) 575-3888
Local 8367

North EDSA
UG/F, Units 4 to 7
EDSA Grand Residences
EDSA cor. Corregidor St.
Quezon City
Tel. No.: 376-2832
(02) 575-3888
Local 8205

Novaliches-Gulod
Block 2 Lot 489
Quirino Hiway Novaliches
Quezon City
Tel. No.: 355-2741
(02) 575-3888
Local 8110

Novaliches-Talipapa
G/F, Units C to G, No. 526
Quirino Highway, Brgy. Talipapa
Novaliches, Quezon City
Tel. No.: 332-3592
(02) 575-3888
Local 8266

Ongpin
G/F, Commercial Unit G1
Strata Gold Condominium Bldg.
738 Ongpin St. Binondo, Manila
Tel. No.: 353-4414
(02) 575-3888
Local 8293

Ortigas-ADB Avenue
G/F The ADB Ave. Tower
ADB Ave., Pasig City
Tel. No.: 532-0292

Ortigas-Emerald
Unit 103 Hanston Bldg.
Emerald Ave., Ortigas Center
Pasig City
Tel. No.: 477-5371
(02) 575-3888
Local 8112

Ortigas-Garnet
Unit 102, Prestige Tower
Emerald Ave., Ortigas Center
Pasig City
Tel. No.: 631-0079
(02) 575-3888
Local 8255

Ortigas-Rockwell
Unit No. W-01 Tower 1
The Rockwell Business Center
Ortigas Ave., Pasig City
Tel. No.: 633-6909
(02) 575-3888
Local 8148

P.Ocampo Avenue
245 P.Ocampo Ave. cor. Flordeliz St., Brgy. La Paz, Makati City
Tel. No.: 887-2321

"EastWest is shifting to higher gear as it endeavours to optimize its expansion investments. The key success factor is a keen focus on Customers."

Renato K. de Borja, Jr.
SVP and Chief Finance Officer

Paco
1050 Pedro Gil St.
Paco, Manila
Tel. No.: 527-4539
(02) 575-3888
Local 8100

Pasay-Oceanaire
G/F, Unit No. 108 and 109
Podium Commercial Area
Oceanaire Condominium
Sunrise Drive cor. Rd. 23
SM Mall of Asia Complex
Pasay City
Tel. No.: 897-7248

Pasig Boulevard
No. 2 Lakeview Drive
cor. Pasig Blvd.
Brgy. Bagong Ilog, Pasig City
Tel. No.: 661-8790
(02) 575-3888
Local 8150

Padre Faura
G/F, Unit D, Metrosquare Bldg 2
M.H. Del Pilar St., cor. Padre Faura St.
Ermita, Manila
Tel. No.: 404-0536
(02) 575-3888
Local 8322

Paseo de Magallanes
G/F, Unit 102, Tritan Plaza Bldg.
San Antonio St., Paseo De Magallanes, Makati City
Tel. No.: 478-4856
(02) 575-3888
Local 8132

Pasig Rosario
Unit 3, 1866 Ortigas Ave. Ext.
Rosario, Pasig City
Tel. No.: 628-4390
(02) 575-3888
Local 8259

Pasay-D. Macapagal Blvd
No. 8 President Diosdado
Macapagal Blvd., Pasay City
Tel. No.: 511-8351
(02) 575-3888
Local 8180

Paseo de Roxas-Legaspi
G/F, Paseo De Roxas Bldg.
111 Paseo de Roxas St.
cor. Legaspi St., Legaspi Village
Makati City
Tel. No.: 840-5434
(02) 575-3888
Local 8375

Pasig-Kapasigan
A.Mabini cor. Blumentritt St.
Brgy. Kapasigan, Pasig City
Tel. No.: 642-8559
(02) 575-3888
Local 8308

Pasay-Libertad
Unit 265-E Nemar Bldg.
Libertad St. Pasay City
Tel. No.: 550-2427
(02) 575-3888
Local 8212

Paseo-Philam Tower
G/F, Philamlife Tower
8767 Paseo de Roxas St.
Makati City
Tel. No.: 884-8810
(02) 575-3888
Local 3342

Pasig-Santolan
G/F Santolan Bldg.
344 A. Rodriguez Ave.
Santolan, Pasig City
Tel. No.: 654-0246
(02) 575-3888
Local 8260

Pasig-Shaw Blvd.
No. 27 Shaw Blvd., Pasig City
Tel. No.: 635-7312
(02) 575-3888
Local 8307

Pateros
M. Almeda cor. G. De Borja St.
San Roque, Pateros
Tel. No.: 941-5366
(02) 575-3888
Local 8556

Pioneer
UG-09 Pioneer Pointe
Condominium Pioneer St.
Highway Hills, Mandaluyong City
Tel. No.: 584-3515
(02) 575-3888
Local 8107

Pasig-Valle Verde
102 E. Rodriguez, Jr. Ave.
Ugong, Pasig City
Tel. No.: 655-3337
(02) 575-3888
Local 8258

Paz M. Guazon
Unit 5 and 6 Topmark Bldg.
1763 Paz M. Guazon St.
Paco, Manila
Tel. No.: 516-2263
(02) 575-3888
Local 8533

President's Avenue
No. 35 President's Ave.
BF Homes, Parañaque City
Tel. No.: 807-5549
(02) 575-3888
Local 8315

Paso De Blas
No. 191, Paso De Blas
Valenzuela City
Tel. No.: 332-2061
(02) 575-3888
Local 8382

Project 8-Shorthorn
G/F, West Star Business Center Bldg., No. 31
Shorthorn St., Brgy. Bahay Toro
Project 8, Quezon City
Tel. No.: 952-4526
(02) 575-3888
Local 8520

Pedro Gil
No. 574 Pedro Gil St.
Malate, Manila
Tel. No.: 256-2018
(02) 575-3888
Local 8559

Quezon Ave.-Banawe
G/F, PPSTA 1 Bldg.
Quezon Ave. cor. Banawe St.
Quezon City
Tel. No.: 412-1681
(02) 575-3888
Local 8329

Pasong Tamo Extension
G/F, Dacon Bldg.
2281 Pasong Tamo Ext.
Makati City
Tel. No.: 892-2825
(02) 575-3888
Local 8324

Perea
G/F, Greenbelt Mansion
106 Perea St., Legaspi Village
Makati City
Tel. No.: 511-0998
(02) 575-3888
Local 8508

Quezon Ave-Dr. Garcia
G/F, Kayumanggi Tress Bldg.
940 Quezon Ave., Paligsahan 4
Quezon City
Tel. No.: 709-7808
(02) 575-3888
Local 8207

Quezon Ave-Sct Albano
1604 Quezon Avenue
Brgy. South Triangle
Quezon City
Tel. No.: 352-8163
(02) 575-3888
Local 8109

Roosevelt-Frisco
184 Roosevelt Ave.
San Francisco Del Monte
Quezon City
Tel. No.: 372-1090
(02) 575-3888
Local 8306

Sampaloc-J. Figueras
No. 427-433 J. Figueras St.
Sampaloc, Manila
Tel. No.: 735-0082
(02) 575-3888
Local 8534

Quezon Ave-Sct Santiago
G/F, Sunshine Blvd. Plaza
Quezon Ave. cor. Scout
Santiago, Quezon City
Tel. No.: 372-8214
(02) 575-3888
Local 8326

Roosevelt-Sto. Niño
187 Roosevelt Ave., Brgy. Sto.
Niño, San Francisco Del Monte
Quezon City
Tel. No.: 922-1723
(02) 575-3888
Local 8190

San Juan
EastWest Bank Bldg.
F. Blumentritt cor. M. Salvador
Brgy. San Perfecto
San Juan City
Tel. No.: 723-8991
(02) 575-3888
Local 8102

Quiapo
G/F, E and L Haw Bldg.
502 Evangelista St.
Quiapo, Manila
Tel. No.: 353-0052
(02) 575-3888
Local 8199

Roxas Boulevard
G/F, DENR Bldg., 1515 Roxas Blvd.
Ermita, Manila
Tel. No.: 525-3605
(02) 575-3888
Local 8114

San Lorenzo-A. Arnaiz
The E-Hotels Makati Bldg.
No. 906 A. Arnaiz Ave.
(formerly Pasay Rd.)
San Lorenzo Village, Makati City
Tel. No.: 845-0263
(02) 575-3888
Local 8257

Rada
Unit No. 102, G/F La Maision
Condominium Bldg., Rada St.
Legaspi Village, Makati City
Tel. No.: 804-2866
(02) 575-3888
Local 8189

Regalado
Regalado Ave. cor. Archer St.
North Fairview Subd.
Quezon City
Tel. No.: 939-5459
(02) 575-3888
Local 8317

Salcedo
G/F, First Life Center
174 Salcedo St., Legaspi Village
Makati City
Tel. No.: 815-8747
(02) 575-3888
Local 8348

San Miguel Ave.
Medical Plaza Bldg.
San Miguel Ave.
Ortigas, Pasig City
Tel. No.: 637-5649
(02) 575-3888
Local 8388

Soler
G/F, R and S Tower
941 Soler St., Binondo, Manila
Tel. No.: 244-0169
(02) 575-3888
Local 8101

Sucat-NAIA
Unit 707-6, Columbia AirFreight
Complex Miescor Drive
Ninoy Aquino Ave., Brgy. Sto. Niño
Parañaque City
Tel. No.: 852-2949
(02) 575-3888
Local 8343

Tandang Sora
Lot 80-A, Kalaw Hills Subd.
Brgy. Culiat Tandang Sora,
Quezon City
Tel. No.: 951-2550
(02) 575-3888
Local 8321

Sto. Cristo
G/F, Sto. Cristo Po Taw Bldg.
107-108 Sto Cristo
cor. Foderama Sts.
Binondo, Manila
Tel. No.: 247-7112
(02) 575-3888
Local 8323

T. Alonzo
G/F, 623 T. Alonzo St.
Sta. Cruz, Manila
Tel. No.: 733-7627
(02) 575-3888
Local 8354

Tektite
East Tower, Phil. Stock Exchange
Center Exchange Drive
Ortigas Center, Pasig City
Tel. No.: 637-4164
(02) 575-3888
Local 8349

Sucat-Evacom
8208 Dr. A. Santos Ave.
Brgy. San Isidro, Parañaque City
Tel. No.: 822-4249
(02) 575-3888
Local 8161

T.M. Kalaw
A-1 to A-4 Ditz Bldg.
444 T.M. Kalaw St.
Ermita, Manila
Tel. No.: 353-9739
(02) 575-3888
Local 8195

"Customer service is intrinsically embedded in everything we do. Everyone of us is a Customer Service Representative."

Gina Marie C. Galita
FVP and Head of
Customer Service Division

Sucat-Kabihasnan
G/F, Unit 3 & 4 Perry
Logistics Center Bldg.
Ninoy Aquino Ave.
Parañaque City
Tel. No.: 553-5064
(02) 575-3888
Local 8274

Taft Avenue
Philippine Academy of Family
Physicians (PAFP) Bldg. 2244
Taft Ave., Manila
Tel. No.: 708-5241
(02) 575-3888
Local 8193

Sucat-Kingsland
G/F and 2/F, Unit 5 and 6
Kingsland Bldg., Dr. A. Santos Ave.
Sucat, Parañaque City
Tel. No.: 553-5107
(02) 575-3888
Local 8192

Taft-Nakpil
RLR Bldg., 1820 Taft Ave.
near cor. Nakpil St.
Malate, Manila
Tel. No.: 525-0495

The Fort 26th St-11th Ave
G/F, Unit 25 and 26
North Tower, South of Market
Bldg., 26th St. cor. 11 Ave.
Bonifacio Global City, Taguig City
Tel. No.: 831-6759
(02) 575-3888
Local 8261

The Fort-Active Fun
G/F, Active Fun Bldg.
9th Ave. cor. 28th St.
City Center, Bonifacio Global
City, Taguig City
Tel. No.: 856-7490
(02) 575-3888
Local 8554

The Fort-Beaufort
The Beaufort, 5th Ave.
cor. 23rd St., Bonifacio
Global City, Taguig City
Tel. No.: 808-2236
(02) 575-3888
Local 8203

The Fort-Burgos Circle
G/F, Unit H & I, Crescent Park
Residences, Burgos Circle
cor. 2nd Ave., Bonifacio
Global City, Taguig City
Tel. No.: 478-5481
(02) 575-3888
Local 8125

The Fort-F1 Center
G/F, Unit F, F1 Center Bldg.
32nd St. cor. 5th Ave.
Bonifacio Global City
Taguig City
Tel. No.: 478-4326
(02) 575-3888
Local 8268

The Fort-Marajo Tower
G/F, Unit 3A, Marajo Tower
26th St. cor. 4th Ave.
Bonifacio Global City, Taguig City
Tel. No.: 856-0201
(02) 575-3888
Local 8379

Timog Ave.
G/F, Timog Arcade
Timog Ave. cor. Sct. Torillo
Quezon City
Tel. No.: 376-7884
(02) 575-3888
Local 8157

Timog-Mother Ignacia
No. 21 Timog Ave.
Brgy. South Triangle
Quezon City
Tel. No.: 374-3619
(02) 575-3888
Local 8570

Tomas Mapua-Lope de Vega
G/F and 2/F, Valqua Bldg.
1003 Tomas Mapua St.
cor. Lope de Vega St.
Sta. Cruz, Manila
Tel. No.: 711-0412
(02) 575-3888
Local 8194

Tomas Morato
257 Tomas Morato St. near
cor. Sct. Fuentabella
Quezon City
Tel. No.: 928-2163
(02) 575-3888
Local 8342

Tordesillas
Unit 105 Le Metropole
Condominium, HV Dela Costa cor.
Tordesillas and Sen. Gil Puyat Ave.
Salcedo Village, Makati City
Tel. No.: 828-8407
(02) 575-3888
Local 8524

UN Avenue
G/F, Magcoop Bldg., UN Ave.
near cor. A. Mabini St., Ermita
Manila
Tel. No.: 354-5082
(02) 575-3888
Local 8393

UP Village
No. 65 Maginhawa St.
U.P. Village, Diliman
Quezon City
Tel. No.: 433-8625
(02) 575-3888
Local 8196

Valenzuela-Dalandanan
212 Km. 15, Mc Arthur Highway
Dalandanan, Valenzuela City
Tel. No.: 277-0276
(02) 575-3888
Local 8289

Valenzuela-Gen. T. De Leon
G/F, Units 4 & 5, Liu Shuang Yu Bldg.
No. 3026, Gen. T. De Leon St.
Brgy. Gen. T. De Leon
Valenzuela City
Tel. No.: 440-5635
(02) 575-3888
Local 8536

"Progress always involves risks, thus, as EastWest shifts into higher gear so does its governance, management of risk and compliance."

Grace N. Ang
FVP and Chief Risk Officer

Valenzuela-Marulas
Km. 12, JLB Enterprises Bldg.
Mc Arthur Highway
Marulas, Valenzuela City
Tel. No.: 445-0670
(02) 575-3888
Local 8345

Valero
G/F, Retail 1B Area
Paseo Park View Tower
142 Valero St., Salcedo Village
Makati City
Tel. No.: 817-3733
(02) 575-3888
Local 8347

Visayas Avenue
G/F, Units B to D
No. 15 Visayas Ave.
Brgy. Vasra, Quezon City
Tel. No.: 441-6604
(02) 575-3888
Local 8280

West Avenue
108 West Ave. cor. West Lawin St.
Quezon City
Tel. No.: 928-5920
(02) 575-3888
Local 8356

West Service Road
West Service Rd.
cor. Sampaguita Ave.
UPS IV Subd., Parañaque City
Tel. No.: 822-3910
(02) 575-3888
Local 8158

Wilson
G/F, No. 220-B, Wilson St.
Greenhills San Juan City
Tel. No.: 696-7366
(02) 575-3888
Local 8159

Xavierville
No. 60 Xavierville Ave.
Xavierville Subd., Brgy. Loyola Hts.
Quezon City
Tel. No.: 364-5379
(02) 575-3888
Local 8564

Ylaya-Padre Rada
G/F Josefa Bldg. No. 981
Ylaya St. cor. Padre Rada St.
Tondo, Manila
Tel. No.: 243-9005
(02) 575-3888
Local 8294

LUZON

Antipolo-Marcos Hi-way
Ciannat Complex, Marcos Highway
Brgy. Mayamot, Antipolo City
Tel. No.: 682-2250
(02) 575-3888
Local 8316

Angeles-Balibago
Saver's Mall Bldg.
Mc Arthur Highway, Balibago
Angeles City, Pampanga
Tel. No.: (045) 458-0613
(02) 575-3888
Local 8170

Antipolo-ML Quezon
146 M.L. Quezon Ave.
cor. F. Dimanlig St.
San Roque, Antipolo City
Tel. No.: 661-9676
(02) 575-3888
Local 8135

Bacoor-Aguinaldo Hi-way
General E. Aguinaldo Highway
Talaba, Bacoor City, Cavite
Tel. No.: (046) 417-0395
(02) 575-3888
Local 8320

"The banking landscape is getting tougher every minute. Key to competing well and strong is to build an organization that is quick to action, individually and collectively, where everyone feels responsible and accountable to deliver what is expected."

Ma. Bernadette T. Ratcliffe
FVP and Chief Compliance Officer

Bacoor-Molino
G/F, Units 101 to 103
VCENTRAL Mall Molino Bldg.
Molino Blvd., Bacoor City, Cavite
Tel. No.: (046) 424-2037
(02) 575-3888
Local 8210

Bataan-Balanga
Don Manuel Banzon Ave.
cor. Cuaderno St.
Dona Francisca, Balanga City
Bataan
Tel. No.: (047) 237-0351
(02) 575-3888
Local 8120

Batangas-Balayan
Cor. Paz St. and Union St.
Poblacion, Balayan, Batangas
Tel. No.: (043)740-3618
(02) 575-3888
Local 8552

Baguio City-Rizal Monument
One VF Tower, Benjamin
Salvosa Dr., Brgy. Rizal Monument
Baguio City
Tel. No.: (074) 448-0513
(02) 575-3888
Local 8340

Bataan-Dinalupihan
Brgy. San Ramon
Dinalupihan, Bataan
Tel. No.: (047) 636-0040
(02) 575-3888
Local 8239

Batangas-Bauan
J.P. Rizal St. cor. San Agustin St.
Bauan, Batangas
Tel. No.: (043) 702-4970
(02) 575-3888
Local 8214

Baguio City-Session Rd.
Unit 101-B, Lopez Bldg.
Session Rd., Baguio City
Tel. No.: (074) 442-3339
(02) 575-3888
Local 8163

Bataan-Mariveles
8th Ave., Freeport Area
of Bataan (FAB)
Mariveles, Bataan
Tel. No.: (047) 633-1782
(02) 575-3888
Local 8561

Batangas-Lemery
G/F LDMC Bldg., Ilustre Ave.
Dist III, Lemery, Batangas
Tel. No.: (043) 740-2602
(02) 575-3888
Local 8502

Baliuag
Benigno S. Aquino Ave.
Poblacion, Baliuag, Bulacan
Tel. No.: (044) 766-5308
(02) 575-3888
Local 8376

Batangas City
54-A D. Silang St.
Batangas City
Tel. No.: (043) 723-7665
(02) 575-3888
Local 8355

Batangas-Nasugbu
J.P. Laurel St., Poblacion
Nasugbu, Batangas
Tel. No.: (043) 740-1103
(02) 575-3888
Local 8530

Batangas-Rosario
Rosario-Padre Garcia-Lipa Rd.
Poblacion, Rosario, Batangas
Tel. No.: (043) 706-4854
(02) 575-3888
Local 8511

Bulacan-Balagtas
Burol 1st, Mc Arthur Highway
Balagtas, Bulacan
Tel. No.: (044) 308-2072
(02) 575-3888
Local 8297

Calamba
G/F, SQA Bldg., Brgy. Uno
Crossing, Calamba City, Laguna
Tel. No.: (049) 545-9018
(02) 575-3888
Local 8335

Batangas-Sto. Tomas
Km. 67 Maharlika Highway
Poblacion, Sto. Tomas, Batangas
Tel. No.: (043) 702-8636
(02) 575-3888
Local 8544

Bulacan-Plaridel
Lot 1071-A, Daang Maharlika
Rd., (Prev. Cagayan Valley Rd.)
Banga First, Plaridel Bulacan
Tel. No.: (044) 794-9947
(02) 575-3888
Local 8282

Carmona
Lot 1947-B, Paseo de Carmona
Compound, Governor's Drive
Brgy. Maduya, Carmona, Cavite
Tel. No.: (046) 482-0411
(02) 575-3888
Local 8106

Batangas-Tanauan
98 J.P. Laurel Hi-way
Tanauan City
Tel. No.: (043) 702-4939
(02) 575-3888
Local 8267

Cavite City
P. Burgos Ave., Brgy. Caridad
Cavite City
Tel. No.: (046) 431-0510
(02) 575-3888
Local 8284

Bulacan-San Jose Del Monte
Dalisay Resort, Gov. F. Halili Ave.
Tungkong Mangga
San Jose Del Monte, Bulacan
Tel. No.: (044) 815-6128
(02) 575-3888
Local 8557

Cavite-Naic
Ibayo Silangan cor. Sabang Rd.
Naic, Cavite
Tel. No.: (046) 412-0146
(02) 575-3888
Local 8221

Benguet-La Trinidad
Km. 5, Central Pico
La Trinidad, Benguet
Tel. No.: (074) 422-1544
(02) 575-3888
Local 8247

Cabanatuan-Melencio
Melencio St. cor. Gen. Luna St.
Cabanatuan City
Tel. No.: (044) 464-1635
(02) 575-3888
Local 8333

Cavite-Silang
132 J. P Rizal St. cor. E. Montoya St.
San Vicente I, Silang, Cavite
Tel. No.: (046) 512-4317
(02) 575-3888
Local 8517

Cavite-Tanza
Antero Soriano Highway
Daang Amaya 2, Tanza, Cavite
Tel. No.: (046) 431-2378
(02) 575-3888
Local 8222

Cavite-Trece Martires
G/F, Dionets Comm. Place Bldg.
San Agustin Rd./Trece Martires-
Indang Rd., Trece Martires City
Cavite
Tel. No.: (046) 514-0071
(02) 575-3888
Local 8299

Dagupan-A.B. Fernandez
New Star Bldg., A.B Fernandez Ave.
Dagupan City
Tel. No.: (075) 529-1903
(02) 575-3888
Local 8233

Dagupan-Perez
Maria P. Lee Bldg., Perez Blvd
Dagupan City, Pangasinan
Tel. No.: (075) 522-2284
(02) 575-3888
Local 8337

Dasmariñas
Km. 31 Aguinaldo Highway
Brgy. Zone 4, Dasmariñas City
Cavite
Tel. No.: (046) 424-1454
(02) 575-3888
Local 8234

General Trias
G/F, Unit 102
VCentral Gentri Bldg.
Governor's Drive, Manggahan
General Trias, Cavite
Tel. No.: (046) 476-0598
(02) 575-3888
Local 8124

Ilocos Norte-San Nicolas
Brgy. 2, San Nicolas
Ilocos Norte
Tel. No.: (077) 670-6465
(02) 575-3888
Local 8515

Ilocos Sur-Candon
G/F, KAMSU Bldg., Brgy. San Jose
Candon City, Ilocos Sur
Tel. No.: (077) 674-0255
(02) 575-3888
Local 8172

Imus
G/F, LDB Bldg., 552 Gen.
Aguinaldo Highway
Imus City, Cavite
Tel. No.: (046) 471-5188
(02) 575-3888
Local 8310

Isabela-Cauayan
Maharlika Highway
Cauayan City, Isabela
Tel. No.: (078) 652-3945
(02) 575-3888
Local 8383

Isabela-Ilagan
Maharlika Highway
cor. Florencio Apostol St.
Calamagui 1, Ilagan, Isabela
Tel. No.: (078) 624-0193
(02) 575-3888
Local 8513

Isabela-Santiago
74 National Highway
Brgy. Victory Norte
Santiago City, Isabela
Tel. No.: (078)305-0344
(02) 575-3888
Local 8366

Kawit-Centennial
Centennial Rd., Tabon
Kawit, Cavite
Tel. No.: (046) 484-9775
(02) 575-3888
Local 8543

La Union-Agoo
Mc Arthur Highway
Brgy. San Antonio
Agoo, La Union
Tel. No.: (072) 687-0016
(02) 575-3888
Local 8514

La Union-San Fernando
Kenny Plaza, Brgy. Catbangen
Quezon Ave., San Fernando
La Union
Tel. No.: (072) 888-2638
(02) 575-3888
Local 8362

Laguna-Biñan
G/F, Units 1 to 4, Simrey's
Commercial Bldg., National Highway
cor. Alma Manzo Rd., Brgy. San
Antonio, Biñan City, Laguna
Tel. No.: (049) 511-7408
(02) 575-3888
Local 8501

Laguna-Cabuyao
No. 26 J.P. Rizal St.
Poblacion, Cabuyao City, Laguna
Tel. No.: (049)534-0979
(02) 575-3888
Local 8283

Laoag City
G/F, Puregolds Bldg.
Commercial Unit No. 3 and 4
Nolasco St. cor. Castro Ave.
and J.P. Rizal, Laoag City
Tel. No.: (077) 771-3866
(02) 575-3888
Local 8359

Legazpi City
Block 2 Lot 3-B
Landco Business Park
Legaspi City, Albay
Tel. No.: (052) 480-6659
(02) 575-3888
Local 8287

Lipa City
No. 18, Lot 712 ABC
B. Morada Ave., Lipa City
Batangas
Tel. No.: (043) 784-1336
(02) 575-3888
Local 8378

Lucena City
152 Quezon Ave.
Lucena City, Quezon
Tel. No.: (042) 373-7623
(02) 575-3888
Local 8334

Malolos
G/F, No. 1197 BUFECO Bldg.
Brgy. Sumapang Matanda
Mc Arthur Highway
Malolos, Bulacan
Tel. No.: (044) 794-4534
(02) 575-3888
Local 8540

Meycauayan-Malhacan
Meycauayan Toll Exit
Meycauayan City, Bulacan
Tel. No.: (044) 769-9394
(02) 575-3888
Local 8253

Mindoro-Calapan
G/F Paras Bldg., J.P. Rizal St.
Brgy. San Vicente South
Calapan, Oriental Mindoro
Tel. No.: (043) 288-1809
(02) 575-3888
Local 8220

Montalban-Rizal
240 E. Rodriguez Highway
Manggahan, Rodriguez, Rizal
Tel. No.: 570-4128
(02) 575-3888
Local 8143

"Our people's professional and personal advancement is the goal of this organization. We will continue to provide them with all the opportunities to build their competencies, and thus, allow them to build a better future."

Consuelo V. Dantes
FVP and Head of Human Resources Group

Naga City
G/F, LAM Bldg., 19 Peñafrancia Ave.
Naga City, Camarines Sur
Tel. No.: (054) 811-1003
(02) 575-3888
Local 8358

Nueva Ecija-Gapan
G/F and 2/F, Unit 105 to 106
and 205, TSI Bldg., Jose Abad
Santos Ave., Sto. Nino, Gapan
Nueva Ecija
Tel. No.: (044) 486-2258
(02) 575-3888
Local 8288

Nueva Ecija-San Jose
Paulino Bldg., Brgy. Abar
1st Maharlika Rd.
San Jose, Nueva Ecija
Tel. No.: (044) 958-1580
(02) 575-3888
Local 8262

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

Nueva Vizcaya-Solano
Maharlika Rd., Poblacion
Solano, Nueva Vizcaya
Tel. No.: (078) 392-0112
(02) 575-3888
Local 8263

Olongapo City
G/F, 1215 Rizal Ave.
West Tapinac, Olongapo City
Tel. No.: (047) 222-8592
(02) 575-3888
Local 8108

Palawan
Rizal Ave., Brgy. Manggahan
Puerto Princesa City, Palawan
Tel. No.: (048) 433-0186
(02) 575-3888
Local 8187

Pampanga-Angeles City
No. 241A -242 G/F AYA
Commercial Bldg., Sto. Rosario St.
Brgy. San Jose, Angeles City
Pampanga
Tel. No.: (045) 879-1637
(02) 575-3888
Local 8344

Pampanga-Apalit
Brgy. San Vicente
Apalit, Pampanga
Tel. No.: (045) 652-0037
(02) 575-3888
Local 8167

Pampanga-Guagua
No. 303 Guagua, Sta. Rita
Arterial Rd., Brgy. San Roque
Guagua, Pampanga
Tel. No.: (045) 458-0567
(02) 575-3888
Local 8243

Pangasinan-Lingayen
J.S. Molano Real State
Lessor Bldg., Avenida Rizal East
Lingayen, Pangasinan
Tel. No.: (075) 206-0081
(02) 575-3888
Local 8296

Pangasinan-Rosales
Estrella Compound
Carmen East Rosales
Mc Arthur Highway, Pangasinan
Tel. No.: (075) 636-9990
(02) 575-3888
Local 8218

Pangasinan-San Carlos
Palaris St. cor. Jaycees St.
San Carlos, Pangasinan
Tel. No.: (075) 632-3095
(02) 575-3888
Local 8149

San Fernando-Dolores
2/F, Felix S. David Bldg.
Mc Arthur Highway, Dolores City
San Fernando, Pampanga
Tel. No.: (045) 961-7936
(02) 575-3888
Local 8332

San Fernando-JASA
G/F, Units 1-A and 1B
Kingsborough Comm. Center Bldg.
Jose Abad Santos Ave.
San Fernando, Pampanga
Tel. No.: (045) 436-0411
(02) 575-3888
Local 8516

"Whenever and wherever our clients need us,
there EastWest will be. Whatever products they need from us,
we endeavour to make it be."

Ivy B. Uy
SVP and Deputy Head
Retail Banking & Operations Cluster

San Fernando-Sindalan
G/F, T and M Bldg., Brgy. Sindalan
Mc Arthur Highway, San Fernando
Pampanga
Tel. No.: (045) 455-1192
(02) 575-3888
Local 8191

San Pablo
9022 J. P. Rizal Ave.
San Pablo City, Laguna
Tel. No.: (049) 503-2835
(049) 503-2836
(02) 575-3888
Local 8127

San Pedro
Old National Highway
Brgy. Nueva, San Pedro, Laguna
Tel. No.: 478-9553
(02) 575-3888
Local 8128

Sorsogon City
Ma. Bensuat T. Dogillo Bldg.
Magsaysay St., Poblacion
Sorsogon City
Tel. No.: (056) 421-5778
(02) 575-3888
Local 8545

Sta. Rosa
G/F, Unit No. 6, Paseo 5
Paseo de Sta Rosa
Greenfield City, Don Jose
Santa Rosa City, Laguna
Tel. No.: (049)508-2112
(02) 575-3888
Local 8558

Subic Bay
G/F, Bldg., 1109 Rizal Highway
Subic Bay Freeport Zone
Olongapo City
Tel. No.: (047) 250-2775
(02) 575-3888
Local 8298

Tabaco City
Manuel Cea Bldg., Santillan St.
Tabaco City, Albay
Tel. No.: (052) 487-4132
(02) 575-3888
Local 8565

Tarlac-F. Tañedo
Mariposa Bldg., F. Tañedo St.
Tarlac City
Tel. No.: (045) 982-1937
(02) 575-3888
Local 8353

Tarlac-Paniqui
No. 130 M.H. Del Pilar St.
cor. Mc Arthur Highway
Paniqui, Tarlac City
Tel. No.: (045) 491-3846
(02) 575-3888
Local 8256

Taytay-Manila East
Manila East Rd.
Brgy. San Juan, Taytay Rizal
Tel. No.: 368-4051
(02) 575-3888
Local 8569

Taytay-Ortigas Ext.
Vallley Fait Town Center
Ortigas Ave. Extension
Taytay, Rizal
Tel. No.: 660-1826
(02) 575-3888
Local 8311

Tuguegarao City
College Ave. cor Rizal and
Bonifacio St., Tuguegarao City
Tel. No.: (078) 844-6512
(02) 575-3888
Local 8136

Urdaneta City
S&P Bldg., Nancayasan
Urdaneta City, Pangasinan
Tel. No.: (075) 656-2825
(02) 575-3888
Local 8381

"Our primary customers at the backend are EastWest employees. We emphasize timeliness and quality because what we do impacts the delivery of services to the bank's clients."

Clarissa Maria A. Villalon
VP and Head
Administrative Services and Safety & Security

Vigan
Quezon Ave., Vigan City
Ilocos Sur
Tel. No.: (077) 674-0370
(02) 575-3888
Local 8269

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

VISAYAS

Antique-San Jose
St. Nicolas Bldg., T.A. Fornier St.
San Jose, Antique
Tel. No.: (036) 540-7398
(02) 575-3888
Local 8510

Bacolod-Araneta
Unit 1A and 1B Metrodome Bldg.
Araneta-Alunan St. Sincang
Brgy. 39, Bacolod City
Negros Occidental
Tel. No.: (034) 435-2887
(02) 575-3888
Local 8503

Bacolod-Hilado
Hilado St., Bacolod City
Negros Occidental
Tel. No.: (034) 435-1728
(02) 575-3888
Local 8244

Bacolod-Lacson
Lacson cor. Luzuriaga Sts.
Bacolod City, Negros Occidental
Tel. No.: (034) 433-8322
(02) 575-3888
Local 8385

Bacolod-Mandalagan
Lopues Mandalagan Corp.
Bldg., Brgy. Mandalagan
Bacolod City, Negros Occidental
Tel. No.: (034) 441-1141
(02) 575-3888
Local 8181

Boracay
Alexandrea Bldg., Main Rd.
Brgy. Balabag Boracay Island
Malay, Aklan
Tel. No.: (036) 288-2877
(02) 575-3888
Local 8217

Catbalogan City
Curry Ave. cor. San Bartolome St.
Catbalogan City, Samar
Tel. No.: (055) 255-3933
(02) 575-3888
Local 8529

Cebu IT Park
G/F, Calyx Center, W. Ginonzon St.
cor. Abad St., Asia Town
IT Park, Cebu City, Cebu
Tel. No.: (032) 236-0698
(02) 575-3888
Local 8224

Cebu Mactan
G/F, Bldg. II, M.L. Quezon
National Highway, Pusok
Lapu-Lapu City, Cebu
Tel. No.: (032) 238-4958
(02) 575-3888
Local 8115

Cebu-A.S. Fortuna
AYS Bldg., AS Fortuna St.
Banilad, Mandaue City, Cebu
Tel. No.: (032) 236-4792
(02) 575-3888
Local 8173

Cebu-A.C. Cortes
Cor. P. Burgos and C. Ouano St.
Centro, Mandaue City, Cebu
Tel. No.: (032) 236-1458
(02) 575-3888
Local 8228

Cebu-Banilad
G/F, Unit 101 PDI Condominium
Gov. M. Cuenco Ave.
cor. J. Panis St. Banilad
Cebu City, Cebu
Tel. No.: (032) 232-5582
(02) 575-3888
Local 8360

Cebu-Basak Pardo
South Point Place Bldg.
N. Balasco Ave., South Rd.
Basak Pardo, Cebu City, Cebu
Tel. No.: (032) 236-6954
(02) 575-3888
Local 8229

Cebu-Freedom Park
CLC Bldg., 280 Magallanes St.
near cor. Noli Me Tangere
Cebu City, Cebu
Tel. No.: (032) 236-9301
(02) 575-3888
Local 8230

Cebu-Fuente Osmeña
G/F, Cebu Women's Club Bldg.
Fuente Osmeña, Cebu City
Cebu
Tel. No.: (032) 260-2381
(02) 575-3888
Local 8223

Cebu-Grand Cenia
G/F, Grand Cenia Bldg.
Archbishop Reyes Ave.
Cebu City, Cebu
Tel. No.: (032) 417-1709
(02) 575-3888
Local 8139

Cebu-Juan Luna
Stephen Jo Bldg., Juan Luna
Cebu City, Cebu
Tel. No.: (032) 236-7528
(02) 575-3888
Local 8225

Cebu-M. Velez
No. 151, M. Velez St.
Guadalupe, Cebu City, Cebu
Tel. No.: (032) 236-0152
(02) 575-3888
Local 8174

Cebu-Magallanes
60 Quiaco Bldg., Magallanes cor.
Gonzales Sts, Cebu City, Cebu
Tel. No.: (032) 254-1940
(02) 575-3888
Local 8361

Cebu-Mandaue North Road
UG/F, Block 01 to 03
ALDO Bldg., North Rd.
Basak, Mandaue City, Cebu
Tel. No.: (032) 236-5582
(02) 575-3888
Local 8133

Cebu-Mandaue Subangdaku
Kina Bldg., National Highway
Subangdaku, Mandaue City
Cebu
Tel. No.: (032) 346-5268
(02) 575-3888
Local 8357

Cebu-Minglanilla
G/F, La Nueva, Minglanilla
Center, Ward 2, Poblacion
Minglanilla, Cebu
Tel. No.: (032) 236-9314
(02) 575-3888
Local 8226

Cebu-N. Escario
Cebu Capitol Commercial
Complex Bldg., N. Escario St.
Cebu City, Cebu
Tel. No.: (032) 253-9226
(02) 575-3888
Local 8341

Cebu-Park Mall
Alfresco 4, Units 39, 40 and 40a
Parkmall, Mandaue City, Cebu
Tel. No.: (032) 505-4057
(02) 575-3888
Local 8188

Cebu-Talisay
Paul Sy Bldg. Highway Tabunok
Talisay City, Cebu
Tel. No.: (032) 236-9434
(02) 575-3888
Local 8227

Dumaguete City
Don Joaquian T. Villegas Bldg.
Colon St.,Dumaguete City
Negros Oriental
Tel. No.: (035) 226-3797
(02) 575-3888
Local 8240

Iloilo-Iznart
G/F, B&C Square Bldg.
Iznart St. cor. Solis St.
Iloilo City, Iloilo
Tel. No.: (033) 338-1961
(02) 575-3888
Local 8131

Iloilo-Jaro
Jaro Townsquare, Mandaue
Foam Bldg., Quintin Salas, Jaro
Iloilo City, Iloilo
Tel. No.: (033) 320-0241
(02) 575-3888
Local 8245

Iloilo-Ledesma
Sta Cruz Arancillo Bldg.
Ledesma cor. Fuentes Sts.
Iloilo City, Iloilo
Tel. No.: (033) 336-0441
(02) 575-3888
Local 8380

Iloilo-Molo
GT Plaza Mall, MH Del Pilar St.
Molo, Iloilo City
Tel. No.: (033) 330-2004
(02) 575-3888
Local 8145

Kalibo
Aklan Triumph Bldg.
Roxas Ave. Extension
Kalibo, Aklan
Tel. No.: (036) 268-3461
(02) 575-3888
Local 8505

Ormoc City
G/F, Hotel Don Felipe Annex Bldg.
Bonifacio St., Ormoc City, Leyte
Tel. No.: (053) 255-8689
(02) 575-3888
Local 8254

Roxas City
Roxas Ave. cor. Osmeña St.
(formerly Pavia St.)
Roxas City, Capiz
Tel. No.: (036) 620-0652
(02) 575-3888
Local 8504

Silay
Rizal St. Silay City
Negros Occidental
Tel. No.: (034) 441-3866
(02) 575-3888
Local 8546

Tacloban City-Marasbaras
G/F, JGC Bldg., Brgy. 77
Marasbaras, Tacloban City
Tel. No.: (02) 575-3888
Local 8506

Tagbilaran City
CPG Ave., 2nd District
Tagbilaran City, Bohol
Tel. No.: (038) 411-0903
(02) 575-3888
Local 8265

MINDANAO

Bukidnon-Valencia
Unit 2 to 4, Tamay Lang
Park Lane, G. Laviña Ave.
Poblacion, Valencia City
Bukidnon
Tel. No.: (088) 828-4078
(02) 575-3888
Local 8281

Butuan City
G/F, Deofavente Bldg., Lot 7
J. Rosales Ave., Brgy. Imadejas
Butuan City, Agusan Del Norte
Tel. No.: (085) 225-9621
(02) 575-3888
Local 8123

Cagayan de Oro-Carmen
RTS Bldg., Vamenta Blvd.
Carmen, Cagayan de Oro City
Tel. No.: (088) 880-1342
(02) 575-3888
Local 8549

Cagayan de Oro-Cogon
De Oro Construction Supply, Inc.
Bldg., Don Sergio Osmeña St.
cor. Limketkai Drive, Cagayan
De Oro City, Misamis Oriental
Tel. No.: (088) 850-0371
(02) 575-3888
Local 8219

Cagayan de Oro-Lapasan
Lapasan Highway
Cagayan de Oro City
Tel. No.: (088) 850-1870
(02) 575-3888
Local 8550

Cagayan de Oro-Velez
50 Juan Sia Bldg.
Don Apolinar Velez St.
Cagayan de Oro City
Misamis Oriental
Tel. No.: (088) 857-8801
(02) 575-3888
Local 8338

Cotabato City
31 Quezon Ave., Poblacion 5
Cotabato City
Tel. No.: (064) 421-5962
(02) 575-3888
Local 8363

Davao-Agdao
Door 2 and 3, Cabaguio Plaza
Cabaguio Ave., Agdao
Davao City
Tel. No.: (082) 222-2029
(02) 575-3888
Local 8518

Davao-Bajada
J.P. Laurel Ave. cor. Iñigo St.
Davao City
Tel. No.: (082) 300-5663
(02) 575-3888
Local 8211

Davao-Buhangin
Km. 5, Buhangin Rd.
cor. Gladiola St.
Buhangin, Davao City
Tel. No.: (082) 221-7420
(02) 575-3888
Local 8282

Davao-C.M. Recto
P and E Bldg., Poblacion
Brgy. 035, C.M. Recto Ave.
Davao City
Tel. No.: (082) 228-6016
(02) 575-3888
Local 8176

Davao-Digos
Comm. Space-4, Davao RJ and Sons Realty & Trading Corp. Bldg.
V. Sotto St., Brgy. Zone-1
Digos City, Davao del Sur
Tel. No.: (082) 272-1896
(02) 575-3888
Local 8507

Davao-Matina
Lot 16 Block 3, Mc Arthur Highway
Matina, Davao City
Tel. No.: (082) 297-4183
(02) 575-3888
Local 8377

Davao-Sta. Ana
G/F, GH Depot Bldg.
Gov. Sales St., Sta. Ana
Davao City
Tel. No.: (082) 221-4019
(02) 575-3888
Local 8371

Davao-McArthur Matina
BGP Comm. Complex II Bldg.
Mc Arthur Highway, Matina
Davao Ctiy
Tel. No.: (082) 285-8086
(02) 575-3888
Local 8519

Davao-Toril
Saavedra St., Toril
Davao City
Tel. No.: (082) 295-6623
(02) 575-3888
Local 8134

Davao-J.P. Laurel
J.P. Laurel Ave., Davao City
Tel. No.: (082) 222-0137
(02) 575-3888
Local 8235

Davao-Panabo City
Quezon St., Sto. Niño
Panabo City, Davao del Norte
Tel. No.: (084) 628-4025
(02) 575-3888
Local 8236

Dipolog City
G/F, Felicidad II Bldg.
Quezon Ave., Miputak
Dipolog City
Tel. No.: (065) 908-0360
(02) 575-3888
Local 8522

Davao-Lanang
Lot 6 Block 5, Insular Village
Pampanga, Lanang, Davao City
Tel. No.: (082) 234-0726
(02) 575-3888
Local 8370

General Santos City-Calumpang
Calumpang Medical Specialist Bldg., National Highway
Calumpang, General Santos City
Tel. No.: (083) 552-4739
(02) 575-3888
Local 8553

Davao-Magsaysay
Lot 100-C, Brgy. 030
Poblacion, R. Magsaysay Ave.
Davao City
Tel. No.: (082) 222-1279
(02) 575-3888
Local 8548

Davao-Quirino
Centron Bldg., Quirino Ave.
cor. General Luna St.
Davao City
Tel. No.: (082) 224-0582
(02) 575-3888
Local 8547

General Santos-Pioneer
Laiz Bldg., Pioneer
cor. Magsaysay Ave.
Gen. Santos City
Tel. No.: (083) 552-2472
(02) 575-3888
Local 8523

General Santos-Santiago
Ireneo Santiago Blvd.
General Santos City
Tel. No.: (083) 552-0537
(02) 575-3888
Local 8117

Ozamiz City
G/F Casa Esperanza
Don Anselmo Bernad Ave.
Ozamis City, Misamis Occidental
Tel. No.: (088) 564-0158
(02) 575-3888
Local 8126

Zamboanga-Canelar
Printex Bldg., M.D. Jaldon St.
Canelar, Zamboanga City
Tel. No.: (062) 990-1110
(02) 575-3888
Local 8270

"EastWest Bank Internal Audit has undergone an External Quality Assurance Review conducted by PricewaterhouseCoopers (PwC). In its report dated February 20, 2014, Internal Audit practices and activity were found compliant with all the International Standards for the Professional Practice of Internal Auditing, Code of Ethics and the definition of Internal Auditing. EastWest Internal Audit is world class!"

Arturo L. Kimseng
EVP and Chief Audit Executive

Zamboanga-NS Valderrosa
N.S. Valderrosa St. cor. Corcuerra St.
Zamboanga City
Tel. No.: (062) 992-6573
(02) 575-3888
Local 8339

Iligan City
G/F, Party Plaza Bldg.
Quezon Ave. Ext. Rabago
Iligan City, Lanao del Norte
Tel. No.: (063) 222-1681
(02) 575-3888
Local 8111

Pagadian City
BMD Estate Bldg., F. Pajares cor. Sanson St., Pagadian City
Zamboanga del Sur
Tel. No.: (062) 215-4681
(02) 575-3888
Local 8186

Kidapawan
Doña Leonila Complex
National Highway, Poblacion
Kidapawan City, North Cotabato
Tel. No.: (064) 278-3989
(02) 575-3888
Local 8551

Surigao City
G/F, EGC Bldg., Rizal St.
Washington, Surigao del Norte
Tel. No.: (086) 231-5155
(02) 575-3888
Local 8264

Koronadal City
G/F, RCA Bldg., Gen. Santos Drive
Koronadal City, South Cotabato
Tel. No.: (083) 520-0021
(02) 575-3888
Local 8179

Tagum City
Gaisano Grand Arcade
Apokon Rd., Lapu-Lapu Ext.
Brgy. Visayan Village
Tagum City
Tel. No.: (084) 216-4325
(02) 575-3888
Local 8152

EASTWEST RURAL BANK STORE DIRECTORY

LUZON

"The way to win in the sea of sameness is to execute better."

Elpidio F. Masbad III
President and CEO – EastWest Rural Bank

Pasig
360 Dr. Sixto Antonio Ave.
Caniogan, Pasig City
Tel. No.: (02) 916-1023

Lucena
Benco Bldg., Enriquez cor.
Juarez Sts., Lucena City, Quezon
Tel. No.: (042) 373-0976

San Fernando
Suburbia North Subdivision,
Mc Arthur Highway, City of San
Fernando, Pampanga

Cainta
Unit 101, East 1900 Bldg.
Gate 3 Vista Verde Executive
Village, Felix Avenue Cainta
Rizal
Tel. No.: (02) 682-0085

Meycauayan
2602 Malhacan National Rd.
Brgy. Malhacan, Meycauayan City
Bulacan
Tel. No.: (044) 721-2780

Sta.Rosa
Unit 5/41, Diamond Bldg.
Commercial Complex, Balibago
Sta.Rosa City, Laguna
Tel. No.: (049) 530-3885

Dagupan
Abarabar Bldg., Perez Blvd.
Dagupan City
Tel. No.: (075) 529-0925

Naga
CBD 2 Triangulo, Naga City
Camarines Sur
Tel. No.: (054) 811-7447

Legazpi
Doors 2 to 3, Bicol Wei Due
Fraternity Bldg., Quezon Ave.
Oro Site, Legazpi City, Albay
Tel. No.: (052) 820-0697

Puerto Princesa
Km.2, National Highway
Brgy. San Pedro
Puerto Princesa City, Palawan
Tel. No.: (048) 434-1105

VISAYAS

Bacolod
RS Bldg., cor. Hilado and 6th Sts.
Capitol Shopping Center, Lacson
Bacolod City, Negros Occidental
Tel. No.: (034) 709-1294

Baybay
Oppura Bldg., M.L. Quezon
cor. D. Veloso Sts.
Baybay City, Leyte
Tel. No.: (053) 563-8019

F. Ramos
V. Yap Bldg., No. 29 F. Ramos St.
Cogon, Cebu City, Cebu
Tel. No.: (032) 253-3760

Ormoc
Real cor. San Vidal Sts.
Ormoc City, Leyte
Tel. No.: (053) 255-3074

Bogo
R & F Bldg., M.H. Del Pilar
cor. P.Rodriguez Sts.
Brgy. Carbon, Bogo City, Cebu
Tel. No.: (032) 434-8029

Iloilo
Milmar Bldg., Bonifacio Drive
Iloilo City
Tel. No.: (033) 508-4172

Roxas
Unit 2, CLER Grand Hotel
Brgy. Lawaan, Roxas City
Tel. No.: (036) 522-8094

Calbayog
Irigon Bldg., Pajarito St.
Calbayog City, Western Samar
Tel. No.: (055) 533-9767

Tacloban
G/F Insular Life Bldg.
Avenida-Veteranos Ave.
Tacloban City
Tel. No.: (053) 523-9189

Maasin
R. Kangleon St.
Brgy. Tunga-Tunga
Maasin City, Southern Leyte
Tel. No.: (053) 570-8513

Tagbilaran
G/F Sum Bldg., 29 San Jose St.
Brgy. Cogon, Tagbilaran City
Bohol
Tel. No.: (038) 235-6747

Dumaguete
D and J Bldg., Dr. V Locsin St.
Poblacion 7, Dumaguete City
Negros Occidental
Tel. No.: (035) 420-9115

Mandaue – Subangdaku
Dayzon Bldg., Lopez Jaena St.
Subangdaku, Mandaue City
Cebu
Tel. No.: (032) 346-4008

Toledo
No. 4 Ma. Theresa Isabel Bldg.
Peñalosa St., Luray I
Toledo City, Cebu
Tel. No.: (032) 467-8696

MINDANAO

Cagayan de Oro
Tiano cor. Cruz Taal Sts.
Divisoria, Cagayan de Oro City
Misamis Oriental
Tel. No.: (088) 856-6401

Gingoog
Dupoint Arcade, Brgy. 17
National Highway, Gingoog City
Misamis Oriental
Tel. No.: (088) 861-1028

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

Kabacan
National Rd., Rizal St.
Poblacion, Kabacan
North Cotabato
Tel. No.: (064) 248-2418

Bayugan
Libres St., Taglatawan
Bayugan City, Agusan del Sur
Tel. No.: (085) 343-6018

Davao
T. Monteverde St.
Davao City, Davao del Sur
Tel. No.: (082) 305-5890

Kitcharao
Brgy. Songkoy, National Highway
Kitcharao, Agusan del Norte
Tel. No.: (086) 826-7542

Butuan
Brgy. Diego Silang
Montilla Blvd., Butuan City
Agusan del Norte
Tel. No.: (085) 342-5879

Koronadal
Purok Mabuhay, Brgy. Zone IV
Koronadal City, South Cotobato
Tel. No.: (083) 228-7610

Cabadbaran
Rara cor. A. Curato Sts.
Cabadbaran City
Agusan del Norte
Tel. No.: (085) 343-1042

General Santos
UTD Bldg., J. Catolico Avenue
Lagao, General Santos City
Tel. No.: (083) 301-8823

Madrid
Arpilleda cor. Buniel Sts.
Quirino, Madrid, Surigao del Sur
Tel. No.: (086) 213-4014

Mangagoy
GBC Bldg., Espiritu St.
Brgy. Mangagoy, Bislig City
Surigao del Sur
Tel. No.: (086) 853-2435

Pagadian
Vicente Araneta Tolibas Bldg.
Jamisola cor. Ariosa Sts.
Santiago Dist., Pagadian City
Zamboanga del Sur
Tel. No.: (062) 215-4263

Tagoloan
National Highway, Poblacion
Tagoloan, Misamis Oriental
Tel. No.: (08822) 740-717

Tandag
Pimentel Bldg., Donasco St.
Bag-ong Lungsod, Tandag City
Surigao del Sur
Tel. No.: (086) 211-4128

Mati
Magricom Bldg. II, Central
Mati, Davao Oriental
Tel. No.: (087) 811-4083

San Francisco
Quezon St., Brgy. 2
San Francisco, Agusan del Sur
Tel. No.: (085) 343-9469

Trento
P-7 Juan Luna St., Poblacion
Trento, Agusan del Sur
Tel. No.: (085) 255-2525

Nabunturan
Purok 11, Brgy. Poblacion
Nabunturan, Compostela Valley

Sto. Tomas
Feeder Rd. 2, Tibal-og
Sto. Tomas, Davao del Norte
Tel. No.: (084) 829-2580

Valencia
Alkuino Bldg., Sayre Highway
Poblacion, Valencia City
Bukidnon
Tel. No.: (088) 828-4108

Nasipit
Roxas St., Brgy. 4, Nasipit
Agusan del Norte
Tel. No.: (085) 343-2078

Surigao
Parkway, Km. 3, Brgy. Luna
Surigao City, Surigao del Norte
Tel. No.: (086) 826-6238

AUDITED FINANCIAL STATEMENTS

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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, 2014 and 2013 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 stockholders for the period ended December 31, 2014 and 2013, 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
EastWest 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, 2014 and 2013, 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, 2014, 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, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014, in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 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 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. 4751251, January 5, 2015, Makati City

February 26, 2015

STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	December 31			
	2014	2013	**2014**	2013
	(Amounts in Thousands)			
ASSETS				
Cash and Other Cash Items (Note 15)	**₱5,993,499**	₱3,884,538	**₱5,912,309**	₱3,811,185
Due from Bangko Sentral ng Pilipinas (Notes 14 and 15)	**23,128,678**	18,537,655	**22,970,798**	18,404,125
Due from Other Banks	**3,580,528**	1,751,824	**3,493,976**	1,604,404
Interbank Loans Receivable	**2,893,384**	3,116,529	**2,893,384**	3,116,529
Financial Assets at Fair Value Through Profit or Loss (Note 8)	**10,182,690**	1,948,703	**10,182,690**	1,948,703
Financial Assets at Fair Value Through Other Comprehensive Income (Note 8)	**14,419**	10,733	**14,419**	10,733
Investment Securities at Amortized Cost (Note 8)	**8,794,878**	9,080,320	**8,794,878**	9,079,907
Loans and Receivables (Notes 9, 14 and 26)	**121,423,411**	93,960,575	**116,400,687**	91,329,469
Investments in Subsidiaries (Note 1)	**–**	–	**521,000**	1,409,449
Property and Equipment (Notes 10 and 14)	**3,513,104**	3,452,741	**3,351,442**	3,320,631
Investment Properties (Notes 11 and 14)	**912,687**	1,006,716	**911,987**	811,423
Deferred Tax Assets (Note 23)	**977,426**	995,125	**952,751**	1,176,342
Goodwill and Other Intangible Assets (Notes 7 and 12)	**4,424,773**	3,655,735	**4,350,242**	2,627,030
Other Assets (Notes 13 and 14)	**2,423,106**	897,499	**2,406,012**	878,308
TOTAL ASSETS	**₱188,262,583**	₱142,298,693	**₱183,156,575**	₱139,528,238

(Forward)

	Consolidated		Parent Company	
	December 31			
	2014	2013	**2014**	2013
	(Amounts in Thousands)			
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 15 and 26)				
Demand	**₱45,356,947**	₱39,568,923	**₱45,473,939**	₱39,651,700
Savings	**25,269,000**	24,865,438	**24,632,542**	22,338,254
Time	**69,027,909**	41,275,731	**65,029,612**	41,275,731
Long-term negotiable certificates of deposits	**8,033,623**	5,466,003	**8,033,623**	5,466,003
	147,687,479	111,176,095	**143,169,716**	108,731,688
Bills and Acceptances Payable (Note 16)	**5,317,652**	3,288,935	**5,317,652**	3,288,940
Accrued Taxes, Interest and Other Expenses (Note 17)	**1,341,275**	1,038,175	**1,269,453**	1,011,611
Cashier's Checks and Demand Draft Payable	**1,256,982**	866,457	**1,256,982**	866,457
Subordinated Debt (Note 18)	**6,463,731**	2,862,500	**6,463,731**	2,750,000
Income Tax Payable	**184,577**	76,935	**127,952**	52,208
Other Liabilities (Note 19)	**4,563,080**	3,597,377	**4,528,463**	3,473,640
TOTAL LIABILITIES	**166,814,776**	122,906,474	**162,133,949**	120,174,544
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)	**43,906**	41,869	**43,906**	41,869
Surplus (Note 27)	**9,158,976**	7,087,635	**8,733,639**	7,055,732
Net Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income (Note 8)	**5,722**	1,925	**5,722**	1,925
Remeasurement Losses on Retirement Plans	**(31,394)**	(13,877)	**(31,238)**	(13,877)
Cumulative Translation Adjustment	**7,780**	5,228	**7,780**	5,228
	21,447,807	19,385,597	**21,022,626**	19,353,694
NON-CONTROLLING INTEREST	**–**	6,622	**–**	–
TOTAL EQUITY	**21,447,807**	19,392,219	**21,022,626**	19,353,694
TOTAL LIABILITIES AND EQUITY	**₱188,262,583**	₱142,298,693	**₱183,156,575**	₱139,528,238

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013	2012	**2014**	2013	2012
	(Amounts in Thousands)					
INTEREST INCOME						
Loans and receivables (Notes 9 and 26)	**₱11,050,262**	₱9,160,880	₱6,835,521	**₱10,550,724**	₱8,761,129	₱6,688,256
Trading and investment securities (Note 8)	**561,606**	533,366	842,262	**561,606**	533,359	842,261
Due from other banks and interbank loans receivable	**55,184**	161,725	137,833	**54,362**	153,039	136,996
	11,667,052	9,855,971	7,815,616	**11,166,692**	9,447,527	7,667,513
INTEREST EXPENSE						
Deposit liabilities (Note 15)	**1,327,478**	1,171,564	1,424,556	**1,259,377**	1,044,019	1,393,282
Subordinated debt, bills payable and other borrowings (Notes 16 and 18)	**313,689**	291,811	303,237	**313,689**	280,017	294,689
	1,641,167	1,463,375	1,727,793	**1,573,066**	1,324,036	1,687,971
NET INTEREST INCOME	**10,025,885**	8,392,596	6,087,823	**9,593,626**	8,123,491	5,979,542
Service charges, fees and commissions (Note 22)	**3,297,839**	2,528,470	1,860,223	**2,669,714**	2,204,867	1,737,154
Trading and securities gain (Note 8)	**499,525**	1,005,237	988,110	**499,525**	1,005,237	988,110
Foreign exchange gain	**193,517**	121,236	223,193	**193,516**	121,236	223,193
Gain on asset foreclosure and dacion transactions	**19,417**	93,784	42,412	**19,047**	90,551	29,853
Gain on sale of investment securities at amortized cost (Note 8)	**305,997**	572,490	276,883	**305,997**	572,490	276,883
Trust income (Note 27)	**20,372**	29,017	27,842	**20,372**	29,017	27,842
Gain (loss) on sale of assets (Note 10)	**301,763**	15,161	4,904	**300,890**	8,217	(4,284)
Miscellaneous (Note 22)	**222,031**	406,927	272,237	**214,860**	401,032	228,118
TOTAL OPERATING INCOME	**₱14,886,346**	₱13,164,918	₱9,783,627	**₱13,817,547**	₱12,556,138	₱9,486,411
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 24 and 26)	**₱3,007,855**	₱2,716,119	₱1,983,616	**₱2,845,964**	₱2,592,816	₱1,883,482
Provision for impairment and credit losses (Notes 9, 10, 11, 13 and 14)	**3,311,349**	3,097,641	1,530,795	**3,255,426**	2,975,701	1,507,833
Taxes and licenses	**974,893**	865,315	722,607	**885,651**	795,968	682,997
Depreciation and amortization (Notes 10, 11 and 13)	**670,291**	575,615	431,072	**647,554**	542,051	393,017
Rent (Note 25)	**629,291**	542,474	410,178	**607,007**	518,232	386,662
Amortization of intangible assets (Note 12)	**191,681**	142,031	129,975	**182,388**	138,301	125,658
Miscellaneous (Note 22)	**3,463,563**	2,951,332	2,583,001	**3,330,593**	2,818,539	2,473,200
TOTAL OPERATING EXPENSES	**12,248,923**	10,890,527	7,791,244	**11,754,583**	10,381,608	7,452,849
INCOME BEFORE INCOME TAX	**2,637,423**	2,274,391	1,992,383	**2,062,964**	2,174,530	2,033,562
PROVISION FOR INCOME TAX (Note 23)	**564,045**	218,656	176,002	**396,414**	183,539	188,015
NET INCOME	**₱2,073,378**	₱2,055,735	₱1,816,381	**₱1,666,550**	₱1,990,991	₱1,845,547
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱2,073,378**	₱2,055,570	₱1,817,409			
Non-controlling interest	**–**	165	(1,028)			
NET INCOME	**₱2,073,378**	₱2,055,735	₱1,816,381			
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 29)	**₱1.84**	₱1.82	₱1.85			
Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 29)	**₱1.84**	₱1.82	₱1.76			

See accompanying Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013	2012	**2014**	2013	2012
	(Amounts in Thousands)					
NET INCOME FOR THE YEAR	**₱2,073,378**	₱2,055,735	₱1,816,381	**₱1,666,550**	₱1,990,991	₱1,845,547
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX						
Items that will not be reclassified to profit or loss in subsequent periods:						
Change in remeasurement gain (loss) of retirement liability (Note 24)	**(17,517)**	370	(31,241)	**(17,361)**	370	(31,241)
Change in net unrealized gains on financial assets at fair value through other comprehensive income (Note 8)	**3,797**	751	875	**3,797**	751	875
Items that may be reclassified to profit or loss in subsequent periods:						
Cumulative translation adjustment	**2,552**	21,579	(8,652)	**2,552**	21,579	(8,652)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(11,168)**	22,700	(39,018)	**(11,012)**	22,700	(39,018)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱2,062,210**	₱2,078,435	₱1,777,363	**₱1,655,538**	₱2,013,691	₱1,806,529
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱2,062,210**	₱2,078,270	₱1,778,391			
Non-controlling interest	**–**	165	(1,028)			
TOTAL COMPREHENSIVE INCOME	**₱2,062,210**	₱2,078,435	₱1,777,363			

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

Consolidated

Year Ended December 31, 2014

	Common Stock	Additional Paid in Capital	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
	Equity Attributable to Equity Holders of the Parent Company									
	(Amounts in Thousands)									
Balances at January 1, 2014	₱11,284,096	₱978,721	₱41,869	₱7,087,635	₱1,925	(₱13,877)	₱5,228	₱19,385,597	₱6,622	₱19,392,219
Net income	–	–	–	2,073,378	–	–	–	2,073,378	–	2,073,378
Other comprehensive income	–	–	–	–	3,797	(17,517)	2,552	(11,168)	–	(11,168)
Total comprehensive income	–	–	–	2,073,378	3,797	(17,517)	2,552	2,062,210	–	2,062,210
Transfer to surplus reserves (Note 27)	–	–	2,037	(2,037)	–	–	–	–	–	–
Acquisition of non-controlling interest (Note 1)	–	–	–	–	–	–	–	–	(6,622)	(6,622)
Balances at December 31, 2014	**₱11,284,096**	**₱978,721**	**₱43,906**	**₱9,158,976**	**₱5,722**	**(₱31,394)**	**₱7,780**	**₱21,447,807**	**₱–**	**₱21,447,807**

Consolidated

Year Ended December 31, 2013

	Common Stock	Additional Paid in Capital	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
	Equity Attributable to Equity Holders of the Parent Company									
	(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

STATEMENTS OF CHANGES IN EQUITY

Consolidated

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	Non-Controlling Interest	Total Equity
	Equity Attributable to Equity Holders of the Parent Company										
	(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

Parent Company

Year Ended December 31, 2014

	Common Stock	Additional Paid in Capital	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, 2014	₱11,284,096	₱978,721	₱41,869	₱7,055,732	₱1,925	(₱13,877)	₱5,228	₱19,353,694
Net income	–	–	–	1,666,550	–	–	–	1,666,550
Other comprehensive income	–	–	–	–	3,797	(17,361)	2,552	(11,012)
Total comprehensive income	–	–	–	1,666,550	3,797	(17,361)	2,552	1,655,538
Excess of the merged net assets over investment in subsidiary (Note 7)	–	–	–	13,394	–	–	–	13,394
Transfer to surplus reserves (Note 27)	–	–	2,037	(2,037)	–	–	–	–
Balances at December 31, 2014	**₱11,284,096**	**₱978,721**	**₱43,906**	**₱8,733,639**	**₱5,722**	**(₱31,238)**	**₱7,780**	**₱21,022,626**

STATEMENTS OF CHANGES IN EQUITY

	Parent Company							
	Year Ended December 31, 2013							
	Common Stock	Additional Paid in Capital	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, 2013	₱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, 2013	₱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

STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013	2012	**2014**	2013	2012
	(Amounts in Thousands)					
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱2,637,423**	₱2,274,391	₱1,992,383	**₱2,062,964**	₱2,174,530	₱2,033,562
Adjustments for:						
Provision for impairment and credit losses (Note 14)	**3,311,349**	3,097,641	1,530,795	**3,255,426**	2,975,701	1,507,833
Depreciation and amortization (Notes 10, 11 and 13)	**670,291**	575,615	431,072	**647,554**	542,051	393,017
Gain on asset foreclosure and dacion transactions (Note 31)	**(19,417)**	(93,784)	(42,412)	**(19,047)**	(90,551)	(29,853)
Amortization of intangible assets (Note 12)	**191,681**	142,031	129,975	**182,388**	138,301	125,658
Gain on sale of investment securities at amortized cost (Note 8)	**(305,997)**	(572,490)	(276,883)	**(305,997)**	(572,490)	(276,883)
Loss (gain) on sale of assets (Note 10)	**(301,763)**	(15,161)	(4,904)	**(300,890)**	(8,217)	4,284
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Financial assets at fair value through profit or loss	**(8,233,987)**	2,311,622	4,637,440	**(8,233,987)**	2,311,622	4,637,440
Loans and receivables	**(30,787,731)**	(26,352,284)	(24,939,561)	**(28,198,525)**	(26,023,078)	(23,090,111)
Other assets	**(1,525,820)**	55,444	(279,269)	**(1,525,456)**	50,280	(284,698)
Increase (decrease) in the amounts of:						
Deposit liabilities	**36,511,384**	19,967,290	14,529,375	**34,438,028**	20,213,066	12,928,919
Accrued taxes, interest and other expenses	**303,100**	82,640	202,922	**225,375**	231,628	46,730
Cashier's checks and demand draft payable	**390,525**	152,059	261,829	**390,525**	152,059	261,829
Other liabilities	**943,342**	879,013	865,775	**1,032,510**	766,593	1,031,835
Net cash generated from (used in) operations	**3,784,380**	2,504,027	(961,463)	**3,650,868**	2,861,495	(710,438)
Income taxes paid	**(431,198)**	(191,980)	(168,349)	**(277,259)**	(189,421)	(167,475)
Net cash provided by (used in) operating activities	**3,353,182**	2,312,047	(1,129,812)	**3,373,609**	2,672,074	(877,913)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of:						
Investment securities at amortized cost (Note 8)	**3,927,754**	1,718,088	1,564,795	**3,927,754**	1,718,088	1,564,795
Investment properties and other repossessed assets (Notes 11 and 13)	**474,788**	419,428	297,321	**468,559**	288,095	285,412
Property and equipment (Note 10)	**29,742**	40,226	107,507	**27,966**	415	8,909
Proceeds from maturity of investment securities at amortized cost	**46,553**	101,485	363,302	**46,553**	101,485	363,302
Acquisitions of:						
Investment securities at amortized cost	**(3,383,280)**	(706,894)	(2,322,322)	**(3,383,280)**	(706,894)	(2,322,322)
Property and equipment (Note 10)	**(805,803)**	(1,216,121)	(1,221,624)	**(729,746)**	(1,188,606)	(1,153,716)
Branch licenses (Note 12)	**(505,196)**	(214,800)	(822,000)	**(505,196)**	(214,800)	(822,000)
Capitalized software (Note 12)	**(455,523)**	(183,115)	(248,169)	**(401,008)**	(179,989)	(246,688)
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)	**–**	–	(34,098)
Merged cash from GBI (Note 7)	**–**	–	–	**7,269**	–	–
Net cash used in investing activities	**(670,965)**	(41,703)	(2,300,890)	**(541,129)**	(530,583)	(2,524,832)

(Forward)

STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013	2012	**2014**	2013	2012
	(Amounts in Thousands)					
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bills and acceptances payable	**₱209,111,418**	₱2,847,172	₱18,317,295	**₱207,333,218**	₱2,847,177	₱18,317,295
Payments of bills and acceptances payable	**(207,082,701)**	(5,129,624)	(14,909,096)	**(205,432,706)**	(5,129,624)	(14,906,730)
Issuance of unsecured subordinated debt, net of issuance cost (Note 18)	**4,963,731**	–	–	**4,963,731**	–	–
Acquisition of non-controlling interest (Note 1)	**(6,622)**	(7,096)	(8,773)	**–**	–	–
Payment of subordinated debt	**(1,362,500)**	(1,251)	–	**(1,362,500)**	–	–
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)	**–**	–	(1,067,500)
Net cash provided by (used in) financing activities	**5,623,326**	(2,290,799)	7,721,215	**5,501,743**	(2,282,447)	7,732,354
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**8,305,543**	**(20,455)**	**4,290,513**	**8,334,224**	**(140,956)**	**4,329,609**
CASH AND CASH EQUIVALENTS AT BEGINNING 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
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**5,993,499**	3,884,538	3,235,161	**5,912,309**	3,811,185	3,180,497
Due from Bangko Sentral ng Pilipinas	**23,128,678**	18,537,655	21,855,275	**22,970,798**	18,404,125	21,789,239
Due from other banks	**3,580,528**	1,751,824	1,637,917	**3,493,976**	1,604,404	1,524,815
Interbank loans receivable	**2,893,384**	3,116,529	582,648	**2,893,384**	3,116,529	582,648
	₱35,596,089	₱27,290,546	₱27,311,001	**₱35,270,467**	₱26,936,243	₱27,077,199
NET OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest received	**₱11,253,183**	₱9,788,379	₱7,771,785	**₱10,726,087**	₱9,356,900	₱7,702,386
Interest paid	**1,516,473**	1,488,540	1,857,219	**1,447,607**	1,343,580	1,747,772
Dividend received	**25,527**	69,237	975	**25,527**	69,237	975

See accompanying Notes to Financial Statements.

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, 2014, the Parent Company is effectively 75.01% 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 358 and 300 branches as of December 31, 2014 and 2013, 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. 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 as of December 31, 2013. In 2014, the Parent Company completed its planned merger with GBI. Prior to the merger, the Parent Company acquired the remaining non-controlling interest of GBI. The Parent Company's investment in GBI was closed against the merged assets and liabilities as of the date of merger (see Note 7).

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 as of December 31, 2014 and 2013, respectively.

GBI and EWRB (the Subsidiaries) were consolidated with the Parent Company on August 19, 2011 and July 11, 2012, respectively, the dates on which control was transferred to the Parent Company.

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, with the latter as the surviving entity. On July 31, 2014, GBI was merged to the Parent Company (see Note 7). The merger of the Parent Company and GBI will enable the Parent Company to achieve branding leverage and economy in management and operations. With the merger, EWRB becomes the only subsidiary of the Parent Company as of December 31, 2014.

NOTES TO FINANCIAL STATEMENTS

The accompanying financial statements of the Group and of the Parent Company were approved and authorized for issue by the Parent Company's Board of Directors (the Board or BOD) on February 26, 2015.

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, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012, and of the Parent Company as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012.

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 significantly 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 equity holders of 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, 2014. Unless otherwise indicated, adoption of these new and amended standards and interpretations did not have material impact to the Group.

Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
These amendments 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. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

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. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements to PFRSs (2010-2012 cycle)
In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

Annual Improvements to PFRSs (2011-2013 cycle)
In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards-First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

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, 2014 and 2013, 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).

<u>Impairment of Financial Assets</u>
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.

<u>Business Combinations</u>
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.

NOTES TO FINANCIAL STATEMENTS

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.

<u>Intangible Assets</u>
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.

<u>Impairment of Nonfinancial Assets</u>
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.

Revenue Recognition
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.

Expense Recognition
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.

Leases
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.

Retirement Cost
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.

NOTES TO FINANCIAL STATEMENTS

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.

<u>Earnings Per Share (EPS)</u>
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.

<u>Segment Reporting</u>
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.

<u>Events after the Financial Reporting Date</u>
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.

<u>Fiduciary Activities</u>
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.

<u>Future Changes in Accounting Policies</u>
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.

NOTES TO FINANCIAL STATEMENTS

PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. As the Group had early adopted the first phase of PFRS 9 (2009 version) effective January 1, 2011, adoption of PFRS 9 (2010 version) will have no impact on the Group's financial position and performance.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

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 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.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA:

Effective January 1, 2015

PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015.

Annual Improvements to PFRSs (2010-2012 cycle)

The *Annual Improvements to PFRSs* (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

PFRS 2, *Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a 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 PAS 39, Financial Instruments: Recognition and Measurement (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

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 are applied retrospectively and clarify that:
- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

PAS 16, *Property, Plant and Equipment*, and *PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

The *Annual Improvements* to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts.

PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

NOTES TO FINANCIAL STATEMENTS

PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the financial statements of the Group.

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016.

PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)

The *Annual Improvements to PFRSs* (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, *Employee Benefits - regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39* (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

PFRS 9, *Financial Instruments* (2014 or final version)
In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The Group is currently assessing the impact of adopting this standard.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

IFRS 15, *Revenue from Contracts with Customers*
IFRS 15 was issued by IASB in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

NOTES TO FINANCIAL STATEMENTS

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.

Judgments

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.

In 2014, the Parent Company sold various securities from different portfolios in its hold-to-collect business model. The sale was primarily driven by the need to improve the Parent Company's capital position in relation to the change in the regulatory capital requirements caused by the Basel III implementation. Also, 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, 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 portfolios, the first for the remaining securities in the portfolios after the sale and the second for the new securities to be acquired under the portfolios after the sale. The remaining securities in the portfolios 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. The Parent Company has determined that the sale of investment securities in 2012 is 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.

Estimates

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	
	2014	2013	**2014**	2013
Property and equipment (Note 10)	**₱3,513,104**	₱3,452,741	**₱3,351,442**	₱3,320,631
Branch licenses (Note 12)	**2,167,396**	1,662,200	**2,167,396**	1,036,800
Goodwill (Note 12)	**1,316,728**	1,316,728	**1,293,250**	919,254
Investment properties (Note 11)	**912,687**	1,006,716	**911,987**	811,423
Capitalized software (Note 12)	**794,325**	522,128	**743,272**	516,297
Other repossessed assets (Note 13)	**195,102**	162,194	**195,102**	162,194
Customer relationship (Note 12)	**129,476**	133,788	**129,476**	133,788
Core deposits (Note 12)	**16,848**	20,891	**16,848**	20,891

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 11.68% and 13.09% as of December 31, 2014 and 2013, 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, 2014 and 2013, 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	
	2014	2013	**2014**	2013
Property and equipment (Note 10)	**₱3,391,737**	₱3,162,248	**₱3,251,412**	₱3,056,827
Investment properties (Note 11)	**248,168**	302,374	**250,030**	255,451
Intangible assets (Note 12)	**940,649**	676,807	**889,596**	670,976
Other repossessed assets (Note 13)	**195,102**	162,194	**195,102**	162,194

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.

NOTES TO FINANCIAL STATEMENTS

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. 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.

d. 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.

e. Risk Management Committee (RMC)
RMC is a board level committee who convenes monthly and is primarily responsible to assist the Board in managing the Parent Company's risk taking activities. This is performed by the committee by institutionalizing risk policies and overseeing the Parent Company's risk management system. It develops and recommends risk appetite and tolerances for the Parent Company's major risk exposures to the Board. Risk management principles, strategies, framework, policies, processes, and initiatives and any modifications and amendments thereto are reviewed and approved by RMC. It oversees and reports to the Board the effectiveness of the risk management system, overall risk profile, and compliance with the risk appetite and tolerances that the Board approved.

f. Risk Management Subcommittee (RMSC)
RMSC is a management level committee who convenes monthly and is responsible to assist RMC in fulfilling its responsibilities in managing the Parent Company's risk taking activities. This is performed by the committee by implementing the risk management principles, strategies, framework, policies, processes, and initiatives across the Parent Company. It leads the effective conduct of risk and capital management. It oversees and directs the management of the Parent Company's overall risk profile. The committee likewise oversees risk incidents, control gaps, and control deficiencies and management actions in implementing the corresponding corrective actions.

g. 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.

h. 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.

i. 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.

j. 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.

k. 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 Group. 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 Group. To identify and assess this risk, the Group 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 Group's credit risk.

Credit concentration

Excessive concentration of lending plays a significant role in the weakening of asset quality. The Group reduces this risk by diversifying its loan portfolio across various sectors and borrowers. The Group 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 Group's loan portfolio in line with the Group'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 and a half percent (1.50%) of their aggregate outstanding balance. This is to maintain the quality of the Group's large exposures. With this, accounts with better risk grades are given priority in terms of being granted a bigger share in the Group's loan facilities.

Aligned with the Manual of Regulations for Banks definition, the Group 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, 2014 and 2013

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							
	2014				2013			
	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	₱55,161,693	₱6,617,435	₱47,750,198	₱7,411,495	₱47,588,271	₱13,143,982	₱38,940,835	₱8,647,436
Consumer lending	64,004,558	27,095,096	46,777,781	17,226,777	44,871,825	20,544,130	38,413,862	6,457,963
	₱119,166,251	₱33,712,531	₱94,527,979	₱24,638,272	₱92,460,096	₱33,688,112	₱77,354,697	₱15,105,399

	Parent Company							
	2014				2013			
	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	₱55,461,693	₱6,617,435	₱48,050,198	₱7,411,495	₱47,588,271	₱13,143,982	₱38,940,835	₱8,647,436
Consumer lending	58,162,486	27,095,096	40,935,709	17,226,777	41,887,643	20,543,332	38,299,448	3,588,195
	₱113,624,179	₱33,712,531	₱88,985,907	₱24,638,272	₱89,475,914	₱33,687,314	₱77,240,283	₱12,235,631

For off-balance sheet items, the figures presented below summarize the Group's and the Parent Company's maximum exposure to credit risk:

	Consolidated					
	2014			2013		
	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	₱243,729	₱–	₱243,729	₱400,119	₱–	₱400,119
Transaction-related contingencies	619,081	–	619,081	711,373	–	711,373
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to one (1) year	372,352	–	372,352	419,995	–	419,995
	₱1,235,162	₱–	₱1,235,162	₱1,531,487	₱–	₱1,531,487

	Parent Company					
	2014			2013		
	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	₱243,729	₱–	₱243,729	₱400,119	₱–	₱400,119
Transaction-related contingencies	619,081	–	619,081	711,373	–	711,373
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to one (1) year	372,352	–	372,352	419,995	–	419,995
	₱1,235,162	₱–	₱1,235,162	₱1,531,487	₱–	₱1,531,487

Large exposures and top 20 borrowers

The table below summarizes the large exposures and top 20 borrowers of the Parent Company:

	2014			
	Top 20 Borrowers		Large Exposures	
	Single Borrowers	Group Borrowers	Single Borrowers	Group Borrowers
Aggregate Exposure (in billions)	₱25.60	₱32.65	₱18.88	₱25.91
Composite Risk Rating	3.42	3.56	3.26	3.40
Total Expected Loss/Aggregate Exposure	0.73%	0.87%	0.69%	0.72%

	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%

As of December 31, 2014 and 2013, the maximum credit exposure to any client or counterparty is about ₱4.59 billion and ₱4.46 billion, respectively. The credit exposures, after due consideration of the allowed credit enhancements, of the Group, 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:

	2014			
	Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Total
Financial intermediaries	₱16,736,056	₱30,085,290	₱18,991,987	₱65,813,333
Real estate, renting and business activity	19,206,893	–	–	19,206,893
Private households with employed persons	81,835,479	–	–	81,835,479
Wholesale and retail trade, repair of motor vehicles	15,387,384	–	–	15,387,384
Manufacturing	7,880,310	–	–	7,880,310
Agriculture, fisheries and forestry	2,347,987	–	–	2,347,987
Transportation, storage and communication	1,023,348	–	–	1,023,348
Others****	26,213,540	–	–	26,213,540
	170,630,997	30,085,290	18,991,987	219,708,274
Allowance for credit losses (Note 14)	(3,811,163)	–	–	(3,811,163)
	₱166,819,834	₱30,085,290	₱18,991,987	₱215,897,111

* 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.

	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.

An industry sector analysis of the financial assets of the Parent Company follows:

	2014			
	Loans and Receivables*	**Loans and Advances to Banks****	**Investment Securities*****	**Total**
Financial intermediaries	**₱16,308,481**	**₱29,819,601**	**₱18,991,987**	**₱65,120,069**
Real estate, renting and business activity	**19,176,794**	**–**	**–**	**19,176,794**
Private households with employed persons	**78,045,293**	**–**	**–**	**78,045,293**
Wholesale and retail trade, repair of motor vehicles	**15,355,395**	**–**	**–**	**15,355,395**
Manufacturing	**7,875,235**	**–**	**–**	**7,875,235**
Agriculture, fisheries and forestry	**1,657,975**	**–**	**–**	**1,657,975**
Transportation, storage and communication	**1,023,118**	**–**	**–**	**1,023,118**
Others****	**26,083,041**	**–**	**–**	**26,083,041**
	165,525,332	**29,819,601**	**18,991,987**	**214,336,920**
Allowance for credit losses (Note 14)	**(3,728,222)**	**–**	**–**	**(3,728,222)**
	₱161,797,110	**₱29,819,601**	**₱18,991,987**	**₱210,608,698**

* 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.

	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.

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 Group'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 Group is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. It is the Group'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 Group does not occupy repossessed properties for business use.

As part of the Group'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	
	2014	2013	**2014**	2013
REM*	**15.33%**	11.13%	**14.29%**	14.80%
Other Collateral**	**17.86%**	24.50%	**34.41%**	23.74%
Unsecured	**66.81%**	64.37%	**51.30%**	61.46%

* 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.

Internal Credit Risk Rating System
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.

The following is a brief explanation of the Parent Company's risk grades:

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, 2014 and 2013
External ratings
The Group 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:

	2014			
	AA/A	**BB/B**	**Unrated**	**Total**
Due from BSP	**₱23,128,678**	**₱–**	**₱–**	**₱23,128,678**
Due from other banks	**3,379,539**	**81,062**	**119,927**	**3,580,528**
IBLR	**2,893,384**	**–**	**–**	**2,893,384**
Financial assets at FVTPL:				
Government securities	**7,391,724**	**–**	**–**	**7,391,724**
Private bonds	**1,307,094**	**367,339**	**890,874**	**2,565,307**
Equity securities	**–**	**–**	**225,659**	**225,659**
	8,698,818	**367,339**	**1,116,533**	**10,182,690**
Investment securities at amortized cost:				
Government securities	**7,536,445**	**–**	**–**	**7,536,445**
Private bonds	**1,258,433**	**–**	**–**	**1,258,433**
	8,794,878	**–**	**–**	**8,794,878**
Financial assets at FVTOCI:				
Quoted equity securities	**–**	**–**	**7,273**	**7,273**
Unquoted equity securities	**127**	**–**	**7,019**	**7,146**
	127	**–**	**14,292**	**14,419**
	₱46,895,424	**₱448,401**	**₱1,250,752**	**₱48,594,577**

	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

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:

	2014			
	AA/A	**BB/B**	**Unrated**	**Total**
Due from BSP	**₱22,970,798**	**₱–**	**₱–**	**₱22,970,798**
Due from other banks	**3,292,987**	**81,062**	**119,927**	**3,493,976**
IBLR	**2,893,384**	**–**	**–**	**2,893,384**
Financial assets at FVTPL:				
Government securities	**7,391,724**	**–**	**–**	**7,391,724**
Private bonds	**1,307,094**	**367,339**	**890,874**	**2,565,307**
Equity securities	**–**	**–**	**225,659**	**225,659**
	8,698,818	**367,339**	**1,116,533**	**10,182,690**
Investment securities at amortized cost:				
Government securities	**7,536,445**	**–**	**–**	**7,536,445**
Private bonds	**1,258,433**	**–**	**–**	**1,258,433**
	8,794,878	**–**	**–**	**8,794,878**
Financial assets at FVTOCI:				
Quoted equity securities	**–**	**–**	**7,273**	**7,273**
Unquoted equity securities	**127**	**–**	**7,019**	**7,146**
	127	**–**	**14,292**	**14,419**
	₱46,650,992	**₱448,401**	**₱1,250,752**	**₱48,350,145**

	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

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:

	2014				
	High Grade	**Standard Grade**	**Substandard Grade**	**Unrated**	**Total**
Receivables from customers:					
Corporate lending	**₱24,852,588**	**₱28,538,405**	**₱–**	**₱–**	**₱53,390,993**
Consumer lending	**9,902,051**	**28,089,398**	**22,749,148**	**–**	**60,740,597**
	₱34,754,639	**₱56,627,803**	**₱22,749,148**	**₱–**	**₱114,131,590**
Unquoted debt securities	**–**	**–**	**–**	**209,513**	**209,513**
Accounts receivable	**–**	**–**	**–**	**763,051**	**763,051**
Accrued interest receivable	**–**	**–**	**–**	**1,066,830**	**1,066,830**
Sales contract receivable	**–**	**–**	**–**	**64,913**	**64,913**
	–	**–**	**–**	**2,104,307**	**2,104,307**
	₱34,754,639	**₱56,627,803**	**₱22,749,148**	**₱2,104,307**	**₱116,235,897**

	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

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:

	2014				
	High Grade	**Standard Grade**	**Substandard Grade**	**Unrated**	**Total**
Receivables from customers:					
Corporate lending	**₱25,152,588**	**₱28,538,405**	**₱–**	**₱–**	**₱53,690,993**
Consumer lending	**4,072,668**	**28,089,398**	**22,749,148**	**–**	**54,911,214**
	29,225,256	**56,627,803**	**22,749,148**	**–**	**108,602,207**
Unquoted debt securities	**–**	**–**	**–**	**209,097**	**209,097**
Accounts receivable	**–**	**–**	**–**	**1,327,405**	**1,327,405**
Accrued interest receivable	**–**	**–**	**–**	**1,037,681**	**1,037,681**
Sales contract receivable	**–**	**–**	**–**	**64,913**	**64,913**
	–	**–**	**–**	**2,639,096**	**2,639,096**
	₱29,225,256	**₱56,627,803**	**₱22,749,148**	**₱2,639,096**	**₱111,241,303**

	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

Borrowers with unquestionable repaying capacity and to whom the Group 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 unquoted debt securities, accounts receivable, accrued interest receivable and sales contract receivable for which the Group has not yet established a credit rating system.

Impairment Assessment
On a regular basis, the Group 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 30 to 90 days as applicable, 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 Group 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 Group 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 Group 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 Group. 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 Group'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					
	2014					
	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	**₱7,294**	**₱–**	**₱–**	**₱–**	**₱–**	**₱7,294**
Consumer lending	**10,777**	**390,374**	**6,862**	**435,502**	**466,046**	**1,309,561**
	₱18,071	**₱390,374**	**₱6,862**	**₱435,502**	**₱466,046**	**₱1,316,855**

	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

	Parent Company					
	2014					
	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	**₱7,294**	**₱–**	**₱–**	**₱–**	**₱–**	**₱7,294**
Consumer lending	**10,777**	**390,374**	**6,862**	**423,096**	**446,368**	**1,277,477**
	₱18,071	**₱390,374**	**₱6,862**	**₱423,096**	**₱446,368**	**₱1,284,771**

	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

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, 2014 and 2013

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 (amounts in thousands):

	Consolidated							
	2014							
	Capital	**Risk Buckets**						
	Deduction	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Total**
Credit risk exposure after risk mitigation								
On-balance sheet assets	**₱6,264,965**	**₱28,977,799**	**₱3,565,001**	**₱2,363,843**	**₱2,763,221**	**₱116,881,268**	**₱6,010,306**	**₱160,561,438**
Off-balance sheet assets	–	–	–	–	–	**1,235,163**	–	**1,235,163**
Counterparty in the banking book (derivatives and repo-style transactions)	–	–	–	–	–	**2,157,060**	–	**2,157,060**
Counterparty in the trading book (derivatives and repo-style transactions)	–	–	–	–	–	**23,897**	–	**23,897**
Credit-linked notes in the banking book	–	–	–	–	–	–	–	–
Securitization exposures	–	–	–	–	–	–	–	–
	6,264,965	**28,977,799**	**3,565,001**	**2,363,843**	**2,763,221**	**120,297,388**	**6,010,306**	**163,977,558**
Credit Risk Weighted Assets	**₱–**	**₱–**	**₱713,000**	**₱1,181,922**	**₱2,072,416**	**₱120,297,388**	**₱9,015,459**	**₱133,280,185**

	Consolidated							
	2013							
	Capital	Risk Buckets						
	Deduction	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	3,665,567	4,514,002	6,933,876	89,339,627	3,823,801	130,690,339
Credit Risk Weighted Assets	₱–	₱–	₱733,113	₱2,257,001	₱5,200,407	₱89,339,627	₱5,735,702	₱103,265,850

	Parent Company							
	2014							
	Capital	**Risk Buckets**						
	Deduction	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Total**
Credit risk exposure after risk mitigation								
On-balance sheet assets	**₱6,986,899**	**₱28,759,985**	**₱3,543,745**	**₱2,363,843**	**₱2,763,221**	**₱111,258,962**	**₱5,981,826**	**₱154,671,582**
Off-balance sheet assets	–	–	–	–	–	**1,235,163**	–	**1,235,163**
Counterparty in the banking book (derivatives and repo-style transactions)	–	–	–	–	–	**2,157,060**	–	**2,157,060**
Counterparty in the trading book (derivatives and repo-style transactions)	–	–	–	–	–	**23,897**	–	**23,897**
Credit-linked notes in the banking book	–	–	–	–	–	–	–	–
Securitization exposures	–	–	–	–	–	–	–	–
	6,986,899	**28,759,985**	**3,543,745**	**2,363,843**	**2,763,221**	**114,675,082**	**5,981,826**	**158,087,702**
Credit Risk Weighted Assets	**₱–**	**₱–**	**₱708,749**	**₱1,181,922**	**₱2,072,416**	**₱114,675,082**	**₱8,972,739**	**₱127,610,908**

	Parent Company 2013							
	Capital	Risk Buckets						
	Deduction	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	₱122,985,486
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 repo-style transactions)	–	–	2,177	–	–	20,777	–	22,954
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
Credit Risk Weighted Assets	₱–	₱–	₱ 732,917	₱2,257,001	₱5,200,407	₱85,749,889	₱5,248,404	₱99,188,618

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 Parent Company's Treasury Group, specifically the Liquidity Desk, and the Subsidiary's Fund Management Department which are tasked to manage the balance sheet and have thorough understanding of the risk elements involved in the respective businesses. Both the Parent Company and the Subsidiary's liquidity risk management are then monitored through each entity's 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 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 both the Parent Company and Subsidiary has sufficient liquidity at all times, the respective ALCO formulates a contingency funding plan which sets out the amount and the sources of funds (such as unutilized credit facilities) available to both entities and the circumstances under which such funds will be used.

By way of the Maximum Cumulative Outflow (MCO) limit, the Group is able to manage its long-term liquidity risks by placing a cap on the outflow of cash on a per tenor and on a cumulative basis. The Group takes a multi-tiered approach to maintaining liquid assets. The Group'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 2014						
	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*	₱35,510	₱–	₱–	₱–	₱–	₱720	₱36,230
Investments and trading securities**	–	2,483	2,320	2,427	3,678	14,179	25,087
Loans and receivables***	–	18,997	13,550	10,054	7,834	90,613	141,048
	₱35,510	₱21,480	₱15,870	₱12,481	₱11,512	₱105,512	₱202,365

(Forward)

	Consolidated 2014						
	On demand	**Up to 1 month**	**>1 to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**Beyond 1 year**	**Total**
Financial Liabilities							
Deposit liabilities****	₱–	₱4,990	₱7,231	₱7,243	₱2,901	₱133,237	₱155,602
Bills and acceptances payable	–	5,396	–	–	–	28	5,424
Subordinated debt	–	–	–	–	–	6,500	6,500
Other liabilities	1,383	90	9	9	3	5,647	7,141
Contingent liabilities	–	1,656	65	41	297	(1,336)	723
	₱1,383	₱12,132	₱7,305	₱7,293	₱3,201	₱144,076	₱175,390

* 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 loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, unearned discounts, allowance for probable losses, investment properties, other intangible assets and other assets.

**** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities.

	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 loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, unearned discounts, allowance for probable losses, investment properties, other intangible assets and other assets.

**** 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 2014						
	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*	₱35,270	₱–	₱–	₱–	₱–	₱633	₱35,903
Investments and trading securities**	–	2,483	2,320	2,427	3,678	14,179	25,087
Loans and receivables***	–	18,996	13,340	9,746	7,230	85,755	135,067
	₱35,270	₱21,479	₱15,660	₱12,173	₱10,908	₱100,567	₱196,057

(Forward)

	Parent Company 2014						
	On demand	**Up to 1 month**	**>1 to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**Beyond 1 year**	**Total**
Financial Liabilities							
Deposit liabilities****	**₱–**	**₱4,775**	**₱7,015**	**₱7,132**	**₱2,824**	**₱128,847**	**₱150,593**
Bills and acceptances payable	**–**	**5,182**	**–**	**–**	**–**	**28**	**5,210**
Subordinated debt	**–**	**–**	**–**	**–**	**–**	**6,500**	**6,500**
Other liabilities	**1,383**	**90**	**9**	**8**	**3**	**5,485**	**6,978**
Contingent liabilities	**–**	**1,656**	**65**	**41**	**297**	**(1,336)**	**723**
	₱1,383	**₱11,703**	**₱7,089**	**₱7,181**	**₱3,124**	**₱139,524**	**₱170,004**

* 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 loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, unearned discounts, allowance for probable losses, investment properties, other intangible assets and other assets.
**** 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 loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, unearned discounts, allowance for probable losses, investment properties, other intangible assets and other assets.
**** 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, 2014 and 2013, ₱49.34 billion and ₱35.59 billion, respectively, or 39.28% and 37.50%, 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, 2014 and 2013. 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 for trading or accrual/balance sheet exposure. The market risk for the trading portfolio is managed and monitored based on a VaR methodology. Interest rate risk of accrual portfolios are managed and monitored using sensitivity analyses.

Market risk in the trading books

The Board has set limits on the level of market 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 the Value at Risk (VaR) methodology to assess the market sensitive positions held for trading and to estimate the potential economic loss based on parameters and assumptions. VaR is a method used in measuring market 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 VaR model of Bloomberg Portfolio Analytics using one-year historical data set to assess possible changes in the market value of the Fixed Income, Equities, and Foreign Exchange trading portfolio. The Interest Rate Swaps (IRS) trading portfolio's market risk is measured using Monte Carlo VaR. The Bloomberg and Monte Carlo VaR models are designed to measure market risk in a normal market environment. 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.

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 hypothetical and 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 adopted from the uniform stress testing framework of the BSP.

VaR assumptions

The VaR that the Parent Company use is premised on a 99.00% confidence level that this potential loss estimate is not expected to be exceeded if the current market risk positions were to be held unchanged for a given holding period. Foreign exchange VaR is measured using one day holding period while fixed income VaR has holding period of five (5) days. Furthermore, the Parent Company's equity and IRS trading positions are assumed to be closed out in ten (10) days. The use of a 99.00% confidence level means that within the set time 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. The trading activities are controlled through the Market Risk Limit (MRL), which is a function of the Parent Company's qualifying capital and the trading income generated throughout the year. RMD reports compliance to the MRL and trader's VaR limits on a daily basis. If the MRL of individual trader's 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 table below pertains to interest rate risk of the Parent Company's fixed income trading portfolio:

	2014	2013
Year-end VaR	**₱200,969**	₱13,122
Average VaR	**107,839**	67,046
Highest VaR	**233,073**	324,284
Lowest VaR	**8,023**	3,392

The year-end VaR for 2014 was based on the Parent Company's fixed trading book valued at ₱9.9 billion with average yields of 3.73% and 3.90% for the Peso and Foreign currency denominated bonds respectively. Its average maturities are 8 years and 5 months for the Peso portfolio and 11 years and 2 months for the foreign currency portfolio. 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 market risk in the Parent Company's IRS trading positions is shown in the table below:

	2014
Year-end VaR	**₱8,674**
Average VaR	**4,521**
Highest VaR	**8,674**
Lowest VaR	**3,789**

The Parent Company commenced entering into IRS in 2014 and its outstanding IRS deals have a total notional amount of $10.00 million where the Parent Company pays fixed rate and receives floating rate interest.

The table below pertains to the market risk of the Parent Company's equity trading positions:

	2014	2013
Year-end VaR	**₱664**	₱39,759
Average VaR	**13,618**	60,457
Highest VaR	**49,371**	87,143
Lowest VaR	**664**	39,759

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.

The VaR below pertains to foreign exchange risk of the Parent Company:

	2014	2013
Year-end VaR	**₱4,369**	₱1,963
Average VaR	**1,780**	2,423
Highest VaR	**6,571**	8,364
Lowest VaR	**10**	13

The Parent Company's foreign currency exposures emanate from its net open spot and forward FX purchase and sell transactions, and net foreign currency income accumulated over the years of its operations. Foreign currency-denominated deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. 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. The Parent Company is in compliance with said regulation as of December 31, 2014 and 2013.

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 $50.00 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, 2014 and 2013:

	2014		
	USD	**Other Currencies**	**Total**
Assets			
Gross FX assets	**$624,465**	**$13,224**	**$637,689**
Contingent FX assets	**58,080**	**-**	**58,080**
	682,545	**13,224**	**695,769**
Liabilities			
Gross FX liabilities	**573,872**	**11,028**	**584,900**
Contingent FX liabilities	**98,000**	**78**	**98,078**
	671,872	**11,106**	**682,978**
Net exposure	**$10,673**	**$2,118**	**$12,791**

	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

The table below indicates the sensitivity currencies which the Parent Company had significant exposures as of December 31, 2014 and 2013 (amounts in millions):

Foreign currency appreciates (depreciates)	**2014**			
	USD	**GBP**	**EUR**	**JPY**
+10.00%	**₱47.73**	**₱1.09**	**₱3.41**	**₱.60**
-10.00%	**(47.73)**	**(1.09)**	**(3.41)**	**(.60)**

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)

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.

Market Risk in the Banking Book

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 re-pricing gap analysis on a monthly basis to measure the interest rate sensitivity of its assets and liabilities. The re-pricing 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. 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.

NOTES TO FINANCIAL STATEMENTS

The following table provides for the average 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, 2014 and 2013:

	2014				
	Up to 1 month	**>1 month to 3 months**	**>3 months to 6 months**	**>6 months to 12 months**	**>12 months**
RBU					
Financial assets:					
Cash and cash equivalents	–	–	–	–	–
Loans and receivables	**2.27%**	**4.55%**	**4.86%**	**6.46%**	**9.25%**
Investment securities	–	**3.63%**	–	–	**3.10%**
Financial liabilities:					
Deposit liabilities	**1.59%**	**1.92%**	**2.43%**	**4.23%**	**3.60%**
Bills payable	**1.51%**	–	–	–	–
Subordinated debt	–	–	–	–	**6.03%**
FCDU					
Financial assets:					
Cash and cash equivalents	–	–	–	–	–
Loans and receivables	**3.04%**	**2.79%**	**3.78%**	**4.86%**	**6.72%**
Investment securities	**0.61%**	–	–	–	**4.00%**
Financial liabilities:					
Deposit liabilities	**1.36%**	**1.27%**	**1.56%**	**1.68%**	**2.56%**

	2013				
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months 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%

The following table provides for the average 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, 2014 and 2013:

	2014				
	Up to 1 month	**>1 month to 3 months**	**>3 months to 6 months**	**>6 months to 12 months**	**>12 months**
RBU					
Financial assets:					
Cash and cash equivalents	–	–	–	–	–
Loans and receivables	**2.28%**	**4.54%**	**4.81%**	**6.22%**	**9.41%**
Investment securities	–	**3.63%**	–	–	**3.10%**
Financial liabilities:					
Deposit liabilities	**1.60%**	**1.95%**	**2.44%**	**4.31%**	**7.62%**
Bills payable	**1.51%**	–	–	–	-
Subordinated debt	–	–	–	–	**6.03%**
FCDU					
Financial assets:					
Cash and cash equivalents	–	–	–	–	–
Loans and receivables	**3.04%**	**2.79%**	**3.78%**	**4.86%**	**6.72%**
Investment securities	**0.61%**	–	–	–	**4.00%**
Financial liabilities:					
Deposit liabilities	**1.36%**	**1.27%**	**1.56%**	**1.68%**	**2.56%**

	2013				
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months 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%
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%

The following tables sets forth the interest rate re-pricing gap of the Group as of December 31, 2014 and 2013 (amounts in millions):

2014	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	Total
Financial assets:						
Cash and cash equivalents	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Loans and receivables	**29,634**	**6,030**	**3,753**	**2,207**	**55,609**	**97,233**
Investment securities	**2,422**	**2,212**	**2,201**	**3,246**	**7,455**	**17,536**
Contingent assets	**2**	**672**	**–**	**4**	**–**	**678**
Total financial assets	**32,058**	**8,914**	**5,954**	**5,457**	**63,064**	**115,447**
Financial liabilities:						
Deposit liabilities	**42,730**	**14,504**	**2,183**	**1,285**	**16,423**	**77,125**
Bills and acceptances payable	**5,289**	**–**	**–**	**–**	**–**	**5,289**
Subordinated debt	**–**	**–**	**–**	**–**	**6,500**	**6,500**
Contingent liabilities	**–**	**–**	**6**	**–**	**669**	**675**
Total financial liabilities	**48,019**	**14,504**	**2,189**	**1,285**	**23,592**	**89,589**
Asset-liability gap	**(₱15,961)**	**(₱5,590)**	**₱3,765**	**₱4,172**	**₱39,472**	**₱25,858**

2013	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	Total
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
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

The following tables sets forth the interest rate re-pricing gap of the Parent Company as of December 31, 2014 and 2013 (amounts in millions):

2014	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	Total
Financial assets:						
Cash and cash equivalents	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Loans and receivables	**29,928**	**6,012**	**3,734**	**2,134**	**49,703**	**91,511**
Investment securities	**2,422**	**2,212**	**2,201**	**3,246**	**7,455**	**17,536**
Contingent assets	**2**	**672**	**–**	**4**	**–**	**678**
Total financial assets	**32,352**	**8,896**	**5,935**	**5,384**	**57,158**	**109,725**
Financial liabilities:						
Deposit liabilities	**39,445**	**13,829**	**2,165**	**1,264**	**16,423**	**73,126**
Bills and acceptances payable	**5,289**	**–**	**–**	**–**	**–**	**5,289**
Subordinated debt	**–**	**–**	**–**	**–**	**6,500**	**6,500**
Contingent liabilities	**–**	**–**	**6**	**–**	**669**	**675**
Total financial liabilities	**44,734**	**13,829**	**2,171**	**1,264**	**23,592**	**85,590**
Asset-liability gap	**(₱12,382)**	**(₱4,933)**	**₱3,764**	**₱4,120**	**₱33,566**	**₱24,135**

2013	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	Total
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
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

With the above negative re-pricing profile, the Group could expect positive returns from the following months after the end of 2014 should there be a downward 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	2014	2013
+100bps	**(₱165.5)**	₱44.8
-100bps	**165.5**	(44.8)

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	2014	2013
+100bps	**(₱149.7)**	₱64.6
-100bps	**149.7**	(64.6)

Market Risk Weighting as of December 31, 2014 and 2013

The table below shows the different market risk-weighted assets (in millions) of the Parent Company using the standardized approach:

Type of Market Risk Exposure	2014	2013
Interest Rate Exposures	**₱7,791**	₱1,874
Foreign Exchange Exposures	**572**	256
Equity Exposures	**–**	7
	₱8,363	₱2,137

Only the Parent Company has a trading book portfolio.

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).

	2014	2013	2012
Group	**₱18,151**	₱15,338	₱12,973
Parent Company	**17,419**	14,701	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				
	2014				
		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	**₱7,391,724**	**₱7,391,724**	**₱7,255,622**	**₱136,102**	**₱–**
Private bonds	**2,565,307**	**2,565,307**	**2,565,307**	**–**	**–**
Equity securities	**225,659**	**225,659**	**225,659**	**–**	**–**
	10,182,690	**10,182,690**	**10,046,588**	**136,102**	**–**
Derivative assets	**110,668**	**110,668**	**–**	**110,668**	**–**
Financial assets at FVTOCI	**14,419**	**14,419**	**14,419**	**–**	**–**
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	**7,536,445**	**7,660,169**	**7,433,658**	**226,511**	**–**
Private bonds	**1,258,433**	**1,258,656**	**1,258,656**	**–**	**–**
	8,794,878	**8,918,825**	**8,692,314**	**226,511**	**–**
Loans and receivables					
Receivable from customers:					
Corporate lending	**55,161,693**	**55,019,062**	**–**	**–**	**55,019,062**
Consumer lending	**64,004,558**	**58,798,980**	**–**	**–**	**58,798,980**
Unquoted debt securities	**291,836**	**291,836**	**–**	**–**	**291,836**
	119,458,087	**114,109,878**	**–**	**–**	**114,109,878**

(Forward)

	Consolidated				
	2014				
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Non-financial assets					
Investment properties	**₱912,687**	**₱1,285,877**	**₱–**	**₱–**	**₱1,285,877**
Total assets	**₱139,473,429**	**₱134,622,357**	**₱18,753,321**	**₱473,281**	**₱115,395,755**
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	**₱101,290**	**₱101,290**	**₱–**	**₱101,290**	**₱–**
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	**69,027,909**	**69,029,018**	**–**	**–**	**69,029,018**
LTNCD	**8,033,623**	**8,825,239**	**–**	**–**	**8,825,239**
	77,061,532	**77,854,257**	**–**	**–**	**77,854,257**
Subordinated debt	**6,463,731**	**7,462,161**	**–**	**–**	**7,462,161**
Total liabilities	**₱83,626,553**	**₱85,417,708**	**₱–**	**₱101,290**	**₱85,316,418**

	Consolidated				
	2013				
		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	₱691,437	₱691,437	₱553,340	₱138,097	₱–
Private bonds	543,626	543,626	543,626	–	–
Equity securities	713,640	713,640	713,640	–	–
	1,948,703	1,948,703	1,810,606	138,097	–
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	7,826,667	7,601,814	224,853	–
Private bonds	1,413,066	1,455,827	1,455,827	–	–
	9,080,320	9,282,494	9,057,641	224,853	–
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	₱109,985,560	₱10,878,980	₱363,040	₱98,743,540

(Forward)

	Consolidated 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	41,314,743	–	–	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

	Parent Company 2014				
		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	**₱7,391,724**	**₱7,391,724**	**₱7,255,622**	**₱136,102**	**₱–**
Private bonds	**2,565,307**	**2,565,307**	**2,565,307**	**–**	**–**
Equity securities	**225,659**	**225,659**	**225,659**	**–**	**–**
	10,182,690	**10,182,690**	**10,046,588**	**136,102**	**–**
Derivative assets	**110,668**	**110,668**	**–**	**110,668**	**–**
Financial assets at FVTOCI	**14,419**	**14,419**	**14,419**	**–**	**–**
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	**7,536,445**	**7,660,169**	**7,433,658**	**226,511**	**–**
Private bonds	**1,258,433**	**1,258,656**	**1,258,656**	**–**	**–**
	8,794,878	**8,918,825**	**8,692,314**	**226,511**	**–**
Loans and receivables					
Receivable from customers:					
Corporate lending	**55,461,693**	**55,019,062**	**–**	**–**	**55,019,062**
Consumer lending	**58,162,486**	**58,798,980**	**–**	**–**	**58,798,980**
Unquoted debt securities	**209,097**	**209,097**	**–**	**–**	**209,097**
	113,833,276	**114,027,139**	**–**	**–**	**114,027,139**

(Forward)

	Parent Company 2014				
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Non-financial assets					
Investment properties	**₱911,987**	**₱1,285,174**	**₱–**	**₱–**	**1,285,174**
Total assets	**₱133,847,918**	**₱134,538,915**	**₱18,753,321**	**₱473,281**	**₱115,312,313**
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	**₱101,290**	**₱101,290**	**₱–**	**₱101,290**	**₱–**
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	**65,029,612**	**65,029,772**	**–**	**–**	**65,029,772**
LTNCD	**8,033,623**	**8,825,239**	**–**	**–**	**8,825,239**
	73,063,235	**73,855,011**	**–**	**–**	**73,855,011**
Subordinated debt	**6,463,731**	**7,462,161**	**–**	**–**	**7,462,161**
Total liabilities	**₱79,628,256**	**₱81,418,462**	**₱–**	**₱101,290**	**₱81,317,172**

	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)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱691,437	₱691,437	₱553,340	₱138,097	₱–
Private bonds	543,626	543,626	543,626	–	–
Equity securities	713,640	713,640	713,640	–	–
	1,948,703	1,948,703	1,810,606	138,097	–
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	7,826,667	7,601,814	224,853	–
Private bonds	1,412,653	1,455,414	1,455,414	–	–
	9,079,907	9,282,081	9,057,228	224,853	–
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	–	–	93,936,127

(Forward)

	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)
Non-financial assets					
Investment properties	₱811,423	₱1,048,808	₱–	₱–	₱1,048,808
Total assets	₱101,504,902	₱106,226,542	₱10,878,567	₱363,040	₱94,984,935
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

In 2014 and 2013, 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, and interest rate 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, 2014 and 2013:

Foreign Currency Forward Contracts and Swaps	**2014**	2013
Notional amount	**$40,000**	$32,000
Derivative assets	**₱13,661**	₱90
Derivative liabilities	**6,450**	22,017

Interest Rate Swaps	**2014**	2013
Notional amount	**$10,000**	$–
Derivative assets	**₱97,007**	₱–
Derivative liabilities	**94,840**	–

The net movements in fair value changes of all derivative instruments are as follows:

	2014	2013
Derivative assets (liabilities) - net at beginning of year	**(₱21,927)**	(₱56,368)
Changes in fair value of derivatives	**(827,779)**	(3,585,414)
Fair value of settled instruments	**859,084**	3,619,855
Derivative assets (liabilities) - net at end of year	**₱9,378**	(₱21,927)

Fair value changes of foreign currency forwards and swaps are recognized as Foreign exchange gain in the statements of income while fair value changes of interest rate swaps are recognized as part of Trading and securities gain (see Note 8).

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 banking** - 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, 2014, 2013 and 2012 follow (amounts in millions):

	2014					
	Retail Banking	Corporate Banking	Consumer Banking	Treasury and Trust	Elimination Items	Total
Statement of Income						
Net Interest Income:						
Third Party	₱2,754	₱703	₱6,263	₱84	₱222	₱10,026
Intersegment	53	578	–	–	(631)	–
	2,807	1,281	6,263	84	(409)	10,026
Noninterest Income	765	214	2,839	810	232	4,860
Revenue - Net of Interest Expense	3,572	1,495	9,102	894	(177)	14,886
Noninterest Expense	(4,180)	(746)	(6,281)	(267)	(775)	(12,249)
Income Before Income Tax	(608)	749	2,821	627	(952)	2,637
Provision for Income Tax	–	–	–	–	(564)	(564)
Net Income for the Year	(₱608)	₱749	₱2,821	₱627	(₱1,516)	₱2,073
Statement of Financial Position						
Total Assets	₱37,246	₱61,300	₱57,649	₱18,048	₱14,020	₱188,263
Total Liabilities	141,846	36,105	2,971	14,360	(28,467)	166,815
Statement of Income						
Depreciation and Amortization	574	24	191	15	58	862
Provision for Impairment and Credit Losses	5	251	2,642	–	413	3,311

	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	₱305	₱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

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 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 AND MERGER

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:

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

(Forward)

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 for the year ended December 31, 2012.

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. 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

(Forward)

	Fair Value recognized on acquisition date
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.

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.

Merger of Green Bank, Inc. with the Parent Company
On June 21, 2013, the Parent Company and GBI entered into a Plan of Merger Agreement. Under the agreement, GBI will be merged to the Parent Company upon completion of its equity restructuring and the transfer of certain assets and liabilities to EWRB. GBI's equity restructuring and the transfer of assets and liabilities to EWRB were completed in 2013.

On March 28, 2014 and June 5, 2014, the BSP and the SEC, respectively, approved the merger of the Parent Company and GBI. On July 31, 2014, the Parent Company and GBI concluded its merger.

The assets and liabilities of GBI merged to the Parent Company were based on the carrying amounts in the consolidated financial statements of the Parent Company. The following are the carrying amounts of the assets and liabilities of GBI (including the goodwill, branch licenses and related deferred tax liability recognized at the acquisition of GBI in 2011) merged to Parent Company at the date of merger:

	Carrying value recognized on date of merger
Assets	
Due from BSP	₱7,269
Loans and receivables	141,663
Bank premises, furniture, fixtures and equipment (Note 10)	22,870
Investment properties (Note 11)	189,146
Branch licenses (Note 12)	625,400
Goodwill (Note 12)	373,996
Other assets	2,661
	1,363,005
Liabilities	
Subordinated notes	112,500
Bills payable	128,200
Deferred tax liability of branch licenses	187,620
Accounts payable and accrued expenses	32,467
Other liabilities	174
	460,961
Carrying amount of the net assets merged	₱902,044

The excess of the carrying amount of the net assets of GBI merged to the Parent Company over the carrying amount of the Parent Company's Investment in GBI was recognized as an adjustment to Surplus, as shown below:

Carrying amount of the net assets merged	₱902,044
Carrying amount of the Parent Company's Investment in GBI	888,650
Adjustment to Surplus	₱13,394

8. TRADING AND INVESTMENT SECURITIES

The Group and the Parent Company have the following trading and investment securities:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Financial assets at FVTPL	**₱10,182,690**	₱1,948,703	**₱10,182,690**	₱1,948,703
Financial assets at FVTOCI	**14,419**	10,733	**14,419**	10,733
Investment securities at amortized cost	**8,794,878**	9,080,320	**8,794,878**	9,079,907
	₱18,991,987	₱11,039,756	**₱18,991,987**	₱11,039,343

Financial assets at FVTPL
Financial assets at FVTPL of the Group and of the Parent Company consist of:

	2014	2013
Held-for-trading:		
Government securities	**₱7,391,724**	₱691,437
Private bonds	**2,565,307**	543,626
Equity securities	**225,659**	713,640
	₱10,182,690	₱1,948,703

As of December 31, 2014 and 2013, financial assets at FVTPL include net unrealized gain of ₱52.65 million and ₱131.15 million, respectively, for the Group and for the Parent Company.

Financial assets at FVTOCI
As of December 31, 2014 and 2013, financial assets at FVTOCI of the Group and of the Parent Company consist of:

	2014	2013
Quoted equity securities	**₱7,273**	₱7,486
Unquoted equity securities	**7,146**	3,247
	₱14,419	₱10,733

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 2014 and 2013, 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:

	2014	2013
Balance at beginning	**₱1,925**	₱1,174
Unrealized gains for the year	**3,797**	751
Balance at end	**₱5,722**	₱1,925

Investment securities at amortized cost
As of December 31, 2014 and 2013, investment securities at amortized cost of the Group and of the Parent Company consist of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Government securities	**₱7,536,445**	₱7,667,254	**₱7,536,445**	₱7,667,254
Private bonds	**1,258,433**	1,413,066	**1,258,433**	1,412,653
	₱8,794,878	₱9,080,320	**₱8,794,878**	₱9,079,907

Peso-denominated government bonds have effective interest rates ranging from 5.70% to 6.02% in 2014, 2013 and 2012. Foreign currency-denominated bonds have effective interest rates ranging from 2.87% to 7.07% in 2014, 2013, and 2012.

In 2014, the Parent Company sold securities carried at amortized cost, with aggregate carrying amount of ₱3.62 billion, and recognized a gain amounting to ₱306.00 million. The gain is presented as Gain on sale of investment securities at amortized cost in the statement of income. The sale was driven by the need to improve the capital position of the Parent Company in relation to the change in the regulatory capital requirements caused by the Basel III implementation. As a result of the sale in 2014, subsequent acquisitions of investment securities in the affected portfolios 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, 2014, the remaining investment securities in the affected portfolios amounted to ₱926.73 million. Additions to the portfolios subsequent to the sale amounted to ₱106.48 million and is carried at fair value through profit or loss.

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 in 2013, subsequent acquisitions of investment securities in the affected 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, 2014 and 2013, the remaining government securities in the portfolio amounted to ₱233.57 million and ₱231.42 million, respectively. 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.

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		
	2014	2013	2012	**2014**	2013	2012
Financial assets at FVTPL	**₱169,745**	₱106,912	₱185,963	**₱169,745**	₱106,912	₱185,963
Investment securities at amortized cost	**391,861**	426,454	656,299	**391,861**	426,447	656,298
	₱561,606	₱533,366	₱842,262	**₱561,606**	₱533,359	₱842,261

Trading and securities gain of the Group and of the Parent Company consists of:

	2014	2013	2012
Financial assets at FVTPL	**₱497,352**	₱1,005,237	₱988,110
Interest rate swaps	**2,173**	–	–
	499,525	1,005,237	988,110
Investment securities at amortized cost	**305,997**	572,490	276,883
	₱805,522	₱1,577,727	₱1,264,993

NOTES TO FINANCIAL STATEMENTS

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	
	2014	2013	**2014**	2013
Receivables from customers:				
Corporate lending	**₱56,486,240**	₱49,015,326	**₱56,786,240**	₱49,015,326
Consumer lending	**65,827,805**	47,256,601	**59,878,190**	44,198,217
	122,314,045	96,271,927	**116,664,430**	93,213,543
Unearned discounts	**(182,014)**	(636,865)	**(155,728)**	(589,681)
	122,132,031	95,635,062	**116,508,702**	92,623,862
Unquoted debt securities:				
Government securities	**39,429**	37,184	**39,429**	36,563
Private bonds	**352,062**	342,897	**341,323**	342,897
	391,491	380,081	**380,752**	379,460
Other receivables:				
Accounts receivable	**1,304,002**	985,244	**1,867,317**	1,415,482
Accrued interest receivable	**1,198,722**	784,853	**1,163,810**	723,205
Sales contracts receivable	**208,328**	177,690	**208,328**	162,797
	2,711,052	1,947,787	**3,239,455**	2,301,484
	125,234,574	97,962,930	**120,128,909**	95,304,806
Allowance for credit and impairment losses (Note 14)	**(3,811,163)**	(4,002,355)	**(3,728,222)**	(3,975,337)
	₱121,423,411	₱93,960,575	**₱116,400,687**	₱91,329,469

Credit card receivables under consumer lending amounted to ₱21.55 billion and ₱19.41 billion as of December 31, 2014 and 2013, respectively.

Receivables from customers consist of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Loans and discounts	**₱117,895,627**	₱91,645,274	**₱112,246,012**	₱88,586,890
Customers' liabilities under letters of credit/trust receipts	**3,317,693**	2,704,310	**3,317,693**	2,704,310
Bills purchased	**1,100,725**	1,922,343	**1,100,725**	1,922,343
	₱122,314,045	₱96,271,927	**₱116,664,430**	₱93,213,543

In 2013, the Parent Company entered into a purchase of receivables agreement with EWRB, whereby the Parent Company will purchase, on a without recourse basis, certain salary loans of EWRB. In 2014 and 2013, the total salary loans purchased by the Parent Company amounted to ₱5.74 billion and ₱2.91 billion, respectively. The Parent Company's acquisition cost of the salary loans approximate the fair value at the acquisition date. As of December 31, 2014 and 2013, outstanding salary loans purchased from EWRB, included in Loans and discounts of the Parent Company, amounted to ₱3.89 billion and ₱2.49 billion, respectively. 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 amounted to ₱16.48 million and ₱1.67 million in 2014 and 2013, respectively (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. In 2014 and 2013, the total receivables purchased by the Parent Company without recourse under the terms of the foregoing assignment agreement amounted to nil and ₱0.27 billion, respectively. Outstanding receivables purchased included in Loans and discounts amounted to ₱0.86 billion and ₱1.31 billion as of December 31, 2014 and 2013, respectively. The Parent Company's acquisition cost of the installment contracts receivable approximates fair value at the acquisition date. 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 ₱5.43 million and ₱2.58 million in 2014 and 2013, respectively (see Note 26).

A reconciliation of the allowance for impairment and credit losses per class of loans and receivables for the Group and the Parent Company as of December 31, 2014 follows:

	Consolidated			
	2014			
	Corporate Lending	Consumer Lending	Others	Total
At January 1	₱1,427,055	₱1,747,911	₱827,389	₱4,002,355
Provision for impairment and credit losses (Note 14)	196,637	2,922,177	149,119	3,267,933
Write-off (Note 14)	(274,927)	(3,028,855)	(131,125)	(3,434,907)
Interest accrued on impaired loans	(24,218)	–	–	(24,218)
At December 31	₱1,324,547	₱1,641,233	₱845,383	₱3,811,163
Specific impairment	₱558,859	₱–	₱171,655	₱730,514
Collective impairment	765,688	1,641,233	673,728	3,080,649
	₱1,324,547	₱1,641,233	₱845,383	₱3,811,163
Gross amount of individually impaired loans	₱931,129	₱–	₱380,752	₱1,311,881

	Parent Company			
	2014			
	Corporate Lending	Consumer Lending	Others	Total
At January 1	₱1,427,055	₱1,720,893	₱827,389	₱3,975,337
Provision for impairment and credit losses (Note 14)	196,637	2,867,938	147,435	3,212,010
Write-off (Note 14)	(274,927)	(3,028,855)	(131,125)	(3,434,907)
Interest accrued on impaired loans	(24,218)	–	–	(24,218)
At December 31	₱1,324,547	₱1,559,976	₱843,699	₱3,728,222
Specific impairment	₱558,859	₱–	₱171,655	₱730,514
Collective impairment	765,688	1,559,976	672,044	2,997,708
	₱1,324,547	₱1,559,976	843,699	3,728,222
Gross amount of individually impaired loans	₱931,129	₱–	380,752	₱1,311,881

A reconciliation of the allowance for the impairment and credit losses per class of loans and receivables 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

The Parent Company took possession of various properties previously held as collateral with an estimated value of ₱487.60 million in 2014, ₱563.45 million in 2013 and ₱357.76 million in 2012 (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					
	2014			2013		
	Specific Impairment	**Collective Impairment**	**Total**	Specific Impairment	Collective Impairment	Total
At January 1	**₱948,461**	**₱3,053,894**	**₱4,002,355**	₱632,691	₱2,521,374	₱3,154,065
Provision for impairment and credit losses	**81,198**	**3,186,735**	**3,267,933**	369,321	2,626,828	2,996,149
Write-off	**(274,927)**	**(3,159,980)**	**(3,434,907)**	(6,210)	(2,094,308)	(2,100,518)
Interest accrued on impaired loans	**(24,218)**	**–**	**(24,218)**	(47,341)	–	(47,341)
At December 31	**₱730,514**	**₱3,080,649**	**₱3,811,163**	₱948,461	₱3,053,894	₱4,002,355

	Parent Company					
	2014			2013		
	Specific Impairment	**Collective Impairment**	**Total**	Specific Impairment	Collective Impairment	Total
At January 1	**₱948,461**	**₱3,026,876**	**₱3,975,337**	₱632,691	₱2,499,933	₱3,132,624
Provision for impairment and credit losses	**81,198**	**3,130,812**	**3,212,010**	369,321	2,510,126	2,879,447
Write-off	**(274,927)**	**(3,159,980)**	**(3,434,907)**	(6,210)	(1,983,183)	(1,989,393)
Interest accrued on impaired loans	**(24,218)**	**–**	**(24,218)**	(47,341)	–	(47,341)
At December 31	**₱730,514**	**₱2,997,708**	**₱3,728,222**	₱948,461	₱3,026,876	₱3,975,337

Interest income on loans and receivables consist of:

	Consolidated			**Parent Company**		
	2014	2013	2012	**2014**	2013	2012
Receivables from customers	**₱11,019,641**	₱9,106,302	₱6,772,393	**₱10,520,104**	₱8,706,551	₱6,625,128
Unquoted debt securities	**6,403**	7,237	21,951	**6,402**	7,237	21,951
Interest accrued on impaired loans	**24,218**	47,341	41,177	**24,218**	47,341	41,177
	₱11,050,262	₱9,160,880	₱6,835,521	**₱10,550,724**	₱8,761,129	₱6,688,256

<u>BSP Reporting</u>

Of the total receivables from customers of the Parent Company as of December 31, 2014, 2013 and 2012, 33.43%, 33.27%, and 34.70%, respectively, are subject to periodic interest repricing. The remaining peso receivables from customers earn annual fixed interest rates ranging from 1.13% to 23.68%, 1.50% to 16.96%, and 2.23% to 23.86% in 2014, 2013 and 2012, respectively, while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 3.08% to 7.56%, 1.56% to 7.56% and 2.78% to 9.00% in 2014, 2013 and 2012, respectively.

The details of the secured and unsecured receivables from customers of the Group and of the Parent Company follow:

	Consolidated				**Parent Company**			
	2014		2013		**2014**		2013	
	Gross Amount	**%**	Gross Amount	%	**Gross Amount**	**%**	Gross Amount	%
Loans secured by:								
Chattel	**₱21,509,682**	**17.61**	₱10,691,354	11.18	**₱21,509,682**	**18.46**	₱10,691,353	11.54
Real estate	**18,275,599**	**14.96**	12,079,279	12.63	**16,974,840**	**14.57**	11,933,785	12.88
Hold-out on deposit	**6,129,665**	**5.02**	6,986,624	7.31	**6,129,665**	**5.26**	6,986,624	7.54
Others	**2,266,396**	**1.86**	4,455,937	4.66	**5,062,078**	**4.34**	4,455,937	4.82
	48,181,342	**39.45**	34,213,194	35.78	**49,676,265**	**42.63**	34,067,699	36.78
Unsecured	**73,950,689**	**60.55**	61,421,868	64.22	**66,832,437**	**57.37**	58,556,163	63.22
	₱122,132,031	**100.00**	₱95,635,062	100.00	**₱116,508,702**	**100.00**	₱92,623,862	100.00

Information on the concentration of credit as to industry follows (in millions):

	Consolidated				**Parent Company**			
	2014		2013		**2014**		2013	
	Gross Amount	**%**	Gross Amount	%	**Gross Amount**	**%**	Gross Amount	%
Personal consumption	**₱51,501**	**42.17**	₱35,819	37.45	**₱47,523**	**40.79**	₱33,295	35.95
Real estate, renting and business activity	**19,132**	**15.67**	14,108	14.75	**19,102**	**16.40**	14,096	15.22
Wholesale and retail trade	**14,245**	**11.66**	11,871	12.41	**14,213**	**12.20**	11,933	12.88
Manufacturing	**6,800**	**5.57**	6,307	6.60	**6,795**	**5.83**	6,298	6.80
Financial intermediaries	**5,697**	**4.66**	5,941	6.21	**4,944**	**4.24**	5,541	5.98
Agriculture, fisheries and forestry	**2,347**	**1.92**	1,214	1.27	**1,657**	**1.42**	606	
Transportation, storage and communications	**955**	**0.78**	661	0.69	**954**	**0.82**	658	0.71
Others	**21,455**	**17.57**	19,714	20.62	**21,321**	**18.30**	20,197	21.81
	₱122,132	**100.00**	₱95,635	100.00	**₱116,509**	**100.00**	₱92,624	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, 2014 and 2013, NPLs of the Group and of the Parent Company as reported to the BSP follow:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Gross NPLs	**₱5,769,505**	₱5,311,975	**₱5,576,281**	₱4,648,407
Deductions as required by the BSP	**(2,112,161)**	(2,743,840)	**(1,947,018)**	(2,224,252)
	₱3,657,344	₱2,568,135	**₱3,629,263**	₱2,424,155

As of December 31, 2014 and 2013, secured and unsecured NPLs of the Group and of the Parent Company as reported to the BSP follow:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Secured	**₱3,214,825**	₱2,151,441	**₱3,214,825**	₱2,016,763
Unsecured	**2,554,680**	3,160,534	**2,361,456**	2,631,644
	₱5,769,505	₱5,311,975	**₱5,576,281**	₱4,648,407

10. PROPERTY AND EQUIPMENT

The composition of and movements in the Group's property and equipment follow:

	2014				
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Total**
Cost					
As of January 1	**₱290,493**	**₱959,298**	**₱1,862,956**	**₱2,312,119**	**₱5,424,866**
Additions	**–**	**21,438**	**237,747**	**546,618**	**805,803**
Disposals	**(169,126)**	**(10,294)**	**(439,372)**	**(194)**	**(618,986)**
As of December 31	**121,367**	**970,442**	**1,661,331**	**2,858,543**	**5,611,683**
Accumulated Depreciation and Amortization					
As of January 1	**–**	**77,467**	**1,221,114**	**672,120**	**1,970,701**
Depreciation and amortization	**–**	**28,741**	**293,640**	**246,726**	**569,107**
Disposals	**–**	**(8,271)**	**(432,896)**	**(62)**	**(441,229)**
As of December 31	**–**	**97,937**	**1,081,858**	**918,784**	**2,098,579**
Allowance for Impairment Losses (Note 14)					
As of January 1	**–**	**1,424**	**–**	**–**	**1,424**
Disposals		**(1,424)**	**–**	**–**	**(1,424)**
As of December 31	**–**	**–**	**–**	**–**	**–**
Net Book Value	**₱121,367**	**₱872,505**	**₱579,473**	**₱1,939,759**	**₱3,513,104**

	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

As of December 31, 2014 and 2013, the cost of fully depreciated property and equipment still in use by the Group amounted to ₱845.45 million and ₱981.12 million, respectively.

The composition of and movements in the Parent Company's property and equipment follow:

	2014				
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Total**
Cost					
As of January 1	**₱263,804**	**₱868,799**	**₱1,856,651**	**₱2,324,974**	**₱5,314,228**
Additions	**–**	**21,043**	**202,700**	**506,003**	**729,746**
Acquired from merger (Note 7)	**5,353**	**31,650**	**–**	**–**	**37,003**
Disposals	**(169,127)**	**–**	**(435,634)**	**–**	**(604,761)**
As of December 31	**100,030**	**921,492**	**1,623,717**	**2,830,977**	**5,476,216**
Accumulated Depreciation and Amortization					
As of January 1	**–**	**54,562**	**1,242,027**	**697,008**	**1,993,597**
Depreciation and amortization	**–**	**26,594**	**277,731**	**242,049**	**546,374**
Acquired from merger (Note 7)	**–**	**14,133**	**–**	**–**	**14,133**
Disposals	**–**	**–**	**(429,330)**	**–**	**(429,330)**
As of December 31	**–**	**95,289**	**1,090,428**	**939,057**	**2,124,774**
Net Book Value	**₱100,030**	**₱826,203**	**₱533,289**	**₱1,891,920**	**₱3,351,442**

	2013				
	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

In 2014, the Parent Company sold a land previously intended for an office site with a carrying value of ₱169.13 million to Filinvest Alabang, Inc. (FAI), an entity under common control of FDC, that resulted in a gain amounting to ₱264.13 million, included under Gain on sale of assets in the statement of income. Under the terms of the sale, the selling price of ₱433.26 million is payable annually for five (5) years until 2019 with a fixed interest rate of 6.00% per annum. As of December 31, 2014, the accounts receivable (included under Loans and receivable in the statement of financial position) recognized by the Parent Company for this sale transaction amounted to ₱411.60 million (see Note 26).

As of December 31, 2014 and 2013, the cost of fully depreciated property and equipment still in use by the Parent Company amounted to ₱704.70 million and ₱862.55 million, respectively.

11. INVESTMENT PROPERTIES

The composition of and movements in the Group's investment properties follow:

	2014		
	Land	**Buildings and Improvements**	**Total**
Cost			
At January 1	**₱847,004**	**₱571,672**	**₱1,418,676**
Additions	**51,952**	**44,171**	**96,123**
Disposals	**(149,178)**	**(94,463)**	**(243,641)**
At December 31	**749,778**	**521,380**	**1,271,158**
Accumulated Depreciation and Amortization			
At January 1	**–**	**248,231**	**248,231**
Depreciation and amortization	**–**	**46,849**	**46,849**
Disposals	**–**	**(36,350)**	**(36,350)**
At December 31	**–**	**258,730**	**258,730**
Accumulated Impairment Losses (Note 14)			
At January 1	**142,662**	**21,067**	**163,729**
Disposals	**(57,403)**	**(6,585)**	**(63,988)**
At December 31	**85,259**	**14,482**	**99,741**
Net Book Value	**₱664,519**	**₱248,168**	**₱912,687**

	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

The composition of and movements in the Parent Company's investment properties follow:

	2014		
	Land	**Buildings and Improvements**	**Total**
Cost			
At January 1	**₱698,634**	**₱508,412**	**₱1,207,046**
Additions	**42,566**	**52,771**	**95,337**
Acquired from merger (Note 7)	**148,953**	**51,186**	**200,139**
Disposals	**(142,937)**	**(94,474)**	**(237,411)**
At December 31	**747,216**	**517,895**	**1,265,111**
Accumulated Depreciation and Amortization			
At January 1	**–**	**231,894**	**231,894**
Depreciation and amortization	**–**	**46,845**	**46,845**
Acquired from merger (Note 7)	**–**	**10,993**	**10,993**
Disposals	**–**	**(36,349)**	**(36,349)**
At December 31	**–**	**253,383**	**253,383**
Accumulated Impairment Losses (Note 14)			
At January 1	**142,662**	**21,067**	**163,729**
Disposals	**(57,403)**	**(6,585)**	**(63,988)**
At December 31	**85,259**	**14,482**	**99,741**
Net Book Value	**₱661,957**	**₱250,030**	**₱911,987**

	2013		
	Land	Buildings and Improvements	Total
Cost			
At January 1	₱623,953	₱459,367	₱1,083,320
Additions	105,233	110,897	216,130
Disposals	(30,552)	(61,852)	(92,404)
At December 31	698,634	508,412	1,207,046
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	131,203	13,896	145,099
Provision during the year	15,913	15,333	31,246
Disposals	(4,454)	(8,162)	(12,616)
At December 31	142,662	21,067	163,729
Net Book Value	₱555,972	₱255,451	₱811,423

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 ₱1.29 billion and ₱1.42 billion as of December 31, 2014 and 2013, respectively. The aggregate fair value of the investment properties of the Parent Company amounted to ₱1.29 billion and ₱1.05 billion as of December 31, 2014 and 2013. 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, 2014 and 2013, the carrying values of foreclosed investment properties of the Group and of the Parent Company still subject to redemption period by the borrower amounted to ₱58.79 million and ₱153.70 million, respectively.

Direct operating expenses from investment properties not generating rent income amounted to ₱47.83 million, ₱49.33 million and ₱69.87 million for the Group in 2014, 2013 and 2012, respectively, and ₱47.83 million, ₱43.57 million and ₱64.75 million for the Parent Company in 2014, 2013 and 2012, respectively.

12. GOODWILL AND OTHER INTANGIBLE ASSETS

As of December 31, 2014 and 2013, the intangible assets of the Group consist of:

	2014					
	Goodwill	**Branch Licenses**	**Customer Relationship**	**Core Deposits**	**Capitalized Software**	**Total**
Cost						
As of January 1	**₱1,316,728**	**₱1,662,200**	**₱154,626**	**₱40,433**	**₱977,873**	**₱4,151,860**
Acquisitions	**–**	**505,196**	**–**	**–**	**455,523**	**960,719**
Write-off	**–**	**–**	**–**	**–**	**(2,651)**	**(2,651)**
As of December 31	**1,316,728**	**2,167,396**	**154,626**	**40,433**	**1,430,745**	**5,109,928**
Accumulated Amortization						
As of January 1	**–**	**–**	**20,838**	**19,542**	**455,745**	**496,125**
Amortization	**–**	**–**	**4,312**	**4,043**	**183,326**	**191,681**
Write-off	**–**	**–**	**–**	**–**	**(2,651)**	**(2,651)**
As of December 31	**–**	**–**	**25,150**	**23,585**	**636,420**	**685,155**
Net Book Value	**₱1,316,728**	**₱2,167,396**	**₱129,476**	**₱16,848**	**₱794,325**	**₱4,424,773**

	2013					
	Goodwill	Branch Licenses	Customer Relationship	Core Deposits	Capitalized Software	Total
Cost						
As of January 1	₱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	1,316,728	1,662,200	154,626	40,433	977,873	4,151,860
Accumulated Amortization						
As of January 1	–	–	17,639	14,387	322,068	354,094
Amortization	–	–	3,199	5,155	133,677	142,031
As of December 31	–	–	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

As of December 31, 2014 and 2013, the intangible assets of the Parent Company consist of:

	2014					
	Goodwill	**Branch Licenses**	**Customer Relationship**	**Core Deposits**	**Capitalized Software**	**Total**
Cost						
As of January 1	**₱919,254**	**₱1,036,800**	**₱154,626**	**₱40,433**	**₱963,136**	**₱3,114,249**
Acquisitions	**–**	**505,196**	**–**	**–**	**401,008**	**906,204**
Acquired from merger (Note 7)	**373,996**	**625,400**	**–**	**–**	**–**	**999,396**
As of December 31	**1,293,250**	**2,167,396**	**154,626**	**40,433**	**1,364,144**	**5,019,849**
Accumulated Amortization						
As of January 1	**–**	**–**	**20,838**	**19,542**	**446,839**	**487,219**
Amortization	**–**	**–**	**4,312**	**4,043**	**174,033**	**182,388**
As of December 31	**–**	**–**	**25,150**	**23,585**	**620,872**	**669,607**
Net Book Value	**₱1,293,250**	**₱2,167,396**	**₱129,476**	**₱16,848**	**₱743,272**	**₱4,350,242**

	2013					
	Goodwill	Branch Licenses	Customer Relationship	Core Deposits	Capitalized Software	Total
Cost						
As of January 1	₱919,254	₱822,000	₱154,626	₱40,433	₱783,147	₱2,719,460
Acquisitions	–	214,800	–	–	179,989	394,789
As of December 31	919,254	1,036,800	154,626	40,433	963,136	3,114,249
Accumulated Amortization						
As of January 1	–	–	17,639	14,387	316,892	348,918
Amortization	–	–	3,199	5,155	129,947	138,301
As of December 31	–	–	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

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, 2014 and 2013, 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 11.68% and 13.09% in 2014 and 2013, 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 ₱2.17 billion as of December 31, 2014 represents: 25 branch licenses acquired by the Parent Company from the BSP amounting to ₱505.20 million in 2014, 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 ₱2.17 billion as of December 31, 2014 represents: 25 branch licenses acquired by the Parent Company from the BSP amounting to ₱505.20 million and 46 branch licenses merged to the Parent Company from GBI amounting to ₱625.40 million (see Note 7) in 2014, 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 2014 and 2013 acquisitions are software licenses acquired by the Group for the upgrade of its core banking systems amounting to ₱438.31 million and ₱153.66 million, respectively.

13. OTHER ASSETS

This account consists of:

	Consolidated		Parent Company	
	As of December 31			
	2014	2013	**2014**	2013
Returned cash and other cash items	**₱632,970**	₱39,536	**₱632,970**	₱39,301
Other repossessed assets	**204,546**	172,646	**204,546**	172,646
Security deposits	**197,488**	195,835	**189,413**	189,098
Card acquisition costs	**145,479**	136,555	**145,479**	136,555
Prepaid expenses	**115,519**	99,326	**109,420**	95,819
Derivative assets (Note 5)	**110,668**	90	**110,668**	90
Documentary stamps	**54,020**	36,893	**54,020**	36,893
Miscellaneous	**1,048,039**	284,274	**1,045,119**	275,562
	2,508,729	965,155	**2,491,635**	945,964
Allowance for impairment losses (Note 14)	**(85,623)**	(67,656)	**(85,623)**	(67,656)
	₱2,423,106	₱897,499	**₱2,406,012**	₱878,308

As of December 31, 2014 and 2013, miscellaneous assets of the Group and Parent Company include sundry debits and interoffice floats amounting to ₱805.66 million and ₱120.93 million, respectively.

The movements in the allowance for impairment losses on other assets of the Group and the Parent Company follow:

	2014	2013
Accumulated Impairment Losses (Note 14)		
As of January 1	**₱67,656**	₱51,574
Provision during the year	**43,416**	65,008
Reversal of allowance from disposals	**(11,304)**	(31,506)
Write-off	**(14,145)**	(17,420)
As of December 31	**₱85,623**	₱67,656

The movements in other repossessed assets of the Group and the Parent Company follow:

	2014	2013
Cost		
As of January 1	**₱206,246**	₱159,176
Additions	**392,267**	347,316
Disposals	**(364,210)**	(300,246)
As of December 31	**234,303**	206,246
Accumulated Depreciation		
As of January 1	**33,600**	24,299
Depreciation and amortization	**54,335**	58,549
Disposals	**(58,178)**	(49,248)
As of December 31	**29,757**	33,600

(Forward)

	2014	2013
Net Book Value, gross of impairment	**₱204,546**	₱172,646
Accumulated Impairment Losses		
As of January 1	**10,452**	15,656
Provision during the year	**10,296**	26,302
Disposals	**(11,304)**	(31,506)
As of December 31	**9,444**	10,452
Net Book Value, net of impairment	**₱195,102**	₱162,194

14. ALLOWANCE FOR IMPAIRMENT AND CREDIT LOSSES

Details of and changes in the allowance for impairment and credit losses follow:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Balances at the beginning of year:				
Loans and receivables (Note 9)	**₱4,002,355**	₱3,154,065	**₱3,975,337**	₱3,132,624
Investment properties (Note 11)	**163,729**	143,826	**163,729**	145,099
Property and equipment (Note 10)	**1,424**	–	–	–
Other assets (Note 13)	**67,656**	51,574	**67,656**	51,574
	4,235,164	3,349,465	**4,206,722**	3,329,297
Provisions charged to current operations (Notes 9, 10, 11 and 13)	**3,311,349**	3,097,641	**3,255,426**	2,975,701
Interest accrued on impaired loans	**(24,218)**	(47,341)	**(24,218)**	(47,341)
Write-off of loans and receivables	**(3,434,907)**	(2,100,518)	**(3,434,907)**	(1,989,393)
Reversal of allowance on disposals of property and equipment, investment properties and other repossessed assets (Notes 10, 11 and 13)	**(76,716)**	(46,663)	**(75,292)**	(44,122)
Write-off of other assets	**(14,145)**	(17,420)	**(14,145)**	(17,420)
Balances at the end of year:				
Loans and receivables (Note 9)	**3,811,163**	4,002,355	**3,728,222**	3,975,337
Property and equipment (Note 10)	–	1,424	–	–
Investment properties (Note 11)	**99,741**	163,729	**99,741**	163,729
Other assets (Note 13)	**85,623**	67,656	**85,623**	67,656
	₱3,996,527	₱4,235,164	**₱3,913,586**	₱4,206,722

15. DEPOSIT LIABILITIES

BSP Circular No. 753, which took effect April 6, 2012, promulgated the unification of the statutory/ legal and liquidity reserve requirement effective on non-FCDU deposit liabilities from 8.00% to 6.00% and reserve requirement on long-term negotiable certificates of deposits from 3.00% to 7.00%. With the new regulations, only demand deposit accounts maintained by banks with the BSP are eligible for compliance with reserve requirements. This was tantamount to the exclusion of government securities and cash in vault as eligible reserves. On April 11, 2014, BSP Circular 830 took effect which increased the reserve requirements on non-FCDU deposit liabilities by 1-percentage-point to 7.00%. BSP Circular 832 further increased the reserve requirements of non-FCDU deposit liabilities to 8.00% starting on the reserve week of May 30, 2014. As of December 31, 2014 and 2013, the Parent Company is in compliance with such regulations.

As of December 31, 2014 and 2013, Due from BSP of the Parent Company amounting to ₱23.06 billion and ₱15.89 billion, respectively, were set aside as reserves for deposit liabilities, as reported to the BSP.

Of the total deposit liabilities of the Parent Company as of December 31, 2014, 2013 and 2012, about 52.19%, 42.93% and 46.28%, respectively, are subject to periodic interest repricing. The remaining deposit liabilities earn annual fixed interest rates ranging from 0.50% to 6.25% in 2014, 3.25% to 9.50% in 2013, and 1.21% to 5.23% in 2012.

The Group's interest expense on deposit liabilities amounted to ₱1.33 billion, ₱1.17 billion and ₱1.42 billion in 2014, 2013, and 2012, respectively. The Parent Company's interest expense on deposit liabilities amounted to ₱1.26 billion in 2014, ₱1.04 billion in 2013 and ₱1.39 billion in 2012.

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 fourth and fifth tranches of the LTNCD Series 2 aggregating to ₱1.74 billion were issued in February and April 2014, respectively. The discount, net of debt issue costs, related to the issuance of the LTNCD Series 2 in 2014 amounted to ₱85.05 million.

Long-term Negotiable Certificates of Deposits due 2020 (LTNCD Series 3)
In 2014, the Parent Company issued 4.50% fixed coupon rate (average EIR of 4.42%) unsecured LTNCD maturing on April 24, 2020. The first tranche of the LTNCD Series 3 amounting to ₱0.93 billion was issued in October 2014. The discount, net of debt issue costs, related to the issuance of the LTNCD Series 3 in 2014 amounted to ₱4.63 million.

The movements in unamortized net premium (discount) as of December 31, 2014 and 2013 follow:

	2014	2013
Beginning balance	**₱67,565**	(₱10,643)
Premium (discount) of issuances during the year	**(89,675)**	99,496
Amortization during the year	**(3,408)**	(21,288)
Ending balance	**(₱25,518)**	₱67,565

16. BILLS AND ACCEPTANCES PAYABLE

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Banks and other financial institutions	**₱5,289,389**	₱3,274,219	**₱5,289,389**	₱3,274,224
Outstanding acceptances	**28,263**	5,903	**28,263**	5,903
BSP	**–**	8,813	**–**	8,813
	₱5,317,652	₱3,288,935	**₱5,317,652**	₱3,288,940

As of December 31, 2014 and 2013, 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 ₱3.32 billion and ₱2.90 billion, respectively, and fair value of ₱4.01 billion and ₱3.44 billion, respectively, were pledged with other banks as collateral for borrowings amounting to ₱3.27 million and ₱2.83 billion, respectively.

Bills payable to the BSP, other banks and other financial institutions are subject to annual interest rates ranging from 0.50% to 3.22% in 2014, 0.60% to 3.50% in 2013, and 0.65% to 5.00% in 2012.

The Group's interest expense on bills and acceptances payable amounted to ₱39.90 million in 2014, ₱40.23 million in 2013 and ₱66.85 million in 2012. The Parent Company's interest expense on bills and acceptances payable amounted to ₱39.90 million in 2014 and ₱38.85 million in 2013 and ₱70.40 million in 2012.

17. ACCRUED TAXES, INTEREST AND OTHER EXPENSES

This account consists of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Accrued other expenses	**₱862,748**	₱758,361	**₱842,525**	₱743,424
Accrued interest payable	**348,356**	223,663	**343,435**	217,976
Accrued taxes	**130,171**	56,151	**83,493**	50,211
	₱1,341,275	₱1,038,175	**₱1,269,453**	₱1,011,611

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.

18. SUBORDINATED DEBT

The Group's and the Parent Company's subordinated debt consists of (in millions):

		Carrying Value			
		Consolidated		Parent Company	
	Face Value	**2014**	2013	**2014**	2013
Lower Tier 2 unsecured subordinated notes due 2025	₱5,000	**₱4,964**	₱–	**₱4,964**	₱–
Lower Tier 2 unsecured subordinated notes due 2021	1,500	**1,500**	1,500	**1,500**	1,500
Lower Tier 2 unsecured subordinated notes due 2019	1,250	**–**	1,250	**–**	1,250
Lower Tier 2 unsecured subordinated notes due 2018	113	**–**	113	**–**	–
	₱7,863	**₱6,464**	₱2,863	**₱6,464**	₱2,750

Lower Tier 2 unsecured subordinated notes due 2025
On July 4, 2014, the Parent Company issued 5.50% coupon rate Lower Tier 2 unsecured subordinated note (the 2025 Notes) with par value of ₱5.00 billion, maturing on January 4, 2025, but callable on January 4, 2020. The 2025 Notes qualify as Tier 2 capital pursuant to BSP Circular No. 781 (Basel III), BSP Circular No. 826 on risk disclosure requirements for the loss absorption features of capital instruments, and other related circulars and issuances of the BSP.

Unless the 2025 Notes are previously redeemed, the 2025 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of January 4, 2025.

From and including the issue date to, but excluding the optional redemption date of January 4, 2020, the 2025 Notes bear interest at the rate of 5.50% per annum and shall be payable quarterly in arrears on January 4, April 4, July 4, and October 4 of each year, which commenced on October 4, 2014. Unless the 2025 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year PDST-R2 at reset date plus initial spread (i.e. the difference between the Initial interest rate and the prevailing 5-year PDST R2 at the pricing date of the initial tranche).

The 2025 Notes are redeemable at the option of the Parent Company in whole but not in part on the call option date at 100% of the face value plus accrued but unpaid interest, subject to the following conditions:

a. the Parent Company has obtained prior written approval and complied with the requirements of the BSP prior to redemption of the 2025 Notes
b. the 2025 Notes are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the Parent Company, or
c. the Parent Company demonstrates that its capital position is above the minimum capital requirements after redemption is exercised
d. the Parent Company is not in breach of (and would not, following such redemption, be in breach) of applicable regulatory capital requirements (including regulatory capital buffers)
e. the Parent Company is solvent at the time of redemption of the 2025 Notes and immediately thereafter.

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Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the Parent Company may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding 2025 Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100% of the face value of the 2025 Notes plus accrued interest at the interest rate relating to the then current interest period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 100% of the face value of the 2025 Notes plus accrued interest at the interest rate relating to the then current Interest Period up to but excluding the date of such redemption (the "Redemption Option Date").

The 2025 Notes have a loss absorption feature which means that the 2025 Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of the Parent Company to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Event is deemed to have occurred when the Parent Company is considered non-viable as determined by the BSP.

Upon the occurrence of a Non-Viability Event, the Parent Company shall write-down the principal amount of the 2025 Notes to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 (AT1) capital instruments shall be utilized first before Tier 2 capital instruments are written-down, until the viability of the Issuer is re-established. In the event the Parent Company does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital.

Loss absorption measure is subject to the following conditions:
a. the principal amount of all series of Tier 1 Loss Absorbing Instruments outstanding having been Written-Down to zero or converted into common equity of the Parent Company (where possible) irrevocably, in accordance with, and to the extent possible pursuant to, their terms (the "Tier 1 Write-Down")
b. the Tier 1 Write-Down having been insufficient to cure the Non-Viability Event
c. the Parent Company giving the relevant Non-Viability Notice to the Public Trustee and the Registrar and Paying Agent

Each Noteholder irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the 2025 Notes and it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

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.

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.

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 2018 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 2018 Notes was included in the net assets of GBI that were merged with the Parent Company (see Note 7). On October 31, 2014, the Parent Company redeemed the 2018 Notes at ₱112.50 million plus accrued interest and taxes of ₱1.70 million.

The Group's interest expense on subordinated debt amounted to ₱258.71 million in 2014, ₱232.16 million in 2013 and ₱232.36 million in 2012. The Parent Company's interest expense on subordinated debt amounted to ₱258.71 million in 2014 and ₱220.31 million in 2013 and 2012.

19. OTHER LIABILITIES

This account consists of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Accounts payable	**₱2,082,995**	₱1,223,604	**₱2,052,446**	₱1,102,960
Bills purchased-contra	**993,784**	1,363,885	**993,784**	1,363,885
Deferred revenue	**463,510**	381,376	**463,510**	381,376
Retention payable	**183,305**	174,451	**183,305**	174,451
Marginal deposits and letters of credit	**115,369**	–	**115,369**	–
Derivative liabilities (Note 5)	**101,290**	22,017	**101,290**	22,017
Withholding tax payable	**66,790**	52,202	**64,670**	49,846
Net retirement obligation (Note 24)	**26,925**	1,364	**25,927**	1,198
Payment orders payable	**12,145**	52,844	**12,145**	52,844
Miscellaneous	**516,967**	325,634	**516,017**	325,063
	₱4,563,080	₱3,597,377	**₱4,528,463**	₱3,473,640

Deferred revenue pertains to deferral and release of loyalty points program transactions and membership fees and dues. As of December 31, 2014 and 2013, miscellaneous liabilities of the Group and Parent Company include sundry credits and interoffice floats amounting to ₱253.5 million and ₱247.61 million, respectively.

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					
	2014			2013		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Financial assets:						
Cash and other cash items	**₱5,993,499**	**₱–**	**₱5,993,499**	₱3,884,538	₱–	₱3,884,538
Due from BSP	**23,128,678**	**–**	**23,128,678**	18,537,655	–	18,537,655
Due from other banks	**3,580,528**	**–**	**3,580,528**	1,751,824	–	1,751,824
IBLR	**2,893,384**	**–**	**2,893,384**	3,116,529	–	3,116,529
Financial assets at FVTPL (Note 8)	**10,182,690**	**–**	**10,182,690**	1,948,703	–	1,948,703
Investments at FVTOCI (Note 8)	**–**	**14,419**	**14,419**	–	10,733	10,733
Investment securities at amortized cost (Note 8)	**–**	**8,794,878**	**8,794,878**	–	9,080,320	9,080,320
Loans and receivables - gross (Note 9)	**60,968,220**	**64,448,368**	**125,416,588**	57,216,009	41,383,786	98,599,795
	106,746,999	**73,257,665**	**180,004,664**	86,455,258	50,474,839	136,930,097

(Forward)

	Consolidated					
	2014			2013		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Nonfinancial assets:						
Property and equipment (Note 10)	**₱–**	**₱3,513,104**	**₱3,513,104**	₱–	₱3,452,741	₱3,452,741
Investment properties (Note 11)	**–**	**912,687**	**912,687**	–	1,006,716	1,006,716
Deferred tax assets (Note 23)	**–**	**977,426**	**977,426**	–	995,125	995,125
Goodwill and other intangible assets (Note 12)	**–**	**4,424,773**	**4,424,773**	–	3,655,735	3,655,735
Other assets (Note 13)	**2,094,421**	**328,685**	**2,423,106**	307,628	589,871	897,499
	2,094,421	**10,156,675**	**12,251,096**	307,628	9,700,188	10,007,816
	108,841,420	**83,414,340**	**192,255,760**	86,762,886	60,175,027	146,937,913
Allowances for impairment and credit losses on loans and receivables (Note 14)	**–**	**(3,811,163)**	**(3,811,163)**	–	–	(4,002,355)
Unearned discounts (Note 9)	**–**	**(182,014)**	**(182,014)**	–	–	(636,865)
	₱108,841,420	**₱79,421,163**	**₱188,262,583**	₱86,762,886	₱60,175,027	₱142,298,693
Financial liabilities:						
Deposit liabilities	**₱114,474,883**	**₱33,212,596**	**₱147,687,479**	₱102,121,470	₱9,054,625	₱111,176,095
Bills and acceptances payable (Note 16)	**5,317,652**	**–**	**5,317,652**	3,288,935	–	3,288,935
Cashiers' checks and demand drafts payable	**1,256,982**	**–**	**1,256,982**	866,457	–	866,457
Subordinated debt (Note 18)	**–**	**6,463,731**	**6,463,731**	–	2,862,500	2,862,500
Accrued interest, taxes and other expenses (Note 17)	**1,252,060**	**–**	**1,252,060**	982,024	–	982,024
Other liabilities (Note 19)	**2,397,713**	**183,305**	**2,581,018**	1,093,516	257,154	1,350,670
	124,699,290	**39,859,632**	**164,558,922**	108,352,402	12,174,279	120,526,681
Nonfinancial liabilities:						
Income tax payable	**184,577**	**–**	**184,577**	76,935	–	76,935
Accrued interest, taxes and other expenses (Note 17)	**89,215**	**–**	**89,215**	56,151	–	56,151
Other liabilities (Note 19)	**1,516,171**	**465,891**	**1,982,062**	1,416,087	830,620	2,246,707
	1,789,963	**465,891**	**2,255,854**	1,549,173	830,620	2,379,793
	₱126,489,253	**₱40,325,523**	**₱166,814,776**	₱109,901,575	₱13,004,899	₱122,906,474

	Parent Company					
	2014			2013		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Financial assets:						
Cash and other cash items	**₱5,912,309**	**₱–**	**₱5,912,309**	₱3,811,185	₱–	₱3,811,185
Due from BSP	**22,970,798**	**–**	**22,970,798**	18,404,125	–	18,404,125
Due from other banks	**3,493,976**	**–**	**3,493,976**	1,604,404	–	1,604,404
IBLR	**2,893,384**	**–**	**2,893,384**	3,116,529	–	3,116,529
Financial assets at FVTPL (Note 8)	**10,182,690**	**–**	**10,182,690**	1,948,703	–	1,948,703
Investments at FVTOCI (Note 8)	**–**	**14,419**	**14,419**	–	10,733	10,733
Investment securities at amortized cost (Note 8)	**–**	**8,794,878**	**8,794,878**	–	9,079,907	9,079,907
Loans and receivables - gross (Note 9)	**61,485,884**	**58,798,753**	**120,284,637**	56,509,839	39,384,648	95,894,487
	106,939,041	**67,608,050**	**174,547,091**	85,394,785	48,475,288	133,870,073
Nonfinancial assets:						
Investment in subsidiaries (Note 7)	**–**	**521,000**	**521,000**	–	1,409,449	1,409,449
Property and equipment (Note 10)	**–**	**3,351,442**	**3,351,442**	–	3,320,631	3,320,631
Investment properties (Note 11)	**–**	**911,987**	**911,987**	–	811,423	811,423
Deferred tax assets (Note 23)	**–**	**952,751**	**952,751**	–	1,176,342	1,176,342
Goodwill and other intangible assets (Note 12)	**–**	**4,350,242**	**4,350,242**	–	2,627,030	2,627,030
Other assets (Note 13)	**2,077,327**	**328,685**	**2,406,012**	307,628	570,680	878,308
	2,077,327	**10,416,107**	**12,493,434**	307,628	9,915,555	10,223,183
	109,016,368	**78,024,157**	**187,040,525**	85,702,413	58,390,843	144,093,256

(Forward)

	Parent Company					
	2014			2013		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Allowances for impairment and credit losses on loans and receivables (Note 14)	**₱–**	**(₱3,728,222)**	**(₱3,728,222)**	₱–	₱–	(₱3,975,337)
Unearned discounts (Note 9)	**–**	**(155,728)**	**(155,728)**	–	–	(589,681)
	₱109,016,368	**₱74,140,207**	**₱183,156,575**	₱85,702,413	₱58,390,843	₱139,528,238
Financial liabilities:						
Deposit liabilities	**₱113,955,417**	**₱29,214,299**	**₱143,169,716**	₱99,686,240	₱9,045,448	₱108,731,688
Bills and acceptances payable (Note 16)	**5,317,652**	**–**	**5,317,652**	3,288,940	–	3,288,940
Cashiers' checks and demand drafts payable	**1,256,982**	**–**	**1,256,982**	866,457	–	866,457
Subordinated debt (Note 18)	**–**	**6,463,731**	**6,463,731**	–	2,750,000	2,750,000
Accrued interest, taxes and other expenses (Note 17)	**1,190,052**	**–**	**1,190,052**	961,400	–	961,400
Other liabilities (Note 19)	**2,364,554**	**183,305**	**2,547,859**	1,093,516	964,037	2,057,553
	₱124,084,657	**₱35,861,335**	**₱159,945,992**	₱105,896,553	₱12,759,485	₱118,656,038
Nonfinancial liabilities:						
Income tax payable	**127,952**	**–**	**127,952**	52,208	–	52,208
Accrued interest, taxes and other expenses (Note 17)	**79,401**	**–**	**79,401**	50,211	–	50,211
Other liabilities (Note 19)	**1,514,713**	**465,891**	**1,980,604**	1,416,087	–	1,416,087
	1,722,066	**465,891**	**2,187,957**	1,518,506	–	1,518,506
	₱125,806,723	**₱36,327,226**	**₱162,133,949**	₱107,415,059	₱12,759,485	₱120,174,544

21. EQUITY

Capital Management

The Parent Company actively manages its capital to comply with regulatory requirements, enable growth targets, withstand plausible stress events and be at par with the Parent Company's peers. 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 shareholders' value.

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.

Effective January 1, 2014, the Group complied with 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 sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% 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. 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), and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital only 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.

On June 27, 2014, the BSP issued Circular No. 839, *REST Limit for Real Estate Exposures* which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Group should maintain CET1 and CAR levels at the regulatory prescribed minimums, on a solo and consolidated basis, even after the simulated results of a 25.00% write-off to the Group's real estate exposures. These shall be complied with at all times.

Prior to January 1, 2014, the risk-based capital ratio of the Parent Company is computed in accordance with the capital adequacy requirements of the New Capital Accord or Basel II, as contained in the implementation guidelines of BSP Circular No. 538.

The capital-to-risk assets ratio reported to the BSP as of December 31, 2014 and 2013 based on Basel III and Basel II, respectively, are shown in the table below (amounts in millions):

	Consolidated		**Parent Company**	
	2014	2013	**2014**	2013
Tier 1 capital	**₱21,209**	₱19,128	**₱20,784**	₱19,130
CET1 capital	**21,209**	–	**20,784**	–
Less required deductions	**6,264**	2,463	**6,986**	2,380
Subtotal	**14,945**	16,665	**13,798**	16,750
Less: deductions from Tier 1 capital	–	–	–	704
Net Tier 1 Capital	**14,945**	16,665	**13,798**	16,046
Tier 2 capital	**6,023**	3,896	**5,961**	3,739
Less deductions from Tier 2 capital	–	–	–	705
Net Tier 2 Capital	**6,023**	3,896	**5,961**	3,034
Total Qualifying capital	**₱20,968**	₱20,561	**₱19,759**	₱19,080

Presented below are the composition of qualifying capital and the related deductions as reported to the BSP (amounts in millions):

	Consolidated		**Parent Company**	
	2014	2013	**2014**	2013
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	**6,849**	4,804	**6,861**	4,910
Undivided profits	**2,084**	2,050	**1,647**	1,952
Cumulative foreign currency translation	**13**	5	**13**	5
Minority interest	–	6	–	–
Core Tier 1 capital	**21,209**	19,128	**20,784**	19,130
Deductions from Tier 1 capital:				
Total outstanding unsecured credit accommodation to a DOSRI and subsidiary	**583**	160	**883**	288
Investments in equity securities	**240**	–	**761**	–
Defined benefit asset	**26**	–	**26**	–
Deferred income tax	**990**	986	**966**	1,173
Goodwill and other intangible assets	**4,425**	1,317	**4,350**	919
Total Deductions	**6,264**	2,463	**6,986**	2,380
Total Tier 1 Capital	**14,945**	16,665	**13,798**	16,750
Tier 2 capital:				
General loan loss provision	**1,060**	1,033	**998**	989
Unsecured subordinated debt	**4,963**	2,863	**4,963**	2,750
Total Tier 2 capital	**6,023**	3,896	**5,961**	3,739
Deductions from Tier 1 and Tier 2 capital	–	–	–	1,409
Qualifying capital:				
Net Tier 1 capital	**14,945**	16,665	**13,798**	16,046
Net Tier 2 capital	**6,023**	3,896	**5,961**	3,034
Total qualifying capital	**20,968**	20,561	**19,759**	19,080
Capital requirements:				
Credit risk	**133,495**	103,266	**127,826**	99,189
Market risk	**8,363**	2,137	**8,363**	2,137
Operational risk	**18,152**	15,322	**17,419**	14,703
Total capital requirements	**₱160,010**	₱120,725	**₱153,608**	₱116,029

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	Consolidated		Parent Company	
	2014	2013	**2014**	2013
CET1 capital ratio	**9.34%**	–	**8.98%**	–
Tier 1 capital ratio	**9.34%**	13.80%	**8.98%**	13.83%
Total capital ratio	**13.10%**	17.03%	**12.86%**	16.45%

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations.

Under Basel III, the regulatory Gross Qualifying Capital of the Parent Company consists of Tier 1 (core), composed of Common Equity Tier 1 and Additional Tier 1, 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 2014 and 2013, the Parent Company has complied with the required 10.00% capital adequacy ratio of the BSP.

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, 2014 and 2013.

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.

<u>Capital Stock</u>
Capital stock consist of:

Common stock - ₱10.00 par value	
Authorized - 1,500,000,000 shares	₱15,000,000
Issued and outstanding - 1,128,409,610 shares	11,284,096

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 ₱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.

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.

22. INCOME AND EXPENSES

Service charges, fees and commissions consist of:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
Credit Cards	**₱1,790,379**	₱1,614,723	₱1,193,859	**₱1,790,379**	₱1,614,723	₱1,193,859
Loans	**1,021,233**	460,944	143,359	**393,108**	174,234	143,357
Deposits	**385,523**	318,319	292,661	**385,523**	318,319	292,661
Remittances	**7,144**	1,113	–	**7,144**	1,113	–
Others	**93,560**	133,371	230,344	**93,560**	96,478	107,277
	₱3,297,839	₱2,528,470	₱1,860,223	**₱2,669,714**	₱2,204,867	₱1,737,154

Service charges include late payment charges, pre-termination fees on loans 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		
	2014	2013	2012	**2014**	2013	2012
Recovery on charged-off assets	**₱150,192**	₱299,399	₱183,537	**₱148,344**	₱297,781	₱180,821
Rental income	**4,546**	3,333	3,823	**4,546**	3,333	3,823
Dividend income	**22,221**	76,946	975	**22,221**	76,946	975
Others	**45,072**	27,249	83,902	**39,749**	22,972	42,499
	₱222,031	₱406,927	₱272,237	**₱214,860**	₱401,032	₱228,118

Others include referral income earned on insurance premiums charged through credit cards.

Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
Service charges, fees and commissions	**₱657,067**	₱494,454	₱363,722	**₱635,241**	₱485,648	₱363,630
Advertising	**407,578**	395,164	420,141	**401,688**	394,513	419,628
Security, messengerial and janitorial services	**429,635**	362,303	271,631	**403,015**	340,782	253,743
Postage, telephone, cables and telegram	**323,304**	282,808	156,915	**310,845**	274,372	146,840
Brokerage fees	**206,896**	239,503	161,194	**223,378**	239,503	161,194
Insurance	**264,238**	211,207	185,419	**249,577**	197,357	176,655
Transportation and travel	**194,571**	189,705	151,334	**167,762**	156,789	141,237
Technological fees	**242,537**	179,279	143,240	**242,519**	178,866	143,201
Power, light and water	**183,769**	165,633	122,391	**171,983**	155,079	110,939
Stationery and Supplies	**79,992**	74,742	95,945	**73,088**	68,156	89,401
Management and other professional fees	**81,768**	57,000	52,289	**79,733**	53,818	47,970
Entertainment, amusement and recreation	**48,223**	47,970	45,781	**45,306**	43,838	39,310
Repairs and maintenance	**74,303**	40,525	39,353	**63,836**	31,635	33,132
Litigation expenses	**37,099**	37,763	22,893	**37,072**	36,753	22,893
Supervision fees	**42,353**	35,431	25,870	**41,010**	34,270	25,427
Others	**190,230**	137,845	324,883	**184,540**	127,160	298,000
	₱3,463,563	₱2,951,332	₱2,583,001	**₱3,330,593**	₱2,818,539	₱2,473,200

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 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		
	2014	2013	2012	**2014**	2013	2012
Current:						
Regular corporate income tax	**₱461,276**	₱171,993	₱84,873	**₱275,722**	₱146,917	₱84,873
Final tax	**77,563**	68,809	120,369	**77,281**	66,946	120,151
	538,839	240,802	207,592	**353,003**	213,863	205,024
Deferred	**25,206**	(22,146)	(31,590)	**43,411**	(30,324)	(17,009)
	₱564,045	₱218,656	₱176,002	**₱396,414**	₱183,539	₱188,015

The components of the Group's and the Parent Company's net deferred tax assets as of December 31, 2014 and 2013 follow:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Deferred tax asset on:				
Allowance for impairment and credit losses	**₱1,082,393**	₱1,270,549	**₱1,068,408**	₱1,262,016
Accumulated depreciation of assets foreclosed or dacioned	**94,596**	80,892	**94,595**	76,914
Accrued expenses	**134,341**	61,141	**123,841**	61,141
Unamortized past service cost	**4,889**	5,958	**4,889**	5,958
Net retirement obligation	**8,062**	4,240	**7,763**	359
Unrealized trading loss	**144**	46	**144**	46
	1,324,425	1,422,826	**1,299,640**	1,406,434

(Forward)

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Deferred tax liability on:				
Branch licenses acquired from business combination (Note 7)	**₱187,620**	₱187,620	**₱187,620**	₱–
Gain on asset foreclosure and dacion transactions	**105,380**	97,392	**105,270**	88,528
Unrealized foreign exchange gain	**9,060**	94,987	**9,060**	94,987
Excess of fair value over carrying value of net assets acquired from business combinations	**44,939**	46,577	**44,939**	46,577
Prepaid rent	–	1,125	–	–
	346,999	427,701	**346,889**	230,092
	₱977,426	₱995,125	**₱952,751**	₱1,176,342

As of December 31, 2014 and 2013, the Group and the Parent Company did not recognize deferred tax assets on the following temporary differences:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Allowance for credit and impairment losses	**₱388,550**	₱394,890	**₱352,226**	₱–
NOLCO	**–**	8,134	**–**	–
	₱385,550	₱403,024	**₱352,226**	₱–

Provision for deferred income tax charged directly to OCI during the year for the Group and the Parent Company follows:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Remeasurements on retirement plan	**₱7,507**	₱158	**₱7,440**	₱158

The reconciliation of statutory income tax at statutory tax rate to the effective income tax follows:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
Statutory income tax	**₱791,227**	₱682,317	₱597,715	**₱618,889**	₱652,359	₱610,069
Additions to (reductions from) income taxes resulting from the tax effects of:						
Nondeductible expenses	**233,066**	185,303	135,428	**232,698**	180,061	135,062
FCDU income	**(250,539)**	(73,524)	(186,543)	**(250,539)**	(73,524)	(186,543)
Non taxable and tax-exempt income	**(139,699)**	(639,005)	(255,598)	**(139,699)**	(516,165)	(237,827)
Interest income subjected to final tax net of tax paid	**(35,356)**	(62,767)	(132,771)	**(35,021)**	(59,192)	(132,746)
Change in unrecognized deferred tax assets and others	**(34,654)**	126,332	17,771	**(29,914)**	–	–
Effective income tax	**₱564,045**	₱218,656	₱176,002	**₱396,414**	₱183,539	₱188,015

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.

Parent Company

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.

GBI

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, GBI 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, 2014 and 2013, there were no retirement benefits accruing to the remaining employees of GBI.

EWRB

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, 2014 and 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 'Other liabilities' in the statements of financial position are as follows:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Present value of the defined benefit obligation	**₱555,340**	₱432,948	**₱554,342**	₱432,782
Fair value of plan assets	**528,415**	431,584	**528,415**	431,584
Net retirement obligation	**₱26,925**	₱1,364	**₱25,927**	₱1,198

Changes in the present value of the defined benefit obligation as of December 31, 2014 and 2013 recognized in the statements of financial position follow:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Balance at beginning of year	**₱432,948**	₱342,590	**₱432,782**	₱322,467
Current service cost	**89,280**	76,300	**88,678**	74,391
Interest cost	**18,186**	20,439	**18,177**	19,670
Loss on settlement	**–**	24,647	–	–
Remeasurement (gains) losses:				
Actuarial losses arising from deviations of experience from assumptions	**44,863**	75,822	**44,777**	75,822
Actuarial losses (gains) arising from changes in financial assumptions	**(10,849)**	150,447	**(10,984)**	150,447
Actuarial gains arising from changes in demographic assumptions	**–**	(185,747)	–	(185,747)
Benefits paid	**(19,088)**	(71,550)	**(19,088)**	(24,268)
Balance at end of year	**₱555,340**	₱432,948	**₱554,342**	₱432,782

Changes in the fair value of plan assets are as follows:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Balance at beginning of year	**₱431,584**	₱315,547	**₱431,584**	₱313,538
Contributions	**88,802**	82,438	**88,802**	82,138
Interest income	**18,126**	19,228	**18,126**	19,126
Remeasurements	**8,991**	41,050	**8,991**	41,050
Benefits paid	**(19,088)**	(26,679)	**(19,088)**	(24,268)
Balance at end of year	**₱528,415**	₱431,584	**₱528,415**	₱431,584

The fair value of plan assets by class are as follows:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Cash and cash equivalents	**₱284,756**	₱275,907	**₱284,756**	₱275,907
Debt instruments:				
Government securities	**56,475**	54,502	**56,475**	54,502
Private securities	**81,097**	30,330	**81,097**	30,330
Equity instruments:				
Financial services	**66,685**	12,684	**66,685**	12,684
Holding	**9,879**	23,801	**9,879**	23,801
Real estate	**8,859**	7,273	**8,859**	7,273
Telecommunications	**8,662**	8,319	**8,662**	8,319
Retail	**3,720**	3,032	**3,720**	3,032
Utilities	**3,714**	4,970	**3,714**	4,970
Mining	**1,493**	2,008	**1,493**	2,008
Manufacturing	**1,062**	3,358	**1,062**	3,358
Services	**–**	4,343	**–**	4,343
Transportation	**–**	234	**–**	234
Others	**2,013**	823	**2,013**	823
Fair value of plan assets	**₱528,415**	₱431,584	**₱528,415**	₱431,584

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 their 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 2015.

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	
	2014	2013	**2014**	2013
Discount rate				
At January 1	**4.20%**	6.10%	**5.20%**	5.99%
At December 31	**4.40%**	4.20%	**4.53%**	5.20%
Future salary increase rate	**5.00%**	5.00%	**5.00%**	5.00%
Average remaining working life	**15**	19	**16**	24

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, 2014 and 2013, assuming all other assumptions were held constant.

	Increase in defined benefit obligation			
	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Decrease in discount rate of 1%	**₱59,734**	₱50,250	**₱59,485**	₱50,215
Increase in salary rate increase of 1%	**58,388**	49,371	**58,142**	49,336
Improvement in employee turnover by 10%	**24,134**	20,988	**23,925**	20,960

The amounts included in Compensation and fringe benefits expense in the statements of income are as follows:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
Current service cost	**₱89,280**	₱76,300	₱50,762	**₱88,678**	₱74,391	₱49,986
Net interest expense (income)	**60**	1,211	(1,393)	**51**	544	(2,791)
Loss on settlement	**–**	24,647	–	**–**	–	–
Expense recognized	**₱89,340**	₱102,158	₱49,369	**₱88,729**	₱74,935	₱47,195

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, 2014, 2013 and 2012, the total rentals of the Group charged to operations amounted to ₱629.29 million, ₱542.47 million and ₱410.18 million, respectively. For the years ended December 31, 2014, 2013 and 2012, total rentals charged to operations by the Parent Company amounted to ₱607.01 million, ₱518.23 million and ₱386.66 million, respectively.

Future minimum annual rentals payable under the aforementioned lease agreements follow:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Within one year	**₱663,588**	₱441,672	**₱637,067**	₱424,498
After one year but not more than five years	**2,328,911**	1,783,259	**2,238,372**	1,742,601
More than five years	**1,704,035**	2,304,121	**1,640,297**	2,220,774
	₱4,696,534	₱4,529,052	**₱4,515,736**	₱4,387,873

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:

Category	2014 Amount/ Volume	2014 Outstanding Balance	Terms and Conditions/Nature
Significant investors:			
Loans receivable	₱–	₱5,621,850	Loans granted with a term of seven years, interest of 4.50%, secured, no impairment
Deposit liabilities	–	2,864,568	Deposit liabilities with interest ranging from 0.50% to 1.00%
Accrued interest receivable	–	60,224	Interest income accrued on outstanding loans receivable
Accrued expenses	–	13,297	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	–	3,500,000	Unused credit lines
Interest income	228,219	–	Interest income on loans receivable
Interest expense	2,954	–	Interest expense on deposit liabilities
Key management personnel:			
Loans receivable	–	37,777	Loans granted with terms ranging from three to twenty years, interest ranging from 5.59% to 10.42%, secured at 98%
Deposit liabilities	–	259,726	Deposit liabilities with interest ranging from 0.50% to 5.88%
Accrued interest receivable	–	90	Interest income accrued on outstanding loans receivable
Interest income	3,440	–	Interest income on loans receivable
Interest expense	846	–	Interest expense on deposit liabilities
Other related parties:			
Loans receivable	–	2,310,222	Loans granted with terms ranging from two months to thirteen and a half years, interest ranging from 3.75% to 6.40%, 76% secured by real estate and chattel mortgage, no impairment
Receivables purchased	–	857,158	Receivables purchased by the Parent Company from FLI
Financial assets at FVTPL	–	99,680	FLI- issued debt securities held for trading by the Parent Company, with interest rates ranging from 5.40% to 5.64%, unimpaired
Deposit liabilities	–	15,815,423	Deposit liabilities with interest ranging from 0.50% to 5.88%
Accrued interest receivable	–	17,048	Interest income accrued on outstanding loans receivable
Guarantees and commitments	–	5,267,068	Unused credit lines
Accounts receivable	–	411,597	Receivable from FAI on the sale of land by the Parent Company, payable in 5 years, interest of 6.00% (Note 10)
Gain on sale of land	264,132	–	Gain recognized on the sale of the Parent Company's land to FAI (Note 10)
Interest income	21,406	–	Interest income on loans receivable
Interest expense	220,370	–	Interest expense on deposit liabilities
Service fee expense	5,434	–	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	37,407	–	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, FAI and FLI

Category	2013 Amount/ Volume	2013 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%, secured, 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
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

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 and key management personnel in 2014 and 2013. In 2014, the Parent Company purchased peso-denominated debt securities issued by Filinvest Land, Inc., an affiliate, with market value amounting to ₱99.68 million as of December 31, 2014.

No provision and allowance for loan losses was recognized by the Group for loans to significant investors, key management personnel and other related parties in 2014 and 2013.

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 subsidiary (EWRB) meet the definition of related party transactions. Details of the Parent Company's subsidiary are disclosed in Note 1.

In addition to the transactions discussed above, the following are the transactions between the Parent Company and its subsidiary that are recognized in the Parent Company's statements of financial position and statements of income and eliminated in the consolidated financial statements:

	2014		
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/ Nature
Subsidiaries:			
Loans receivable	**₱300,000**	**₱300,000**	Loans granted with a term of one month or 30 days, interest rate of 4.00%, unsecured, no impairment
Receivables purchased	**5,740,168**	**3,890,662**	Receivables purchased by the Parent Company from EWRB (Note 9)
Accrued interest receivable	–	**7,887**	Interest on receivables purchased from EWRB and loans granted to EWRB at 4.00% per annum
Accounts receivable	–	**564,845**	Amount collected by EWRB from borrowers on behalf of the Parent Company that remained unremitted by EWRB
Deposit liabilities	–	**166,573**	Deposit liabilities with interest rates of 0.05% to 5.87%
Accounts payable	–	**72,206**	Cash reloading transactions between EWRB and the Parent Company
Interest income	**2,537**	–	Interest income on outstanding loans receivable
Interest expense	**579**	–	Interest expense on deposit liabilities
Service fee expense	**16,482**	–	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)

	2013		
Category	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)

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:

	2014	2013
Cash and cash equivalents	**₱284,756**	₱275,907
Equity instruments	**104,074**	70,022
Debt instruments	**137,572**	84,832
Others	**2,013**	823
	₱528,415	₱431,584

As of December 31, 2014 and 2013, cash and cash equivalents include the savings deposit with the Parent Company amounting to ₱3.87 million and ₱16.41 million, respectively, and debt instruments include investments in the Parent Company's LTNCD amounting to ₱62.10 million and ₱62.24 million, respectively. Equity instruments include investments in the Parent Company's PhilEquity Institutional Feeder Fund amounting to ₱61.36 million, equivalent to 61,273 shares with fair market value of ₱1,001.37 per share and the Parent Company's equity securities amounting to ₱0.72 million, equivalent to 30,000 common shares with fair market value of ₱23.95 per share as of December 31, 2014, and ₱0.73 million equivalent to 30,000 common shares with fair market value of ₱24.30 per share as of December 31, 2013.

The following are the amounts recognized by the retirement plan arising from its transactions with the Parent Company for the years ended December 31, 2014, 2013 and 2012.

	2014	2013	2012
Trust fees	**₱2,462**	₱2,095	₱1,265
Interest income on savings deposit	**136**	4,796	149
Interest income on investments in LTNCD	**2,942**	2,669	45
Gain (loss) on investments in equity shares	**(30)**	1,232	91

Remunerations of Directors and other Key Management Personnel
Total remunerations of key management personnel are as follows:

	Consolidated			Parent Company		
	2014	2013	2012	2014	2013	2012
Short-term employee benefits	**₱160,477**	₱197,933	₱231,210	**₱146,966**	₱187,535	₱225,199
Post employment benefits	**8,192**	7,448	4,320	**8,192**	4,160	4,320
	₱168,669	₱205,381	₱235,530	**₱155,158**	₱191,695	₱229,519

Remunerations given to directors which were approved by the Board Remuneration Committee amounted to ₱13.08 million in 2014, ₱10.16 million in 2013 and ₱7.30 million in 2012 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		
	2014	2013	2012	**2014**	2013	2012
Total outstanding DOSRI accounts	**₱7,759,327**	₱6,394,361	₱1,596,916	**₱8,085,550**	₱6,394,361	₱1,596,916
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**0.000%**	0.000%	0.001%	**0.000%**	0.000%	0.001%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	**6.283%**	6.494%	2.27%	**6.869%**	6.738%	2.27%
Percent of DOSRI accounts to total loans	**6.283%**	6.495%	2.27%	**6.869%**	6.738%	2.27%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**3.315%**	2.499%	19.71%	**7.216%**	2.499%	19.71%
Percent of past due DOSRI accounts to total DOSRI accounts	**0.001%**	0.067%	0.00%	**0.001%**	0.067%	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 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, 2014 and 2013, 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, 2014 and 2013, 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 ₱6.91 billion and ₱7.80 billion as of December 31, 2014 and 2013, respectively.

Government securities with total face value of ₱119.82 million and ₱161.90 million as of December 31, 2014 and 2013, 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, 2014 and 2013.

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 ₱20.37 million, ₱29.02 million and ₱27.84 million in 2014, 2013 and 2012, 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:

	2014	2013	2012
Unused credit line - credit cards	**₱28,580,201**	₱26,932,813	₱22,108,158
Trust department accounts (Note 27)	**6,914,400**	7,819,270	13,803,205
Forward exchange sold	**4,516,250**	2,308,540	7,150,910
Treasurer/cashier/manager's checks	**2,424,865**	4,867,487	5,258,228
Unused commercial letters of credit	**2,194,609**	2,965,080	1,348,261
Spot exchange bought	**1,703,870**	1,711,332	1,429,038
Outstanding guarantees	**1,149,045**	957,760	483,008
Late deposits/payments received	**350,747**	12,581	20,202
Inward bills for collection	**240,947**	930,110	68,507
Outward bills for collection	**111,494**	37,132	14,010
Items held for safekeeping	**756**	676	555
Unsold traveler's check	**27**	27	25
Others	**2,097**	27	20

29. FINANCIAL PERFORMANCE

Earnings per share amounts were computed as follows:

	2014	2013	2012
a. Net income attributable to equity holders of the Parent Company	**₱2,073,378**	₱2,055,570	₱1,817,409
b. Net income attributable to common shareholders of the Parent Company	**2,073,378**	2,055,570	1,817,409
c. Weighted average number of outstanding common shares	**1,128,410**	1,128,410	981,391
d. Weighted average number of convertible preferred shares	**–**	–	50,000
e. Total weighted average number of outstanding common and convertible preferred shares	**1,128,410**	1,128,410	1,031,391
f. Basic EPS (b/c)	**1.84**	1.82	1.85
g. Diluted EPS (a/e)	**1.84**	1.82	1.76

The following basic ratios measure the financial performance of the Group and of the Parent Company:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
Return on average equity	**10.17%**	11.11%	11.86%	**8.26%**	10.65%	12.04%
Return on average assets	**1.28%**	1.60%	1.87%	**1.03%**	1.59%	1.92%
Net interest margin on average earning assets	**8.05%**	8.43%	7.04%	**6.93%**	8.02%	7.03%

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, 2014

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)	₱110,668	₱–	₱110,668	₱–	₱–	₱110,668
Total	₱110,668	₱–	₱110,668	₱–	₱–	₱110,668

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

Financial liabilities

December 31, 2014

Financial liabilities 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)	₱101,290	₱–	₱101,290	₱–	₱–	₱101,290
Bills payable* (Note 16)	3,265,389	–	3,265,389	–	3,265,389	–
Total	₱3,366,679	₱–	₱3,366,679	₱–	₱3,265,389	₱101,290

* *Included in bills and acceptances payable in the statements of financial position*

December 31, 2013

Financial liabilities 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

* *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 ₱76.71 million, ₱249.77 million and ₱84.40 million in 2014, 2013 and 2012 respectively, for the Group, and ₱76.29 million, ₱125.58 million and ₱72.44 million in 2014, 2013 and 2012 respectively, for the Parent Company. Amounts mentioned are exclusive of gain on asset foreclosure and dacion transactions amounting to ₱19.42 million, ₱93.78 million and ₱42.41 million in 2014, 2013 and 2012 respectively, for the Group, and ₱19.05 million, ₱90.55 million and ₱29.85 million in 2014, 2013 and 2012, respectively, for the Parent Company.

In 2014, the Parent Company sold a land with a carrying value of ₱169.13 million to FAI. The selling price of ₱433.26 million is payable annually for 5 years.

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.

32. EVENTS SUBSEQUENT TO REPORTING PERIOD

Stock Rights Offering

On January 29, 2015, the Board of Directors, in its regular meeting, approved a rights offering to be offered first to certain eligible shareholders of the Parent Company ("Stock Rights Offer") subject to market conditions and receipt of regulatory approvals. The Stock Rights Offer will be conducted by way of offering common shares from unissued portion of the Parent Company's authorized capital stock.

33. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS 15-2010

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, 2014:

NOTES TO FINANCIAL STATEMENTS

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 2014 are as follows:

	Gross Receipts	Gross Receipts Tax
Income derived from lending activities	₱11,758,610	₱540,829
Other income	1,580,809	110,657
	₱13,339,419	₱651,486

Exclusive of the above GRT schedule, the Parent Company charged GRT to its clients amounting to ₱6.76 million in 2014.

Other Taxes and Licenses
For the year ended December 31, 2014, other taxes and licenses included in 'Taxes and licenses' account of the Parent Company consist of:

Documentary stamps taxes	₱176,190
Local taxes	19,418
Fringe benefit taxes	15,251
Others	23,306
	₱234,165

Withholding Taxes
Details of withholding taxes remitted and balances as of December 31, 2014 are as follows:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	₱439,467	₱28,710
Expanded withholding taxes	128,967	20,073
Final withholding taxes	159,383	15,887
	₱727,817	₱64,670

On February 20, 2015, a Formal Letter of Demand was received from the BIR assessing the Parent Company for deficiency taxes, including interests and surcharges, in the amount of ₱18.35 million. This amount was accepted and settled on February 23, 2015.

The Parent Company has no other outstanding assessments from the BIR as of December 31, 2014.

SHAREHOLDER INFORMATION

For shareholder services and assistance, please write or call:

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34th Floor, Unit D, Rufino Pacific Tower
6784 Ayala Avenue, Makati City
Metro Manila, Philippines
Tel: (632) 403-2410 / 403-2412
Fax: (632) 403-2414

OFFICE OF THE CORPORATE SECRETARY
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For investor-related inquiries, please write or call:

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This 2014 annual report contains forward-looking statements about future events and expectations. These forward-looking statements include words or phrases such as the Bank or its management or other words or phrases of similar import.

Similarly, statements that describe the Bank's objectives, plans or goals are also forward-looking statements. All such statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Such forward-looking statements are made based on management's current expectations or beliefs, as well as assumptions made by, and information currently available to, management. These statements speak only as at the date of the report and nothing contained in this report is or should be relied upon as a promise or representation as to the future.

This report does not constitute a prospectus or other offering memorandum in whole or in part nor does it constitute an offer to sell or the solicitation of an offer to buy any securities of the Bank. There shall be no sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to any qualification under the securities laws of such state or jurisdiction.

This report has not been and will not be reviewed or approved by any statutory or regulatory authority or any stock exchange in the Philippines or elsewhere. Recipients of this report should undertake their own assessment with regard to investment in the Bank and they should obtain independent advice on any such investment's suitability, inherent risks and merits and any tax, legal and accounting implications which it may have for them.

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