SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

I.C.T.D. SEC
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BY

1. For the fiscal year ended **December 31, 2013**

2. SEC Identification Number **ASO94-002733**

3. BIR Tax Identification No. **003-921-057**

4. Exact name of issuer as specified in its charter **EAST WEST BANKING CORPORATION**

5. **Metro Manila, Philippines** .
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **The Beaufort, 5th Avenue, corner 23rd Street, Fort Bonifacio Global City, Taguig City**
Address of principal office

8. **+632 575-3888**
Issuer's telephone number, including area code

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares	**1,128,409,610 shares**

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

Yes [**X**] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

The above common shares are listed in the Philippine Stock Exchange (PSE)

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation

Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Shares Held by Non-Affiliates as of December 31, 2013	**Market Value per Share as of December 31, 2013**	**Total Market Value as of December 31, 2013**
271,478,810 shares	24.30	Php 6,596,935,083

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Not Applicable

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

EAST WEST BANKING CORPORATION
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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Overview of the Bank

East West Banking Corporation (EW, EastWest) 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. EastWest was also granted authority by the BSP to operate an expanded foreign currency deposit unit under MB Resolution No. 832 dated August 31, 1994. As of December 31, 2012, EastWest is effectively 75% owned by Filinvest Development Corporation (FDC). EastWest's ultimate parent company is ALG Holdings Corporation.

Eastwest is a domestic corporation registered with the Securities and Exchange Commission (SEC) on March 22, 1994. In 2012, EastWest conducted an initial public offering (IPO) of 283,113,600 common shares. EastWest common shares were listed and commenced trading on the Philippine Stock Exchange (PSE) on May 7, 2012.

Through its network of 300, 245 and 122 branches as of December 31, 2013, 2012 and 2011, respectively, EastWest provides a wide range of financial services to consumer and corporate clients. EastWest's principal banking products and services include deposit-taking, loan and trade finance, treasury, trust services, credit cards, cash management and custodial services.

On October 8, 2012, EastWest filed a change in business address with the SEC from its previous location at 20th Floor, PBCom Tower, 6795 Ayala Avenue, corner V. A. Rufino St., Makati City to its new principal place of business, The Beaufort, 5th Avenue, corner 23rd Street, Fort Bonifacio Global City, Taguig City.

On March 19, 2009, EastWest 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 EastWest.

On August 19, 2011, EastWest 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, EastWest 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, EastWest'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 EastWest. In addition, the EastWest 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, 2013EastWest's investment in GBI amounted to ₱888.45 million and ₱186.97 million as of December 31, 2013 and 2012, respectively.

On July 11, 2012, EastWest 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. In 2012, the Parent CompanyEastWest 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, EastWest'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 EastWest. In addition, EastWest 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. EastWest's investment in EWRB amounted to ₱521.00 million and ₱54.10 million as of December 31, 2013 and 2012, respectively.

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 EastWest'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 EastWest. The Plan of Merger Agreement between EastWest and GBI was finalized on June 21, 2013. As of December 31, 2013, EastWest and GBI are in the process of securing the necessary regulatory approval for the merger.

The Bank's subsidiaries are as follows:

Green Bank (A Rural Bank), Inc.

Green Bank (A Rural Bank), Inc., a 99.84% owned subsidiary, was formerly named as Rural Green Bank of Caraga, Inc. until its Articles of Incorporation was amended on June 24, 2006. The Bank was incorporated as Rural Bank of Nasipit (Agusan Del Norte), Inc. on June 20, 1974 under the Corporation Code of the Philippines (Batas Pambansa Blg. 68) under Registry No. 56494 of the Securities and Exchange Commission (SEC), primarily to carry and engage in the business of extending credit to small farmers and tenants and to deserving rural industries or enterprises and to transact all business which may be legally done by rural banks organized in accordance with Republic Act (RA) No. 7353, Rural Bank Act of 1992. The Bank's registered office address is at Montilla Boulevard, Butuan City, Agusan del Norte.

East West Rural Bank, Inc.

East West Rural Bank, Inc. (formerly, Finman Rural Bank, Inc.)), a wholly-owned subsidiary, was incorporated and registered with Philippine Securities and exchange Commission on November 5, 1997 with the purpose of accumulating deposits and granting loans to various individuals and corporate entities as well as government and private employees. It started its commercial operations in March 1998. Its place of business is located at No. 360 Dr. Sixto Antonio Avenue, Barangay Caniogan, Pasig City.

Principal Business Activities

Retail Banking

EW's branches serve as the primary distribution channel wherein the Bank is able to offer deposit products and financial services as well as other financial products such as credit cards, auto loans, mortgage loans, among others, to the Bank's retail customers, comprising individuals and small-to-medium-sized enterprises. In addition to the Bank's branch and ATM network, the Bank's deposit products and services can be accessed by its customers through EW's internet banking network, where customers can perform a variety of banking transactions online. Services available for its customers include checking of their client's balances, paying bills, transferring funds, executing wire transfers, ordering checkbooks, printing statements and issuing stop payment orders on line on a real time basis.

Products and Services Offered to Retail Clients

The Bank offers a comprehensive range of deposit products, consisting primarily of the following: Peso demand deposits, Peso savings deposits, and Peso time deposits, long – term Peso deposits, US Dollar savings deposits, US Dollar time and non – interest bearing checking accounts. The Bank's deposit products carry varying interest rates, depending on among others, market interest rates, and the rate of return on the Bank's earning assets and the interest rates offered by other commercial banks.

EW also offers a suite of innovative banking services that appeal to retail customers, including a 24-hour Internet banking facility that provides individual and corporate customers e-statements and online check imaging facilities, a bill payment facility that allows settlement of various bills over the counter and via ATM and internet banking, and a point of sale (POS) payment facility that allows ATM/debit cardholders to use their ATM/debit cards to pay for merchandise and services rendered by the merchant via POS terminals installed in accredited establishments.

The table below sets out the list and description of the various products and services being offered by the Bank:

Branch Products / Services	Description
DEPOSIT PRODUCTS	
Regular Checking Account	The Regular Checking Account is a non-interest bearing Peso-denominated checking account wherein funds can be withdrawn through the issuance of checks.
ATM Access Savings	A savings account which offers 24 – hour banking convenience via the ATM. The ATM Access card can be used to pay for purchases at over 200 Bancnet – accredited merchants.
Cool Savers	Cool Savers is a Peso savings deposit account for children that offers free gift items upon opening an account and when the depositor's Average Daily Balance (ADB) reaches a specified tiered amount.
Passbook Savings Account	The Passbook Savings Account is an interest-bearing Peso-denominated deposit account. This account allows a client to deposit and withdraw their funds anytime by presenting a passbook.
Dollar Savings Account	The Dollar Savings Account is an interest-bearing U.S. dollar-denominated savings deposit account.
Peso Time Deposit Account	The Peso Time Deposit Account is an interest-bearing, term deposit evidenced by a certificate issued by the Bank in favor of the depositor with a specific maturity period. It allows a client to earn higher yields compared to a regular savings deposit rate. Interest rate on the time deposit account varies based on the term and the amount of the deposit.
Dollar Time Deposit Account	The Dollar Time Deposit Account is an interest-bearing, U.S. dollar denominated deposit account evidenced by a certificate issued by the Bank in favor of the depositor with a term ranging from 30 to 360 days. Interest rate on the time deposit account varies based on the term and the amount of the deposit.

ChequeMax	The ChequeMax is an interest-bearing Peso-denominated account that offers superior convenience to both personal and corporate account holders in accessing funds.
ChequeMax Rewards	The ChequeMax Rewards is an interest – bearing checking account that comes with a record book, an ATM card and a checkbook. An account holder shall earn reward points for every ₱5,000.00 increment above the required ADB, which can then be used to redeem gift certificates.
Secured Future Fund	The Secured Future Fund offers higher yields for Peso-denominated investments. This is a term deposit account which allows the Bank's clients to take advantage of tax benefits, as provided by law, as long as the deposit is kept with the Bank for a minimum of five years.
VISA Debit Card	EastWest Debit Card is a Visa branded debit card that the customers can use for cashless shopping, dining or online payments. The Debit Card can be used to pay for purchases both locally and abroad; and are accepted in over one million Visa accepted ATMs worldwide.

CONSUMER LOANS

EastWest Bank Home Loan	The EastWest Bank Home Loan is a loan facility that offers a wide array of products and services to tailor-fit every client's unique house financing needs, may it be thru acquisition of vacant lot, house and lot or condominium units; construction and renovation; as well as multi-purpose loan through home equity or refinancing of an existing mortgage loan .Loan terms are flexible with various fixing options and with tenor as long as 30 years.
EastWest Bank Auto Loan	The EastWest Bank Auto Loan is a loan facility that allows clients to acquire a brand new or pre-owned vehicle.
EastWest Bank Salary Loan	The EastWest Bank Salary Loan is a multi-purpose loan that can be availed by qualified employees of accredited companies to finance their personal needs.
EastWest Bank Personal Loan	EastWest Bank Personal Loan is a no collateral multi-purpose loan that caters to the client's personal financial requirements.

EASTWEST BANK CREDIT CARDS

EastWest Visa/MasterCard	EastWest Bank Visa/MasterCard comes in Classic and Gold variants. It allows cardholders to experience shopping privileges through Perks and the Limitless Rewards Program. Cardholders, when they purchase their travel tickets through their EastWest Gold Visa/MasterCard, also enjoy FREE Travel Accident and Inconvenience Insurance of up to ₱20 million.

EastWest Platinum MasterCard	EastWest Platinum MasterCard, the card that speaks of success, allows cardholders to enjoy the following exclusive features and benefits that suit their discerning taste: Free Lifetime Annual Membership Fee, Free EastWest Bank Platinum Virtual Card, Free Priority Pass Membership, Free Comprehensive Travel Accident & Inconvenience Insurance of up to₱20million and access to exclusive Premium Perks.
EastWestEveryDayTitanium MasterCard	EastWestEveryDay Titanium MasterCard is an all-in-one cash rebate card. Designed to be part of the cardholder's daily activity, it converts everyday spending into smart spending with its cash rebate feature.It is the only credit card in the market that gives up to 5% rebate on purchases in all 3 essential categories, supermarket, gas and drugstore.
EastWest Dolce Vita Titanium MasterCard	EastWest Bank Dolce Vita Titanium MasterCard is a credit card specifically designed for women. Through the Dolce Vita Charms Loyalty Program, cardholders are treated to a variety of beauty and pampering services. No credit card cares for a woman like Dolce Vita.
EastWest Practical MasterCard	EastWest Bank Practical MasterCard, the practical way to life's essentials, provides cardholders with an affordable line of credit for their basic needs. It offers a 2.99% rate for the basic necessities (groceries, gas and drugstore purchases) and 3.49% for all other transactions.
LausAutoGroup Visa	The cardholder will enjoy a driven lifestyle with the Laus Auto Group Visa. It provides an exclusive 10% discount on parts and labor from any Laus Auto Group dealership and 0% installment for insurance premiums from Corporate Guarantee and Insurance Company. In addition, cardholders may earn a 7% rebate on fuel purchases. Rebates may be used to redeem spending vouchers to purchase merchandise or avail of services at Laus Auto Group establishments.
Hyundai MasterCard	The cardholder will experience an exclusive and rewarding drive with Hyundai MasterCard and can earn up to 3% rebate on all retail purchases. Rebates may be used to claim spending vouchers to purchase merchandise or avail of services at authorized Hyundai dealerships. Cardholders also enjoy an exclusive 10% discount on preventive maintenance services (PMS) - parts, selected accessories and PMS labor at authorized Hyundai dealerships.

CORPORATE SUITE

Payroll Credit System (PCS)	PCS is a deposit account processing system for crediting transactions that features a fully-automated online processing of a

company's credit data.

Payroll Assist	Payroll Assist is a payroll service that comes with proprietary software developed exclusively for EW's customers to provide an electronic solution for Human Resource Management and payroll processing.
Time Keeping System	Timekeeping System is a standalone electronic system that automates the daily time recording and timekeeping computation developed exclusively for East West Bank clients.
Bizcheque Plus	Bizcheque Plus is an interest – bearing Peso checking account that comes with a customized stand – alone check writing facility and a comprehensive accounts payable system for hassle- free monitoring of account payables and check payment preparation.
Cheque Prepare	Cheque Prepare is a "check writing" facility which allows corporate clients to completely outsource the administrative task of processing, printing and cutting of Manager's and Corporate Checks.
e-settle	e-settle is a web-based electronic fund transfer facility that enables clients of the Bank with high volume disbursements to pay their suppliers by crediting their EastWest Bank's Savings or Checking Accounts.
Bills Collect	Bills Collect is a collections facility wherein the Bank acts as the collecting agent that will accept payments via the Bank's Net Access Facility, Automated Teller Machine (ATM), and through over – the – counter, where all payments received are consolidated.
Cheque Collect	Cheque Collect is a check collection service for the bank's corporate clients, wherein the bank picks up checks from the client's customers at the customer premises.
Cheque Depot	Cheque Depot is a facility designed for corporate customers, allowing the Bank to undertake the safekeeping or warehousing of post – dated checks for immediate deposit to their account on their due dates.
HMO/Hospital Collection and Settlement Facility	HMO/Hospital Collection and Settlement Facility is a special arrangement for selected clients in the HMO and Hospital industry which provides operational efficiency through pick-up services and immediate settlement of receivables or payments.

Collect@Site

Collect@Site serves as a special arrangement where the Bank sends an armored vehicle to the customer to pick – up the cash and check for deposit at the clients' premises.

Web Remittance

Web Remittance is a 24 – hour online banking service that enables corporate clients to transfer funds real time to any EWBC account from their savings or demand deposit accounts.

Corporate Net Access

Corporate Net Access is also a 24 – hour online banking facility that will allow corporate clients to access their accounts maintained at any branch by visiting the Bank's website.

Mobile ATM

Ideal for any event like bazaars, fairs, and concerts, or if you simply need an ATM to service your payroll requirements, the Mobile ATM provides you with all the services of a regular ATM, with more convenience and flexibility. It can be deployed in any location you prefer, when you prefer, on weekdays or weekends. Now, you can enjoy the benefits of an ATM without having to leave your location.

BancNet e-Gov

BancNet e-Gov is an online BancNet facility which allows clients to file and settle government payments to Bureau of Internal Revenue (BIR), Social Security System (SSS), Philippine Health Insurance Corporation (Philhealth), and Home Development Mutual Fund (Pag-ibig).

OTHER SERVICES

Access Banking – Net Access

Net Access is a 24 – hour online banking facility which enables both individual and corporate clients to access their accounts maintained at any branch by logging on to www.eastwestbanker.com.

Pay@Store

Pay@Store is a facility that allows ATM Access cardholders to use their ATM cards to pay for merchandise and services rendered by the merchant via Point of Sale (POS) terminals installed in accredited establishments.

Bills Pay

Bills Pay is a facility which allows settlement of various bills over the counter.

TRUST PRODUCTS

Infinity Peso Money Market Fund Unit Investment Trust Fund (UITF)	A peso-denominated money market unit investment trust fund that aims to provide investors with enhanced yields for their short-term liquidity needs by investing in a diversified portfolio of short-term, highly liquid fixed-income securities, term deposits and other money market instruments.
Infinity Dollar Long Term Bond Fund UITF	A dollar-denominated fixed-income unit investment trust fund that aims to maximize the returns of the investors by investing in a diversified portfolio of deposits and tradable investment-grade debt securities issued by the Philippine government and corporations.
Infinity Peso Long Term Bond Fund UITF	A peso-denominated fixed-income unit investment trust fund that aims to maximize the returns of the investors by investing in a diversified portfolio of deposits and tradable investment-grade debt securities issued by the Philippine government and corporations.
Infinity Peso Intermediate Term Bond Fund	The Infinity Peso Intermediate Term Bond Fund is a fixed-income investment trust fund of EastWest Banking Corporation and is a collective investment scheme that pools the contribution of small investor into a large fund, which is invested in deposits, government securities, and tradable instruments.
Infinity Dollar Intermediate Term Bond Fund	The Infinity Dollar Intermediate Term Bond Fund is a dollar-denominated fixed-income unit investment trust fund of EastWest Banking Corporation and is a collective investment scheme that pools the contribution of small investors into a larger fund which is then invested in dollar deposits, Republic of the Philippines (ROP) bonds, US Treasuries, and other tradable instruments.

TREASURY PRODUCTS

Peso or U.S. Dollar denominated Fixed Income Securities	These are Peso or U.S. dollar-denominated fixed income securities in the form of Treasury Bills or Bonds which are distributed or sold to client and qualified investors or other professional counterparties of the Bank to whom the Bank makes a market price for. Issuers of the securities are usually the Republic of the Philippines, Bangko Sentral ng Pilipinas, Government - Owned or Controlled Corporations and Philippine corporations. The tenor of the bills or bonds ranges from as short as 7 days to as long as 25 years.
Foreign Exchange Products	The bank also buys and sells US dollars and other foreign currencies versus the Philippine Peso from their retail and corporate accounts in accordance with regulatory requirements in the buying and selling of foreign exchange. The bank also makes markets in USD/PhP foreign exchange for professional counterparties.

Consumer Lending

EW offers various types of consumer lending products to individuals, which consist principally of credit cards, auto loans, residential mortgage loans and personal loans. The Bank reviews various factors in evaluating prospective clients, including but not limited to the capacity of the borrower to repay the loan. The Bank also considers various factors in pricing its loans such as but not limited to the delinquency rates of particular market segments, the funding costs of the portfolio, direct and indirect expenses related to granting consumer loans and the target spread of the loan portfolio. Loan terms are differentiated according to factors such as a customer's financial condition, age, loan purpose, collateral and quality of relationship with the Bank. The Bank focuses its core business towards consumer financing where it has a competitive advantage. Several product lines were launched to ascertain that its target market is reached.

Credit Cards

In June 2004, EW began issuing MasterCard credit cards and launched the "EastWest Bank MasterCard" in partnership with AIG Philam. In 2009, the Bank acquired the AIG Philam Savings Bank, which issues Visa credit cards. Shortly after AIGPASB officially merged with the Bank in September 2009, EW integrated its Visa and MasterCard businesses into a single business unit and as such, two new credit card variants were introduced. The EastWest Bank Gold & Classic Visa/MasterCard, which have become the flagship credit cards, are designed to provide cardholders with unique features such as Health & Protection benefits and the Limitless Rewards program, among other card features. Meanwhile, the EastWest Bank Dolce Vita MasterCard is the only credit card in the market that provides holistic benefits designed exclusively for women. Cardholders enjoy free beauty and pampering treats made available under the Dolce Vita Charms program, among other features. With a wider suite of credit cards available, customers can choose the EastWest Bank Credit Card that suits their lifestyle.

From an initial credit card base of 10,000 during its launch in 2004, the Bank has already issued over 971,000 credit cards in 2013. . According to the survey conducted by the Credit Cards Association of the Philippines (CCAP), EW ranked 5th among the the Philippines' major credit card issuers in terms of credit card receivables in 2013. As of year end 2013, EW's credit cards receivables take up 10.2% of the total market share in the Philippines.

Revenues from credit card operations is primarily composed of annual fees paid by cardholders, interest or finance charges on deferred and installment payments, cash advance fees, interchange fees paid by service establishments and late payment charges. Depending on the product variant and card type, annual membership fees for principal cards range from ₱1,000 to ₱2,500.As of December 31, 2012, the interest rate on deferred payments range from 2.75% to 3.5% per month (or 33% to 42% per annum). Fees for cash advances are approximately 7% of the cash advance amount and interchange fees range from 0.25% to 2.33% of the purchased amount.

Revenues relating to the credit card business are reflected in the Bank's financial statements as interest income and income from service charges, fees and commissions.

Auto Loans

In 2004, the Bank launched its Auto Loan products. Payment terms vary per client, depending on established risk profile. EW's auto loans are offered through car dealerships (including second – hand car dealers), independent sales agents and the Bank's branches. EW provides economic incentives to car dealerships and independent sales agents based on each approved auto loan amount. EW believes that its three – hour auto loan process is an important aspect to its success in growing of its auto loan portfolio as the speed of processing of auto loans by banks is a key competitive factor in the auto loans business as dealers will offer an auto loan to multiple banks.

All of EW's auto loans are secured by a chattel mortgage over the car being purchased. In addition to being subject to the Bank's internal credit checks, EW requires the borrower to make a minimum down payment of 20% (or a minimum down payment of 15% for long – term customers with verifiable good credit). The Bank utilizes an automated credit scorecard and all loan applications are checked via the NFIS, the negative report database of BAP Credit. Further credit checking is conducted with past creditors and also against the Bank's internal database. The Bank generally requires the borrower to have a minimum equity of 20% similar to industry standards. Depending on whether the car being purchased is a new car or a second-hand car, the interest rate of EW's auto loans can range from 8.5% to 18.0%, with an average maturity of 54 months. All mortgaged collaterals are required to be insured via a comprehensive motor car policy initially at the list cash price amount. When an installment payment falls 90 days past due, EW may commence foreclosure proceedings. Foreclosed cars are generally sold by the Bank through public auctions.

Residential Home Mortgage Loans

The large majority of EW's residential mortgage loans are extended to property buyers in the Philippines who intend to occupy residential units in the form of house and lot, townhouse, or condominiums, with a small proportion being extended to individuals purchasing lots for investment purposes or for future dwelling via house construction loans. All of EW's home mortgage loans are secured by a first mortgage on the property and each applicant undergoes a stringent credit evaluation process. The Bank requires its borrowers to make a minimum down payment of 20% of the appraised value for house acquisition or construction, 25% for lot acquisition and 35% for conversion of real estate assets into rental/leasing business. EW also refinances existing housing loans. EW offers loans at adjustable and fixed interest rates. The Bank used its branch network as a key distribution channels and maintains marketing campaigns to attract property buyers independently from real estate developers, which serve as distribution channels for mortgage loan providers. The average maturity of EW's home mortgage loans is 11 years. In line with industry practice in the Philippines, interest rate on EW's home mortgage loan portfolio is set at a fixed rate applicable for an initial period of between one and five years, depending on the maturity of the loan. Upon expiry of the initial period, the interest rate is reset at a fixed rate applicable for succeeding periods.

When a borrower falls in arrears with its mortgage payments, the buyer can either agree to a voluntary disposition of the property to EW, or the Bank may commence foreclosure proceedings. EW sells mortgaged collateral that has been foreclosed, primarily in public auctions or by brokers on behalf of EW. Foreclosure of the mortgage collateral generally takes between six and 24 months.

EW launched the *HomeSuiteLoan* product in early 2001. The product had differentiating features, which included a mix of competitive interest rates and the longest payment term of up to 30 years. Other residential mortgage loans in the market only allow up to a maximum payment term of 20 years. The longer term means lower and consequently lighter amortization payments for the borrower.

The *HomeSuiteLoan* is available in different loan packages, tailor-fit to the needs of specific markets. *LotAcquire* is a loan specifically designed for the acquisition of a vacant lot.Other products offered by the Bank include *HomeAcquire*, *HomeConstruct* and *HomeImprove*. The Bank also offers *HomeFlex*, which is a loan to be used for investment or business with real estate as the collateral. The Bank also gives the borrowers the option to adopt a fixed-term pricing scheme to protect borrowers against the risk of fluctuating interest rates.

Personal Loans

In April 2011, EW launched its personal loans business, which provides unsecured, uncollateralized consumer loans to qualified individuals for personal use. The monthly add – on interest rates for personal loans range from 1.49% to 1.69% and is payable in fixed equal monthly installments from 6 to 36 months. The Bank's branch network and third party sales agencies serve as the primary distribution channels for EW's personal loans. EW offers personal loans to employed and self – employed individuals with an annual income of not less than ₱180,000.00.

Corporate Banking

EW's corporate banking activities primarily focuses on offering loans to and maintaining mutually beneficial relationships with middle-market corporate customers, with a secondary focus on the large, corporate clients. These are predominantly entrepreneurial or family – owned businesses. EW believes that developing its middle – market customer base is essential to the Bank's growth and success of EW and intends to concentrate on growing its mid – market portfolio as its core target customer group.

Loan Products

EW provides a wide range of loan products and services to its corporate customers such as revolving credit lines, foreign currency loans, and bills purchased acceptances, trade finance facilities, and term loans. The Bank, with its strategy to maintain a well-diversified portfolio caters to corporate clients, engaged in various industries. The Bank offers both secured and unsecured loans to its corporate clients, based on the perceived credit risk associated with the customer and its business.

Cash Management Services

EW offers a wide range of cash management services to cater to the needs of mid-market corporates and other corporate customers, such as (i) a facility for payroll preparation and crediting, (ii) an interest-earning checking account that provides a customized stand-alone check-writing facility and a comprehensive accounts payable system, (iii) an end-to-end automated solution for the creation, disbursement and monitoring of checks, (iv) a check depot service whereby EW retains a corporate customer's post-dated checks for immediate deposit to the customer's account on the same date indicated on the checks, (v) a bill collection service whereby EW acts as a collecting agent and transmits consolidated payments to the customer online or via electronic file transfer and (vi) deposit pickup services, in which EW sends an armored vehicle to pick-up cash and check deposits at the customer's premises.

Rural Banking

DepEd Teachers' Loan

A loan intended for all DepEd personnel, teaching and Non-teaching, whether payroll deduction is through Regional Offices – Automatic Payroll Deduction System (APDS) or through the Payroll Deduction of Independent/Empowered Schools. Only permanent DepED teacher/personnel with a Net Take Home Pay of Four Thousand Five Hundred Pesos (₱4,500.00) following the DepEd Order No. 1, s 2013 can avail of this loan. Maximum Loanable Amount of Four Hundred Fifty Thousand (₱ 450,000.00) Pesos can be availed of by a teacher with a maximum term of 1,096 days or 3 years.

Social Security System (SSS) Pensioners' Loan

A loan intended for all SSS retirees, survivorship, and total disability pensioners whose SSS pension is directly credited to their Savings Account with the Bank.

Small Business Loan

A loan intended for all Small-Medium Enterprise (SMEs) up to the maximum amount of ₱5M.

Treasury and Trust

Treasury

EW's Treasury is primarily responsible for managing the Bank's liquidity, interest rate and foreign exchange risks inherent in the Bank's business activities. EW is able to manage its liquidity position by conducting a regular review of its cash flow position, debt maturity profiles, availability of credit facilities and overall liquidity position to mitigate any effect of fluctuations in the Bank's cash flow. The Bank's Treasury also actively engages in trading in the foreign exchange and Peso and US Dollar denominated fixed income bond markets for its own proprietary risk taking. EW is an accredited Government Securities Eligible Dealer.

Trust

EW offers a wide array of trust products and services, including fund management, investment management services, custodianship, administration and collateral agency services and stock and transfer agency services. In addition to offering trust services to corporate and high net-worth individual customers (classified as customers with a total relationship balance of ₱2.5 million). EW provides retail customers with alternative investment opportunities through its unit investment trust funds. It has a selection of Peso and U.S. dollar denominated UITFs with intermediate and long-term investment horizons.

Percentage of Sales or Revenues and Net Income Contributed by Foreign Sales

This is not relevant to the operations of the Bank.

Distribution Networks

Branch Network

The branch network is focused more on the Philippines' major industrial and commercial regions in Metro Manila and has key locations outside of Metro Manila such as Metro Cebu, Metro Davao, Northern Luzon, South Luzon Industrial Zone, Iloilo, Bacolod and Mindanao. Within these regions, EW has strategically positioned its branches in key business and commercial centers, which are areas that generally boast of higher per capita incomes, and have higher growth and traffic, thereby maximizing the number of transactions and deposits per branch.

Each branch is managed by a branch head responsible for both the sales and operational functions of the branch. Each branch head reports to a division head, which supervises 15 to 18 branches. Branches are grouped geographically and such groups include North Luzon, South Luzon, Southern Metro Manila, Eastern Metro Manila, Northern Metro Manila, Downtown Manila, Visayas and Mindanao.

As of December 31, 2013, the Parent Bank has 300 branches in various parts of the country, majority of which are located within Metro Manila.

The following table sets out the distribution of the Parent Bank's branches for each region as of December 31, 2013.

		December 31,	
	2011	**2012**	**2013**
Metro Manila	77	145	174
Other areas of Luzon...........................	26	51	64
Visayas...	9	28	34
Mindanao	10	21	28
Total Branches	**122**	**245**	**300**
ATMs	**129**	**261**	**427**

EastWest subsidiaries engage in rural banking services thru its 47 branches and 45 ATMs located mostly in Visayas and Mindanao areas.

ATM Network

The Parent Bank provided 24 – hour banking services through its network of 427 ATMs as of December 31, 2013, as against 261 ATMs as of December 31, 2012. Out of the 427 ATMs, 292 are located at EW's branches, while the remaining 135 ATMs are located off – site. Customers are given access to the ATM facilities through ATM cards and debit cards, which are available to checking and savings account holders. EW is also a member of Bancnet, which allows the customers of its member banks to use ATM terminals operated by other Bancnet member banks. Moreover, Bancnet has agreements with other ATM Networks in the Philippines, mainly Expressnet and Megalink which allows its customers access to all ATMs in the Philippines. EW's customers which make use of the ATMs operated by other banks must pay a service charge for making use of these networks.

EastWest subsidiaries have 45 ATMs to service its customers in the rural areas.

Access to Investment Products

EW, through its Branch network is able to offer its investors access to investment products such as but not limited to treasury bills and bonds, fixed rate treasury notes and retail treasury bonds. Customers can also invest in long-term fixed income debt instruments issued by public and private entities.

Listed below are the branches of the Parent Bank as of December 31, 2013:

Store Name	Address
1. Pasong Tamo	G/F Dacon Bldg., 2281 Pasong Tamo Extension, Makati City
2. Salcedo	G/F First Life Center, 174 Salcedo St.,Legaspi Village Makati City
3. Paseo de Roxas	G/F Paseo De Roxas Bldg.,111 Paseo de Roxas St. corner Legaspi St.,Legaspi Village, Makati City
4. The Fort	G/F Unit 3A Marajo Tower, 26th St. corner 4th Ave., Fort Bonifacio, Global City Taguig
5. Dela Rosa - Pasong Tamo	G/F King's Court II Bldg 2129 Don Chino Roces Avenue corner Dela Rosa Street, Makati City
6. Legaspi Village	G/F - Libran Bldg., Legaspi St. Cor. V.A. Rufino Ave., Legaspi Village, Makati City
7. Amorsolo	G/F Unit C, Aegis People's Support Building, Amorsolo St., Makati City
8. Evangelista	Evangelista cor. Mojica St. Bangkal, Makati City
9. Burgos Circle	G/F Unit H & I, Crescent Park Residences, Burgos Circle cor. 2nd Ave., BGC, Taguig City.
10. Magallanes Village	G/F Unit 102, Tritan Plaza Building, San Antonio St., Paseo De Magallanes, Makati City
11. Bagtikan	G/F High Pointe Bldg. No. 1184 Chino Roces Ave. cor. Bagtikan, Brgy. San Antonio, Makati City
12. Ayala Avenue - SGV 1	SGV 1 Bldg.,6760 Ayala Avenue, Makati City
13. Rada	Unit No. 102, G/F La Maision Condominium Bldg., Rada St., Legaspi Village, Makati City
14. Benavidez	Unit 103, One Corporate Plaza, Benavidez St. Legaspi Village, San Lorenzo, Makati City Makati City
15. Amorsolo - Queensway	G/F Queensway Building, No.118 Amorsolo St., Legaspi Village, Makati City
16. The Fort - Beaufort	G/F 23rd Avenue corner 5th Avenue Fort Bonifacio, Global City, Taguig City
17. Ayala Avenue - Rufino Building	Unit 1, G/F Rufino Building, 6784 Ayala Avenue corner V.A. Rufino Street, Makati City
18. Legaspi - Dela Rosa	G/F I – Care Building, Dela Rosa Street corner Legaspi Village, Makati City
19. McKinley Hill	Unit 1 - Cp-1, Commerce and Industry Plaza, McKinley Hill, Bonifacio Global City, Taguig City
20. San Lorenzo Village -Arnaiz Ave.	The E. Hotels Makati Bldg., No. 906 A. Arnaiz Ave.,San Lorenzo Village, Makati City
21. The Fort - F1 City Center	Unit F , G/F, F1 Center Building, 32nd Street corner 5th Avenue, Bonifacio Global City, Taguig
22. Gil Puyat - Dian	G/F, Wisma Cyberhub Bldg., No. 45 Sen Gil Puyat Ave., Makati City
23. Perea	G/F Greenbelt Mansion, 106 Peres Street, Legaspi Village, Makati City
24. Gil Puyat	G/F Metro House Bldg., 345 Sen. Gil Puyat Ave.,, Makati City
25. Ayala - Herrera	G/F PBCom Tower, 6795 Ayala Ave. cor. V. Rufino St., Salcedo Village, Makati City 1226
26. Valero	G/F Retail 1B Area, Paseo Park View Tower, 140 Valero St., Salcedo Village, Makati City
27. Ayala - Paseo	G/F Philamlife Tower, 8767 Paseo de Roxas St., Makati City
28. Makati Stock Exchange	G/F - Makati Stock Exchange Building, Ayala Triangle, Ayala Ave., Makati City
29. Makati Avenue - Pacific Star	G/F- High Rise, Pacific Star Building Sen. Gil Puyat Ave. cor. Makati Ave.,
30. Makati Avenue	Unit No.2 A and W Building, Juno St. cor. Makati Avenue, Brgy. Bel-air, Makati City

31.	J.P. Rizal	No. 805 J.P. Rizal cor. F. Zobel St., San Miguel Village, Makati City
32.	H.V. Dela Costa	Unit GFC-2 Classica 1 Condominium, 112 H.V. Dela Costa St. Salcedo Village Makati City
33.	Jupiter - Paseo De Roxas	No. 30 Jupiter corner Paseo De Roxas Sts., Brgy. Bel-Air, Makati City
34.	Gil Puyat - Salcedo Village	Unit 1C, G/F Country Space 1 Building, Gil Puyat Avenue, Makati City
35.	Malate	G/F, Esperanza Osmeña Bldg., 1991 A. Mabini St., Malate, Manila
36.	Intramuros	G/F, BF Condominium, 104 A. Soriano Avenue corner Solano St., Intramuros, Manila
37.	UN Avenue	G/F, Philam Bldg., U.N. Ave. corner Ma. Orosa St., Ermita, Manila
38.	Baclaran	2/F, New Galleria Baclaran Shopping Mall, LRT South Terminal, Taft Ave. Extension, Pasay City
39.	Paco	1050 Pedro Gil St., Paco, Manila
40.	Roxas Boulevard	G/F, DENR Building, 1515 Roxas Boulevard, Ermita, Manila
41.	Pasay - D. Macapagal Blvd	No. 8 President Diosdado Macapagal Blvd., Pasay City
42.	Taft Avenue	Philippine Academy of Family Physicians (PAFP) Bldg. 2244 Taft Avenue, Manila
43.	T.M. Kalaw	Annexes A, A -1,A-2,A-3 &A- 4 Ditz Building, 444 T.M. Kalaw Street, Ermita, Manila
44.	Pasay - Libertad	Unit 265-E Nemar Building , Libertad St. Pasay City
45.	Sto. Cristo	G/F, Sto. Cristo Po Taw Building, 107-108 Sto Cristo corner Foderama Sts., Binondo, Manila
46.	Escolta	G/F, First United Bldg., 413 Escolta corner Banquero St., Binondo, Manila
47.	T. Alonzo	G/F 623 T. Alonso St., Sta. Cruz, Manila
48.	Binondo	G/F, Uy Su Bin Bldg., 535-537 Quintin Paredes St., Binondo, Manila
49.	Divisoria	802 Ilaya St., Binondo Manila
50.	Soler	G/F, R & S Tower, 941 Soler St., Binondo, Manila
51.	168 Mall	4/F Unit 4H 09-11, 168 Mall Building 5, Soler St., Binondo, Manila
52.	City Place Square	3/F C-P2-3, Cityplace Square, Reina Regente near corner Felipe II St., Binondo, Manila
53.	Jose Abad Santos - Tayuman	G/F & 2/F Cada Bldg., 1200 Tayuman St., cor. Jose Abad Santos Ave.Tondo, Manila
54.	Masangkay	1411-1413 Masangkay St., Tondo, Manila
55.	Tomas Mapua - Lope de Vega	G/F & 2/F, Valqua Building., 1003 Tomas Mapua St. cor. Lope de Vega St., Sta. Cruz, Manila
56.	Quiapo	G/F, E & L Haw Building, 502 Evangelista St., Quiapo, Manila
57.	999 Shopping Mall	Unit 10 & 3C-2, 3/F, 999 Shopping Mall 2, C.M. Recto Street, Tondo Manila
58.	Elcano	Elcano Building, 622 El Cano Street, Binondo, Manila
59.	Juan Luna - Pritil	G/F 1953-1955 Juan Luna St., Tondo, Manila
60.	Ongpin	G/F Commercial Unit G1, Strata Gold Condominium Bldg. 738 Ongpin St. Binondo Manila
61.	Ylaya - Padre Rada	G/F Josefa Building No.981, Ylaya Street corner Padre Rada Street Tondo, Manila
62.	Blumentritt - Rizal Avenue	No. 2412 Rizal Avenue, Sta. Cruz, Manila
63.	Juan Luna - Binondo	No. 580 Juan Luna Street, Binondo, Manila
64.	Ortigas	G/F Unit 103 AIC Gold Tower Condominium cor Emerald & Garnet Aves., Ortigas Center, Pasig City
65.	Pasig - Shaw	#27 Shaw Blvd, Pasig City
66.	Pasig - Poblacion	A.Mabini corner Blumentrit Street, Brgy. Kapasigan, Pasig City
67.	Tektite	East Tower, Phil. Stock Exchange Ctr Exchange Drive, Ortigas Center, Pasig City
68.	San Miguel Avenue	Medical Plaza Building San Miguel Avenue, Ortigas, Pasig City
69.	Emerald	Unit 103 Hanston Bldg, F. Ortigas Jr. Rd. Ortigas Center, Pasig City
70.	C. Raymundo	#172 C. Raymundo Ave., Brgy. Maybunga, Pasig City 1607
71.	Pasig - Boulevard	#2 Lakeview Drive corner Pasig Blvd, Brgy Bagong Ilog,Pasig City
72.	Julia Vargas	G/F, Unit 101, One Corporate Center, Julia Vargas cor Meralco Ave., Ortigas Center, Pasig City
73.	Garnet	Unit 102 Prestige Tower, Emerald Avenue, Ortigas Center, Pasig City
74.	Pasig - Valle Verde	102 E. Rodriguez Jr. Avenue, Ugong, Pasig City
75.	Pasig - Rosario	Unit 3, 1866 Ortigas Avenue Extension, Rosario Pasig City
76.	Pasig - Santolan	G/F Santolan Bldg., 344 A. Rodriguez Avenue, Santolan, Pasig City
77.	Cubao	G/F Prince John Condominium 291 P. Tuazon Avenue, near cor 18th Ave., Cubao Q.C.
78.	Taytay	Ground Floor, Valley Fair Town Center Bldg.Ortigas Avenue Ext. Taytay, Rizal 1920
79.	Anonas	94 Anonas St. Cor K-6TH Sts. Kamias Quezon City
80.	Antipolo - Marcos Highway	G/F Ciannat Complex, Marcos Highway, Brgy. Mayamot, Antipolo City
81.	Bagumbayan	184-B E. Rodriguez Jr. Avenue, Brgy. Bagumbayan,Libis, Quezon City
82.	Katipunan	132 Katipunan Road, Brgy.Ignatius Village, Katipunan, Quezon City

83. Marikina - Calumpang	90 JP Rizal St, Brgy Calumpang, Marikina City.
84. Antipolo - M. L. Quezon	#146 ML Quezon St., cor. Dimanlig St. Brgy. San Roque Antipolo City
85. Marikina - Gil Fernando Ave	Gil-Fernando Ave. Cor. Estrador St.,Midtown Subdivision, Brgy. San Roque, Marikina City
86. Marikina - Concepcion	Bayan- Bayanan Avenue, Marikina City
87. Kamias	No. 10 Kamias Road corner Col. Salgado St., Brgy. West Kamias, Quezon City
88. U.P. Village	No. 65 Maginhawa St., U.P. Village, Diliman, Quezon City
89. Eastwood City	Unit D,Technoplaza 1, Eastwood City, Cyber Park, E. Rodriguez Jr., Ave., Brgy Bagumbayan, QC
90. Cubao - Araneta Center	G/F, Philamlife Building, Aurora Blvd. corner General Araneta Street, Cubao, Quezon City
91. Loyola Heights - Katipunan	Unit 13, Elizabeth Hall Building, Lot 1 Blk. 41 Katipunan Avenue, Loyola Heights, Quezon City
92. Marikina - J.P. Rizal	No. 367 J.P. Rizal Street, Sta. Elena, Marikina City
93. E. Rodriguez Ave. - Cubao	No. 1731 E. Rodriguez Sr. Avenue, Brgy. Pinagkaisahan, Cubao, Quezon City
94. EDSA - Kalookan	490 EDSA, Kalookan City
95. Roosevelt	184 Roosevelt Avenue San Francisco Del Monte Quezon City
96. Quezon Avenue	G/F, Sunshine Blvd. Plaza, Quezon Avenue corner Scout Santiago, Quezon City
97. Banawe	G/F PPSTA 1 Building Quezon Avenue corner Banawe St. Quezon City
98. Tomas Morato	257 Tomas Morato St. near corner Scout Fuentabella, Quezon City
99. West Avenue	108 West Avenue corner West Lawin St., Quezon City
100. Del Monte	271 Del Monte, cor. Biak na Bato Quezon City
101. Grace Park	896 8th Avenue cor. J. Teodoro Grace Park, Caloocan City
102. A. Bonifacio	659 A. Bonifacio Ave. Balintawak, Quezon City
103. South Triangle	1604 Quezon Avenue, Brgy. South Triangle, Quezon City
104. Mayon	170 Mayon Ave. Quezon City
105. Banawe - Scout Alcaraz	Unit ABC G/F #740 Banawe Ave. near corner Sct Alcaraz QC
106. Timog	G/F, Timog Arcade, 67 Timog Avenue, Quezon City
107. Banawe - N. Roxas	#42 Banawe Ave corner Nicanor Roxas QC
108. EDSA - Muñoz	Lemon Square Bldg. 1199 EDSA Muñoz Brgy. Katipunan, Quezon City
109. Masambong	Annexes B & C, L.G. Atkimson Building, No. 627 Del Monte Ave., Brgy. Masambong Quezon City
110. Roosevelt - Sto. Niño	187 Roosevelt Avenue, Brgy. Sto. Niño, San Francisco Del Monte, Quezon City
111. Araneta Avenue	#195 Araneta Ave Bgy Santol QC
112. Quezon Avenue - Dr. Garcia	940 Quezon Avenue near corner Dr. Garcia St., Brgy. Paligsahan, Quezon City
113. Grace Park - 7th Avenue	G/F Units 1,2 &3, No. 330 Rizal Ave. Ext, near cor. 7th Avenue., East Grace Park, Caloocan City
114. Grace Park - 3rd Ave.	No. 215 Rizal Ave. Ext., Brgy. 45, Grace Park West, Caloocan City
115. Grace Park - 11th Ave.	G/F Remcor V Building, Block 172, Lot 5, Rizal Avenue Extension, Caloocan City
116. A. Bonifacio - Balingasa	G/F, 2/f & 3/F, Units D& E, Winston Plaza 1 Bldg. No. 880 A. Bonifacio Ave., Balingasa, Quezon City
117. Banawe - Kaliraya	Titan 168 Buidling, 126 Banawe Street near cor. Kaliraya Quezon City
118. Congressional	Blk.7 Lot 4A Congressional Ave. Project 8 Quezon City
119. Regalado	Regalado Ave. Cor. Archer St., North Fairview Subd. Quezon City
120. Tandang Sora	Lot 80 - A Kalaw Hills Subd. Brgy. Culiat Tandang Sora Quezon City
121. Valenzuela	KM 12 JLB Enterprises Bldg. McArthur Highway Marulas Valenzuela City
122. Paso De Blas	NO. 191, Paso De Blas Valenzuela City
123. Governor Pascual	3315 Gov. Pascual Ave. Cor. Maria Clara St., Malabon City
124. Novaliches	Lot 489-B2 Quirino Hiway Novaliches Quezon City
125. Potrero	Bldg. 1 & 2 Mary Grace Bldg. Mc Arthur H-way del monte St. Potrero Malabon
126. North Bay	G/F Melandria III Building No. 1090 Northbay Blvd. (South) Navotas City
127. Don Antonio Heights	Lot 24 Block 7, Holy Spirit Drive, Don Antonio Heights Brgy. Holy Spirit Quezon City
128. Baesa Town Center	Baesa Town Center Retail Store#4 #232 Quirino Highway Baesa Quezon City
129. EDSA - Howmart	1264 EDSA near corner Howmart Road brgy. A. Samson Q.C.
130. North EDSA	UGF units 4,5,6&7 EDSA Grand Residences, EDSA cor. Corregidor St., Quezon City
131. Commonwealth	No. 272 Commonwealth Avenue, Bgy. Old Balara, Quezon City
132. Fairview	#72 Commonwealth Ave. Corner Camaro St., East Fairview. Quezon City
133. Lagro	Lot 2, Blk. 6, Quirino Highway, Lagro, Novaliches, Quezon City
134. Malabon - Rizal Avenue	Malabon - Rizal Avenue No. 726 Rizal Avenue, Brgy. Tañong, Malabon City

135. Novaliches - Talipapa	Units C,D,E,F & G, No. 526 Quirino Highway, Brgy. Talipapa, Novaliches Quezon City
136. Project 8 - Shorthorn	GF West Star Business Center Bldg., #31 Shorthorn St., Brgy. Bahay Toro, Proj. 8, Quezon City
137. Visayas Avenue	G/F unit B. C & D No. 15 Visayas Ave. Vasra Quezon City
138. Valenzuela - Dalandanan	212 Km. 15 Mac Arthur Hiway Dalandanan Valenzuela City
139. Navotas - M. Naval	No. 895 M. Naval Street, Brgy. Sipac-Almasen, Navotas City
140. General Luis - Kaybiga	No. 4 Gen. Luis St., Kaybiga, Caloocan City
141. Mandaluyong - Shaw	G/F Sunshine Square 312, Shaw blvd. Mandaluyong city
142. Annapolis	G/F, The Meriden Condominium Bldg Unit 1A, Annapolis St. NorthEast, Greenhills San Juan City
143. Greenhills	G/F ALCCO Bldg. Ortigas Avenue Greenhills-West, San Juan City
144. New Manila	Aurora Blvd. cor Doña Juana Rodriguez Ave., New Manila, Quezon City
145. San Juan	F. Blumentritt St. cor. M. Salvador St. San Juan City
146. Pioneer	UG-09 Pioneer Pointe Condominium,128 C. Pioneer St. Mandaluyong City
147. Mandaluyong - Libertad	G/F Unit A,B &C, Dr. Aguilar Bldg., No. 46 D.M. Guevarra St. cor. Esteban St. Mandaluyong City
148. Greenhills Shopping Center	G/F Annapolis Carpark Unit AC-14 Greenhills Shopping Ctr
149. Wilson	220B Wilson St. San Juan City
150. E. Rodriguez	G/F M. C. Rillo Bldg. #1668 E. Rodriguez Ave. Bgy. Mariana QC
151. Connecticut	Unit B, G/F Fox Square Building, No. 53 Connecticut Street, Northeast Greenhills, San Juan City
152. Boni Avenue	G/F Lourdes Bldg. II, 667 Boni Ave., Bgy. PlainView, Mandaluyong City
153. Mandaluyong - Wack-Wack	G/F, GDC Building, 710 Shaw Blvd., Bgy. Wack-Wack, Mandaluyong City
154. Mandaluyong - Kalentong	G/F No. 908 Unit 1&2 Ground Floor Kalentong Street, Mandaluyong City
155. Greenhills - North	G/F BTTC Bldg., Ortigas Ave. cor. Roosevelt St., Greenhills, San Juan City
156. Greenhills - Promenade	Unit 3, G/F & 2/F Promenade Building, Missouri Street, Greenhills, San Juan City
157. Las Piñas	Alabang-Zapote Road corner Crispina Ave Pamplona III, Las Pinas City 1740
158. Betterliving	100 Dona Soledad Avenue, Betterliving Subd.Barangay Don Bosco, Paranaque City 1711
159. President's Avenue	# 35 President's Avenue BF Homes Paranaque City 1700
160. Festival Mall 1	2nd Level, Festival Supermall Filinvest Corporate City, Alabang Muntinlupa City 1781
161. Westgate	Westgate, Filinvest Corporate City, Alabang Muntinlupa City 1770
162. Sucat	Unit 707 Columbia AirFreight Complex Miescor Drive, Ninoy Aquino Ave.,Sto. Niño Paranaque City
163. Festival Mall 2	Level 1, Festival Supermall, Filinvest Corp. City, Alabang Muntinlupa City 1781
164. Alabang - Madrigal	Ground Floor, Philamlife Bldg. Madrigal Business Park, Acacia Avenue, Muntinlupa City 1780
165. Muntinlupa	G/F Remenes Center Building, # 22 National Hi-way Putatan, Muntinlupa City 1772
166. Las Piñas - BF Resort	#10 BF Resort Drive, BF Resort Village. Las Pinas City 1740
167. West Service Road	West Service Road corner Sampaguita Avenue UPS IV Subd., Paranaque City 1700
168. Sucat - Evacom	8208 Dr. A. Santos Avenue Barangay San Isidro, Paranaque City 1700
169. Betterliving - Doña Soledad Ave	Blk 9, Lot 3 Dona Soledad Ave. cor. Peru St., BetterLiving, Paranaque City
170. Las Piñas - Marcos Alvarez Ave	G/F & 2/F, 575 Marcos Alvarez Ave., Talon V, Las Pinas
171. Sucat - Kingsland	No. 5 & 6, G/F & 2/F Kingsland Building, Dr. A. Santos Avenue, Sucat, Paranaque City
172. Aguirre Avenue	327 Aguirre Avenue, BF Homes, Paranaque City
173. Alabang - Entrata	Unit G3 & G4 Entrata, Filinvest Corporate City, Alabang, Muntinlupa City
174. Las Piñas - Almanza	Aurora Arcade Building, Alabang - Zapote Road, Almanza Uno, Las Pinas City
175. Sucat - Kabihasnan	G/F Unit 3 & 4 Perry Logistics Center Building, Ninoy Aquino Avenue, Paranaque City
176. Bicutan - East Service Road	GF, Waltermart Bicutan East Service Rd, Mañalac Ave., Brgy. San Martin De Porres, Parañaque City
177. Alabang Hills	Don Gesu Bldg., Don Jesus Blvd., Brgy. Cupang, Muntinlupa City
178. Dagupan	Maria P. Lee Bldg, Perez Blvd, Dagupan City
179. Baguio - Abanao	77 Abanao Ave., Baguio City
180. Laoag	Ablan Bldg., J.P. Rizal Ave. corner Don Severo Hernando Ave., Laoag City
181. La Union	Quezon Ave., cor Ancheta St. San Fernando, La Union
182. Santiago, Isabela	74 National Highway, Brgy. Victory Norte, Santiago City, Isabela
183. Urdaneta	S&P Bldg Nancayasan Urdaneta City
184. Cauayan, Isabela	Maharlika Highway Cauayan City, Isabela
185. Tuguegarao	College Ave. cor Rizal and Bonifacio St. Tuguegarao City

186. Baguio - Session Road	Unit B 101 Lopez Bldg Baguio Session
187. Ilocos Sur - Candon	G/F KAMSU Building Brgy San Jose, Candon City, Ilocos Sur
188. Pangasinan - Rosales	Estrella Compound, Carmen Eat Rosales, Mac Arthur Highway, Pangasinan
189. Dagupan - A.B. Fernandez Ave.	New Star Building, A. B. Fernandez Avenue, Dagupan City
190. Benguet - La Trinidad	KM 5, Central Pico, La Trinidad, Benguet
191. Nueva Vizcaya - Solano	Maharlika Road, Poblacion, Solano, Nueva Vizcaya
192. Vigan	Quezon Ave., Vigan City Ilocos Sur
193. Ilocos Norte - San Nicolas	Barangay 2, San Nicolas, Ilocos Norte
194. Pangasinan - Lingayen	J.S. Molano Real State Lessor Building, Avenida Rizal East, Lingayen, Pangasinan
195. San Fernando, Pampanga	2nd floor Felix S. David Bdg., MacArthur Hi-way, Dolores City of San Fernando, Pampanga
196. Cabanatuan	Melencio St. corner Gen. Luna ST, Cabanatuan City
197. Angeles, Pampanga	2014 Sto. Rosario St., Brgy San Jose, Angeles City
198. Tarlac	Mariposa Bldg.,F. Tanedo St., Tarlac City
199. Baliuag	Benigno S. Aquino Ave., Poblacion Baliuag, Bulacan
200. Olongapo	G/F 1215 Rizal Ave., West Tapinac, Olongapo City
201. Balanga	Don Manuel Banzon Ave. Cor. Cuaderno St. Dona Fransica Balanga City, Bataan
202. Pampanga - Apalit	RH7, Mac Arthur Highway, Apalit, Pampanga
203. Angeles - Balibago	Saver's Mall Bldg. Mac Arthur Highway, Balibago Angeles City
204. Pampanga - San Fernando Sindalan	G/F T & M Building, Brgy. Sindalan, Mac Arthur Highway, San Fernand Pampanga
205. Bataan - Dinalupihan	Bgy. San Ramon, Dinalupihan, Bataan
206. Pampanga - Guagua	Good Luck Building, No. 303 Guagua-Sta. Rita Arterial Road, Brgy. San Roque, Guagua, Pampanga
207. Meycauayan - Malhacan	Malhacan Tollgate, Meycauayan City Bulacan
208. Tarlac - Paniqui	No. 130 M.H. Del Pilar Street corner Mac Arthur Highway, Paniqui, Tarlac City
209. Nueva Ecija - San Jose	Paulino Building, Brgy. Abar 1st Maharlika Road, San Jose Nueva Ecija
210. Bulacan - Balagtas	Burol 1st, McArthur Highway, Balagtas, Bulacan
211. San Fernando - JA Santos	Kingsborough Commercial Center Bldg,GF Units 1A&B Jose Abad Santo, San Fernando, Pampanga
212. Bulacan - Plaridel	Lot 1071-A Daang Maharlika Road, (prev. Cagayan Valley Road) Banga First, Plaridel, Bulacan
213. Nueva Ecija - Gapan	G/F, Units 105, 106 & 2/F, Unit 205, TSI Building, Jose Abad Santos, Sto.Niño, Gapan, Nueva Ecija
214. Imus	G/F, LDB Bldg., 552 Gen. Aguinaldo Highway, Imus City, Cavite
215. Bacoor	General E. Aguinaldo Highway Talaba Bacoor City Cavite
216. Calamba	G/F, SQA Bldg, Brgy. Uno, Crossing, Calamba City, Laguna
217. Carmona	Lot 1947-B, Paseo de Carmona Compound, Governor’s Drive, Brgy. Maduya, Carmona, Cavite
218. General Trias	G/F, Unit 102 VCentral Gentri Bldg., Governor’s Drive, Manggahan, General Trias, Cavite
219. San Pablo	9022 J. P. Rizal Avenue, San Pablo City, Laguna
220. San Pedro	Old National Highway, Brgy. Nueva, San Pedro, Laguna
221. Bacoor - Molino	G/F Units 101, 102 & 103 VCENTRAL Mall Molino Bldg., Molino Blvd., Bacoor, Cavite City
222. Cavite - Naic	Corner Daang Sabang and Ibayo Silangan Road, Naic, Cavite
223. Cavite - Tanza	Antero Soriano Avenue, Daang Amaya 2 Tanza, Cavite
224. Dasmariñas	Km. 31 Gen. Emilio Aguinaldo Highway, Brgy. Zone 4 Dasmarinas City Cavite
225. Cavite City	P. Burgos Ave., Brgy. Caridad, Cavite City
226. Cavite - Trece Martires	G/F Dionets Commercial Place Bldg.,Trece Martires- Indang Road, Trece Martires City, Cavite
227. Laguna - Biñan	G/F, Units 1-4, Simrey's Commercial Bldg., Nat’l Highway cor Alma Manzo Road, Brgy. San Antonio, Biñan City, Laguna
228. Cavite - Silang	J. Rizal Street, Silang Cavite
229. Lucena	152 Quezon Avenue, Lucena City, Quezon
230. Batangas	54-A D. Silang St., Batangas City
231. Naga	G/F, LAM Bldg., 19 Peñafrancia Avenue, Naga City, Camarines Sur
232. Lipa	No. 18, Lot 712 ABC, B. Morada Avenue, Lipa City, Batangas
233. Puerto Princesa - Rizal Ave.	Rizal Avenue, Brgy. Manggahan, Puerto Princesa City, Palawan
234. Batangas - Bauan	J.P. Rizal Street corner San Agustin Street, Bauan Batangas
235. Mindoro - Calapan	G/F Paras Building, J.P. Rizal Street, Bgy. San Vicente South, Calapan City, Oriental Mindoro

236. Batangas - Tanauan	Brgy. Darasa, Tanauan , Batangas City
237. Batangas - Lemery	G/F LDMC Building, Ilustre Ave. Dist III, Lemery, Batangas
238. Batangas - Rosario	Rosario-Padre Garcia-Lipa Road, Poblacion, Rosario, Batangas
239. Cebu - Escario	Cebu Capitol Commercial Complex Bldg., N. Escario Street, Cebu City
240. Cebu - Mandaue	G/F Ramcar Bldg., M.C. Briones Highway, Mandaue City
241. Cebu - Banilad	Archbishop Reyes Ave.,cor J. Panis St. Banilad, Cebu City
242. Cebu - Magallanes	60 Quiaco Bldg., Magallanes cor Gonzales Sts, Cebu City
243. Cebu - Mactan	G/F Bldg. II, M. L. Quezon National Highway, Pusok, Lapu-lapu City
244. Cebu - Mandaue North Road	Block 01, 02 & 03, Upper Floor, ALDO Bldg.,North Road, Basak, Mandaue City, Cebu
245. Cebu - Grand Cenia	G/F Grand Cenia Bldg., Archbishop Reyes Avenue, Cebu City
246. Cebu - A.S. Fortuna	151 M. Velez St., Guadalupe, Cebu City
247. Cebu - M. Velez	AYS Building A. S. Fortuna Street Banilad, Mandaue City
248. Cebu - Park Mall	Alfresco 4, Units 39, 40 & 40a Parkmall, Mandaue City, Cebu
249. Cebu - Fuente Osmeña	G/F Cebu Women's Club Building, Fuente Osmena, Cebu City
250. Cebu - Asia Town IT Park	G/F, Calyx Center, W. Ginonzon Street corner Abad Street, Asia Town, IT Park, Cebu City
251. Cebu - Juan Luna	Stephen Jo Building, Juan Luna Cebu City
252. Cebu - Minglanilla	La Nueva - Minglanilla Center, Minglanilla, Cebu
253. Cebu - Talisay	Tabunok Highway, Talisay City, Cebu
254. Cebu - A.C. Cortes	Carlos Perez Building, A.C. Cortes Avenue, Ibabao, Mandaue City Cebu
255. Cebu - Basak Pardo	South Point Place Building, N. Bacalso Avenue, South Road, Basak Pardo, Cebu City
256. Cebu Magallanes - NM Tangere	CLC Building, 280 Magallanes St. near cor. Noli Me Tangere, Cebu City
257. Tacloban	141 Justice Romualdez St. Brgy. 15, Brgy. 15
258. Iloilo - Ledesma	Sta Cruz Arancillo Bldg., Ledesma corner Fuentes Sts.,Iloilo City
259. Bacolod	Lacson corner Luzuriaga Sts, Bacolod City
260. Iloilo - Iznart	G/F, B&C Square Bldg., Iznart St. cor. Solis St.,Iloilo City
261. Bacolod - Mandalagan	Lopue's Mandalagan Corp. Bldg., Brgy. Mandalagan,Bacolod City
262. Boracay	Alexandrea Building, Main Road, Bgy. Balabag, Boracay Island, Malay, Aklan
263. Dumaguete City	Don Joaquin T. Villegas Building, Colon Street Dumaguete City
264. Bacolod - Hilado	Hilado Street, Bacolod City
265. Iloilo - Jaro	Jaro Townsquare, Mandaue Foam Building, Quintin Salas, Jaro Iloilo City
266. Ormoc City	G/F, Don Felipe Hotel Building, Aviles Street, Ormoc City
267. Tagbilaran City	CPG Avenue, 2nd District, Tagbilaran City
268. Bacolod - Araneta	Unit 1AB Metrodome Building, Araneta corner Alunan Street, Singcang Barangay 39, Bacolod City
269. Roxas City	Corner Roxas Avenue and Osmeñas St. (formerly Pavia St.), Roxas City, Capiz
270. Kalibo	Roxas Avenue Extension, Buswang New, Kalibo, Aklan
271. Tacloban City - Marasbaras	2, Ground Floor, National Road, Brgy. 77 Marasbaras, Tacloban
272. Antique - San Jose	St. Nicholas Commercial Building, T.A. Fornier Street, San Jose, Antique
273. Davao - Lanang	Lot 6, Blk 5, Insular Village, Bo. Pampanga, Buhangin, Lanang, Davao City
274. Davao - Sta. Ana	Ground Floor, GH Depot Building, Governor Sales St., Sta. Ana, Davao City
275. Davao - Matina	Lot 16, Blk 3, McArthur Highway, Matina, Davao City
276. Davao - Toril	Saavedra Street, Toril, Davao City
277. Davao - Tagum	Gaisano Grand Arcade, Apokon Road, Lapu-Lapu Extension, Brgy. Visayan Village, Tagum City
278. Davao - C.M. Recto	P&E Building, Poblacion Brgy. 035 CM Recto Avenue, Davao City
279. Davao - Bajada	J.P. Laurel Avenue, corner Iñigo St., Davao City
280. Davao - J.P. Laurel	JP Laurel Avenue, Davao City
281. Davao - Panabo City	Quezon Street, Sto. Nino Panabo City, Davao del Norte
282. Davao - Mac Arthur Matina	BGP Commercial Complex II Bldg., McArthr Highway, Matina, Davao City
283. Davao - Buhangin	Km. 5 Buhangin Road, corner Gladiola Street, Buhangin, Davao City
284. Davao - Digos	Commercial Space-4, Davao RJ and Sons Realty & Trading Corporation Building, V. Sotto Street, Brgy. Zone-1, Digos City, Davao Del Sur
285. Davao - Agdao	Door 2 and 3, G/F Cabaguio Plaza Building, J.P. Cabaguio Avenue, Agdao, Davao City
286. Cagayan de Oro	No. 50 Juan Sia Building, Don Apolinar Velez St., Cagayan de Oro City

287. Zamboanga	N.S. Valderrosa St. corner Corcuerra Street, Zamboanga City
288. Cotabato	No. 31 Quezon Avenue, Cotabato City
289. Iligan	Ground Floor, Party Plaza Building, Quezon Avenue Extension, Rabago, Iligan City
290. General Santos	Ireneo Santiago Boulevard, General Santos City
291. Butuan	Ground Floor Deofevente Building, Lot No. 7,Governor J. Rosales Avenue, Brgy. Imadejas, Butuan City
292. Ozamiz	Ground Floor, Casa Esperanza, Don Anselmo Bernad Avenue, Ozamiz City
293. Koronadal City	G/F RCA Building, Gen. Santos Drive, Koronadal City, South Cotabato
294. Pagadian - FS Pajares Avenue	BMD Estate Bldg., F. Pajares cor. Sanson St., Pagadian City,Zamboanga del Sur
295. Cagayan de Oro City - Cogon	De Oro Construction Supply, Inc. Building Don Sergio Osmena Street corner Limketkai Drive CDO
296. Surigao City	G/F, EGC Building, Rizal Street Washington, Surigao City, Surigao del Norte
297. Zamboanga City - Canelar	Printex Building, M.D. Jaldon Street, Zamboanga City
298. Bukidnon - Valencia	Tamay Lang, Parklane, G. Laviña Ave., Poblacion, Valencia City, Bukidnon
299. Dipolog City	Laiz Bldg., Pioneer corner Magsaysay Avenue, General Santos City
300. General Santos City - Pioneer	G/F Felicidad II Bldg., Quezon Avenue, Miputak, Dipolog City

Branches of the subsidiaries are located in the following address:

Store Name	Address
1. Pasig Branch	360 Dr. Sixto Antonio Avenue, Brgy. Caniogan, Pasig City
2. Meycauayan Branch	#2605 Malhacan National Road, Brgy. Malhacan Meycauayan City Bulacan, 3020
3. Sta. Rosa Laguna Branch	Unit 5/41 Diamond St., Sta. Rosa Commercial Complex Brgy. Balibago, Sta. Rosa City, Laguna
4. Cainta Branch	Unit A Martensite Building, Felix Avenue Karangalan Village,Cainta Rizal, 1900
5. Lucena Branch	Ground Flr., BENCO Bldg., Enriquez Cor Juarez Sts., Lucena City, Quezon Province
6. Palawan Branch	Brgy.San Pedro, Puerto Princesa city, Palawan 5300
7. Legaspi Branch	Door 2&3, Bicol Wei Due Fraternity Bldg., Quezon Avenue, Oro Site, Legazpi City,
8. Naga Branch	Door 2, Romar 1 Bldg.,Elias Angeles St. Brgy. Dinaga, Naga City, Camarines Sur
9. Bacolod Branch	R.S Bldg., Cor. Hilado Ext., & 6th St., Capitol Shopping Center, Brgy.17, bacolod Negros Occidental
10. Iloilo Branch	1st Level Robinsons Place Mabini St., Roxas Village, Ilo-ilo City, 5000
11. Roxas Branch	Door 1& 2 Gaisano Arcade Bldg.,Arnaldo Blvd., Roxas City
12. Bogo Branch	M.H. Del Pilar St., Corber P. Rodriquez, Carbon, Bogo City, Cebu
13. Lapu-lapu Branch	M.L Quezon Nat'l.H-way Pusok,Lapu-Lapu City, 6501
14. Mandaue Branch	PSO 246/490 Dayzon Bldg., Lopez Jaena St., Subangdaku, Mandaue City, Cebu
15. Talisay Branch	Paul Sy Bldg., National Highway Tabunok,Talisay City, Cebu 6045
16. Tagbilaran Branch	EB Gallares Bldg. CPG Avenue, Tagbilaran City, 6300
17. Ramos Branch	V Yap Bldg F. Ramos St., Cebu City
18. Toledo Branch	Peñalosa St., Luray I, Toledo City Cebu, 6038
19. Maasin Branch	R. Kangleon Cor., Rafols Sts., Tunga-tunga, Maasin City, Southern Leyte,6600
20. Tacloban Branch	Insular Bldg.,Avenida-Veteranos Avenue, Tacloban City,Leyte
21. Baybay Branch	M.L. Quezon St., Corner De. Veloso St., Baybay Leyte
22. Ormoc Branch	Juan Luna St. Sabang Ormoc City
23. Calbayog Branch	Irigon Bldg., Pajarito St., Calbayog City, Western Samar, 6710
24. Cagayan de Oro Branch	Tiano-Cruz Taal St. Divisoria, Cagayan de Oro City, 9000
25. Gingoog Branch	Don Restituto, Baol St. Gingoog City, Misamis Oriental, 9014
26. Valencia Branch	JBT Bldg., Apolinario Mabini Corner, Magsaysay St., Valencia City, Bukidnon
27. Nabunturan Branch	Arabejo St., Poblacion Nabunturan,Compostella Valley
28. Tagum Branch	Quezon St.,Pioneer Avenue,Tagum City, 8100
29. Davao Branch	T. Monteverde St., Davao City, Davao del Sur
30. Mati Branch	Magricom Bldg., Limatoc St., Central, Mati, Davao Oriental, 8200
31. General Santos Branch	Door 23, Grace Commercial Bldg., J. Catolico Sr., Ave., General Santos City
32. Koronadal Branch	Almodia Bldg., Zulueta St., Public Market beside Javellana Bldg., Koronadal City
33. Pagadian Branch	Jamisola Corner Ariosa Sts.,Santiago Dist., Pagadian City
34. Butuan Branch	Montilla Boulevard, Butuan City, Agusan del Norte
35. Nasipit Branch	Roxas St.,Brgy. 4, Nasipit,Agusan Del Norte
36. Kitcharao Branch	Brgy. Songkoy, National Highway, Kitcharao, Agusan del Norte
37. Bayugan Branch	Libres St., Taglatawan Bayugan City, Agusan del Sur
38. San Francisco Branch	Quezon St.,Brgy.2 San Francisco, Agusan del Sur, 8501
39. Surigao Branch	San Nicolas Cor.,Diez St., Surigao City, Surigao del Norte

40. Tandag Branch	Napo Nat'l H-way Bag-ong Lungsod, Tandag, Surigao del Sur
41. Ampayon Branch	Brgy. Ampayon, Butuan City
42. Cabadbaran Branch	Garame St., Cabadbaran, Agusan del Norte
43. Dapa Branch	Brgy. 11, Mabini St., Dapa, Surigao del Norte 8417
44. Madrid Branch	Guillen St., Brgy. Quirino, Madrid, Surigao del Sur, 8317
45. Mangagoy Branch	Espiritu St., Brgy. Mangagoy, Bislig City,8311
46. Tagoloan Branch	National Highway, Poblacion Tagoloan, Misamis Oriental, 9001
47. Trento Branch	J. Luna St., Trento, Agusan del Sur

Status of Publicly-Announced New Product or Service

All publicly-announced new products or services of the Bank are in commercial distribution.

Competition

EastWest faces stiff competition in an industry characterized by the strong presence of three universal banks and niche players, including selected foreign banks. Some of these competitors may have greater financial and capital resources, larger market share, larger distribution network and stronger brand recall than the Bank. In recent years, the Philippine banking industry has seen its share of mergers and acquisitions in order to keep up with the competition and to a certain extent, encompassing liberalization of foreign ownership controls. Based on the BSP’s Directory of Banks and Non-Banks (updated as of March 7, 2014), there are 36 domestic and foreign universal and commercial banks operating in the Philippines.

Competition with other banks has and will continue to affect the cost of EastWest’s funding and its ability to increase its market share of loans and deposits. EastWest also faces increasing competition in its target growth areas such loans to as middle-market corporates, consumer loans, fixed-income distribution and cash management services.

Some of EastWest’s competitors are bigger domestic banks with more established operations and banking presence across the country. These banks benefit from economies of scale and a wider distribution network, although their size and maturity may cause them to be less able to adapt to major economic or regulatory changes. The liberalization of foreign participation in the Philippine banking industry has resulted in increased competition. Since liberalization, foreign banks have expanded from their traditional focus on Metro Manila and large-scale corporations to building their own networks to increase market share, primarily through acquisitions of small domestic savings banks. Foreign banks tend to benefit from the support of their parent companies or established regional operations but they are limited by local regulations to a maximum of six Philippines branches in order to protect the growth and participation of local banks.

Sources and Availability of Raw Materials and Names of Principal Suppliers

This is not relevant to the operations of the Bank.

Customer Concentration

The Bank has a diversified customer base and there is no concentration of business in major customer groups. As such, the Bank is not dependent upon a single customer or a few customers

Transactions with and/or Dependence on Related Parties

In the ordinary course of business, the Bank has loan transactions with some subsidiaries and with certain directors, officers, stockholders and related interests. Under the Bank’s policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks. Refer to Note 26 of the attached 2013 Audited Financial Statements of EastWest for the details of related party transactions.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held

In 1994, EW obtained a Certificate of Registration and bank license from the Philippine SEC to operate under the corporate name "East West Banking Corporation."

EW uses a variety of names and marks, including the name "East West Banking Corporation" and EW's logo, in connection with its business. EW is in the process of registering intellectual property rights in such names and marks.

On January 25, 2012, EW obtained a certification from the BSP on a US-based bank using a similar name. As certified by the BSP, the US based bank has not been issued a license to operate as a banking institution in the Philippines. The BSP also certified that EW is among the universal banks it supervises.

EW markets its products through the following brands and trade names:

1. No Credit Card Cares for a Woman Like Dolce Vita
2. Banking that Protects
3. Dolce Vita
4. Flexigives Installment Plan
5. Value Grocer and Device
6. Dolce Vita Charms
7. Limitless Rewards
8. Easy Cash
9. Easy Gives
10. Flexhibition
11. Members-Only Sale
12. Quick Bills
13. 1-2-Treat
14. Access Banking
15. ATM Access
16. BizCheque Plus
17. ChequeMax
18. ChequeMax Rewards
19. Condo Acquire
20. Cools Savers
21. Home Flex
22. Infinity Funds
23. Net Access
24. Payroll Assist
25. Phone Access

Need for Government Approval of Principal Products or Services

The Bank's principal products and services are offered to customers only upon receipt of the necessary regulatory approvals or clearances. The Bank strictly complies with the related regulatory requirements such as reserves, liquidity position, loan exposure limits, cap on foreign exchange holdings, provision for losses, anti-money laundering provisions and other reportorial requirements.

Effect of Existing or Probable Governmental Regulations on the Business

The Bank strictly complies with the Bangko Sentral ng Pilipinas (BSP) requirements in terms of capitalization reserves, liquidity position, limits on loan exposure, cap on foreign exchange holdings, provision for losses, anti-money laundering provisions and other reportorial requirements as well as other regulatory agencies such as the Securities and Exchange Commission, Philippine Stock Exchange, Philippine Deposit Insurance Corporation and the Bureau of Internal Revenues, among others.

Amount Spent on Research and Development Activities

The Bank's research and development activities are mainly driven market research and process improvements. EastWest's businesses are heavily dependent on the ability to timely and accurately collect and process a large amount of financial and other information across numerous and diverse markets and products at its various branches, at a time when transaction processes have become increasingly complex with increasing volume.

The amount spent on research and development activities (in million pesos) and its percentage to revenues for the last three years has been as follows:

Year	Amount	% of Revenue
2013	₱2.23	0.02%
2012	₱0.73	0.01%
2011	nil	na

Costs and Effects of Compliance with Environmental Laws

This is not relevant to the operations of the Bank.

Employees

As at December 31, 2013, EastWest had 4,305 full-time employees compared to 3,700 in 2012. The following table categorizes EastWest's full-time employees rank, as of December 31, 2013 and 2012:

Rank	2013	2012
Executives	165	157
Managers	1,670	1,384
Rank and File	2,470	2,159
Total	**4,305**	**3,700**

The Bank's subsidiary rural banks have a 449 officers/staff, bringing the combined manpower of 4,754.

EastWest anticipates it will have approximately 5,000 employees by the end of 2014. This anticipated significant increase in the number of employees is related to the Bank's planned branch expansion in 2014.

There is no existing collective bargaining agreement between EastWest and any of its employees, and EastWest's employees are not part of any labor union.

Financial Risk Management Objectives and Policies

Risk Management
To ensure that corporate goals and objectives and business and risk strategies are achieved, the Parent Company utilizes a risk management process that is applied throughout the organization in executing all business activities. Employees' functions and roles fall into one of the three categories where risk must be managed in the business units, operating units and governance units.

The Parent Company's activities are principally related to the use of financial instruments and are exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks. Forming part of a coherent risk management system are the risk concepts, control tools, analytical models, statistical methodologies, historical researches and market analysis, which are being employed by the Parent Company. These tools support the key risk process that involves identifying, measuring, controlling and monitoring risks.

Risk Management Structure

a. Board of Directors (the Board or BOD)
The Parent Company's risk culture is practiced and observed across the Group putting the prime responsibility on the BOD. It establishes the risk culture and the risk management organization and incorporates the risk process as an essential part of the strategic plan of the Group. The BOD approves the Parent Company's articulation of risk appetite which is used internally to help management understand the tolerance for risk in each of the major risk categories, its measurement and key controls available that influence the Parent Company's level of risk taking. All risk management policies and policy amendments, risk-taking limits such as but not limited to credit and trade transactions, market risk limits, counterparty limits, trader's limits and activities are based on the Parent Company's established approving authorities which are approved by the Parent Company's BOD. At a high level, the BOD also approves the Parent Company's framework for managing risk.

b. Executive Committee
This is a board level committee, which reviews the bank-wide credit strategy, profile and performance. It approves the credit risk-taking activities based on the Parent Company's established approving authorities and likewise reviews and endorses credit-granting activities, including the Internal Credit Risk Rating System. All credit proposals beyond the credit approving limit of the Loan and Investments Committee passes through this committee for final approval.

c. Asset-Liability Management Committee (ALCO)
ALCO, a management level committee, meets on a weekly basis and is responsible for the over-all management of the Parent Company's market, liquidity, and financial position related risks. It monitors the Parent Company's liquidity position and reviews the impact of strategic decisions on liquidity. It is responsible for managing liquidity risks and ensuring exposures remain within established tolerance levels. The ALCO's primary responsibilities include, among others, (a) ensuring that the Parent Company and each business unit holds sufficient liquid assets of appropriate quality and in appropriate currencies to meet short-term funding and regulatory requirements, (b) managing financial position and ensuring that business strategies are consistent with its liquidity, capital and funding strategies, (c) establishing asset and/or liability pricing policies that are consistent with the financial position objectives, (d) recommending market and liquidity risk limits to the Risk Management Committee and BOD and (e) approving the assumptions used in contingency and funding plans. It also reviews cash flow forecasts, stress testing scenarios and results, and implements liquidity limits and guidelines.

d. Risk Management Committee (RMC)
This board level committee oversees the effectiveness of the Parent Company's over-all risk management strategies, practices and policies. The RMC reviews and approves principles, policies, strategies, processes and control frameworks pertaining to risk management and recommends to the BOD, as necessary, changes in strategies and amendments in these policies. The RMC also evaluates the Parent Company's risk exposures and measures its impact on the Parent Company, evaluates the magnitude, direction and distribution of risks across the Parent Company and uses this as basis in the determination of risk tolerances that it subsequently recommends to the BOD for approval. It reports to the BOD the Parent Company's overall risk exposures and the effectiveness of its risk management practices and processes recommending further policy revisions as necessary.

e. Loan and Investments Committee
This committee is headed by the Chairman of the Parent Company whose primary responsibility is to oversee the Parent Company's credit risk-taking activities and overall adherence to the credit risk management framework, review business/credit risk strategies, quality and profitability of the Parent Company's credit portfolio and recommend changes to the credit evaluation process, credit risk acceptance criteria and the minimum and target return per credit or investment transaction. All credit risk-taking activities based on the Parent Company's established approving authorities are evaluated and approved by this committee. It establishes infrastructure by ensuring business units have the right systems and adequate and competent manpower support to effectively manage its credit risk.

f. Audit Committee (Audit Com)
The Audit Com assists the BOD in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Parent Company's process for monitoring compliance with laws and regulation and the code of conduct. It retains oversight responsibilities for operational risk, the integrity of the Parent Company's financial statements, compliance, legal risk and overall policies and practices relating to risk management. It is tasked to discuss with management the Parent Company's major risk exposures and ensures accountability on the part of management to monitor and control such exposures including the Parent Company's risk assessment and risk management policies. The Audit Com discusses with management and the independent auditor the major issues regarding accounting principles and financial statement presentation, including any significant changes in the Parent Company's selection or application of accounting principles; and major issues as to the adequacy of the Parent Company's internal controls; and the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Parent Company.

g. Corporate Governance and Compliance Committee (CGCC)
The CGCC is responsible for ensuring the BOD's effectiveness and due observance of corporate governance principles and guidelines. It reviews and assesses the adequacy of the CGCC's charter and Corporate Governance Manual and recommends changes as necessary. It oversees the implementation of the Parent Company's compliance program and ensures compliance issues are resolved expeditiously. It assists Board members in assessing whether the Parent Company is managing its compliance risk effectively and ensures regular review of the compliance program.

h. Risk Management Division (RMD)
RMD performs an independent risk governance function within the Parent Company. RMD is tasked with identifying, measuring, controlling and monitoring existing and emerging risks inherent in the Parent Company's overall portfolio (on- or off-balance sheet). RMD develops and employs risk assessment tools to facilitate risk identification, analysis and measurement. It is responsible for developing and implementing the framework for policies and practices to

assess and manage enterprise-wide market, credit, operational, and all other risks of the Parent Company.

It also develops and endorses risk tolerance limits for BOD approval, as endorsed by the RMC, and monitors compliance with approved risk tolerance limits. Finally, it regularly apprises the BOD, through the RMC, the results of its risk monitoring.

i. Internal Audit Division (IAD)
IAD provides an independent assessment of the Parent Company's management and effectiveness of existing internal control systems through adherence testing of processes and controls across the organization. The IAD audits risk management processes throughout the Parent Company annually or in a cycle depending on the latest audit rating. It employs a risk-based audit approach that examines both the adequacy of the procedures and the Parent Company's compliance with the procedures. It discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee which in turn, conducts the detailed discussion of the findings and recommendations during its regular meetings. IAD's activities are suitably designed to provide the BOD with reasonable assurance that significant financial and operating information is materially complete, reliable and accurate; internal resources are adequately protected; and employee performance is in compliance with the Parent Company's policies, standards, procedures and applicable laws and regulations.

j. Compliance Division
Compliance Division is responsible for reviewing any legal or regulatory matters that could have a significant impact on the Parent Company's financial statements, the Parent Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies. It reviews the effectiveness and adequacy of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) for any instances of noncompliance.

Credit Risk

Credit risk refers to the potential loss of earnings or capital arising from an obligor/s, customer/s or counterparty's failure to perform and/or to meet the terms of any contract with the Parent Company. Credit risks may last for the entire tenor and set at the full amount of a transaction and in some cases may exceed the original principal exposures. The risk may arise from lending, trade financing, trading, investments and other activities undertaken by the Parent Company. To identify and assess this risk, the Parent Company has a structured and standardized credit rating, and approval process according to the borrower or business and/or product segment. For large corporate credit transactions, the Parent Company has a comprehensive procedure for credit evaluation, risk assessment and well-defined concentration limits, which are established for each type of borrower. At the portfolio level, which may be on an overall or by product perspective, RMD manages the Parent Company's credit risk.

Credit concentration
Excessive concentration of lending plays a significant role in the weakening of asset quality. The Parent Company reduces this risk by diversifying its loan portfolio across various sectors and borrowers. The Parent Company believes that good diversification across economic sectors and geographic areas, among others, will enable it to ride through business cycles without causing undue harm to its asset quality.

RMD reviews the Parent Company's loan portfolio in line with the Parent Company's policy of not having significant concentrations of exposure to specific industries or group of borrowers.

Management of concentration of risk is by client/counterparty and by industry sector. For risk concentration monitoring purposes, the financial assets are broadly categorized into loans and receivables, loans and advances to banks, and investment securities. RMD ensures compliance with BSP's limit on exposure to any single person or group of connected persons by closely monitoring large exposures and top 20 borrowers for both single and group accounts.

Aside from ensuring compliance with BSP's limit on exposures to any single person or group of connected persons, it is the Parent Company's policy to keep the expected loss (determined based on the credit risk rating of the account) of large exposure accounts to, at most, one percent (1.50 %) of their aggregate outstanding balance. This is to maintain the quality of the Parent Company's large exposures. With this, accounts with better risk grades are given priority in terms of being granted a bigger share in the Parent Company's loan facilities.

Aligned with the Manual of Regulations for Banks definition, the Parent Company considers its loan portfolio concentrated if it has exposures of more than thirty percent (30.00%) to a particular industry.

Collateral and other credit enhancements
Collaterals are taken into consideration during the loan application process as they offer an alternative way of collecting from the client should a default occur. The percentage of loan value attached to the collateral offered is part of the Parent Company's lending guidelines. Such percentages take into account safety margins for foreign exchange rate exposure/fluctuations, interest rate exposure, and price volatility.
Collaterals are valued according to existing credit policy standards and, following the latest appraisal report, serve as the basis for the amount of the secured loan facility.

Premium security items are collaterals that have the effect of reducing the estimated credit risk for a facility. The primary consideration for enhancements falling under such category is the ease of converting them to cash.

The Parent Company is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. It is the Parent Company's policy to dispose foreclosed assets in an orderly fashion. The proceeds of the sale of the foreclosed assets, included under Investment Properties, are used to reduce or repay the outstanding claim. In general, the Parent Company does not occupy repossessed properties for business use.

As part of the Parent Company's risk control on security/collateral documentation, standard documents are made for each security type and deviation from the pro-forma documents are subject to Legal Services Division's approval prior to acceptance.

As for the computation of credit risk weights, collaterals of the back-to-back and Home Guaranty covered loans, and Philippine sovereign guarantees are the only credit risk mitigants considered as eligible.

<u>Internal Credit Risk Rating System</u>
The Parent Company employs a credit scoring system for all corporate borrowers to assess risks relating to the borrower and the loan exposure. Borrower risk is evaluated by considering (a) quantitative factors under financial condition and (b) qualitative factors, such as management quality and industry outlook.

Financial condition assessment focuses on profitability, liquidity, capital adequacy, sales growth, production efficiency and leverage. Management quality determination is based on the Parent Company's strategies, management competence and skills and management of banking relationship. On the other hand, industry prospect is evaluated based on its importance to the economy, growth, industry structure and relevant government policies. Based on these factors, each borrower is assigned a Borrower Risk Rating (BRR), an 11-scale scoring system that ranges from 1 to 10, including SBL. In addition to the BRR, the Parent Company assigns a Facility Risk Rating (FRR) to determine the risk of the prospective (or existing) exposure with respect to each credit facility that it applied for (or under which the exposure is accommodated). The FRR focuses on the quality and quantity of the collateral applicable to the underlying facility, independent of borrower quality. Consideration is given to the availability and amount of any collateral and the degree of control, which the lender has over the collateral. FRR applies both to balance sheet facilities and contingent liabilities. One FRR is determined for each individual facility taking into account the different security arrangements or risk influencing factors to allow a more precise presentation of risk. A borrower with multiple facilities will have one BRR and multiple FRRs. The combination of the BRR and the FRR results to the Adjusted Borrower Risk Rating (ABRR).

The credit rating for each borrower is reviewed annually. A more frequent review is warranted in cases where the borrower has a higher risk profile or when there are extraordinary or adverse developments affecting the borrower, the industry and/or the Philippine economy.

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.

External ratings

The Parent Company also uses external ratings, such as Standard & Poor's, Moody's, and Fitch, to evaluate its counterparties and in its assignment of credit risk weights to its banking book exposures. Transactions falling under this category are normally of the following nature: placements with other banks, money market lending, debt security investments, and to some extent, equity security investments.

Borrowers with unquestionable repaying capacity and to whom the Parent Company is prepared to lend on an unsecured basis, either partially or totally, are generally rated as High Grade borrowers. Included in the High Grade category are those accounts that fall under 'Excellent', 'Strong', 'Good' and 'Satisfactory' categories under ICRRS (with rating of 1-4).

Standard rated borrowers normally require tangible collateral, such as real estate mortgage (REM), to either fully or partially secure the credit facilities as such accounts indicate a relatively higher credit risk than those considered as High Grade. Included in Standard Grade category are those accounts that fall under 'Acceptable', 'Watchlist' and 'Special mention' categories under ICRRS (with rating of 5-7).

Substandard Grade accounts pertain to corporate accounts falling under the 'Substandard,' 'Doubtful' and 'Loss' categories under ICRRS (with rating of 8-10) and unsecured revolving credit facilities.

Those accounts that are classified as unrated includes consumer loans, unquoted debt securities, accounts receivable, accrued interest receivable and sales contract receivable for which the Parent Company has not yet established a credit rating system.

Impairment Assessment

On a regular basis, the Parent Company conducts an impairment assessment exercise to determine expected losses on its loans portfolio.

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or if there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Parent Company addresses impairment assessment in two areas: specific or individually assessed allowances and collectively assessed allowances.

a. Specific Impairment Testing
Specific impairment testing is the process whereby classified accounts are individually significant subject to impairment testing. Classified accounts are past due accounts and accounts whose credit standing and/or collateral has weakened due to varying circumstances. This present status of the account may adversely affect the collection of both principal and interest payments.

Indicators of impairment testing are past due accounts, decline in credit rating from independent rating agencies and recurring net losses.

The net recoverable amount is computed using the present value approach. The discount rate used for loans with fixed and floating interest rate is the original effective interest rate and last repriced interest rate, respectively. Net recoverable amount is the total cash inflows to be collected over the entire term of the loan or the expected proceeds from the sale of collateral. Specific impairment testing parameters include the account information (original and outstanding loan amount), interest rate (nominal and historical effective) and the business plan. Also included are the expected date of recovery, expected cash flows, probability of collection, and the carrying value of loan and net recoverable amount.

The Parent Company conducts specific impairment testing on significant classified and restructured corporate accounts.

b. Collective Impairment Testing
All other accounts which were not individually assessed are grouped based on similar credit characteristics and are collectively assessed for impairment under the Collective Impairment Testing. This is also in accordance with PAS 39, which provides that all loan accounts not included in the specific impairment test shall be subjected to collective testing.

Collective impairment testing of corporate accounts
Corporate accounts, which are unclassified and with current status are grouped in accordance with the Parent Company's internal credit risk rating. Each internal credit risk rating would fetch an equivalent loss impairment where the estimated loss is determined in consideration of the Parent Company's historical loss experience. Impairment loss is derived by multiplying the outstanding loan balance on a per internal credit risk rating basis against a factor rate. The factor rate, which estimates the expected loss from the credit exposure, is the product of the Default Rate (DR) and the Loss Given Default Rate (LGDR). DR is estimated based on the 3-year historical average default experience by internal credit risk rating of the Parent Company, while, LGDR is estimated based on loss experience (net of recoveries from collateral) for the same reference period.

Collective impairment testing of consumer accounts
Consumer accounts, both in current and past due status are collectively tested for impairment as required under PAS 39. Accounts are grouped by type of product - personal loans, salary loans, housing loans, auto loans and credit cards.

The estimation of the impaired consumer products' estimated loss is based on three major concepts: age buckets, probability of default and recoverability. Per product, exposures are categorized according to their state of delinquency - (1) current and (2) past due (which is subdivided into 30, 60, 90, 120, 150, 180 and more than 180 days past due). Auto, housing and salary loans have an additional bucket for its items in litigation accounts. The Parent Company partitions its exposures as it recognizes that the age buckets have different rates and/ or probabilities of default. The initial estimates of losses per product due to default are then adjusted based on the recoverability of cash flows, to calculate the expected loss of the Parent Company. Auto and housing loans consider the proceeds from the eventual sale of foreclosed collaterals in approximating its recovery rate; while credit cards, salary loans and personal loans depend on the collection experience of its receivables. Further for housing loans, due to the nature of the assets offered as security, and as the exposures are limited to a certain percentage of the same, this product possess the unique quality of obtaining full recoverability. These default and recovery rates are based on the Parent Company's historical experience, which covers a minimum of two to three (2-3) years cycle, depending on the availability and relevance of data.

Liquidity Risk

Liquidity risk is the risk that sufficient funds are unavailable to adequately meet all maturing liabilities, including demand deposits and off-balance sheet commitments. The main responsibility of daily asset liability management lies with the Treasury Group, specifically the Liquidity Desk, which is tasked to manage the Parent Company's balance sheet and have a thorough understanding of the risk elements involved in the business. The Parent Company's liquidity risk management is then monitored through ALCO. Resulting analysis of the balance sheet along with the recommendation is presented during the weekly ALCO meeting where deliberations, formulation of actions and decisions are made to minimize risk and maximize Parent Company returns. Discussions include actions taken in the previous ALCO meeting, economic and market status and outlook, liquidity risk, pricing and interest rate structure, limit status and utilization. To ensure that the Parent Company has sufficient liquidity at all times, the ALCO formulates a contingency funding plan which sets out the amount and the sources of funds (such as unutilized credit facilities) available to the Parent Company and the circumstances under which such funds will be used.

By way of the Maximum Cumulative Outflow (MCO) limit, the Parent Company is able to manage its short-term liquidity risks by placing a cap on the outflow of cash on a per tenor and on a cumulative basis. The Parent Company takes a multi-tiered approach to maintaining liquid assets. The Parent Company's principal source of liquidity is comprised of COCI, Due from BSP, Due from other banks and IBLR with maturities of less than one year. In addition to regulatory reserves, the Parent Company maintains a sufficient level of secondary reserves in the form of liquid assets such as short-term trading and investment securities that can be realized quickly.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Parent Company treats exposures to market risk as either trading portfolio or balance sheet exposure. The market risk for the trading portfolio is managed and monitored based on a VaR methodology which reflects the interdependency between risk variables. Balance sheet exposures are managed and monitored using sensitivity analyses.

Market risk in the trading books
The Board has set limits on the level of risk that may be accepted. Price risk limits are applied at the business unit level and approved by the BOD based on, among other things, a business unit's capacity to manage price risks, the size and distribution of the aggregate exposure to price risks and the expected return relative to price risks.

The Parent Company applies VaR methodology to assess the market sensitive positions held and to estimate the potential economic loss based on a number of parameters and assumptions on market conditions. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

Objectives and limitations of the VaR Methodology
The Parent Company uses the parametric VaR model, using one-year historical Bloomberg data set to assess possible changes in the market value of the trading portfolio. The VaR model is designed to measure market risk in a normal market environment. The model assumes that any change occurring in the risk factors affecting the normal market environment will create outcomes that follow a normal distribution. The use of VaR has limitations because correlations and volatilities in market prices are based on historical data and VaR assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption.

VaR may also be under or over estimated due to assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolio at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

In practice, actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR model, actual outcomes are monitored through actual backtesting to test the accuracy of the VaR model.

Stress testing provides a means of complementing VaR by simulating the potential loss impact on market risk positions from extreme market conditions, such as 500 bps increase in Philippine peso interest rates and 300 bps increase in US dollar interest rates (based on the uniform stress testing framework of BSP).

VaR assumptions
The VaR that the Parent Company measures is an estimate, using a confidence level of 99.00% of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for 5 days. The use of a 99.00% confidence level means that within a five-day horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

VaR is an integral part of the Parent Company's market risk management and encompasses investment positions held for trading. VaR exposures form part of the market risk monitoring which is reviewed daily against the limit approved by the Board. If the Market Risk Limit is exceeded, such occurrence is promptly reported to the Treasurer, Chief Risk Officer and the President, and further to the Board through the RMC.

Foreign Currency Risk

The Parent Company holds foreign currency denominated assets and liabilities, thus, fluctuations on the foreign exchange rates can affect the financial and cash flows of the Parent Company. Managing the foreign exchange exposure is important for banks with exposures in foreign currencies. It includes managing foreign currency positions in order to control the impact of changes in exchange rates on the financial position of the Parent Company.

As noted above, the Parent Company likewise applies the VaR methodology in estimating the potential loss of the Parent Company due to foreign currency fluctuations. The Parent Company uses a 99.00% confidence level with one-day horizon in estimating the foreign exchange (FX) VaR. The use of a 99.00% confidence level means that within a one-day horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

The Parent Company's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. In 2013 and 2012, the Parent Company's profile of foreign currency exposure on its assets and liabilities is within limits for financial institutions engaged in the type of businesses in which the Parent Company is engaged.

Some of the Parent Company's transactions exposed to foreign currency fluctuations include spots and forwards contracts, investments in bonds and due from other banks. The FX position emanates from both the RBU and FCDU books. In the FCDU books, BSP requires banks to match the foreign currency assets with the foreign currency liabilities. Thus, banks are required to maintain at all times a 100.00% cover for their currency liabilities held through FCDU. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDU.

Total foreign exchange currency position is monitored through the daily BSP FX position reports, which are subject to the overbought and oversold limits set by the BSP at 20.00% of unimpaired capital or USD50.00 million, whichever is lower. Internal limits regarding the intraday trading and end-of-day trading positions in FX, which take into account the trading desk and the branch FX transactions, are also monitored.

Market Risk in the Non-Trading Books

Interest rate risk
A critical element of risk management program consists of measuring and monitoring the risks associated with fluctuations in market interest rates on the Group's net interest income. The short-term nature of its assets and liabilities reduces the exposure of its net interest income to such risks.

The Parent Company employs 'Gap Analysis' on a monthly basis to measure the interest rate sensitivity of its assets and liabilities. The asset/liability gap analysis measures, for any given period, any mismatches between the amounts of interest-earning assets and interest-bearing liabilities that would re-price, or mature (for contracts that do not re-price), during that period. Non-maturing deposits are treated as non repricing liabilities by the Parent Company. The re-pricing gap is calculated by first distributing the assets and liabilities contained in the Group's statement of financial position into tenor buckets according to the time remaining to the next re-pricing date (or the time remaining to maturity if there is no re-pricing), and then obtaining the difference between the total of the re-pricing (interest rate sensitive) assets and re-pricing (interest rate sensitive) liabilities. If there is a positive gap, there is asset sensitivity which generally means that an increase in interest rates would have a positive effect on the Group's net interest income. If there is a negative gap, this generally means that an increase in interest rates would have a negative effect on net interest income.

The 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.

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.

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.

Item 2. Properties

EastWest's head office is located at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City, Philippines.

The list of branch premises owned and leased, including the name of lessors, is filed as part of this Form 17-A as Annex A.

The Bank believes all its facilities and properties are currently in good condition. As of date of this report, there are no liens or encumbrances on any of the properties of EastWest. The Bank may consider encumbering some of its properties as part of its normal supplementary funding operations. The Bank will continue to reconfigure the mix of its branches and adjusts to the needs of its customers.

For the years ended December 31, 2013 and 2012, the total rentals of the Group charged to operations amounted to ₱542.47 8 million and ₱410.18 million, respectively.

Item 3. Legal Proceedings

For the past five (5) years, the Bank, its affiliates, subsidiaries, directors and officers, have not been involved in any legal proceedings that would affect their ability, competence or integrity, and/or involving a material or substantial portion of their property before any court of law or administrative body in the Philippines or elsewhere, save in the usual routine cases of the Bank arising from the ordinary conduct of its business.

All legal proceedings involving the Bank are efficiently and competently attended to and managed by a group of eight (8) in-house lawyers who are graduates of reputable law schools in the country. As its external counsels, the Bank retains the services of respected law firms, including Sobreviñas Hayudini Navarro and San Juan Law Offices; Sycip Salazar Hernandez & Gatmaitan Law Office; Jimenez Gonzales Liwanag Bello Valdez Caluya & Fernandez ; and Quitain Law Office.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted during the fourth quarter of 2013 to a vote of security holders, through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Information

The common shares of EW have been listed on the PSE on May 7, 2012. The table below shows the high and low prices of EW shares transacted at the PSE since its listing:

Year Ended December 31, 2012	High	Low
2nd Quarter – 2012	₱20.70	₱18.50
3rd Quarter – 2012	₱23.50	₱18.50
4th Quarter – 2012	₱29.25	₱22.55

Year Ended December 31, 2013	High	Low
1st Quarter – 2013	₱36.20	₱29.00
2nd Quarter – 2013	₱37.85	₱27.50
3rd Quarter – 2013	₱30.70	₱22.80
4th Quarter – 2013	₱26.95	₱23.20

High and Low price of the Registrant's shares as of April 2, 2014 (last practicable trading day) were ₱ 28.75 and ₱28.60, respectively.

Holders

The Bank had 67 shareholders of record as of February 28, 2014. Common shares outstanding as of said date stood at 1,128,409,610 shares.

EastWest top 20 shareholders as of February 28, 2014 are as follows:

Name of Stockholder	Number of Shares	Percent
1. Filinvest Development Corporation	451,354,890	40.00%
2. Filinvest Development Corporation Forex	394,941,030	35.00%
3. PCD Nominee Corporation (Non-Filipino)	170,696,471	15.13%
4. PCD Nominee Corporation (Filipino)	107,153,009	09.50%
5. F. Yap Securities, Inc. – AT	1,306,400	00.12%
6. F. Yap Securities, Inc. – AP	725,700	00.06%
7. F. Yap Securities, Inc. – PH	459,500	00.04%
8. Philippine Air Force Educational Fund, Inc.	390,000	00.03%
9. Washington Sycip	322,000	00.03%
10. Gerardo Susmerano	320,000	00.03%
11. Alfonso S. the	200,000	00.02%
12. Vicente M. De Vera	100,000	00.01%
13. Ivy B. Uy	75,000	00.01%
14. Ching Bun Teng	64,000	00.01%
15. William Go Kim Huy	50,000	00.01%
16. Quirino Cheong Gotauco	46,000	00.00%
17. Edwin U. Lim	40,500	00.00%
18. Dennis Granada Baguyo	30,000	00.00%
19. Ponciano V. Cruz, Jr.	20,000	00.00%
20. Pioneer Insurance & Surety Corporation	18,000	00.00%
TOTAL	**1,128,312,500**	**99.99%**

Based on the Public Ownership Report of the Bank as of December 31, 2013, 24.06% of the total outstanding shares are owned by the public.

Equity Ownership of Foreigners on Common Shares as of February 28, 2014 is as follows:

Nationality	Number of Stockholders	Number of Shares	%
American	1	322,000	00.03%
Filipino	65	957,391,139	84.84%
Non-Filipino	1	170,696,471	15.13%
Total	**67**	**1,128,409,610**	**100.00%**

Declaration of Dividends

The following cash dividends were paid by the Bank in 2012 and 2011:

2012						
Class	Date of declaration	Date of record	Date of BSP approval	Date of payment	Per share	Total amount
Preferred	November 24, 2011	November 24, 2011	January 10, 2012	January 18, 2012	₱0.225	₱67,500,000
Common	December 15, 2011	November 30, 2011	January 30, 2012	February 10, 2012	2.582	1,000,000,000
						₱1,067,500,000

2011						
Class	Date of declaration	Date of record	Date of BSP approval	Date of payment	Per share	Total amount
Preferred	August 27, 2010	August 27, 2010	February 14, 2011	February 16, 2011	₱0.225	₱67,500,000
Preferred	November 25, 2010	November 25, 2010	February 14, 2011	February 16, 2011	0.225	67,500,000
Preferred	February 24, 2011	February 24, 2011	April 27, 2011	May 2, 2011	0.225	67,500,000
Preferred	May 26, 2011	May 26, 2011	July 22, 2011	July 25, 2011	0.225	67,500,000
Preferred	August 25, 2011	August 25, 2011	October 3, 2011	October 4, 2011	0.225	67,500,000
						₱337,500,000

For the years ended December 31, 2013 and 2012, no cash dividends were declared.

The foregoing cash dividend declarations of the Bank were approved by the BSP.

There were no recent sales of unregistered or exempt securities, including issuance of securities constituting an exempt transaction.

Item 6. Management's Discussion and Analysis or Plan of Operation.

Economy

The country’s Gross Domestic Product (GDP) grew by 6.5% in the fourth quarter of 2013 driven by the Services sector, particularly, Trade and Real Estate, Renting & Business Activities, and by the accelerated performance of Manufacturing, paving the way for the annual GDP to post a year-on-year (y/y) growth of 7.2%.

Average inflation rate in 2013 was at 3.0%, at the low end of government’s inflation target of 3-5%. The y/y headline inflation went up to 4.1% in Q4 2013 from 3.0% in the same period last year as a result of the series of natural disasters that hit the country in the last quarter of 2013. The BSP continues to be prudent in monitoring demand and price developments to ensure that monetary policy tools address their mandate of price stability.

Economic outlook continue to remain bullish for the Philippines. The Philippine Stock Exchange Index (PSEi) posted a series of new highs reaching an all-time high of 7,392.2 Index points in May of 2013 before retreating to post a modest gain of 77 points in 2013, or a 1.3% gain from 2012 close. The PSE also posted several milestones in 2013. These include the listing of the first ever exchange traded fund, the launch of new PSE futures in Singapore, and the introduction of a list of Shari'ah-compliant companies for Muslim investors.

In 2013, the Philippines secured investment grade credit ratings with stable outlook from all three (3) major credit rating agencies citing robust economic performance, ongoing fiscal and debt consolidation, political stability and improved governance as the catalysts for the ratings upgrade.

<u>December 31, 2013 vs. December 31, 2012</u>

Financial Performance Highlights

The Bank's net income increased by 13% to ₱2.06 billion from ₱1.82 billion in the same period last year, which resulted to a Return on Equity (ROE) and Return on Assets (ROA) of 11.1% and 1.6%, respectively.

Total assets stood at ₱142.30 billion or 17% higher than end-2012. The growth in assets was driven mainly by the growth in customer loans which grew by 32% y/y, in line with the Bank's expectation and strategy of growing consumer and middle market corporate loans. Consumer loans grew by 29% to 0
₱48.94 billion led by credit cards, salary loans (to public school teachers c/o the rural bank) and auto loans. Corporate loans, which are mostly in the middle market sector, grew by 35% to ₱46.70 billion. The loan portfolio mix was relatively unchanged with consumer loans still accounted for about half of the loan portfolio at 51%.

Operating expenses, excluding provision for losses, increased by 24% to ₱7.79 billion from ₱6.26 billion in the same period last year, mainly due to the full year effect in expenses of the 123 branch stores opened in various periods of 2012 and the 55 new branch stores which opened in 2013. Provision for losses increased by 103% to ₱3.1 billion y/y as a result of the growth in the Bank's customer loan portfolio. The Bank's operating income posted a growth of 35% to ₱13.16 billion from ₱9.78 billion in the same period last year. Solid growth in core earnings was anchored on the bank's industry leading net interest margin (NIM) of 8.4%. Other operating income posted 29% growth, mainly driven by the 36% growth in recurring transactional service fees, 25% growth in securities trading gains, and 49% growth in miscellaneous income on account of the sale of written-off credit cards receivables in the first half of 2013.

Financial Position

<u>Loans</u>

Customer loans grew by 32% as against year-end 2012 and stood at ₱95.64 billion. The Bank remains focused in growing its consumer and mid-market corporate loans, with consumer loans still taking up about half of total customer loans at 51%.

Corporate loans, which are largely in the middle market sector, stood at ₱46.70 billion or 35% better than 2012. The growth resulted mainly from the expansion of its account officer pool, as the Bank continues to maintain its prudent credit risk underwriting and management standards.

Credit cards receivables ended 2013 at ₱19.37 billion, which is 21% higher than the same period last year. The credit cards growth was in line with the Bank's strategy to increase market share. Based on the Credit Cards Association of the Philippines (CCAP), EW's 21% growth was more than 3-times that of the cards industry's single digit growth rate, solidifying its position as the 5th largest in the industry in terms of receivables.

Auto loans stood at ₱14.46 billion or 27% higher than last year, which is higher than the 16% recorded car industry sales for the year. Mortgage loans grew by 16% to ₱7.57 billion, while other consumer loans increased by 95% to ₱7.55 billion. The growth in other consumer loans were largely attributable to: (1) Growth in rural bank subsidiaries salary loans (to public school teachers) which increased by 119% to ₱5.38 billion; and (2) The parent bank's personal loans which increased by 58% to ₱1.98 billion.

Deposits

Deposits stood at ₱111.18 billion as of December 31, 2013, up by 22% from last year. The growth is largely attributable to the expanded branch store network as reflected in the growth of low cost deposits (CASA) which ended at ₱64.43 billion for an increase of 28% from last year. High cost deposits (inclusive of LTNCDs) on the other hand increased by 14% to end at ₱46.74 billion. As a result, low cost (CASA) to total deposits ratio improved further to 58%, up from 55% the previous year.

The strong growth in high yielding consumer loans and low cost funds (CASA) resulted to another record Net Interest Margin (NIM) of 8.4% as of December 31, 2013, while industry average NIM went down to 3.0%.

Capital

The Bank's Capital Adequacy Ratio (CAR) under Basel 2, remain more than adequate at 17.0% as of end 2013 despite the increase in risk weighted assets, particularly customer loans which increased by 32.9%. The Bank's Tier 1 ratio stood at 13.8%. The Bank's Tier 1 capital is composed entirely of common equity.

The Bank's capital ratios are still above regulatory limits even under the implementation of Basel 3 regulations in January 2014. Nonetheless, the Bank obtained Board of Director's approval to issue, in one or more tranches, up to ₱10.0 billion of Basel 3 eligible securities in the form of Additional Tier 1 (AT1) and/or Tier 2 capital, subject to regulatory approvals. The additional qualifying capital, which are non-dilutive to common shareholders, will be used to cover the existing Tier 2 amounting to ₱2.75 billion which is not Basel 3 eligible, additional deductions under Basel 3 (e.g. Intangible assets) and to pre-fund the Bank's anticipated growth in earning assets.

Credit Quality

The Bank's overall NPL ratios increased as the Bank continue to gain market share in the credit cards space where it has improved its ranking in terms of accounts receivable to 5th place from 6th place in the same period last year. The Bank's NPL to Total Customer Loans, net of fully provided NPLs, inched up higher to 4.1%[1] in December 31, 2013 from 3.5%[1] as of December 31, 2012. The increase in NPL was expected in line with the build-up of revenue base for the credit cards business. The Bank's net NPL ratio at solo level and as per BSP reporting remains unchanged at 2.6%[2] in December 2013.

[1] *Total NPLs less: 100% covered NPLs divided by Total Customer Loans less: 100% covered NPLs (at Group level)*
[2] *NPL ratio disclosed to the BSP (at Parent level)*

Result of Operations

Revenues

Net Revenues for 2013 grew by 35% to ₱13.16 billion from ₱9.78 billion in 2012 on account of strong core earning income (net interest income and other income, excluding trading gains) which grew by 38%. Securities trading gains was at ₱1.58 billion, or 25% higher as compared to ₱1.26 billion gains posted in 2012, as the Bank took advantage of market opportunities in the first few months of the year and took a conservative position in the 2nd half of the year at the back of volatile market conditions. Foreign exchange trading gains was 46% lower at ₱121.2 million compared to the ₱223.2 million gains posted last year.

Net Interest Income

Net Interest Income stood at ₱.39 billion, 38% or ₱2.30 billion higher than the ₱6.09 billion registered in 2012. The higher net interest income was a result of the double digit growth in lending coupled by the decline in funding costs due to healthy growth in low cost funds (CASA). Interest income in 2013 increased by 26%, while interest expense declined by 15%, compared to last year, resulting for NIMs to further improving to 8.4%.

Fee Income

Other income (excluding Trading gains) in 2013 was at ₱3.07 billion, or 39% higher than the ₱2.21 billion registered last year. The increase primarily came from ₱2.53 billion of service charges, fees, commissions and other charges, which is 36% higher than last year on account of increasing CASA base and consumer loan portfolio which are rich in transactional service fees.

The Bank also posted one-time income from gains on sale assets and written-off credit cards receivables in 2013, which resulted for miscellaneous income to go up by 49%.

Trading Income

Securities trading gains was at ₱1.58 billion, or 25% higher as compared to ₱1.26 billion gains posted in 2012, as the Bank took advantage of market opportunities in the first four (4) months of 2013 and realized a significant portion of its trading position. After which, it took a conservative position until end of 2013 on account of market volatility. Foreign exchange trading gains went down to ₱121.2 million compared to the ₱223.2 million gains posted last year.

Operating Costs

Total operating expenses increased by 24% to ₱7.79 billion from ₱6.26 billion in the same period last year as the full effect of the branch store expansion in 2012 and the branch stores opened in 2013 have reflected on expenses. Compensation and fringe benefits of ₱2.72 billion was ₱732.3 million or 37% higher than the same period last year on account of the higher manpower headcount for the new branch stores and business expansion particularly in the areas of consumer and corporate lending groups. Total headcount have increased by 521 year on year, to end at 4,754 for both the parent Bank and its rural banks. Taxes and licenses increased by 20% to ₱865.3 million as a direct result of higher operating income. Depreciation and amortization of ₱717.7 million was 28% higher while Rent expense of ₱542.5 million was 32% higher both on account of the new branch stores that were opened throughout 2012 and 2013.

Miscellaneous expenses increased by 14% to ₱2.95 billion due to the following: (1) Advertising expenses went down by ₱24.98 million due to higher branding related spends in 2012 and lower advertising/publicity spends on billboards and promo give-away items for 2013; (2) Service charges and commissions increased by ₱121.93 million on account of expansion in consumer loans, especially in credit cards application processing; (3) Postage related expenses increased by ₱125.89 million on account of higher courier services on credit cards and SOA delivery as a result of larger client base; (4) Securities, messengerial and janitorial expenses, as well as utilities cost increased by ₱90.67 million on account of new corporate head quarters and branch stores. The rest were spread out across various variable expenses such as PDIC insurance (i.e. o/a of higher deposit level), repairs & maintenance, transportation & travel, among others which are all related to growth in loans and deposit businesses.

Cost-to-Income ratio declined to 59.2% in 2013 from 64.0% last year due to steady growth in core earnings and trading gains realized at the earlier part of the year, which partially offset the increased expenses related to the branch store expansion.

Provisions

Provisions for loan losses grew by over two-times to ₱3.10 billion in 2013 from ₱1.53 billion in 2012, on account of the growth in consumer loans, particularly credit cards.

Summary of Key Financials and Ratios

Balance Sheet (in PHP billions)	December 31, 2013	December 31, 2012	y/y Growth %
Assets	142.30	121.40	17%
Consumer Loans	48.94	37.83	29%
Corporate Loans	46.70	34.55	35%
Low Cost Deposits (CASA)	64.43	50.37	28%
High Cost Deposits	46.74	40.84	14%
Capital	19.39	17.32	12%

Profitability (in PHP billions)	December 31, 2013	December 31, 2012	y/y Growth %
Net Interest Income	8.39	6.09	38%
Other Income	4.77	3.70	29%
Operating Expenses	7.79	6.26	24%
Provision for Losses	3.10	1.53	103%
Net Income After Tax	2.05	1.82	13%

Key Financial Ratios	December 31, 2013	December 31, 2012	Variance b/(w)
Return on Equity	11.1%	11.9%	(0.8%)
Return on Assets	1.6%	1.9%	(0.3%)
Net Interest Margin[1]	8.4%	7.0%	1.4%
Cost-to-Income Ratio	59.2%	64.0%	4.8%
Capital Adequacy Ratio	17.0%	17.4%	(0.4%)

(1) Starting April 2012, the BSP stopped paying interest on reserves on customer deposits of banks. The December 2013 computation considered the Bank's deposit with the BSP as non-earning. In 2012, it is considered part of earning assets. NIM in December 2012 would have been 8.0% if this was to be calculated on same basis as that of December 2013.

Other Information:

As of December 31, 2013, EW Bank has a total of 300 branches, with 140 of these branch stores in the restricted areas and a total of 174 of these branch stores in all of Metro Manila. For the rest of the country, the Bank has 64 branches in other parts of Luzon, 34 branches in Visayas, and 28 branch stores in Mindanao. The total ATM network is 427, composed of 292 onsite ATMs and 135 off-site ATMs. Total headcount of EW Bank is 4,305.

The Bank's subsidiary rural banks have a total of 47 branches, 45 ATMs and 449 officers/staff, bringing the group store network total to 347 with 472 ATMs and combined manpower of 4,754.

December 31, 2012 vs. December 31, 2011

Financial Performance Highlights

The Bank posted a net income after tax of ₱1.82 billion as of December 31, 2012, or a 5% increase from December 31, 2011. This was in line with the Bank's expectation of posting a modest increase in net income on the back of its expansion program. 2012 marks the phase of the Bank's expansion program, in which it has generated ₱4.8 billion in new capital, obtained a significant number of branch licenses in the restricted and non-restricted areas, and completed its re-branding efforts. As a result, the Bank has spent a significant amount on infrastructure and people leading to this expansion program, not to mention the carry cost attached to the branch licenses in the restricted areas which cost ₱20 million each.

Net revenues grew by 34% as trading income grew by 153% from 2011 levels and core earning income (net interest income and other income) grew by 24% y/y. Correspondingly, operating expenses, excluding provisions for impairment and credit losses, grew by 40% y/y as a result of the Bank's expansion program. The Bank achieved its full year target of number of branches, in which it has doubled its branch network to 245 as of December 31, 2012 from 122 in the same period last year. Likewise, the Bank's headcount increased by 33%, to end 2012 with 3,700 employees from 2,789 in the same period last year. Provisions for loan losses more than doubled to P1.53 billion in 2012 from P0.73 billion in the same period last year, largely due to increase in loans which grew by 48% YoY.

Financial Position

Assets

Total Assets stood at ₱121.40 billion as of December 31, 2012, or 26% higher vs. December 31, 2011. The growth in assets is largely attributable to the growth in the Bank's lending portfolio as the Bank begins to leverage the additional capital obtained during its IPO. Total loans stood at ₱71.19 billion or 48% higher than December 31, 2011. Consumer loans take up more than half at 52% of total loans. Loans across all major products have posted double digit growth.

Loans

Customer loans grew by 46% as against year-end 2011 and stood at ₱72.38 billion. The Bank remains focused in growing its consumer and mid-market corporate loans. Consumer loans grew by 40% from end 2011, at the back of consistent growth in the parent bank's credit cards and auto loans portfolio, as well as salary loans (to public school teachers thru the rural bank). Large corporate and middle market loans grew 54% from end 2011. Similar to prior periods, consumer loans still take up more than half of the portfolio at 52%.

Deposits

Deposits stood at ₱91.21 billion, up by 19% from year-end 2011, mainly due to increase in low cost funds (or CASA) as a result of the branch store expansion. High cost funds decreased by 6% during the year. Most of the high cost funds found its way in our Trust Business which is largely placed in SDA. Likewise, the ₱1.6 billion LTNCD of the Bank matured in August 2012 but was replaced with a new issuance amounting to ₱1.5 billion for the first tranche. CASA grew by 51% from same period last year. As a result, the proportion of CASA to total deposits increased to 55% from 43% in the same period last year.

The strong growth in both lending and low cost funds, and the reduction in high cost deposits resulted for the Bank to maintain its above industry NIM of 7.0% as of year-end 2012.

Capital

The Bank's Capital Adequacy Ratio (CAR) remain more than adequate at 17.4% as of December 31, 2012 despite the increase in risk weighted assets, particularly customer loans which increased by 46.4% from last year. The Bank's Tier 1 ratio stood at 14.0%. The Bank's Tier 1 capital is composed entirely of common equity.

Credit Quality

The Bank's NPL ratio per BSP reports declined to 2.08%[1] in December 2012 from 4.08%[1] in December 2011. The decline in NPL is largely due to the change in BSP regulations, in which total specific allowances are now a deductible from NPL in computing for NPL ratio, as compared to prior periods wherein only the NPLs classified as loss by the BSP are considered as deductions in computing for its NPL. The Bank's NPL to Total Customer Loans, net of fully provided NPLs, is at 3.5%[2]. The Bank's NPL ratio is considered higher than industry average due to two reasons: (1) More than half of the Bank's portfolio is in the consumer segment which has a much higher yield but also attracts a higher credit cost; and (2) The Bank has not fully written-off all its charged-off NPLs to optimize its tax position.

[1] *NPL ratio disclosed to the BSP (at Parent level)*
[2] *Total NPLs less: 100% covered NPLs divided by Total Customer Loans less: 100% covered NPLs (at Group level)*

Results of Operations

Revenues

Total operating income increased 34% to ₱9.78 billion, ₱2.48 billion higher from ₱7.30 billion in the same period last year. Core earnings of the Bank composed of net interest income and fee-based income, exclusive of trading income, increased by ₱1.58 billion or 24%.

Net Interest Income

Net Interest Income of ₱6.09 billion was ₱1.17 billion or 24% higher than the ₱4.91 billion posted last year as a result of the strong growth in loan portfolio and significantly higher proportion of CASA to total deposit.

Fee Income

Fee-based income or non-interest income exclusive of trading income, stood at ₱2.21 billion or 22% higher than last year as a result of expansion in transaction volume in branches and consumer loan related fees.

Trading Income

The Bank's operating income was helped by higher securities and foreign exchange (FX) trading gains, which increased by ₱862 million and ₱39 million respectively. The Bank took advantage of market opportunities as interest rates continue to drop and posted strong trading results from fixed income securities.

Operating Costs

Total operating expenses, excluding provision for losses, increased by 41.6% in 2012 to ₱4.28 billion from ₱3.02 billion last year. Taxes and licenses of ₱723 million increased by ₱195 million or by 37% as a direct result of GRT on higher operating income. Rent expense of ₱410 million was ₱119 million or 41% higher, similarly due to business expansion, particularly for the new branch stores that opened for the period. Depreciation and amortization expense of ₱561 million was ₱160 million or 40% higher due to expansion related activities. Other expenses of ₱2.58 billion increased by ₱782 million or 43%. The increase partly came from higher advertising expenses, which increased by 31% from the same period last year as a result of the Bank's re-branding efforts and marketing programs for consumer and branch banking. The rest are spread across various expense items related to business growth and expansion, such as utilities, management professional fees, service charges, among others.

Compensation and fringe benefits of ₱1.98 billion was ₱542 million or 38% higher than the same period last year on account of manpower requirements in support of its branch stores and business expansion. Total headcount as of December 2012 was at 3,700 vs. the 2,789 in December 2011.

Provisions

The faster growth in consumer loans, particularly credit cards, resulted to an increase in provisions for impairment and credit losses of ₱1.53 billion, or ₱799 million higher than the ₱732 million provisions in the same period last year. A good part of the higher variance provisions were due to the lower than normal provisions in 2011, which was due to the release of excess provisions prior to 2011.

Summary of Key Financials and Ratios

Balance Sheet (in PHP billions)	December 31, 2012	December 31, 2011	y/y Growth %
Assets	121.40	96.01	26%
Consumer Loans	37.83	26.95	40%
Corporate Loans	34.55	22.49	54%
Low Cost Deposits (CASA)	50.37	33.26	51%
High Cost Deposits	40.84	43.41	-6%
Capital	17.32	11.22	54%

Profitability (in PHP billions)	December 31, 2012	December 31, 2011	y/y Growth %
Net Interest Income	6.09	4.91	24%
Other Income	3.70	2.39	55%
Operating Expenses	6.26	4.46	40%
Provision for Losses	1.53	0.73	109%
Net Income After Tax	1.82	1.73	5%

Key Financial Ratios	December 31, 2012	December 31, 2011	Variance b/(w)
Return on Equity	11.9%	17.0%	(5.1%)
Return on Assets	1.9%	2.0%	(0.2%)
Net Interest Margin	7.0%	6.6%	0.4%
Cost-to-Income Ratio	64.0%	61.1%	(2.9%)
Capital Adequacy Ratio	17.4%	15.8%	1.6%

Other Information:

As of December 31, 2012, EW Bank has a total of 245 branches, with 118 of these branch stores in the restricted areas and a total of 145 of these branch stores in all of Metro Manila. For the rest of the country, the Bank has 51 branches in other parts of Luzon, 28 branches in Visayas, and 21 branches in Mindanao. The total ATM network is 261, composed of 220 onsite ATMs and 41 off-site ATMs. Total headcount of EW Bank is 3,700.

The Bank's subsidiary rural banks have a total of 47 branches, 45 ATMs and 533 officers/staff, bringing the group store network total to 292 with 306 ATMs and combined manpower of 4,233.

Known trends, demands, commitments, events or uncertainties
There are no known demands, commitments, events or uncertainties that will have a material impact on the Bank's liquidity within the next twelve (12) months.

Events that will trigger direct or contingent financial obligation
There are no events that will trigger direct or contingent financial obligation that is material to the Bank, including any default or acceleration of an obligation.

Material off-balance sheet transactions, arrangements or obligations
There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Bank with unsolicited entities or other persons created during the reporting period other than those disclosed in the financial statements.

Capital Expenditures
The Bank has commitments for capital expenditures mainly for bank's branch expansion and implementation of IT projects. Expected sources of funds for the projects will come from the proceeds raised from the IPO in 2012.

Significant Elements of Income or Loss
Significant elements of the consolidated net income of the Group for the 12 months ended December 31, 2013 and 2012 came from its continuing operations.

Seasonal Aspects
There are no seasonal aspects that had a material effect on the Bank's financial condition and results of operations.

Vertical and Horizontal Analysis of Material Changes for the Period

The term "material" in this section shall refer to changes or items amounting to five percent (5%) of the relevant accounts or such lower amount, which the Bank deems material on the basis of other factors.

I. Balance Sheet – December 31, 2013 vs. December 31, 2012

- Cash and cash equivalents increased by 20% to ₱3.9 billion due to due to higher year-end cash requirements and increase in the number of branch stores.
- Due from BSP decreased by 15% to ₱18.5 billion as more funds from BSP-SDA accounts were placed instead to higher-yielding loans.
- Due from other banks increased by 7% to ₱1.7 billion due to increased levels of placements and working balances with counterparty banks.
- Interbank loans receivable and Securities Purchased Under Resale Agreements (SPURA) increased by 435% to ₱3.1 billion as excess funds were parked to BSP overnight placements.
- Financial Assets at Fair Value through Profit and Loss declined by 54% to ₱1.9 billion. The Bank took a conservative position and disposed sizable portion of its Financial Assets at Fair Value through profit and loss.
- Financial Assets at Fair Value through Other Comprehensive Income increased by 8% to ₱10.7 million as a result of the improvement in market prices of its equity security.
- Investment Securities at Amortized Cost decreased by 6% to ₱9.1 billion due to the maturity and sale of various government securities and private bonds.

- Loans and Receivables-Net accelerated by 32% to ₱94.0 billion driven by high growth in consumer and corporate loans.
- Property and equipment grew by 26% to ₱3.5 billion on account of aggressive branch store expansion.
- Investment properties increased by 7% to ₱1.0 billion on account of the improvement in the appraisal value of various ROPA.
- Goodwill and Other Intangible Assets increased by 8% due to the acquisition of additional branch licenses from BSP.
- Other assets decreased by 8% to ₱897.5 million as advances made to contractors on the construction of branch stores were re-classed to property and equipment account upon completion.
- Deposit liabilities increased by 22% to ₱111.2 billion mainly due to increase in deposit taking activities, particularly CASA, coming from branch expansion.
- Bills and acceptance payables decreased by 41% to ₱3.3 billion mainly as the Bank tapped other sources of funding such as CASA and LTNCD.
- Accrued Taxes, Interest and Other Expenses and Cashier's Checks and Demand Draft Payable inched up by 9% and 12%, respectively, due to higher transaction volumes during the period.
- Income tax payable inched up by 195% to ₱82.9 million due to higher taxable income during the year.
- Other liabilities jumped by 31% to ₱3.6 billion. The increase was due to higher balances of bills purchased (with contra-account classified under Loans and Receivables).

II. Balance Sheet – December 31, 2012 vs. December 31, 2011

- Cash and cash equivalents increased by 44% to ₱3.2 billion due to due to higher year-end cash requirements and increase in the number of branch stores.
- Excess funds were invested in BSP placements facility boosting Due from BSP by 93% to ₱21.86 billion in 2012 from ₱11.32 billion in 2011.
- Interbank loans receivable and Securities Purchased Under Resale Agreements (SPURA) decreased by 92%to ₱583 million due to excess liquidity in 2011 that was placed in the interbank market.
- Financial Assets at Fair Value through Profit and Loss declined by 27% to ₱4.3 billion. The Bank took advantage of the favorable market conditions and disposed sizable portion of Financial Assets at Fair Value through profit and loss.
- Investment Securities at Amortized Cost decreased by 19% to ₱9.6 billion due to the maturity and sale of various government securities and private bonds.
- Loans and Receivables-Net accelerated by 48% to ₱71.1 billion driven by high growth in consumer and corporate loans.
- Property and equipment inched up by 41% to ₱2.7 billion on account of aggressive branch expansion.
- Investment properties deceased by 14% to ₱938 million on account of disposal of ROPA.
- Goodwill and Other Intangible Assets increased by 40% due to the acquisition of additional branch licenses from BSP.
- Other assets increased by 48% to ₱957 million due primarily to the increase in foreign currency notes and coins on hand.
- Deposit liabilities increased by 19% to ₱91.2billion mainly due to increase in deposit taking activities, particularly CASA, coming from branch store expansion.
- Bills and acceptance payables increased by 158% to ₱5.6 billion mainly as the Bank tapped short term borrowing in the repo market.
- Cashier's Checks and Demand Draft Payable inched up by 58% due to higher transaction volumes during the period.

- Other liabilities jumped by 47% to ₱2.7 billion. The increase was due to higher balances of bills purchased (with contra-account classified under Loans and Receivables).
- Total equity increased by 54% primarily due to the additional investments from FDC and proceeds from the recently concluded IPO.

III. Income Statement – December 31, 2013 vs. December 31, 2012

- Interest income increased by 26% to ₱9.86 billion in 2013 from ₱7.82 billion in 2012 primarily due to an increase in lending activities, largely driven by growth in credit cards, auto loans, corporate loan and salary loans to public school teachers.
- Interest expense decreased by 15% to ₱1.46 billion in 2013 from ₱1.73 billion in 2012 primarily due to strong growth low cost funds and the reduction in the cost of term deposits.
- Service charges, fees and commissions increased 36% to ₱2.53 billion from ₱1.86 billion in 2012, resulting from the expansion of business lines, particularly with respect to fees generated by retail banking and consumer lending.
- Trading and securities gain increased by 24.7% as the Bank took advantage of the favorable market conditions during the 1st half of the year. Foreign exchange gains, on the other hand, decreased by 46% at the back of volatile currency exchange rates in the last half of 2013.
- Gain on sale of assets increased by 130% in 2013 as the Bank was able to disposed sizable portion of its repossessed assets at premium.
- Miscellaneous income also increased by 49% to ₱272 million due to higher volume transactions as a result of the branch expansion.
- Manpower costs continue to rise from ₱1.98 billion last year to ₱2.72 billion this year on account of business and branch expansion program.
- The Bank continued its conservative provisioning on account of its credit expansion, by setting aside ₱3.10 billion in provision for probable losses, an increase of 103% from what was booked in 2012.
- Taxes and licenses, Depreciation and amortization, Rent and Miscellaneous expenses increased by 20%, 28%, 32% and 14%, respectively, on account of business expansion.

IV. Income Statement – December 31, 2012 vs. December 31, 2011

- Interest income increased by 16% to ₱7.82 billion in 2012 from ₱6.76 billion in 2011 primarily due to an increase in lending activities, largely driven by credit cards, auto loans and corporate loan growth.
- Service charges, fees and commissions increased 21% to ₱1.86 billion from ₱1.54 billion in 2011, resulting from the expansion of business lines, particularly with respect to fees generated by retail banking and consumer lending.
- Trading and securities gain and foreign exchange gain increased by 214% and 21%, respectively, as the Bank took advantage of the favorable market conditions during the year.
- Gain on sale of assets decreased by 31% in 2012 as the Bank was able to disposed sizable portion of its repossessed assets at discount.
- Miscellaneous income also increased by 64% to ₱272 million due to higher volume transactions.
- Manpower costs continue to rise from ₱1.44 billion last year to ₱1.98 billion this year on account of business and branch expansion program.
- The Bank continued its conservative provisioning on account of its credit expansion, by setting aside ₱1.53 billion in provision for probable losses, an increase of 109% from what was reported in 2011.

- Taxes and licenses, Depreciation and amortization, Rent and Miscellaneous expenses increased by 37%, 40%, 41% and 43%, respectively, on account of business expansion.

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2013 and 2012:

	2013	2012
Current ratio(1)	78.41%	79.19%
Solvency ratio(2)	115.78%	116.64%
Debt-to-equity(3)	6.34	6.01
Asset-to-equity(4)	7.34	7.01
Interest rate coverage ratio(5)	255.42%	215.31%
Profitability ratio		
Return on asset (6)	1.60%	1.87%
Return on equity (7)	11.11%	11.86%
Net profit margin(8)	8.43%	25.49%
Gross profit margin(9)	85.15%	77.89%

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- *1 Current assets divided by current liabilities*
- *2 Total assets divided by total liabilities*
- *3 Total liabilities divided by total equity*
- *4 Total assets divided by total equity*
- *5 Income before interest and taxes divided by interest expense*
- *6. Net income divided by average total assets. Average total assets is based on average monthly balances*
- *7. Net income attributable to equity holders of the Parent Company divided by average total equity attributable to equity holders of the Parent Company. Average total equity is based on average monthly balances*
- *8 Income before income tax over total interest income*
- *9 Net interest income over total interest income*

Item 7. Financial Statements

The consolidated financial statements of the Bank are filed as part of this Form 17-A as Annex D.

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Sycip Gorres Velayo & Co. (SGV & Co.), a member firm of Ernst & Young Global Limited has been the Bank's independent accountant for 19 years and is again recommended for appointment at the scheduled annual stockholders' meeting.

None of the Bank's external auditors have resigned during the two most recent fiscal years (2012 and 2013) or any interim period. In compliance with SEC Memorandum Circular No. 8, Series of 2003, and Amendments to SRC Rule 68 on the rotation of external auditors or signing partners of a firm every after five (5) years of engagement, Ms. Josephine Adrienne Abarca was assigned as the signing partner in 2013, replacing Ms. Janet A. Paraiso who was assigned since 2009. Representatives of SGV & Co. are expected to be present at the meeting to respond to matters relating to the auditors' report on the 2013 financial statements of the Bank that may be pertinently raised during the meeting. Their representative will be given the opportunity to make a statement if they so desire.

The Bank has paid the following fees to SGV & Co relative to the regular and special engagements rendered by the latter that are reasonably related to the performance of the audit or review of the Bank's financial statements:

Fiscal Year	Audit Fees and Other Related Fees	Tax Fees
2013	₱3,750,000	-
2012	₱3,830,000	-

No other services were rendered by SGV & Co. that were not related to the audit or review of the Bank's financial statements.

The Bank's Audit Committee, which is composed of Messrs. Carlos Alindada (Chairman), Paul Aquino, Jose Sandejas and Ms. Josephine Yap, approves the audit fees and fees for non-audit services, if any, of external auditors, as emphasized in the Audit Charter.

Per SGV & Co.'s representation during the Audit Committee meeting on February 20, 2014, they confirm that they did not have any disagreement with Management that could be significant to the Bank's financial statements or their auditor's report. Further, there are no matters that in their professional judgment may reasonably be thought to bear on their independence or that they gave consideration to in reaching the conclusion that independence has not been impaired.

There were no disagreements with SGV & Co. on accounting and financial disclosures.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The Nomination Committee of the Board of Directors of EW has determined that the following, all of whom are incumbent directors, possess all the qualifications and none of the disqualifications for directorship set out in EW's Manual on Corporate Governance, duly adopted by the Board pursuant to SRC Rule 38.1 and SEC Memorandum Circular No. 16, Series of 2002. Below is the list of candidates prepared by the Nomination Committee:

Name	Age	Citizenship	Nominated as	Nominated by	Relationship with Nominees
Jonathan T. Gotianun	59	Filipino	Director	FDC	Beneficial Owner
Antonio C. Moncupa, Jr.	54	Filipino	Director	FDC FOREX CORP	Not Related
Andrew L. Gotianun, Sr.	85	Filipino	Director	FDC	Beneficial Owner
Mercedes T. Gotianun	84	Filipino	Director	FDC	Beneficial Owner
L. Josephine G. Yap	57	Filipino	Director	FDC FOREX CORP	Beneficial Owner
Benedicto M. Valerio, Jr.	54	Filipino	Director	FDC FOREX CORP	Not Related
Jose S. Sandejas	72	Filipino	Independent Director	FDC	Not Related
Carlos R. Alindada	76	Filipino	Independent Director	FDC	Not Related
Paul A. Aquino	70	Filipino	Independent Director	FDC FOREX CORP	Not Related

The Nomination Committee has determined that the nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Revised Manual on Corporate Governance. The nominees for the independent directors have no relationship / affiliation with FDC and FFC.

A certification on the qualifications of the Independent Directors and that none of the above named directors and officers work with the government is attached herewith as Annex A and B, respectively.

The Nominations Committee is composed of Paul A. Aquino as Chairman, Jose S. Sandejas, Jonathan T. Gotianun, Carlos R. Alindada and Benedicto M. Valerio, Jr. as members.

The current list of the Bank's members of the Board is as follows:

ANDREW L. GOTIANUN, SR.
Chairman Emeritus
Mr. Andrew Gotianum is the Chairman Emeritus of East West Bank. He also has the same position in Filinvest Development Corporation ("Filinvest"), the majority shareholder of the Bank. He has been serving as a director for the group of companies of Filinvest for more than five (5) years including Davao Sugar Central Corporation; Pacific Sugar Holdings, GCK Realty Inc.; and, ALG Holdings Inc. He has extensive experience in banking including management positions and membership in boards of Family Savings Bank and Insular Bank of Asia and America. Thru Filinvest Credit Corporation (1970 to 1985), he was among the pioneer in auto loans business.

JONATHAN T. GOTIANUN
Chairman
Mr. Jonathan T. Gotianun is the Chairman of EastWest Bank since 2007. Prior to his election as Chairman of the Board, he was Vice-Chairman and Director of the Bank since 1994. He is also the Chairman of the Board of Finman Rural Bank Inc., and to other corporations such as Filinvest Development Corp., Davao Sugar Central Co., Inc and Filinvest Alabang, Inc. He was also a director of Philam Savings Bank Inc., Philam Auto Finance and Leasing, Inc., and PFL Holdings, Inc. in 2009. Mr. Jonathan Gotianun 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.
President, CEO and Director
Mr. Antonio Moncupa, Jr. has been the President & CEO of EastWest since January 1, 2007. 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. He currently sits as Board Member and Corporate Secretary of Bankers Association of the Philippines (BAP), Chairman of the BAP Open Market Committee; as Vice Chairman of Philippine Clearing House Corporation. He was formerly a director of the Philippine Depository and Trust Corporation from 2008-2012 and Philippine Clearing House, Inc from 2009 to 2012.

MERCEDES T. GOTIANUN
Director
Mrs. Mercedes T. Gotianun has been serving as a Director of EastWest since 1995. Concurrently, she holds Directorship in Filinvest Development Corporation since 1980 and as a chairman of the board of Pacific Sugar Holdings since 1991, Filinvest Land, Inc., and Vice-Chairman of Filinvest Alabang, Inc. since 1999 Mrs. Gotianun holds a degree in BS Pharmacy (magna cum laude) from the University of the Philippines.

LOURDES JOSEPHINE GOTIANUN YAP
Director
Mrs. Lourdes Josephine Gotianun Yap has been a Director of EastWest since August 2000. She is the President and CEO of Filinvest Land Inc. since 2012. She has been a director of Filinvest Development Corporation, Filinvest Land, Inc., Filinvest Asia Corporation, Cyberzone Properties, Inc., and The Palms Country Club since the 90's.She is presently the Executive Vice President of Filinvest Alabang, 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
Director
Mr. Carlos Alindada has been serving as an Independent Director of EastWest since April 2002. He is also an independent director of Tanduay Holdings, Citibank Saving, Inc. since 2005 and Bahay Pari Solidaritas Fund since 2010. He graduated with a degree in Accounting from the University of the East, and an MBA in Corporate Finance from New York University. He also pursued an Advance Management Program at Harvard University. Mr. Alindada was a former Chairman and Managing Partner of SGV & Co.,and a former Director of the National Power Corporation and a former Commissioner of the Energy Regulation Commission.

PAUL A. AQUINO
Director
Mr. Paul A. Aquino is an Independent Director of the Bank since October 2009. Mr. Aquino is concurrently an Adviser of the Energy Development Corporation; the President of Green Core Geothermal, Inc.; and the Honorary Consul of the Government of Malta. He also worked as the President and CEO of Green Core Geothermal, Inc. from October 2009 to 2010. He is a graduate of BS in Electrical Engineering and a Masters in Business Administration from Santa Clara University in California. He was conferred Doctor of Management Science (HonorisCausa) by the Philippine School of Business Administration.

JOSE S. SANDEJAS
Director
Mr. Jose S. Sandejas has been serving as an Independent Director since 2002. Mr. Sandejas is formerly a Director of Asian Hospital Inc. from 2007 to 2011, Home Credit Mutual Building and Loan Association from 2008 to 2011, Insular Investment and Trust Corporation from 2008 to 2012, Benguet Consolidated Corporation in 1979, Petron Corporation in 1998, and the Board of Investments in 1970. He graduated with a degree in Chemical Engineering from the De La Salle University and pursued a doctorate degree in Materials Engineering from Rensselaer Polytechnic Institute.

BENEDICTO M. VALERIO, JR.
Director /Corporate Secretary
Atty. Valerio has been the Corporate Secretary of East West Banking Corporation since 2007. He is concurrently a Director of the Bank since 2012. He is actively engaged in the practice of law and specializes in litigation and corporate work. He was the Asst. Corporate Secretary of International Exchange Bank from 2001-2006 and also served as its General Counsel from 1995 to 2006. He holds a BS Commerce degree from the De La Salle University and his Bachelor of Laws from the Ateneo de Manila University. He finished his Masters in Business Administration at the Ateneo Graduate School of Business.

The current list of the Bank's Executive Officers is as follows:

ANTONIO C. MONCUPA, JR.
President and Chief Executive Officer and Director
Mr. Antonio Moncupa, Jr. has been the President & CEO of EastWest since January 1, 2007. 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. He currently sits as Board Member and Corporate Secretary of Bankers Association of the Philippines (BAP), Chairman of the BAP Open Market Committee; as Vice Chairman of Philippine Clearing House Corporation.

JACQUELINE S. FERNANDEZ
Executive Vice President and Head – Consumer Lending
Ms. Jacqueline S. Fernandez is Executive Vice President and Head of EastWest's Consumer Lending Cluster. She has been with the Bank since March 16, 2006. Before joining EastWest, she was Vice

President and Head of the Management and Performance Standards Group of the Standard Chartered Bank. Ms. Fernandez earned her degree in Economics from the University of the Philippines and holds a Masters degree in Business Administration from the same university.

GERARDO SUSMERANO

Executive Vice President and Head – Retail Banking and Operations

Mr. Gerardo Susmerano has served as Executive Vice President and Head of Retail Banking and Operations since September 2006. He was also re-elected as a Director of BANCNET for 2012-2013. Mr. Susmerano obtained his Bachelor's Degree in Accounting from the University of Santo Tomas and Master's Degree in Business Administration from the Asian Institute of Management.

ARTURO L. KIMSENG

Executive Vice President and Chief Audit Executive

Mr. Arturo L. Kimseng joined EW as Chief Audit Executive and Head of Internal Audit on April 1, 2013. Prior to EW, he retired from BPI as Chief Audit Executive in 2011. Mr. Kimseng started his banking career at Cebu City Savings as a Teller and later joined SGV as staff Audit. He then shifted back to banking when he joined Family Bank in 1977 and progressed his career as Audit Head. He joined BPI when Family Bank was acquired by the Ayala Group where he climbed the executive ladder. Mr. Kimseng completed his degree in BS in Commerce from University of San Carlos in 1970.

RENATO K. DE BORJA, JR.

Senior Vice President and Chief Finance Officer

Mr. Renato K. De Borja, Jr. is the Chief Finance Officer of EastWest and has been with the Bank since September 1, 2009. His position as CFO is concurrent to his position as one of the Directors in East West Rural Bank, Inc.. He was the Chief Finance Officer of Citigroup Business Process Solutions (CBPS) and at Metrobank Card Corporation prior to his joining EastWest. Mr. De Borja graduated with a degree in Accountancy from the University of Santo Tomas and is a Certified Public Accountant.

MANUEL ANDRES D. GOSECO

Senior Vice President and Treasurer

Mr. Manuel Andres D. Goseco is EastWest's Treasurer and has been with the Bank since October 18, 2010. His professional experience covers economic research, corporate planning, trust and investments, and development of mutual funds and other products and services. Before joining EastWest, he was the Director and Head of Financial Markets Sales of Standard Chartered Bank – Manila Branch. Mr. Goseco holds a degree in BA Economics from the Ateneo De Manila University, and a Masters in Economics from the Fordham University, Graduate School of Arts and Sciences, New York City.

ERNESTO T. UY

Senior Vice President and Head – Corporate Banking Group

Mr. Ernesto T. Uy is Senior Vice President and Head of the Corporate Banking Group. He has been with the Bank since September 2008. Before joining EastWest, he was Senior Vice President and Unit Head at Banco De Oro Universal Bank. Mr. Uy obtained his Bachelor's Degree in Industrial Management Engineering from De La Salle University and his Master's Degree in Industrial Engineering and Management from the Asian Institute of Technology.

IVY B. UY

Senior Vice President and Deputy Head for Retail Banking Group

Ms. Ivy B. Uy has joined the bank in Sept 2006 as FVP/Division Head for Central MM Division, and in 2008 as Deputy group Head of Branch Banking. Before joining EastWest, she was a Center Head - Manila Area of International Exchange Bank. Ms. Uy holds a degree in Hotel and restaurant management from the University of Sto. Tomas and finished a Management development Program in Asian Institute of Management.

AGERICO S. VERZOLA
First Vice President and Head – Corporate Banking Group
Mr. Agerico S. Verzola has been First Vice President and Head for the Corporate Banking Group since January 2012. Before joining the Bank, he served as First Vice President and Head of Corporate Lending at Export & Industry Bank and the Bank of Commerce. Mr. Verzola holds a Bachelor of Arts degree in Economics from the University of the Philippines.

VIRGILIO L. CAMILO
First Vice President and Head – Bank Operations
Mr. Virgilio L. Camilo has been the Head of Bank Operations since August 2013. Before joining EastWest, he was the Head of Operations Group of Planters Development Bank. He earned his degree in BS in Accountancy from San Sebastian College-Manila.

GRACE N. ANG
Vice President & Chief Risk Officer
Ms. Grace N. Ang has been the Chief Risk Officer of EastWest since August 1, 2008. She currently sits as Director/Treasurer of Pasberfund Realty Holdings, Inc. Before joining EastWest, she was with International Exchange Bank as Senior Manager. She was also appointed as Director of AIG Philam Savings Bank, Inc. from March 12 to September 03, 2009. Ms. Ang holds a degree in Accounting from the De La Salle University and is a Certified Public Accountant.

ATTY. ISAGANI A. CORTES
Vice President and Chief Compliance Officer
Atty. Isagani S. Cortes has been the Chief Compliance Officer of EastWest since January 1, 2012. Before joining EastWest, he was with HSBC as Senior Vice President. Atty. Cortes completed his Bachelor of Laws from the University of the Philippines in Diliman, and was admitted to the Integrated Bar of the Philippines in 1992.

ARNULFO V. DE PALA
Vice President and Trust Officer
Mr. Arnulfo V. De Pala is the Trust Officer of EastWest and has been with the Bank since February 1, 2011. Before he joined EastWest, he was the Trust Officer of the Hongkong and Shanghai Banking Corporation (HSBC). He is a founding member of the Chartered Financial Analyst (CFA) Society of the Philippines. Mr. De Pala holds a degree in Business Economics from the University of the Philippines, and is a Chartered Financial Analyst (CFA).

RENATO P. PERALTA
Vice President and Head – Credit Policy & Review
Mr. Renato P. Peralta joined EastWest as Head of Credit Policy & Review in June of 2009. Prior to joining EastWest, he was Head of UCPB Securities, Inc. Mr. Peralta graduated from the Ateneo de Manila University with a Bachelor of Arts degree in Economics.

There is no person, not being an executive officer of the Company, who is expected to make a significant contribution to its business. The Company, however, occasionally engages the services of consultants

Family Relationships

Mr. Andrew L. Gotianun, Sr. is married to Mrs. Mercedes T. Gotianun. They are the parents of Jonathan T. Gotianun and Mrs. Josephine G. Yap.

Involvement in Certain Legal Proceedings

For the past five (5) years, the Bank, its affiliates, subsidiaries, directors and officers, have not been involved in any legal proceedings that would affect their ability, competence or integrity, and/or involving a material or substantial portion of their property before any court of law or administrative body in the Philippines or elsewhere, save in the usual routine cases of the Bank arising from the ordinary conduct of its business.

All legal proceedings involving the Bank are efficiently and competently attended to and managed by a group of eight (8) in-house lawyers who are graduates of reputable law schools in the country. As its external counsels, the Bank retains the services of respected law firms, including Sobreviñas Hayudini Navarro and San Juan Law Offices; Sycip Salazar Hernandez & Gatmaitan Law Office; Jimenez Gonzales Liwanag Bello Valdez Caluya & Fernandez ; and Quitain Law Office.

Item 10. Executive Compensation

The following table identifies and summarizes the aggregate compensation of EW's CEO and the four most highly compensated executive officers of the Bank in 2013 and 2012:

In million pesos:

Name	Year	Salary	Bonus	Others	Total
Antonio C. Moncupa, Jr. Jacqueline S. Fernandez Manuel Andres D. Goseco Gerardo Susmerano Ernesto T. Uy	**2013**	₱31.3	₱35.3	-	₱66.6
	2012	₱28.4	₱32.4	-	₱60.8

The growth in aggregate compensation of the CEO and the four most highly compensated executive officers of the Bank for 2014 is estimated to be the same as that of the prior year.

There are no actions to be taken as regards any bonus, profit sharing, pension or retirement plan, granting of extension of any option warrant or right to purchase any securities between the Bank and its directors and officers.

Remunerations given to directors which were approved by the Board Remuneration Committee amounted to ₱10.2 million in 2013 and ₱7.3 million in 2012.

Standard Arrangement

Non-executive directors receive per diem of ₱60,000 per committee and special board meeting and ₱120,000 per regular board meeting.

Executive directors do not receive per diem as the same has been considered in their compensation.

Other Arrangement

The Bank has no other arrangement with regard to the remuneration of its existing directors and executive officers aside from the compensation received as stated above.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Record and beneficial owners holding 5% or more of voting securities as of February 28, 2014:

Title of Class	Name, Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	%
Common	Filinvest Development Corporation 6/F The Beaufort, 5th Ave. cor, 23rd St., Fort Bonifacio Global City, Taguig City (Stockholder)	ALG Holdings Corporation (Parent Company of FDC)	Filipino	451,354,890	40.00%
Common	Filinvest Development Corporation Forex Corporation 6/F The Beaufort, 5th Ave. cor, 23rd St., Fort Bonifacio Global City, Taguig City (Stockholder)	Filinvest Development Corporation (Parent Company of EW)	Filipino	394,941,030	35.00%
Common	PCD Nominee Corporation 37th Floor, Tower I, The Enterprise Center, 6766 Ayala Ave. corner Paseo de Roxas, Makati City	Various stockholders/clients	Non-Filipino	170,696,471	15.13%
Common	PCD Nominee Corporation 37th Floor, Tower I, The Enterprise Center, 6766 Ayala Ave. corner Paseo de Roxas, Makati City	Various stockholders/clients	Filipino	107,153,009	9.50%

Based on the list provided by the Philippine Depository and Trust Corp. to the Bank's transfer agent, Stock Transfer Service, Inc., as of 28 February 2014 none among the stockholders under the PCD Nominee Corporation holds 5% or more of the Bank's securities.

Filinvest Development Corporation (FDC) is the record and beneficial owner of 45% of the outstanding capital stock of the Bank. It is also the beneficial owner – through registered owner FDC Forex Corporation of 30% of the shares of the Bank. FDC is majority owned by A.L. Gotianun, Inc. The Bank and FDC's ultimate parent company is A.L. Gotianun, Inc.

Mr. Andrew L. Gotianun, Sr.'s family is known to have substantial holdings in the companies that own the shares of ALG Holdings, Inc. and, as such, could direct the voting or disposition of the shares of said companies.

Except as stated above, the Bank has no knowledge of any person holding more than 5% of the Bank's outstanding shares under a voting trust or similar agreement. The Bank is likewise not aware of any arrangement which may result in a change in control of the Bank, or of any additional shares which the above-listed beneficial or record owners have the right to acquire within thirty (30) days, from options, warrants, rights, conversion privilege or similar obligation, or otherwise.

Security Ownership of Management

Security Ownership of Directors and Executive Officers as of February 28, 2014are as follows:

Title of Class	Name	Position	Citizenship	Beneficial/ Record	Percent of Ownership
Common	Andrew L. Gotianun	Director, Chairman Emeritus	Filipino	662,510	0.06%
Common	Jonathan T. Gotianun	Director, Chairman of the Board	Filipino	4,271,210	0.38%
Common	Antonio C. Moncupa, Jr.	Director, President & CEO	Filipino	455,010	0.04%
Common	Mercedes T. Gotianun	Director	Filipino	662,510	0.06%
Common	L. Josephine Gotianun-Yap	Director	Filipino	3,602,910	0.32%
Common	Paul A. Aquino	Director	Filipino	10,010	0.00%
Common	Carlos A. Alindada	Director	Filipino	10	0.00%
Common	Jose Sandejas	Director	Filipino	20,010	0.00%
Common	Benedicto M. Valerio, Jr.	Director/Corporate Secretary	Filipino	500	0.00%
		Subtotal		**9,684,680**	**0.86%**
Common	Jacqueline S. Fernandez	Executive Vice President	Filipino	23,800	0.00%
Common	Gerardo Susmerano	Executive Vice President	Filipino	320,000	0.03%
Common	Arturo L. Kimseng	Executive Vice President	Filipino	30,000	0.00%
Common	Ernesto T. Uy	Senior Vice President	Filipino	30,000	0.00%
Common	Manuel Andres D. Goseco	Senior Vice President	Filipino	150,000	0.01%
Common	Ivy B. Uy	Senior Vice President	Filipino	150,000	0.01%
Common	Renato K. De Borja, Jr.	Senior Vice President	Filipino	35,000	0.00%
Common	Agerico Verzola	First Vice President	Filipino	20,000	0.00%
Common	Renato P. Peralta	Vice President	Filipino	46,300	0.00%
Common	Grace N. Ang	Vice President	Filipino	55,000	0.01%
Common	Arnulfo V. De Pala	Vice President	Filipino	10,000	0.00%
		Subtotal		**870,100**	**0.08%**
		Total		**10,554,780**	**0.94%**

The aggregate shareholdings of all directors and officers as a group is 0.94%.

Voting trust holders of 5% or more

To the extent known to the Bank, there is no person or group of persons holding more than 5 % of the common shares by virtue of a voting trust or similar agreement as there has been no voting trust which has been filed with the Bank and the Securities and Exchange Commission.

Change in Control

There have been no arrangements that have resulted in a change of control of the Bank during the period covered by this report.

Item 12. Certain Relationships and Related Transactions

The Bank and its subsidiaries and affiliates in their normal course of business, have certain related party transactions. Kindly refer to Note 26 of the Notes to the Audited Consolidated Financial Statements for the summary of related-party transactions among members of the Filinvest Group.

There were no other transactions during the last two years, or any proposed transactions, to which the Bank was or is to be a party, in which any director or executive officer, any nominee for election as a director, any security holder or any member of the immediate family of any of the foregoing persons, had or is to have a direct or indirect material interest.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Corporate Governance and Compliance Committee

EastWest commits to the highest standards of good corporate governance in realizing its vision and mission. The Bank believes that sound corporate practices based on fairness, accountability and transparency is essential in achieving growth and stability as well as enhancing investor confidence.

The Bank aims to create and sustain value for its various stakeholders. To achieve this, the Bank's Board of Directors, senior management and employees understand that compliance with regulations and best practice standards is everybody's responsibility. The Bank accomplishes this by adopting measures designed to align the shareholders' and senior management's objectives with that of the employees.

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

The Bank's Code of Ethics ensures that all employees adhere to the highest standards of quality, honesty, transparency and accountability. To further emphasize its commitment to integrity, EthicsDirect encourages employees to report, in good faith, to Senior Management any misconduct within their respective business units. EthicsDirect is a program that protects in confidence the identity of the employee who disclosed the suspected offense within the organization.

Eastwest Bank values the contribution of its employees in fostering a culture of good corporate governance. The Employee Relations Council, composed of representatives from different units, ensures that interests and concerns of personnel are heard and addressed.

Going beyond adherence to regulatory framework, EastWest Bank fosters a culture of partnership within its organization to ensure that long-term success and performance of the Bank are achieved.

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

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

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

ANNEX A – Certification on Qualification of Independent Directors
ANNEX B – Certification that None of the Directors and Officers work with the Government
ANNEX C – List of Owned and Leased Branches
ANNEX D – Consolidated Audited Financial Statements

(b) Reports on SEC Form 17-C

The following reports have been submitted by the Bank during the year 2013 through official disclosure letters:

REPORT	DATE REPORTED
Appointment of Benedicto M. Valerio, Jr. as Director and CorpSec, EW adjustment of BSP license as Universal Bank; Relocation of Head Office	April 8, 2013
Results of the 2013 Annual Stockholder's Meeting	April 24, 2013
Press Release -EastWest holds first Annual Stockholder's Meeting as Publicly-listed company."	April 24, 2013
Board approval on the appoinment of Mr. Arturo L. Kimseng as Head of Internal Audit w/ SEC 23A form	April 25, 2013
Amended disclosure - Board Approval on the appoinment of Mr. Arturo L. Kimseng as Chief Audit Executive	April 29, 2013
Board approvalon the authority to invest in E-Trans Solutions Joint Venture, Inc.	July 1, 2013
Appointment of Ms. Consuelo V. Dante and Ms. Judy Grace D. Capili as Principal Officers	July 30, 2013
Board approval on the issuance of up to Php5 billion LTNCD	July 30, 2013
Press Release- EastWest Posts 40% H1 2013 Net Income Growth	August 8, 2013
Appointment of Mr. Virgilio L. Camilo as Head of Bank Operations Group with SEC Form 23-A	September 2, 2013
Board approval on the pretermination of Lower Tier Unsecured Subordinated Debt (“USD”) amounting to Php 1.25B	September 2, 2013
The Bank was authorized to issue BASEL III compliant securities of up to Php10 billion	September 30, 2013
Resignation of David S. Aquino	November 14, 2013
MB approval to exercise on January 25, 2014 the call option provision of the USD issued on July 25, 2008 amounting to Php1.25 billion	November 20, 2013
PDIC granted its consent to the proposed merger of East West Banking Corporation and Green Bank.	December 2, 2013
Board Approval of the 2014 Annual Stockholder's Meeting on April 25, 2014 and the Record Date on February 28, 2014.	February 3, 2014

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of MAKATI CITY on APR 07 2014 2014.

By:

ANTONIO C. MONCUPA, JR.
President & CEO

RENATO K. DE BORJA, JR.
SVP, Chief Financial Officer

MARICEL L. MADRID
VP, Controller

ATTY. BENEDICTO M. VALERIO, JR.
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of APR 07 2014 2014 affiants exhibiting to me his/their proof of identification, as follows:

NAMES	PROOF OF IDENTIFCATION	DATE OF ISSUE	PLACE OF ISSUE
ANTONIO C. MONCUPA, JR.	PP No. EB1531631	Dec. 09, 2010	Manila
RENATO K. DE BORJA, JR.	PP No. EB6506989	Oct. 08, 2012	NCR East
MARICEL L. MADRID	PP No. EB0948648	Sep 14, 2010	Manila
ATTY. BENEDICTO M. VALERIO, JR.	PP No. XX5135827	Dec 10, 2009	Manila

Notary Public

ATTY. CHARLES B. IMON
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-283 until December 31, 2015
2264 Pasong Tamo Extension, Makati City
Roll No. 45137 / IBP Lifetime No. 02648
PTR No. 4225605, January 2, 2014

DOC. NO.: 365
PAGE NO.: 73
BOOK NO.: I
SERIES OF 2014

ANNEX A – Certification on Qualification of Independent Directors

eastwest

21 March 2014

CERTIFICATION

The undersigned, **NELIECHEL ROSARIO-GALLO**, of legal age, Filipino and with business address at 5th floor, Podium of the Beaufort Tower, 5th avenue cor. 23rd Streets, Bonifacio Global City, Taguig City , after being duly sworn, hereby deposes and states, That:

1. I am the Committee Secretary of Corporate Governance and Compliance Committee of East West Banking Corporation (the "Bank"), a corporation duly organized and existing under and by virtue of Philippine Laws with principal office address at the 5th floor, Podium of the Beaufort Tower, 5th avenue cor. 23rd Streets, Bonifacio Global City, Taguig City;

2. Based on the records of the Bank, the nominees for independent directors possess all the qualifications and have none of the disqualifications for independent directors as set forth in the Revised Manual on Corporate Governance. The nominees for the independent directors have no relationship/ affiliation with FDC and FLI.

3. This certification is issued in compliance with the Notice of the Securities and Exchange Commission dated March 18, 2014.

NELIECHEL ROSARIO-GALLO.
Committee Secretary

SUBSCRIBED AND SWORN TO before me this _____ day of MAR 2 1 2014, affiant exhibiting to me his respective Philippine passport, as follows:

Name	Passport Number	Date of Issuance	Place of Issuance
NELIECHEL ROSARIO-GALLO	XX3852896	30 May 2009	Manila

Doc No. 96
Page No. 20
Book No. 1
Series of 2014.

ATTY. CHARLES B. IMCN
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-283 until December 31, 2015
2264 Pasong Tamo Extension, Makati City
Roll No. 45137 / IBP Lifetime No. 02648
PTR No. 4225605, January 2, 2014

ANNEX B – Certification that None of the Directors and Officers work with the Government

eastwest

24 March 2014

CERTIFICATION

The undersigned, **BENEDICTO M. VALERIO, JR**., of legal age, Filipino and residing at No. 20 San Miguel Bay Drive, South Bay Gardens, Parañaque City, after being duly sworn, hereby deposes and states, That:

1. He is the Corporate Secretary of East West Banking Corporation (the "Bank"), a corporation duly organized and existing under and by virtue of Philippine Laws with principal office address at the 5th floor, Podium of the Beaufort Tower, 5th avenue cor. 23rd Streets, Bonifacio Global City, Taguig City;

2. Based on the records of the Bank, none of its Incumbent Directors and Executive Officers are connected and/or are working in the government, to wit:

(a) Incumbent Directors	(b) Executive Officers
ANDREW L. GOTIANUN, SR.	ANTONIO C. MONCUPA, JR. (President& CEO)
ANTONIO C. MONCUPA, JR.	GERARDO SUSMERANO
LOURDES JOSEPHINE GOTIANUN YAP	JACQUELINE S. FERNANDEZ
JONATHAN T. GOTIANUN	RENATO K. DE BORJA, JR.
MERCEDES T. GOTIANUN	ERNESTO T. UY
JOSE S. SANDEJAS	AGERICO S. VERZOLA
CARLOS R. ALINDADA	GRACE N. ANG
PAUL A. AQUINO	ARNULFO V. DE PALA
BENEDICTO M .VALERIO, JR.	ARTURO L. KIMSENG
	MANUEL ANDRES D. GOSECO
	IVY B. UY
	VIRGILIO L. CAMILO
	ATTY. ISAGANI A. CORTES
	RENATO P. PERALTA

3. This certification is issued in compliance with the Notice of the Securities and Exchange Commission dated March 18, 2014.

ATTY. BENEDICTO M. VALERIO, JR.
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this _____ day of MAR 2 1 2014, affiant exhibiting to me his respective Philippine passport, as follows:

Name	Passport Number	Date of Issuance	Place of Issuance
BENEDICTO M. VALERIO JR.	XX5135827	10 DEC 2009	DFA MANILA

Doc No. 97
Page No. 20
Book No. 1
Series of 2014.

ATTY. CHARLES B. IMON
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-283 until December 31, 2015
2264 Pasong Tamo Extension, Makati City
Roll No. 45137 / IBP Lifetime No. 02648
PTR No. 4225605, January 2, 2014

ANNEX C

Branches Owned as of December 31, 2013

Branch	Location
1. The Fort - Beaufort	The Beaufort, 5th ave. corner 23rd St., Bonifacio Global City, Taguig City
2. Betterliving	100 Doña Soledad Ave., Betterliving Subd., Brgy. Don Bosco,
3. Davao - Lanang	Lot 6 Blk 5, Insular Village, Pampanga Buhangin, Lanang Davao City
4. Pioneer	UG-09 Pioneer Pointe Condominium, Pioneer St., Mandaluyong City
5. Tandang Sora	Lot 80-A Kalaw Hills Subd., Brgy. Culiat, Tandang Sora

Branches and Buildings Leased as of December 31, 2013

Branch	Lessor
Gil puyat	Univille Development Corp.
Cubao	Co Beng Kay
Ortigas	Quantum Summit Inc.
Las Piñas	Lemon Square Inc.
EDSA-Kalookan	Antonio V. Tan Jr.
Roosevelt	Ma. Teresita G. Nino
Pasig Shaw	Hi-Light Corporation
Pasig - Poblacion	BDE Property Holding, Inc.
Ayala Avenue - Herrera	Filinvest Asia Corporation
Imus	Flaviano Barbon
Taytay	CH & CH Realty Dev. Corp.
Congressional	Teresa Ignacio
Anonas	The Heirs of Artemio and Natividad Espido Sr.
President's Avenue	Shirley M. Chong
Antipolo-Marcos Highway	Cathay Builder's Center Inc.
Regalado	Lita Genilo
Bagumbayan	First Queensland Devt Inc.
Bacoor	Emerson T. Santos
Padre Faura	Metro Square Management Services
Sto. Cristo	Sto. Cristo Development Corp
Pasong Tamo	Asia Industries
Mandaluyong Shaw	Litton & Co., Inc.
Quezon Avenue	St. Francis Plaza Corp.
Katipunan	Baywalk Realty Holdings Inc.
Escolta	First United Building Corporation
Banawe	Grayline Plans Inc
Festival Supermall	Filinvest Alabang Inc.
Annapolis	Francis C. Yu
San Fernando - Pampanga	Davsan Commercial Corporation
Cabanatuan	O'neill C. Tecson
Lucena	Belinder Realty Corporation
Calamba	SQA Macroland Holdings Corporation
Dagupan	Susa Erfe-Mejia Crisologo
Cagayan De Oro	Juan Y. Sia
Zamboanga	Akmad J. Sarapuddin
Baguio City	GARPAZ Enterprises Inc (DR. Pacita B. Salvosa)
Cebu - N. Escario Cash Center	Cebu Capitol Commercial Complex Corp

Tomas Morato	Fe Tolentino-Rubio
Sucat	Columbia Airfreight
Angeles, Pampanga	Victoria L. Angeles
Valenzuela	JLB Enterprises Inc
Greenhills	Ortigas & Company, Limited Partnership
Valero	Charlex International Corp
Salcedo	First Life Finance Company, Inc.
Tektite (Renewal)	Pioneer Stationers Inc.
Marikina	Rolando, Mary, Rommel, Ann Michelle, and Michael
Festivall MAll 2	Filinvest Alabang Inc
Tarlac	Central Luzon Realty and Development Corporation
T. Alonzo	Derrick Ong Lee
Batangas	Nestor Thomas V. Dy
West Avenue	Felecita D. Borlongan
Cebu - Mandaue (Relocation)	Justo To Chip
Naga	Manubay Agro-Industrial & Development Corp, Inc.
laoag	Roque Ravelo Ablan Jr
Cebu-Banilad	Philippine Duplicators, Inc.
Cebu - Magallanes	GCk Realty
La Union	LAL Merchandani
Cotabato	Susan Uy Sy
Tacloban	Washington Trading Inc.
Isabela	Ma. Theresa Ku-Daquis
New Manila	RSD Resources Inc.
Malabon	SRS Malabon Corp.
Intramuros	Home Guaranty Corp
Davao - Sta. Ana	Davao GH Enterprise Inc
Del Monte	Philiprose Corporation
Grace Park	Remcor Industrial And Manufacturing Corp.
Binondo	R & S Tower, Inc.
Paseo De Roxas	Grandunion Supermarket
Baliuag Bulacan	Dps Bulk Cement, Inc.
Davao-Matina	Rebecca Melocoton Torno
Lipa Batangas	Segundo M. Bancoro & Violeta V. Bancoro
The Fort	Mar - Nol Realty Corporation
Iloilo	Arancillo, Carrol, Borromeo
Urdaneta Pangasinan	Samson Hilomen
Paso De Blas	Pio Alejandrino
Cauayan Isabela	Leoncia Coloma Uy
Governor Pascual Malabon	Jessica Lucero Ng
Bacolod	Nick's Lumber & Hardware Inc
Divisoria	Aurora Veloso Yap
Ayala - Paseo	The Philippine American Life and General Insurance Company
San Miguel Avenue-Ortigas	Unity Fishing Devt. Corp.
Alabang Madrigal	The Philippine American Life and Gen Insurance Company
UN Avenue	The Philippine American Life and General Insurance Company
Dela Rosa Pasong Tamo	Kings Development
Baclaran	New Galleria Baclaran Inc
A. Bonifacio	Engco Lim and Jully Lim
Paco	Worth Properties Inc.
Soler	R & S Tower Inc
San Juan	Everen Realty Corporation

Legaspi Village	Regina Properties Inc.
Amorsolo	First Gateway Real Estate Corp
Makati Stock Exchange	Ayala Land Inc
Carmona	New Alabang Centro Management & Development Co., Inc
Olongapo	Kriztopher John K. Fernandez
South Triangle	King Chu Hung Cheng
Novaliches	Arnold S. Magsalin
Iligan City	sps. Francisco Ma. & Jeannette L. Garcia
Emerald	Hanston Commercial And Industrial Corp
C. Raymundo	ITSP, International, Inc.
Roxas Blvd.	Natural Resources Developemnt Corporation
Cebu Mactan	Aurello P. Dela Paz
Potrero	Golden A Incorporated
General Santos City	Zenaida Y. Chua
Evangelista	Iza Rowen M. Jonota
Mandaluyong Libertas	Saint BK4M Inc
Balanga Bataan	sps. Reynaldo Paul and Maria Clara A. Chico
Northbay Navotas	Melcon Development Corporation
Muntinlupa	Menzi V. Arellana
Butuan	Deofavente Realty Corporation
General Trias-Cavite	Visionproperties Development Corporation
Burgos Circle	Izukan Inc.
Ozamiz	Ozamiz Universal Auto Mart Inc.
San Pablo	Leopoldo B. Almeda
San Pedro	Filrent Property Management Corporation
B.F. Resort	Spouses Enrique P. Lima and Carmelita P. Lima
168 Mall	Yeeloofa Development Corporation
Iloilo - Iznart	B & C Corporation
Magallanes	Tritan Ventures, Incorporated
Cebu - Mandaue North Road	Aldo Development & Resources Inc
Davao Toril	Samuel or Henry or Alan Edgardo Yu Alegre
Antipolo	Zacarias L. Tapales
Tuguegarao	MKT Mark Corporation
Marikina - Gil Fernando Ave	sps. Rolando A. Nermariano and Mary C. Mariano
Greenhills Shopping Center	Ortigas and Company Limited Partnership
Cebu - Grand Cenia	Filinvest Land Inc.
Pangasinan - San Carlos	Golden Arches Development Corp
Pasig Blvd.	Josefina Menguito Gayamat
Mayon	Missoni Realty Corporation
Davao - Tagum	Dynasty Management and Development Corporation
Don Antonio	Clarence Joseph, Clark Ignatius, Cher Therese Castañeda
City Place Square	Megaworld Corporation
Baesa	Baesa Redevelopment Corporation
Banawe - Sct. Alcaraz	Pollandre Manufacturing Inc.
Timog Avenue	Ushio Relaty & Devt Corp
West Service Road Branch	Antonio S. Bonoan, Jr.
Wilson Branch	Gertim Multiresources Inc.
Pasong Tamo - Bagtikan	Grand Crowne Pacific Inc.
Sucat - Evacom	Consuelo Ko Ong
Banawe N. Roxas	Medros Place Realty and Development Corporation
Baguio Session Road	J.P. Leap Inc
Edsa Howmart	Rowena Balingit Batac

E. Rodriguez	M C Rillo Realty Development Corporation
Jose Abad Santos - Tayuman	Emerina Cada Eusebio
Pampanga - Apalit	Richard Linton Chua Wang
Ayala Ave. - SGV 1	Marilag Corporation
Marikina - Concepcion	Atty. Deogracias G, Eufemio
Balibago - Angeles	J.A.D. Saver's Development Company, Inc.
BetterLiving - Doña Soledad Ave.	sps. Renato G. Silverio and Alegria V. Silverio
Ilocos Sur - Candon	Sps. Shirley And Kansu Chan
Cebu - A.S. Fortuna	Arturo Y. Sing
Cebu - M. Velez	Tong Tiong Lam Real Estate, Inc.
Connecticut	Fox Square Management
Davao - C.M. Recto	sps. Pedro A. Anino and Ester A. Anino
EDSA - Muñoz	Lemon Square Inc.
Kamias	Ma. Lourdes I. Joson
Koronadal City	911 Emergency Pawnshop Inc.
Pasay - D. Macapagal Blvd.	Hobbies of Asia Inc.
Bacolod - Mandalagan	Lopue's Mandalagan Corporation
Las Piñas - Marcos Alvarez	Dante D. Dimaano
Masambong	L. G. Atkimson Import - Export Inc.
Masangkay	SPS. Pio Quintin Tan Paterno Jr and Naty O. Paterno
Makati Ave - Pacific Star	Penta Pacific Realty Corporation
Pagadian - FS Fajares Ave.	Pagadian BMD Estate Co.,
Puerto Prinsesa - Rizal Ave	Palawan Amity Corporation
Cebu - Park Mall	Golden Great Value Properties Inc.
Rada	Desta Development Corporation
Roosevelt - Sto. Nino	sps. Edna L. Liao and Chin Guat B. Liao
Pampanga - San Fernando Sindalan	Timoteo Ramos
Sucat - Kingsland	Alaric properties Inc.
Taft Avenue	Philippine Academy of Family Physicians
Tomas Mapua - Lope de Vega	Valqua Industrial Corporation
T.M. Kalaw	Ditz Realty Co., Inc.
UP Village	Lourdes N. Cando
Benavidez	Multi Development and Construction Corporation
Araneta Avenue	Ilo Construction Inc.
Quiapo	Luz Sui Haw
999 Shopping Mall	Nation Realty Inc.
Amorsolo - Queensway	Amvel Land Development Corporation
Makati Avenue	Ang Tiam Chay (Fernando Ang)
Eastwood City	Megaworld Corporation
North Edsa	Edsa Grand Realty and Development Corporation
BF Homes - Aguirre Ave	Atty. Alberto Pedro B. Arcilla
Quezon Avenue - Dr. Garcia	Kayumanggi Press Inc.
J. P. Rizal	Jose/Ofelia Lasala Corporation
Grace Park - 7th Ave	Maria Belina Genato San Dejas
Bacoor - Molino	Emerson T. Santos
Davao - Bajada	Amalgated CAP (ACI) Inc.
Pasay - Libertad	E Hotel
Ayala Avenue - Rufino Building	Var Building Inc.
Batangas - Bauan	William B. Generoso
Alabang Entrata	Filinvest Alabang Inc - Entrata
Boni Avenue	Pedro L. Cagalingan
Boracay	Maria Victoria Aguirre - Salem

Pangasinan - Rosales	Bernadette E. Arellano
Cagayan De Oro City - Cogon	De Oro Construction Supply Inc.
Mindoro - Calapan	sps. Roberto J. Paras and Rosemarie B. Paras
Cavite - Naic	Atty. Prescila Torres Baylosis
Cavite - Tanza	Priscilla Arca - Torres
Cebu - Fuente Osmeña	Cebu Woman's Club Inc.
Cebu - Asia Town IT Park	Innoland Development Corp
Cebu - Juan Luna	Jo Cinema Corporation
Cebu - Minglanilla	Second Wind Development Inc.
Cebu Talisay	Aileen G. Sy
Cebu - A.C Cortes	The Ancestors Realty Inc.
Cebu - Basak Pardo	Aztique Grans Inc
Cebu Magallanes - Nilo Me Tangere	Central Lumber Corporation
Commonwealth	Crissant Real Estate Services & Development Corporation
Cubao - Araneta Center	The Philippine American Life and General Insurance Company
Dagupan - A.B. Fernandez Avenue	Alan C. Ngo, Benedict Johnson C. Ngo and Sheila Ann C. Ngo
Dasmariñas	Mabini Dela Rea Leveriza
Davao - JP Laurel	Cecilia S. Aledia
Davao - Panabo	Medelyn Tan Du Ursos
H.V. Dela Costa	Pragmatic Development and Contruction Corporation
Legaspi - Dela Rosa	The Insular Life Assurance Compant LTD
Bataan - Dinalupihan	Norberto S. Jimenez
Dumaguete City	Jonathan V. Lee
EL Cano	San Juna Diego Property Holdings Inc.
Fairview	Danilo Domingo Garcia
Pampanga - Guagua	Feliciano O. Tan
Bacolod - Hilado	V. T. Marketing Inc.
Iloilo - Jaro	Mandaue Foam Industries, Inc.
Julia Vargas	Amberland Corporation
Benguet - La Trinidad	Oliver L. Omengan
Lagro	sps. Lourdes Tan Lim and Alfredo IU Lim
Loyola Heights - Katipunan	Mendez Management Corporation
Malabon - Rizal Ave.	Flaviano Gozon Felizardo III
Marikina - J.P. Rizal	Nina Anele A. Dolino
Mckinley Hill	Megaworld Corporation
Meycauyan - Malhacan	Fabeco Development Inc.
Ormoc City	P. Larrazabal & Sons Enterprises, Inc.
Garnet	IPM Trading & Development Corp
Tarlac Paniqui	Luz M. Jo
San Lorenzo - A. Arnaiz Avenue	Aaron Investment Corporation (The E - Hotel)
Pasig - Valle Verde	New Move Realty, Inc.
Pasig - Rosario	Kathleen De Jesus and Carolyn De Jesus
Pasig - Santolan	Jesus F. Ignacio
Nueva Ecija - San Jose	sps. Edilberto P. Lim and Leonor P. Lim
Nueva Vizcaya - Solano	sps. Philip A. Dacayo and Eufemia A. Dacayo
Surigao City	Ernesto G. Chua
Tagbilaran	E.B. Gallares Properties Associates Inc
Novaliches - Talipapa	Copengco Development, Co., Inc.
Batangas - Tanauan	Lima H. Olfato
The Fort - F1	Simor Abaca Products Inc.
Vigan	Ramon L. Filart
Zamboanga City - Canelar	Jonathan Sherwin A. Ebol

Las Pinas - Almanza	Araro Philippines Corporation
Greenhills - North	Hantex Land Corporation
Mandaluyong Wack - Wack	Greenfield Development Corporation
Sucat - Kabihasnan	Wizard Security Systems Inc.
Gil Puyat - Dian	Henley Resources Corporation
A. Bonifacio - Balingasa	Corsa Sales Corporation
Bicutan - East Service Road	WalterMart Ventures Inc
Kalentong	Tomas T. Toh
Juan Luna - Pritil	Well & Well Realty Corporation
Visayas Avenue	Gboy & JB Inc.
Bukidnon Valencia	J. K. LA Viña & Sons Realty Corporation
Plaridel Bulacan	Visram Leasing Services Corporation
Cavite City	Elenita C. Bernal
Davao - Buhangin	D3G Y10 Corporation
Grace Park - 11th Ave	Remcor Industrial and Manufacturing Corporation
Nueva Ecija - Gapan	Sps. David Parcutela Sta. Ines Jr. and Raquel Tioseco Sta. Ines
Valenzuela - Dalandanan	Malanday Machinery & Manufacturing Corporation
Alabang Hills	Don Gesu Realty Corporation
Marikina - Parang	Magdalena B. Victorino
Navotas - M. Naval	Corazon G. Ignacio
Ongpin	Karesman Realty
Ylaya Padre Rada	L.R.L & SONS Inc
Banawe - Kaliraya	Tital 168 Corp
Pangasinan - Lingayen	sps. Menandro T. Molano and Merly S. Molano
Balagtas - Bulacan	Jocelyn Cundangan Alipio, Gerell S. Cundangan and Josie Marie S. Cundangan
Subic Bay	Jemeryk Portal System Integration (IPSI) Inc.
Cavite - Trece Martires	Ms. Nenita Nuestro Alonzo
Laguna - Biñan	Simreys Realty Corporation
Batangas - Lemery	Leaders Dimension Mega Corporation
Bacolod - Araneta	JTM Bacolod Realty Inc.
Roxas - City	WYB Realty and Holding Corp
Kalibo	Cristina Lao - Co
Tacloban City - Marasbaras	JGC Financing Company, Inc.
Davao - Digos	Davao RJ and SONS Realty and Trading Corporation
Perea	William D. TY and Wilfredo D. TY
General Luis - Kaybiga	Isagani S.A. Gonzales
San Jose - Antique	Vicente Conpinco Ong and Sons Incorporated
Batangas Rosario	Emma A. Alcantara
Grace Park - 3rd Ave	Marites Cadawan Huang
Isabela - Ilagan	Imelda Diana P. Beilgo
La Union - Agoo	Dominga E. Chan
Ilocos Norte - San Nicolas	sps. Gerry Casiano and Nenita CU Casiano
San Fernando Pampanga - Jose Abad Ave.	Edgardo E. Chua
Cavite - Silang	Luz Belardo - Consuegra
Davao Agdao	G Tan G Holdings, Inc.
Davao - Mac Arthur Matina	Unotres Realty Inc
Project 8 - Shorthorn	Weststar Realty Corporation
Jupiter	Royal Banner Corporation
Dipolog City	FSA Development Corporation
General Santos - Pioneer Avenue	Laiz Development Corporation
Bluementritt - Rizal Avenue	Mercury Group of Companies Inc.
Chino Roces - La Fuerza	La Fuerza Inc.

Gil Puyat - Salcedo Village	Seawind Realty & Development Inc
Batangas - Nasugbu	Edmundo Villadolid
Juan Luna - Binondo	Goldfleece, Inc.
Paz M. Guazon	Ernesto S. ChuaKaw
Del Monte - D. Tuazon	Emerson Cruz Oliver
Valenzuela - Gen. T. De Leon	Kevin Batalla Tuazon
E. Rodriguez Sr. Ave. - Cubao	United Pharmachem Agrivet Inc.
MIA Road	So Management
Malolos	Bulacan Federation fo Cooperatives
Nueva Ecija - Talavera	Dioscoro F. De Leon
Sorsogon City	Moises Dogillo
Silay	Charito Hofileña-Hain
Davao - Quirino	Binansel Inc.
Davao - Magsaysay	Jonathan John Villanueva Tay
Kidapawan	Heirs of Januario T. Espejo Sr.
Pasong Tamo (Head Office)	Regina Properties Inc
CBG Greenhills	Alcco Realty Corporation
Head - Northern Luzon Business Center	sps.Numeriano A. Mendoza and Carmen Ferrer Mendoza
Head - Southern Luzon Business Center	Amelita M. Sayuno
Head Office	Megaworld Corp
HO (PB Com 37 & 38)	Filinvest Asia Corp
Vehicle (Transportation Services)	New Found Land Transport Services Corp
Sheridan Warehouse	Norton & Harrison Co, Inc.
Greenhills Theatre Mall (Offsite ATM)	Music Museum Group Inc
University Mall (Offsite ATM)	GTL and SONS Inc
Waltermart (Offsite ATM)	Willin Sales Inc
NCCC Mall Davao (Offsite ATM)	LTS Malls Inc
Land Mark Trinoma (Offsite ATM)	CitySuper Inc
Metro Gaisano Alabang (Offsite ATM)	Vicsal Development Corp
CBE Mall (Offsite ATM)	CBE Estrada Prime Holdings Inc
Alphaland Southgate Mall (Offsite ATM)	Alphaland Development Inc
Robinsons Place Imus (Offsite ATM)	Robinsons Land Corp
Robinsons Cybergate Davao (Offsite ATM)	Robinsons Land Corp
SM City North Edsa (Offsite ATM)	SM Prime Holdings Inc
SM City Sucat (Offsite ATM)	SM Prime Holdings Inc
SM City San Lazaro (Offsite ATM)	SM Prime Holdings Inc
SM City Cebu (Offsite ATM)	SM Prime Holdings Inc
SM Mall of Asia (Offsite ATM)	SM Prime Holdings Inc
SM Megamall (Offsite ATM)	First Asia Realty Development Corp

ANNEX D – Audited Financial Statements

ANNEX D – Audited Financial Statements

February 28, 2014

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

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

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

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

JONATHAN T. GOTIANUN
Chairman of the Board

ANTONIO C. MONCUPA, JR.
President and CEO

RENATO K. DE BORJA, JR.
Chief Finance Officer

MANUEL ANDRES D. GOSECO
Treasurer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION 1
Date MAR 14 2014 SDS
RECEIVED
ERWIN L. TELAN

MAR 1 1 2014

SUBSCRIBED AND SWORN TO BEFORE ME ON THIS ______________ AT MAKATI CITY, AFFIANT EXHIBITED TO ME HIS/HER ~~COMMUNITY TAX CERTIFICATE NO.~~ SSS NO. 33-3377705-2 ISSUED ON ______________ AT ______________

DOC. NO.: 291
PAGE NO.: 57
BOOK NO.: IV
SERIES OF: 2014

ATTY. MA. ANNA LOURDES V. DIMAANO-PAMFILO
NOTARY PUBLIC FOR MAKATI CITY
Until December 31, 2014
2264 Pasong Tamo Extension, Makati City
Roll No. 38260 / IBP Lifetime No. 07083
PTR No. 4225606, January 2, 2014

COVER SHEET

FS FOR FILING WITH SEC

AFTER THE BIR HAS DULY STAMPED "RECEIVED."

A S 0 9 4 - 0 0 2 7 3 3

SEC Registration Number

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

(Company's Full Name)

The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City

(Business Address: No. Street City/Town/Province)

Renato K. De Borja, Jr.	575-3387
(Contact Person)	(Company Telephone Number)

12	31	AFS		
Month	Day	(Form Type)	Month	Day
(Fiscal Year)			(Annual Meeting)	

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION 1
Date MAR 14 2014 SDS
RECEIVED
ERWIN L. TELAN

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

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

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

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca

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

February 27, 2014

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION 1
Date MAR 14 2014 SDS
RECEIVED
ERWIN L. TELAN

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION

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

(Forward)

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

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION 1
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EAST WEST BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF INCOME

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION 1
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See accompanying Notes to Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME

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

ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱2,078,270**	₱1,778,391	₱1,765,327
Non-controlling interest	**165**	(1,028)	(460)
TOTAL COMPREHENSIVE INCOME	**₱2,078,435**	₱1,777,363	₱1,764,867

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date MAR 14 2014 SDS
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EAST WEST BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date MAR 14 2014 SDS
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Consolidated
Year Ended December 31, 2013

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

Consolidated
Year Ended December 31, 2012

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

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
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	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**
	Parent Company								
	Year Ended December 31, 2013								
	(Amounts in Thousands)								
Balances at January 1, 2012	**₱11,284,096**	**₱978,721**	**₱–**	**₱38,967**	**₱5,067,643**	**₱1,174**	**(₱14,247)**	**(₱16,351)**	**₱17,340,003**
Net income	–	–	–	–	**1,990,991**	–	–	–	**1,990,991**
Other comprehensive income	–	–	–	–	–	**751**	**370**	**21,579**	**22,700**
Total comprehensive income	–	–	–	–	**1,990,991**	**751**	**370**	**21,579**	**2,013,691**
Transfer to surplus reserves (Note 27)	–	–	–	**2,902**	**(2,902)**	–	–	–	–
Balances at December 31, 2012	**₱11,284,096**	**₱978,721**	**₱–**	**₱41,869**	**₱7,055,732**	**₱1,925**	**(₱13,877)**	**₱5,228**	**₱19,353,694**

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

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

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
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EAST WEST BANKING CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
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	Consolidated			Parent Company		
	Years Ended December 31					
	2013	2012	2011	**2013**	2012	2011
	(Amounts in Thousands)					
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱2,274,391**	₱1,992,383	₱2,110,003	**₱2,174,530**	₱2,033,562	₱2,114,237
Adjustments for:						
Provision for impairment and credit losses (Note 14)	**3,097,641**	1,530,795	731,848	**2,975,701**	1,507,833	731,848
Depreciation and amortization (Notes 10, 11 and 13)	**575,615**	431,072	325,950	**542,051**	393,017	289,899
Gain on asset foreclosure and dacion transactions	**(93,784)**	(42,412)	(84,650)	**(90,551)**	(29,853)	(82,622)
Amortization of intangible assets (Note 12)	**142,031**	129,975	75,246	**138,301**	125,658	74,387
Loss on derecognition (gain on sale) of investment securities at amortized cost (Note 8)	**(572,490)**	(276,883)	44,440	**(572,490)**	(276,883)	44,440
Loss (gain) on sale of assets	**(15,161)**	(4,904)	15,580	**(8,217)**	4,284	14,815
Write-off of capitalized software	**–**	–	1,542	**–**	–	–
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Financial assets at fair value through profit or loss	**2,311,622**	4,637,440	5,219,300	**2,311,622**	4,637,440	5,219,300
Loans and receivables	**(26,352,284)**	(24,939,561)	(8,752,913)	**(26,023,078)**	(23,090,111)	(8,786,734)
Other assets	**55,444**	(279,269)	65,212	**50,280**	(284,698)	61,469
Increase (decrease) in the amounts of:						
Deposit liabilities	**19,967,290**	14,529,375	9,003,287	**20,213,066**	12,928,919	9,117,008
Accrued taxes, interest and other expenses	**82,640**	202,922	(206,191)	**231,628**	46,730	(19,683)
Cashier's checks and demand draft payable	**152,059**	261,829	153,091	**152,059**	261,829	153,091
Other liabilities	**879,013**	865,775	(1,720,270)	**766,593**	1,031,835	(1,872,937)
Net cash generated from (used in) operations	**2,504,027**	(961,463)	6,981,475	**2,861,495**	(710,438)	7,058,518
Income taxes paid	**(191,980)**	(168,349)	(198,767)	**(189,421)**	(167,475)	(198,424)
Net cash provided by (used in) operating activities	**2,312,047**	(1,129,812)	6,782,708	**2,672,074**	(877,913)	6,860,094
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of:						
Investment securities at amortized cost (Note 8)	**1,718,088**	1,564,795	–	**1,718,088**	1,564,795	–
Investment properties and other repossessed assets (Notes 11 and 13)	**419,428**	297,321	224,775	**288,095**	285,412	207,871
Property and equipment (Note 10)	**40,226**	107,507	2,149	**415**	8,909	2,149
Proceeds from maturity of investment securities at amortized cost	**101,485**	363,302	–	**101,485**	363,302	–
Acquisitions of:						
Investment securities at amortized cost	**(706,894)**	(2,322,322)	(2,490,183)	**(706,894)**	(2,322,322)	(2,490,183)
Property and equipment (Note 10)	**(1,216,121)**	(1,221,624)	(724,904)	**(1,188,606)**	(1,153,716)	(699,780)
Branch licenses (Note 12)	**(214,800)**	(822,000)	–	**(214,800)**	(822,000)	–
Capitalized software (Note 12)	**(183,115)**	(248,169)	(135,241)	**(179,989)**	(246,688)	(123,569)
Additional investments in subsidiaries, including deposit for future stock subscription (Notes 1 and 9)	**–**	–	–	**(348,377)**	(168,426)	–
Acquisition of a subsidiary, net of cash acquired (Note 7)	**–**	(19,700)	268,807	**–**	(34,098)	(158,548)
Net cash used in investing activities	**(41,703)**	(2,300,890)	(2,854,597)	**(530,583)**	(2,524,832)	(3,262,060)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2013	2012	2011	**2013**	2012	2011
	(Amounts in Thousands)					
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bills and acceptances payable	**₱2,847,172**	₱18,317,295	₱12,690,691	**₱2,847,177**	₱18,317,295	₱11,040,621
Payments of bills and acceptances payable	**(5,129,624)**	(14,909,096)	(10,748,189)	**(5,129,624)**	(14,906,730)	(9,040,940)
Issuance of common stock, net of direct cost related to issuance (Note 21)	–	5,389,289	–	–	5,389,289	–
Payments of dividends (Note 21)	–	(1,067,500)	(337,500)	–	(1,067,500)	(337,500)
Acquisition of non-controlling interest (Note 1)	**(7,096)**	(8,773)	–	–	–	–
Payment of subordinated debts	**(1,251)**	–	–	–	–	–
Net cash provided by (used in) financing activities	**(2,290,799)**	7,721,215	1,605,002	**(2,282,447)**	7,732,354	1,662,181
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(20,455)**	4,290,513	5,533,113	**(140,956)**	4,329,609	5,260,215
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**3,235,161**	2,243,104	2,079,324	**3,180,497**	2,190,159	2,079,324
Due from Bangko Sentral ng Pilipinas	**21,855,275**	11,315,202	11,556,018	**21,789,239**	11,306,441	11,556,018
Due from other banks	**1,637,917**	1,739,088	1,253,412	**1,524,815**	1,527,896	1,253,412
Interbank loans receivable	**582,648**	7,723,094	2,598,621	**582,648**	7,723,094	2,598,621
	27,311,001	23,020,488	17,487,375	**27,077,199**	22,747,590	17,487,375
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**3,884,538**	3,235,161	2,243,104	**3,811,185**	3,180,497	2,190,159
Due from Bangko Sentral ng Pilipinas	**18,537,655**	21,855,275	11,315,202	**18,404,125**	21,789,239	11,306,441
Due from other banks	**1,751,824**	1,637,917	1,739,088	**1,604,404**	1,524,815	1,527,896
Interbank loans receivable	**3,116,529**	582,648	7,723,094	**3,116,529**	582,648	7,723,094
	₱27,290,546	₱27,311,001	₱23,020,488	**₱26,936,243**	₱27,077,199	₱22,747,590

NET OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest received	**₱9,788,379**	₱7,771,785	₱6,767,618	**₱9,356,900**	₱7,702,386	₱6,676,758
Interest paid	**1,488,540**	1,857,219	1,858,708	**1,343,580**	1,747,772	1,797,391
Dividend received	**69,237**	975	1,047	**69,237**	975	1,047

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION 1
Date MAR 14 2014 SDS
RECEIVED
ERWIN L. TELAN

1. Corporate Information

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

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

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

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

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

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

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance

on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

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

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

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

<u>Cash and Cash Equivalents</u>
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.

<u>Foreign Currency Transactions and Translation</u>
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.

<u>Fair Value Measurement</u>
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).

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>
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.

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

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

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

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

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

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

A financial asset is held for trading if:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A financial liability is held for trading if:

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

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

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

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

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

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

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

<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.

Derecognition of Financial Assets and Financial Liabilities

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.

Offsetting Financial Instruments

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.

Property and Equipment

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.

Investment Properties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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.

Provisions and Contingencies
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.

Income Taxes

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.

Equity

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.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when declared and approved by BOD of the Parent Company and approved by the BSP. Dividends for the year that are declared and approved after the statement of financial position date, if any, are dealt with as an event after the financial reporting date and disclosed accordingly.

Earnings Per Share (EPS)
Basic EPS is determined by dividing the net income for the year attributable to common shares by the weighted average number of common shares outstanding during the year while diluted EPS is computed by dividing net income for the year attributable to common shares by the weighted average number of outstanding and dilutive potential common shares. Basic and diluted EPS are given retroactive adjustments for any stock dividends declared in the current year, if any.

Segment Reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is one that provides products or services within a particular economic environment that is subject to risks and returns that are different from those segments operating in other economic environments.

The Group's operations are organized according to the nature of products and services provided. Financial information on business segments is presented in Note 6.

Events after the Financial Reporting Date
Post year-end events that provide additional information about the Group's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes when material to the financial statements.

Fiduciary Activities
Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Parent Company acts in a fiduciary capacity such as nominee, trustee or agent.

Future Changes in Accounting Policies
Standards issued but are not yet effective up to the date of issuance of the financial statements are listed below. This is a listing of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards to have a significant impact on the financial statements.

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied.

Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an

investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

Annual Improvements to PFRSs (2009-2011 cycle)

The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments effective January 1, 2013. Except as otherwise indicated, the adoption of these improvements did not have an impact on the Group's financial statements.

PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*.

PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The

additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required.

PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise.

PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*.

PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2010-2012 cycle)

The *Annual Improvements to PFRSs* (2010-2012 cycle) contain non-urgent but necessary amendments to PFRSs. Except otherwise indicated, the adoption of these improvements will not have an impact on the Group's financial statements.

PFRS 2, *Share-based Payment - Definition of vesting condition*
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014.

PFRS 3, *Business Combinations - Accounting for contingent consideration in a business combination*
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014.

PFRS 8, *Operating Segments - Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets*
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the

total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.

PFRS 13, *Fair Value Measurement - Short-term receivables and payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate restatement of accumulated depreciation*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

PAS 24, *Related Party Disclosures - Key management personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 38, *Intangible Assets Revaluation Method Proportionate restatement of accumulated amortization*
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard. The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

Annual Improvements to PFRSs (2011-2013 cycle)

The *Annual Improvements to PFRSs* (2011-2013 cycle) contain non-urgent but necessary amendments to PFRSs. Except otherwise indicated, the adoption of these improvements will not have an impact on the Group's financial statements.

PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

PFRS 3, *Business Combinations - Scope exceptions for joint arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively.

PFRS 13, *Fair Value Measurement - Portfolio exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

PAS 40, *Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

PFRS 9, *Financial Instruments*
PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. The Group had early adopted the first phase of PFRS 9 effective January 1, 2011. The Group will not adopt the third phase of the standard before the completion of the limited amendments and the second phase of the project.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as these become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

<u>Judgments</u>

a) *Contingencies*
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the Group's and the Parent Company's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 28).

b) *Functional currency*
PAS 21, *The Effects of Changes in Foreign Exchange Rates,* requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. The Parent Company determined that the RBU's and FCDU's functional currency is the Philippine peso and USD, respectively. In addition, GBI and EWRB determined that their respective functional currency is in Philippine peso. In making these judgments, the Group considers the following:

- the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled)
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

c) *Operating leases*
The Group has entered into lease commitments for its occupied offices and branches. Based on an evaluation of the terms and conditions of the lease agreements, there will be no transfer of ownership of assets to the Group at the end of the lease term. The Group has determined

that all significant risks and rewards of ownership are retained by the respective lessors. Thus, the leases are classified as operating leases (see Note 25).

d) *Business model for managing financial assets*
Change in the Business Model
Under PFRS 9, the Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes.

In 2012, management deemed it necessary to change the way it manages its investment securities because of significant changes in its strategic plans, funding structure and cash flow profile brought about by the Parent Company's IPO and its branch expansion program. Management considered the previous model not adequate to capture the fast evolution of the Parent Company's business strategies. Prior to the change, the Parent Company's business model for the financial assets carried at amortized cost was focused on minimizing, if not to close, the maturity gap in its statement of financial position by matching core deposits, taken from the longest tenor bucket of the maturity gap, with longer termed debt instruments. In 2012, the Parent Company's business model was revised and now focuses on asset-liability management based on the Parent Company's maximum cumulative outflow and expansion of the Parent Company's investment portfolios to reflect the Parent Company's investment strategy.

The Parent Company has determined that the changes qualify as a change in business model for managing financial assets that would require reclassifications of certain financial assets. Accordingly, the Parent Company made certain reclassifications pursuant to the new business model effective July 1, 2012, resulting in ₱711.89 million of Trading and securities gain in the statement of income, representing the difference between the aggregate amortized cost of certain securities amounting to ₱5.58 billion and their aggregate fair value of ₱6.29 billion at the reclassification date.

Sale of Investment Securities at Amortized Cost
The Parent Company's business model allows for financial assets to be held to collect contractual cash flows even when sales of certain financial assets occur. PFRS 9, however, emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Parent Company considers the following:

- sales or derecognition of debt instrument under any of the circumstances spelled out under paragraph 7, Section 2 of BSP Circular No. 708, Series of 2011;
- sales in preparation for funding a potential aberrant behavior in the depositors' withdrawal pattern triggered by news of massive withdrawals or massive withdrawal already experienced by other systemically important banks in the industry;
- sales attributable to an anticipated or in reaction to major events in the local and/or international arena that may adversely affect the collectability of the debt instrument and seen to prospectively affect adversely the behavior of deposits or creditors;
- sales attributable to a change in the Parent Company's strategy upon completion of the other phases of PFRS 9; and
- sales that the Asset-Liability Management Committee (ALCO) deems appropriate to be consistent with managing the Parent Company's balance sheet based upon but are not limited to the set risk limits and target ratios that have been approved by the BOD.

On various dates in 2013, the Parent Company sold a substantial portion of government securities from one of the portfolios in its hold-to-collect business model. The securities were sold to fund the lending requirement for FDC. As a result of the more than infrequent number of sales of securities out of the portfolio, the Parent Company assessed whether such sales are still consistent with the objective of collecting contractual cash flows. The Parent Company concluded that although more than infrequent number of sales has been made out of the portfolio, this is not significant enough to be a change in the business model to trigger reclassification of the remaining securities in the portfolio. The Parent Company has now two business models on the affected portfolio, the first for the remaining securities in the portfolio after the sale and the second for the new securities to be acquired under the portfolio after the sale. The remaining securities in the portfolio will remain to be classified as measured at amortized cost and new securities to be acquired after the sale will be classified as at FVTPL.

In 2012, the Parent Company sold government securities classified as investment securities at amortized cost. The sale of investment securities was contemplated to secure financing for the Parent Company's future capital expenditures. In 2011, the Parent Company participated in a debt exchange program initiated by the Bureau of Treasury for certain investments in government securities at amortized cost. The exchange of investment securities at amortized cost was executed because of a change in the debt structure initiated by the creditor. The Parent Company has determined that the sale of investment securities in 2012 and its participation in the debt exchange program in 2011 are still consistent with its business model of managing financial assets to collect contractual cash flows.

e) *Cash flow characteristics test*
Where the financial assets are classified as at amortized cost, the Group assesses whether the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

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	
	2013	2012	**2013**	2012
Property and equipment (Note 10)	**₱3,452,741**	₱2,740,689	**₱3,320,631**	₱2,572,532
Investment properties (Note 11)	**1,006,716**	937,648	**811,423**	730,335
Branch licenses (Note 12)	**1,662,200**	1,447,400	**1,036,800**	822,000
Goodwill (Note 12)	**1,316,728**	1,316,728	**919,254**	919,254
Capitalized software (Note 12)	**522,128**	472,690	**516,297**	466,255
Core deposits (Note 12)	**20,891**	26,046	**20,891**	26,046
Customer relationship (Note 12)	**133,788**	136,987	**133,788**	136,987
Other repossessed assets (Note 13)	**162,194**	119,221	**162,194**	119,221

e) *Impairment of Goodwill*
The Group determines whether goodwill is impaired at least on an annual basis. Goodwill is written down for impairment where the net present value of the forecasted future cash flows from the CGU is insufficient to support its carrying value. The Group has used the cost of

equity as the discount rate for the value in use (VIU) computation. The Group determined the cost of equity using capital asset pricing model.

Future cash flows from the CGU are estimated based on the theoretical annual income of the CGUs. Average growth rate was derived from the average increase in annual income during the last 5 years.

The recoverable amount of the CGU has been determined based on a VIU calculation using cash flow projections from financial budgets approved by the BOD covering a five-year period. The pre-tax discount rate applied to cash flow projections is 13.09% and 12.71% as of December 31, 2013 and 2012, respectively. Key assumptions in VIU calculation of CGUs are most sensitive to the following assumptions: a) interest margin; b) discount rates; c) market share during the budget period; and d) projected growth rates used to extrapolate cash flows beyond the budget period.

The carrying values of goodwill of the Group and of the Parent Company are disclosed in Note 12.

f) Estimated useful lives of property and equipment, investment properties, other repossessed assets and intangible assets (excluding land, goodwill and branch licenses)
The Group reviews on an annual basis the estimated useful lives of property and equipment, investment properties, other repossessed assets and intangible assets based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment, investment properties, other repossessed assets and intangible assets would decrease their respective balances and increase the recorded depreciation and amortization expense.

As of December 31, 2013 and 2012, the carrying values of property and equipment, investment properties and other repossessed assets and intangible assets (excluding land, goodwill and branch licenses) of the Group and of the Parent Company follow:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Property and equipment (Note 10)	**₱3,162,248**	₱2,441,997	**₱3,056,827**	₱2,308,728
Investment properties (Note 11)	**302,374**	270,518	**255,451**	237,585
Intangible assets (Note 12)	**676,807**	635,723	**670,976**	629,288
Other repossessed assets (Note 13)	**162,194**	119,221	**162,194**	119,221

g) Retirement obligation
The cost of defined benefit retirement plans and the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases are based on expected future inflation rates.

The present value of the defined benefit obligation of the Group and of the Parent Company and details about the assumptions used are disclosed in Note 24.

4. Financial Risk Management Objectives and Policies

Risk Management
To ensure that corporate goals and objectives and business and risk strategies are achieved, the Parent Company utilizes a risk management process that is applied throughout the organization in executing all business activities. Employees' functions and roles fall into one of the three categories where risk must be managed in the business units, operating units and governance units.

The Parent Company's activities are principally related to the use of financial instruments and are exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks. Forming part of a coherent risk management system are the risk concepts, control tools, analytical models, statistical methodologies, historical researches and market analysis, which are being employed by the Parent Company. These tools support the key risk process that involves identifying, measuring, controlling and monitoring risks.

Risk Management Structure

a. Board of Directors (the Board or BOD)
The Parent Company's risk culture is practiced and observed across the Group putting the prime responsibility on the BOD. It establishes the risk culture and the risk management organization and incorporates the risk process as an essential part of the strategic plan of the Group. The BOD approves the Parent Company's articulation of risk appetite which is used internally to help management understand the tolerance for risk in each of the major risk categories, its measurement and key controls available that influence the Parent Company's level of risk taking. All risk management policies and policy amendments, risk-taking limits such as but not limited to credit and trade transactions, market risk limits, counterparty limits, trader's limits and activities are based on the Parent Company's established approving authorities which are approved by the Parent Company's BOD. At a high level, the BOD also approves the Parent Company's framework for managing risk.

b. Executive Committee
This is a board level committee, which reviews the bank-wide credit strategy, profile and performance. It approves the credit risk-taking activities based on the Parent Company's established approving authorities and likewise reviews and endorses credit-granting activities, including the Internal Credit Risk Rating System. All credit proposals beyond the credit approving limit of the Loan and Investments Committee passes through this committee for final approval.

c. Asset-Liability Management Committee (ALCO)
ALCO, a management level committee, meets on a weekly basis and is responsible for the over-all management of the Parent Company's market, liquidity, and financial position related risks. It monitors the Parent Company's liquidity position and reviews the impact of strategic decisions on liquidity. It is responsible for managing liquidity risks and ensuring exposures remain within established tolerance levels. The ALCO's primary responsibilities include, among others, (a) ensuring that the Parent Company and each business unit holds sufficient

liquid assets of appropriate quality and in appropriate currencies to meet short-term funding and regulatory requirements, (b) managing financial position and ensuring that business strategies are consistent with its liquidity, capital and funding strategies, (c) establishing asset and/or liability pricing policies that are consistent with the financial position objectives, (d) recommending market and liquidity risk limits to the Risk Management Committee and BOD and (e) approving the assumptions used in contingency and funding plans. It also reviews cash flow forecasts, stress testing scenarios and results, and implements liquidity limits and guidelines.

d. Risk Management Committee (RMC)
This board level committee oversees the effectiveness of the Parent Company's over-all risk management strategies, practices and policies. The RMC reviews and approves principles, policies, strategies, processes and control frameworks pertaining to risk management and recommends to the BOD, as necessary, changes in strategies and amendments in these policies. The RMC also evaluates the Parent Company's risk exposures and measures its impact on the Parent Company, evaluates the magnitude, direction and distribution of risks across the Parent Company and uses this as basis in the determination of risk tolerances that it subsequently recommends to the BOD for approval. It reports to the BOD the Parent Company's overall risk exposures and the effectiveness of its risk management practices and processes recommending further policy revisions as necessary.

e. Loan and Investments Committee
This committee is headed by the Chairman of the Parent Company whose primary responsibility is to oversee the Parent Company's credit risk-taking activities and overall adherence to the credit risk management framework, review business/credit risk strategies, quality and profitability of the Parent Company's credit portfolio and recommend changes to the credit evaluation process, credit risk acceptance criteria and the minimum and target return per credit or investment transaction. All credit risk-taking activities based on the Parent Company's established approving authorities are evaluated and approved by this committee. It establishes infrastructure by ensuring business units have the right systems and adequate and competent manpower support to effectively manage its credit risk.

f. Audit Committee (Audit Com)
The Audit Com assists the BOD in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Parent Company's process for monitoring compliance with laws and regulation and the code of conduct. It retains oversight responsibilities for operational risk, the integrity of the Parent Company's financial statements, compliance, legal risk and overall policies and practices relating to risk management. It is tasked to discuss with management the Parent Company's major risk exposures and ensures accountability on the part of management to monitor and control such exposures including the Parent Company's risk assessment and risk management policies. The Audit Com discusses with management and the independent auditor the major issues regarding accounting principles and financial statement presentation, including any significant changes in the Parent Company's selection or application of accounting principles; and major issues as to the adequacy of the Parent Company's internal controls; and the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Parent Company.

g. Corporate Governance and Compliance Committee (CGCC)
The CGCC is responsible for ensuring the BOD's effectiveness and due observance of corporate governance principles and guidelines. It reviews and assesses the adequacy of the CGCC's charter and Corporate Governance Manual and recommends changes as necessary. It

oversees the implementation of the Parent Company's compliance program and ensures compliance issues are resolved expeditiously. It assists Board members in assessing whether the Parent Company is managing its compliance risk effectively and ensures regular review of the compliance program.

h. Risk Management Division (RMD)
RMD performs an independent risk governance function within the Parent Company. RMD is tasked with identifying, measuring, controlling and monitoring existing and emerging risks inherent in the Parent Company's overall portfolio (on- or off-balance sheet). RMD develops and employs risk assessment tools to facilitate risk identification, analysis and measurement. It is responsible for developing and implementing the framework for policies and practices to assess and manage enterprise-wide market, credit, operational, and all other risks of the Parent Company.

It also develops and endorses risk tolerance limits for BOD approval, as endorsed by the RMC, and monitors compliance with approved risk tolerance limits. Finally, it regularly apprises the BOD, through the RMC, the results of its risk monitoring.

i. Internal Audit Division (IAD)
IAD provides an independent assessment of the Parent Company's management and effectiveness of existing internal control systems through adherence testing of processes and controls across the organization. The IAD audits risk management processes throughout the Parent Company annually or in a cycle depending on the latest audit rating. It employs a risk-based audit approach that examines both the adequacy of the procedures and the Parent Company's compliance with the procedures. It discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee which in turn, conducts the detailed discussion of the findings and recommendations during its regular meetings. IAD's activities are suitably designed to provide the BOD with reasonable assurance that significant financial and operating information is materially complete, reliable and accurate; internal resources are adequately protected; and employee performance is in compliance with the Parent Company's policies, standards, procedures and applicable laws and regulations.

j. Compliance Division
Compliance Division is responsible for reviewing any legal or regulatory matters that could have a significant impact on the Parent Company's financial statements, the Parent Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies. It reviews the effectiveness and adequacy of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) for any instances of noncompliance.

<u>Credit Risk</u>
Credit risk refers to the potential loss of earnings or capital arising from an obligor/s, customer/s or counterparty's failure to perform and/or to meet the terms of any contract with the Parent Company. Credit risks may last for the entire tenor and set at the full amount of a transaction and in some cases may exceed the original principal exposures. The risk may arise from lending, trade financing, trading, investments and other activities undertaken by the Parent Company. To identify and assess this risk, the Parent Company has a structured and standardized credit rating, and approval process according to the borrower or business and/or product segment. For large corporate credit transactions, the Parent Company has a comprehensive procedure for credit evaluation, risk assessment and well-defined concentration limits, which are established for each

type of borrower. At the portfolio level, which may be on an overall or by product perspective, RMD manages the Parent Company's credit risk.

Credit concentration
Excessive concentration of lending plays a significant role in the weakening of asset quality. The Parent Company reduces this risk by diversifying its loan portfolio across various sectors and borrowers. The Parent Company believes that good diversification across economic sectors and geographic areas, among others, will enable it to ride through business cycles without causing undue harm to its asset quality.

RMD reviews the Parent Company's loan portfolio in line with the Parent Company's policy of not having significant concentrations of exposure to specific industries or group of borrowers. Management of concentration of risk is by client/counterparty and by industry sector. For risk concentration monitoring purposes, the financial assets are broadly categorized into loans and receivables, loans and advances to banks, and investment securities. RMD ensures compliance with BSP's limit on exposure to any single person or group of connected persons by closely monitoring large exposures and top 20 borrowers for both single and group accounts.

Aside from ensuring compliance with BSP's limit on exposures to any single person or group of connected persons, it is the Parent Company's policy to keep the expected loss (determined based on the credit risk rating of the account) of large exposure accounts to, at most, one percent (1.50 %) of their aggregate outstanding balance. This is to maintain the quality of the Parent Company's large exposures. With this, accounts with better risk grades are given priority in terms of being granted a bigger share in the Parent Company's loan facilities.

Aligned with the Manual of Regulations for Banks definition, the Parent Company considers its loan portfolio concentrated if it has exposures of more than thirty percent (30.00%) to a particular industry.

<u>Credit concentration profile as of December 31, 2013 and 2012</u>
Maximum credit risk exposures
The following table shows the Group's and the Parent Company's maximum exposure to credit risk after taking into account any collateral held or other credit enhancements:

	Consolidated							
	2013				2012			
	Carrying Amount	**Fair Value of Collateral**	**Maximum Exposure to Credit Risk**	**Financial Effect of Collateral**	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral
Loans and receivables								
Receivables from customers								
Corporate lending	**₱47,588,271**	**₱13,143,982**	**₱38,940,835**	**₱8,647,436**	₱31,720,228	₱6,422,793	₱25,297,435	₱6,422,793
Consumer lending	**44,871,825**	**20,544,130**	**38,413,862**	**6,457,963**	38,165,990	14,304,823	31,119,961	7,046,029
	₱92,460,096	**₱33,688,112**	**₱77,354,697**	**₱15,105,399**	₱69,886,218	₱20,727,616	₱56,417,396	₱13,468,822

	Parent Company							
	2013				2012			
	Carrying Amount	**Fair Value of Collateral**	**Maximum Exposure to Credit Risk**	**Financial Effect of Collateral**	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral
Loans and receivables								
Receivables from customers								
Corporate lending	**₱47,588,271**	**₱13,143,982**	**₱38,940,835**	**₱8,647,436**	₱31,720,228	₱6,422,793	₱25,297,435	₱6,422,793
Consumer lending	**41,887,643**	**20,543,332**	**38,299,448**	**3,588,195**	35,734,037	13,930,516	29,062,315	6,671,722
	₱89,475,914	**₱33,687,314**	**₱77,240,283**	**₱12,235,631**	₱67,454,265	₱20,353,309	₱54,359,750	₱13,094,515

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

	Consolidated					
	2013			2012		
	Credit Equivalent Amount	**Credit Risk Mitigation**	**Net Credit Exposure**	Credit Equivalent Amount	Credit Risk Mitigation	Net Credit Exposure
Off-balance sheet items						
Direct credit substitutes	**₱400,119**	**₱–**	**₱400,119**	₱214,973	₱–	₱214,973
Transaction-related contingencies	**711,373**	**–**	**711,373**	254,741	–	254,741
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to one (1) year	**419,995**	**–**	**419,995**	221,363	–	221,363
	₱1,531,487	**₱–**	**₱1,531,487**	₱691,077	₱–	₱691,077

	Parent Company					
	2013			2012		
	Credit Equivalent Amount	**Credit Risk Mitigation**	**Net Credit Exposure**	Credit Equivalent Amount	Credit Risk Mitigation	Net Credit Exposure
Off-balance sheet items						
Direct credit substitutes	**₱400,119**	**₱–**	**₱400,119**	₱214,973	₱–	₱214,973
Transaction-related contingencies	**711,373**	**–**	**711,373**	254,741	–	254,741
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to one (1) year	**419,995**	**–**	**419,995**	221,363	–	221,363
	₱1,531,487	**₱–**	**₱1,531,487**	₱691,077	₱–	₱691,077

Large exposures and top 20 borrowers

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

	2013			
	Top 20 Borrowers		**Large Exposures**	
	Single Borrowers	**Group Borrowers**	**Single Borrowers**	**Group Borrowers**
Aggregate Exposure (in billions)	**₱20.03**	**₱24.09**	**₱13.83**	**₱16.49**
Composite Risk Rating	**3.25**	**3.40**	**2.80**	**2.93**
Total Expected Loss/Aggregate Exposure	**0.68%**	**0.82%**	**0.54%**	**0.58%**

	2012			
	Top 20 Borrowers		Large Exposures	
	Single Borrowers	Group Borrowers	Single Borrowers	Group Borrowers
Aggregate Exposure (in billions)	₱15.63	₱17.50	₱9.58	₱11.41
Composite Risk Rating	3.71	3.79	3.87	3.72
Total Expected Loss/Aggregate Exposure	0.81%	0.90%	0.88%	0.81%

As of December 31, 2013 and 2012 the maximum credit exposure to any client or counterparty is about ₱4.46 billion and ₱3.87 billion, respectively. The credit exposures, after due consideration of the allowed credit enhancements, of the Parent Company, are all compliant with the regulatory single borrower's limit and considered to be the maximum credit exposure to any client or counterparty.

Concentration by industry

An industry sector analysis of the financial assets of the Group follows:

	2013			
	Loans and Receivables*	**Loans and Advances to Banks****	**Investment Securities*****	**Total**
Financial intermediaries	**₱27,311,023**	**₱23,564,450**	**₱11,039,756**	**₱61,915,229**
Real estate, renting and business activity	**24,897,531**	**–**	**–**	**24,897,531**
Private households with employed persons	**61,426,923**	**–**	**–**	**61,426,923**
Wholesale and retail trade, repair of motor vehicles	**15,129,128**	**–**	**–**	**15,129,128**
Manufacturing	**14,848,725**	**–**	**–**	**14,848,725**
Agriculture, fisheries and forestry	**1,424,364**	**–**	**–**	**1,424,364**
Transportation, storage and communication	**1,632,873**	**–**	**–**	**1,632,873**
Others****	**33,371,803**	**–**	**–**	**33,371,803**
	180,042,370	**23,564,450**	**11,039,756**	**214,646,576**
Allowance for credit losses (Note 14)	**(4,002,355)**	**–**	**–**	**(4,002,355)**
	₱176,040,015	**₱23,564,450**	**₱11,039,756**	**₱210,644,221**

* Includes commitments and contingent accounts.
** Comprised of Other cash items, Due from BSP, Due from other banks and IBLR.
*** Comprised of Financial assets at FVTPL, Financial assets at FVTOCI and Investment securities at amortized cost.
**** Pertains to unclassified loans and receivables, commitments and contingent accounts.

	2012			
	Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Total
Financial intermediaries	₱36,928,126	₱24,089,624	₱13,890,812	₱74,908,562
Real estate, renting and business activity	14,725,528	–	–	14,725,528
Private households with employed persons	49,136,103	–	–	49,136,103
Wholesale and retail trade, repair of motor vehicles	13,922,230	–	–	13,922,230
Manufacturing	6,590,972	–	–	6,590,972
Agriculture, fisheries and forestry	4,911,807	–	–	4,911,807
Transportation, storage and communication	1,955,996	–	–	1,955,996
Others****	26,480,558	–	–	26,480,558
	154,651,320	24,089,624	13,890,812	192,631,756
Allowance for credit losses (Note 14)	(3,154,065)	–	–	(3,154,065)
	₱151,497,255	₱24,089,624	₱13,890,812	₱189,477,691

* Includes commitments and contingent accounts.
** Comprised of Other cash items, Due from BSP, Due from other banks and IBLR.
*** Comprised of Financial assets at FVTPL, Financial assets at FVTOCI and Investment securities at amortized cost.
**** Pertains to unclassified loans and receivables, commitments and contingent accounts.

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

	2013			
	Loans and Receivables*	**Loans and Advances to Banks****	**Investment Securities*****	**Total**
Financial intermediaries	**₱27,250,596**	**₱23,133,121**	**₱11,039,343**	**₱61,423,060**
Real estate, renting and business activity	**24,858,454**	–	–	**24,858,454**
Private households with employed persons	**61,397,521**	–	–	**61,397,521**
Wholesale and retail trade, repair of motor vehicles	**15,016,409**	–	–	**15,016,409**
Manufacturing	**14,827,935**	–	–	**14,827,935**
Agriculture, fisheries and forestry	**605,639**	–	–	**605,639**
Transportation, storage and communication	**1,628,341**	–	–	**1,628,341**
Others****	**30,777,047**	–	–	**30,777,047**
	176,361,942	**23,133,121**	**11,039,343**	**210,534,406**
Allowance for credit losses (Note 14)	**(3,975,337)**	–	–	**(3,975,337)**
	₱172,386,605	**₱23,133,121**	**₱11,039,343**	**₱206,559,069**

* Includes commitments and contingent accounts.
** Comprised of Other cash items, Due from BSP, Due from other banks and IBLR.
*** Comprised of Financial assets at FVTPL, Financial assets at FVTOCI and Investment securities at amortized cost.
**** Pertains to unclassified loans and receivables, commitments and contingent accounts.

	2012			
	Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Total
Financial intermediaries	₱36,870,604	₱23,910,486	₱13,890,402	₱74,671,492
Real estate, renting and business activity	14,698,962	–	–	14,698,962
Private households with employed persons	49,108,024	–	–	49,108,024
Wholesale and retail trade, repair of motor vehicles	13,805,636	–	–	13,805,636
Manufacturing	6,564,489	–	–	6,564,489
Agriculture, fisheries and forestry	4,312,959	–	–	4,312,959
Transportation, storage and communication	1,949,884	–	–	1,949,884
Others****	24,776,405	–	–	24,776,405
	152,086,963	23,910,486	13,890,402	189,887,851
Allowance for credit losses (Note 14)	(3,132,624)	–	–	(3,132,624)
	₱148,954,339	₱23,910,486	₱13,890,402	₱186,755,227

* Includes commitments and contingent accounts.
** Comprised of Other cash items, Due from BSP, Due from other banks and IBLR.
*** Comprised of Financial assets at FVTPL, Financial assets at FVTOCI and Investment securities at amortized cost.
**** Pertains to unclassified loans and receivables, commitments and contingent accounts.

Collateral and other credit enhancements
Collaterals are taken into consideration during the loan application process as they offer an alternative way of collecting from the client should a default occur. The percentage of loan value attached to the collateral offered is part of the Parent Company's lending guidelines. Such percentages take into account safety margins for foreign exchange rate exposure/fluctuations, interest rate exposure, and price volatility.

Collaterals are valued according to existing credit policy standards and, following the latest appraisal report, serve as the basis for the amount of the secured loan facility.

Premium security items are collaterals that have the effect of reducing the estimated credit risk for a facility. The primary consideration for enhancements falling under such category is the ease of converting them to cash.

The Parent Company is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. It is the Parent Company's policy to dispose foreclosed assets in an orderly fashion. The proceeds of the sale of the foreclosed assets, included under Investment Properties, are used to reduce or repay the outstanding claim. In general, the Parent Company does not occupy repossessed properties for business use.

As part of the Parent Company's risk control on security/collateral documentation, standard documents are made for each security type and deviation from the pro-forma documents are subject to Legal Services Division's approval prior to acceptance.

Credit collaterals profile
The table below provides the collateral profile of the outstanding loan portfolio of the Parent Company:

Security	**Corporate Loans**		**Consumer Loans**	
	2013	2012	**2013**	2012
REM*	**11.13%**	12.53%	**14.80%**	16.50%
Other Collateral**	**24.50%**	13.83%	**23.74%**	33.96%
Unsecured	**64.37%**	73.64%	**61.46%**	49.54%

* Real Estate Mortgage
** Consists of government securities, stocks and bonds, hold-out on deposits, assignment of receivables etc.

As for the computation of credit risk weights, collaterals of the back-to-back and Home Guaranty covered loans, and Philippine sovereign guarantees are the only credit risk mitigants considered as eligible.

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

Rating	Description	Account/Borrower Characteristics
4	Satisfactory	• clear risk elements exist and probability of going into default is somewhat greater, as reflected in the volatility of earnings and overall performance • normally have limited access to public financial markets • able to withstand normal business cycles, but expected to deteriorate beyond acceptable levels under prolonged unfavorable economic period • combination of reasonably sound asset and cash flow protection
5	Acceptable	• risk elements for the Parent Company are sufficiently pronounced, but would still be able to withstand normal business cycles • immediate deterioration beyond acceptable levels is expected given prolonged unfavorable economic period • there is sufficient cash flow either historically or expected in the future in spite of economic downturn combined with asset protection
5B	Acceptable	• financial condition hard to ascertain due to weak validation of financial statements coupled by funding leakages to other business interests whose financial condition is generally unknown • continuous decline in revenues and margins due to competition; increasing debt levels not commensurate to growth in revenues and funding requirements • thin margin business with banks financing bulk of working capital and capex requirements coupled by substantial dividend pay-outs • chronically tight cashflows with operating income negative or barely enough for debt servicing • lines with banks maxed out and availments evergreen with minimal payments made over time or with past record of past due loans with other banks, cancelled credit cards and court cases
6	Watchlist	• affected by unfavorable industry or company-specific risk factors • operating performance and financial strength may be marginal and ability to attract alternative sources of finance is uncertain • difficulty in coping with any significant economic downturn; some payment defaults encountered • net losses for at least two consecutive years
7	Special Mention	• ability or willingness to service debt are in doubt • weakened creditworthiness • expected to experience financial difficulties, putting the Parent Company's exposure at risk
8	Substandard	• collectability of principal or interest becomes questionable by reason of adverse developments or important weaknesses in financial cover • negative cash flows from operations and negative interest coverage • past due for more than 90 days • there exists the possibility of future loss to the Parent Company unless given closer supervision
9	Doubtful	• unable or unwilling to service debt over an extended period of time and near future prospects of orderly debt service are doubtful • with non-performing loan (NPL) status • previously rated 'Substandard' by the BSP • loss on credit exposure unavoidable
10	Loss	• totally uncollectible • prospect of re-establishment of creditworthiness and debt service is remote • lender shall take or has taken title to the assets and is preparing foreclosure and/or liquidation although partial recovery may be obtained in the future • considered uncollectible or worthless and of such little value that continuance as bankable assets is not warranted although the loans may have some recovery or salvage value

It is the Parent Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates a focused management of the applicable risk and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Parent Company's rating policy. The risk ratings are assessed and updated regularly.

Credit Quality Profile as of December 31, 2013 and 2012

External ratings

The Parent Company also uses external ratings, such as Standard & Poor's, Moody's, and Fitch, to evaluate its counterparties and in its assignment of credit risk weights to its banking book exposures. Transactions falling under this category are normally of the following nature: placements with other banks, money market lending, debt security investments, and to some extent, equity security investments.

Investments and financial securities

The table below shows credit quality, based on external ratings, per class of financial assets that are neither past due nor impaired of the Group:

	2013			
	AA/A	**BB/B**	**Unrated**	**Total**
Due from BSP	**₱18,537,655**	**₱–**	**₱–**	**₱18,537,655**
Due from other banks	**1,309,675**	**375,143**	**67,006**	**1,751,824**
IBLR	**1,340,729**	**1,775,800**	**–**	**3,116,529**
Financial assets at FVTPL				
Government securities	**691,437**	**–**	**–**	**691,437**
Private bonds	**74,483**	**376,855**	**92,288**	**543,626**
Equity securities	**190,915**	**–**	**522,725**	**713,640**
	956,835	**376,855**	**615,013**	**1,948,703**
Investment securities at amortized cost				
Government securities	**7,667,254**	**–**	**–**	**7,667,254**
Private bonds	**928,394**	**484,259**	**413**	**1,413,066**
	8,595,648	**484,259**	**413**	**9,080,320**
Financial assets at FVTOCI				
Quoted equity securities	**–**	**–**	**7,486**	**7,486**
Unquoted equity securities	**127**	**–**	**3,120**	**3,247**
	127	**–**	**10,606**	**10,733**
	₱30,740,669	**₱3,012,057**	**₱693,038**	**₱34,445,764**

	2012			
	AA/A	BB/B	Unrated	Total
Due from BSP	₱–	₱21,855,275	₱–	₱21,855,275
Due from other banks	585,695	856,812	195,410	1,637,917
IBLR	582,648	–	–	582,648
Financial assets at FVTPL				
Government securities	215,853	1,590,086	–	1,805,939
Private bonds	–	1,072,180	134,542	1,206,722
Equity securities	120,627	999,998	127,039	1,247,664
	336,480	3,662,264	261,581	4,260,325
Investment securities at amortized cost				
Government securities	249,698	8,003,549	–	8,253,247
Private bonds	865,932	51,194	450,132	1,367,258
	1,115,630	8,054,743	450,132	9,620,505
Financial assets at FVTOCI				
Quoted equity securities	–	–	6,735	6,735
Unquoted equity securities	–	127	3,120	3,247
	–	127	9,855	9,982
	₱2,620,453	₱34,429,221	₱916,978	₱37,966,652

The table below shows credit quality, based on external ratings, per class of financial assets that are neither past due nor impaired of the Parent Company:

	2013			
	AA/A	**BB/B**	**Unrated**	**Total**
Due from BSP	**₱18,404,125**	**₱–**	**₱–**	**₱18,404,125**
Due from other banks	**1,309,675**	**227,723**	**67,006**	**1,604,404**
IBLR	**1,340,729**	**1,775,800**	**–**	**3,116,529**
Financial assets at FVTPL				
Government securities	**691,437**	**–**	**–**	**691,437**
Private bonds	**74,483**	**376,855**	**92,288**	**543,626**
Equity securities	**190,915**	**–**	**522,725**	**713,640**
	956,835	**376,855**	**615,013**	**1,948,703**
Investment securities at amortized cost				
Government securities	**7,667,254**	**–**	**–**	**7,667,254**
Private bonds	**928,394**	**484,259**	**–**	**1,412,653**
	8,595,648	**484,259**	**–**	**9,079,907**
Financial assets at FVTOCI				
Quoted equity securities	**–**	**–**	**7,486**	**7,486**
Unquoted equity securities	**127**	**–**	**3,120**	**3,247**
	127	**–**	**10,606**	**10,733**
	₱30,607,139	**₱2,864,637**	**₱692,625**	**₱34,164,401**

	2012			
	AA/A	BB/B	Unrated	Total
Due from BSP	₱–	₱21,789,239	₱–	₱21,789,239
Due from other banks	585,695	743,710	195,410	1,524,815
IBLR	582,648	–	–	582,648
Financial assets at FVTPL				
Government securities	215,853	1,590,086	–	1,805,939
Private bonds	–	1,072,180	134,542	1,206,722
Equity securities	120,627	999,998	127,039	1,247,664
	336,480	3,662,264	261,581	4,260,325
Investment securities at amortized cost				
Government securities	249,698	8,003,549	–	8,253,247
Private bonds	865,932	51,195	449,721	1,366,848
	1,115,630	8,054,744	449,721	9,620,095
Financial assets at FVTOCI				
Quoted equity securities	–	–	6,735	6,735
Unquoted equity securities	–	127	3,120	3,247
	–	127	9,855	9,982
	₱2,620,453	₱34,250,084	₱916,567	₱37,787,104

The tables below show the credit quality, based on the credit rating system, by class of loans and receivables that are neither past due nor impaired of the Group:

	2013				
	High Grade	**Standard Grade**	**Substandard Grade**	**Unrated**	**Total**
Receivables from customers					
Corporate lending	**₱21,207,719**	**₱22,489,408**	**₱–**	**₱–**	**₱43,697,127**
Consumer lending	**5,933,895**	**20,580,491**	**19,207,950**	**–**	**45,722,336**
	27,141,614	**43,069,899**	**19,207,950**	**–**	**89,419,463**
Unquoted debt securities	**–**	**–**	**–**	**208,132**	**208,132**
Accounts receivable	**9,064**	**7,548**	**781**	**860,571**	**877,964**
Accrued interest receivable	**51,290**	**3,435**	**270**	**622,055**	**677,050**
Sales contract receivable	**2,247**	**421**	**2,797**	**162,797**	**168,262**
	62,601	**11,404**	**3,848**	**1,853,555**	**1,931,408**
	₱27,204,215	**₱43,081,303**	**₱19,211,798**	**₱1,853,555**	**₱91,350,871**

	2012				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Receivables from customers					
Corporate lending	₱15,218,079	₱15,911,806	₱104,912	₱17,755	₱31,252,552
Consumer lending	1,997,023	16,462,502	16,809,692	188,899	35,458,116
	17,215,102	32,374,308	16,914,604	206,654	66,710,668
Unquoted debt securities	–	–	–	207,935	207,935
Accounts receivable	–	–	–	280,614	280,614
Accrued interest receivable	–	–	–	614,635	614,635
Sales contract receivable	–	–	–	119,534	119,534
	–	–	–	1,222,718	1,222,718
	₱17,215,102	₱32,374,308	₱16,914,604	₱1,429,372	₱67,933,386

The tables below show the credit quality, based on the credit rating system, by class of loans and receivables that are neither past due nor impaired of the Parent Company:

	2013				
	High Grade	**Standard Grade**	**Substandard Grade**	**Unrated**	**Total**
Receivables from customers					
Corporate lending	**₱21,207,719**	**₱22,489,408**	**₱–**	**₱–**	**₱43,697,127**
Consumer lending	**2,820,024**	**20,556,206**	**19,196,101**	**–**	**42,572,331**
	24,027,743	**43,045,614**	**19,196,101**	**–**	**86,269,458**
Unquoted debt securities	–	–	–	**208,132**	**208,132**
Accounts receivable	–	–	–	**860,571**	**860,571**
Accrued interest receivable	–	–	–	**622,055**	**622,055**
Sales contract receivable	–	–	–	**162,797**	**162,797**
	–	–	–	**1,853,555**	**1,853,555**
	₱24,027,743	**₱43,045,614**	**₱19,196,101**	**₱1,853,555**	**₱88,123,013**

	2012				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Receivables from customers					
Corporate lending	₱15,218,079	₱15,911,806	₱104,912	₱17,755	₱31,252,552
Consumer lending	264,616	16,462,502	16,809,692	–	33,536,810
	15,482,695	32,374,308	16,914,604	17,755	64,789,362
Unquoted debt securities	–	–	–	207,867	207,867
Accounts receivable	–	–	–	1,096,359	1,096,359
Accrued interest receivable	–	–	–	531,428	531,428
Sales contract receivable	–	–	–	102,886	102,886
	–	–	–	1,938,540	1,938,540
	₱15,482,695	₱32,374,308	₱16,914,604	₱1,956,295	₱66,727,902

Borrowers with unquestionable repaying capacity and to whom the Parent Company is prepared to lend on an unsecured basis, either partially or totally, are generally rated as High Grade borrowers. Included in the High Grade category are those accounts that fall under 'Excellent', 'Strong', 'Good' and 'Satisfactory' categories under ICRRS (with rating of 1-4).

Standard rated borrowers normally require tangible collateral, such as real estate mortgage (REM), to either fully or partially secure the credit facilities as such accounts indicate a relatively higher credit risk than those considered as High Grade. Included in Standard Grade category are those accounts that fall under 'Acceptable', 'Watchlist' and 'Special mention' categories under ICRRS (with rating of 5-7).

Substandard Grade accounts pertain to corporate accounts falling under the 'Substandard,' 'Doubtful' and 'Loss' categories under ICRRS (with rating of 8-10) and unsecured revolving credit facilities.

Those accounts that are classified as unrated includes consumer loans, unquoted debt securities, accounts receivable, accrued interest receivable and sales contract receivable for which the Parent Company has not yet established a credit rating system.

Impairment Assessment
On a regular basis, the Parent Company conducts an impairment assessment exercise to determine expected losses on its loans portfolio.

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or if there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Parent Company addresses impairment assessment in two areas: specific or individually assessed allowances and collectively assessed allowances.

a. Specific Impairment Testing
   Specific impairment testing is the process whereby classified accounts are individually significant subject to impairment testing. Classified accounts are past due accounts and accounts whose credit standing and/or collateral has weakened due to varying circumstances. This present status of the account may adversely affect the collection of both principal and interest payments.

   Indicators of impairment testing are past due accounts, decline in credit rating from independent rating agencies and recurring net losses.

   The net recoverable amount is computed using the present value approach. The discount rate used for loans with fixed and floating interest rate is the original effective interest rate and last repriced interest rate, respectively. Net recoverable amount is the total cash inflows to be collected over the entire term of the loan or the expected proceeds from the sale of collateral. Specific impairment testing parameters include the account information (original and outstanding loan amount), interest rate (nominal and historical effective) and the business plan. Also included are the expected date of recovery, expected cash flows, probability of collection, and the carrying value of loan and net recoverable amount.

   The Parent Company conducts specific impairment testing on significant classified and restructured corporate accounts.

b. Collective Impairment Testing
   All other accounts which were not individually assessed are grouped based on similar credit characteristics and are collectively assessed for impairment under the Collective Impairment Testing. This is also in accordance with PAS 39, which provides that all loan accounts not included in the specific impairment test shall be subjected to collective testing.

   Collective impairment testing of corporate accounts
   Corporate accounts, which are unclassified and with current status are grouped in accordance with the Parent Company's internal credit risk rating. Each internal credit risk rating would fetch an equivalent loss impairment where the estimated loss is determined in consideration of the Parent Company's historical loss experience. Impairment loss is derived by multiplying the outstanding loan balance on a per internal credit risk rating basis against a factor rate. The factor rate, which estimates the expected loss from the credit exposure, is the product of the Default Rate (DR) and the Loss Given Default Rate (LGDR). DR is estimated based on the 3-year historical average default experience by internal credit risk rating of the Parent

Company, while, LGDR is estimated based on loss experience (net of recoveries from collateral) for the same reference period.

Collective impairment testing of consumer accounts
Consumer accounts, both in current and past due status are collectively tested for impairment as required under PAS 39. Accounts are grouped by type of product - personal loans, salary loans, housing loans, auto loans and credit cards.

The estimation of the impaired consumer products' estimated loss is based on three major concepts: age buckets, probability of default and recoverability. Per product, exposures are categorized according to their state of delinquency - (1) current and (2) past due (which is subdivided into 30, 60, 90, 120, 150, 180 and more than 180 days past due). Auto, housing and salary loans have an additional bucket for its items in litigation accounts. The Parent Company partitions its exposures as it recognizes that the age buckets have different rates and/ or probabilities of default. The initial estimates of losses per product due to default are then adjusted based on the recoverability of cash flows, to calculate the expected loss of the Parent Company. Auto and housing loans consider the proceeds from the eventual sale of foreclosed collaterals in approximating its recovery rate; while credit cards, salary loans and personal loans depend on the collection experience of its receivables. Further for housing loans, due to the nature of the assets offered as security, and as the exposures are limited to a certain percentage of the same, this product possess the unique quality of obtaining full recoverability. These default and recovery rates are based on the Parent Company's historical experience, which covers a minimum of two to three (2-3) years cycle, depending on the availability and relevance of data.

The table below shows the aging analysis of the past due but not impaired loans and receivables per class of the Group and of the Parent Company. Under PFRS 7, a financial asset is past due when a counterparty has failed to make payments when contractually due.

	Consolidated					
	2013					
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Loans and receivables						
Corporate lending	**₱–**	**₱–**	**₱–**	**₱–**	**₱77,232**	**₱77,232**
Consumer lending	**–**	**–**	**85,037**	**261,972**	**807,377**	**1,154,386**
	₱–	**₱–**	**₱85,037**	**₱261,972**	**₱884,609**	**₱1,231,618**

	Consolidated					
	2012					
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	More than 180 days	Total
Loans and receivables						
Corporate lending	₱36,152	₱–	₱–	₱–	₱–	₱36,152
Consumer lending	152,989	8,254	120,837	150,281	623,330	1,055,691
	₱189,141	₱8,254	₱120,837	₱150,281	₱623,330	₱1,091,843

	Parent Company					
	2013					
	Less than 30 days	**31 to 60 days**	**61 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Loans and receivables						
Corporate lending	**₱–**	**₱–**	**₱–**	**₱–**	**₱77,232**	**₱77,232**
Consumer lending	**–**	**–**	**85,037**	**226,984**	**450,994**	**763,015**
	₱–	**₱–**	**₱85,037**	**₱226,984**	**₱528,226**	**₱840,247**

	Parent Company					
	2012					
	Less than 30 days	31 to 60 days	61 to 90 days	91 to 180 days	More than 180 days	Total
Loans and receivables						
Corporate lending	₱36,152	₱–	₱–	₱–	₱–	₱36,152
Consumer lending	101,994	3,407	111,439	132,666	196,437	545,943
	₱138,146	₱3,407	₱111,439	₱132,666	₱196,437	₱582,095

Collaterals of past due but not impaired loans mostly consist of real estate mortgage (REM) of industrial, commercial, residential and developed agricultural real estate properties.

Credit risk weighting as of December 31, 2013 and 2012

Total credit risk exposure after risk mitigation

The table below shows the different credit risk exposures of the Group and of the Parent Company after credit risk mitigation, by risk weight applied in accordance with BSP Circular No. 538:

	Consolidated							
	2013							
	Capital	**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**

	Consolidated							
	2012							
	Capital	Risk Buckets						
	Deduction	0%	20%	50%	75%	100%	150%	Total
Credit risk exposure after risk mitigation								
On-balance sheet assets	₱2,388,614	₱26,145,142	₱882,578	₱3,922,097	₱5,963,410	₱69,818,770	₱2,937,661	₱109,669,658
Off-balance sheet assets	–	–	–	–	–	691,077	–	691,077
Counterparty in the banking book (derivatives and repo-style transactions)	–	1,376,530	–	–	–	3,230,922	–	4,607,452
Counterparty in the trading book (derivatives and repo-style transactions)	–	–	14,391	6,190	–	88,732	–	109,313
Credit-linked notes in the banking book	–	–	–	–	–	–	–	–
Securitization exposures	–	–	–	–	–	–	–	–
	2,388,614	27,521,672	896,969	3,928,287	5,963,410	73,829,501	2,937,661	115,077,500
Credit Risk Weighted Assets	₱–	₱–	₱179,394	₱1,964,144	₱4,472,557	₱73,829,501	₱4,406,491	₱84,852,087

	Parent Company 2013							
	Capital Deduction	Risk Buckets 0%	20%	50%	75%	100%	150%	Total
Credit risk exposure after risk mitigation								
On-balance sheet assets	**₱3,788,855**	**₱22,207,803**	**₱3,662,406**	**₱4,514,002**	**₱6,933,876**	**₱82,168,463**	**₱3,498,936**	**₱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**

	Parent Company 2012							
	Capital Deduction	Risk Buckets 0%	20%	50%	75%	100%	150%	Total
Credit risk exposure after risk mitigation								
On-balance sheet assets	₱2,177,997	₱26,018,586	₱882,316	₱3,922,097	₱5,957,573	₱67,524,554	₱2,667,813	₱106,972,939
Off-balance sheet assets	–	–	–	–	–	691,077	–	691,077
Counterparty in the banking book (derivatives and repo-style transactions)	–	1,376,530	–	–	–	3,230,922	–	4,607,452
Counterparty in the trading book (derivatives and repo-style transactions)	–	–	14,391	6,190	–	88,732	–	109,313
Credit-linked notes in the banking book	–	–	–	–	–	–	–	–
Securitization exposures	–	–	–	–	–	–	–	–
	2,177,997	27,395,116	896,707	3,928,287	5,957,573	71,535,285	2,667,813	112,380,781
Credit Risk Weighted Assets	₱–	₱–	₱179,341	₱1,964,144	₱4,468,180	₱71,535,285	₱4,001,720	₱82,148,670

Liquidity Risk

Liquidity risk is the risk that sufficient funds are unavailable to adequately meet all maturing liabilities, including demand deposits and off-balance sheet commitments. The main responsibility of daily asset liability management lies with the Treasury Group, specifically the Liquidity Desk, which is tasked to manage the Parent Company's balance sheet and have a thorough understanding of the risk elements involved in the business. The Parent Company's liquidity risk management is then monitored through ALCO. Resulting analysis of the balance sheet along with the recommendation is presented during the weekly ALCO meeting where deliberations, formulation of actions and decisions are made to minimize risk and maximize Parent Company returns. Discussions include actions taken in the previous ALCO meeting, economic and market status and outlook, liquidity risk, pricing and interest rate structure, limit status and utilization. To ensure that the Parent Company has sufficient liquidity at all times, the ALCO formulates a contingency funding plan which sets out the amount and the sources of funds (such as unutilized credit facilities) available to the Parent Company and the circumstances under which such funds will be used.

By way of the Maximum Cumulative Outflow (MCO) limit, the Parent Company is able to manage its short-term liquidity risks by placing a cap on the outflow of cash on a per tenor and on a cumulative basis. The Parent Company takes a multi-tiered approach to maintaining liquid assets. The Parent Company's principal source of liquidity is comprised of COCI, Due from BSP, Due from other banks and IBLR with maturities of less than one year. In addition to regulatory reserves, the Parent Company maintains a sufficient level of secondary reserves in the form of liquid assets such as short-term trading and investment securities that can be realized quickly.

Analysis of financial assets and liabilities by remaining contractual maturities

The table below shows the maturity profile of the financial assets and liabilities of the Group and of the Parent Company, based on its internal methodology that manages liquidity based on contractual undiscounted cash flows (amounts in millions):

	Consolidated						
	2013						
	On demand	**Up to 1 month**	**>1 to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**Beyond 1 year**	**Total**
Financial Assets							
Cash and cash equivalents*	**₱21,780**	**₱5,451**	**₱–**	**₱–**	**₱–**	**₱210**	**₱27,441**
Investments and trading securities**	–	**881**	**759**	**244**	**665**	**13,942**	**16,491**
Loans and receivables	–	**12,526**	**9,937**	**8,077**	**4,146**	**68,917**	**103,603**
	₱21,780	**₱18,858**	**₱10,696**	**₱8,321**	**₱4,811**	**₱83,069**	**₱147,535**
Financial Liabilities							
Deposit liabilities***	**₱–**	**₱12,213**	**₱15,398**	**₱12,633**	**₱6,676**	**₱66,271**	**₱113,191**
Bills and acceptances payable	–	**2,379**	**588**	–	–	**460**	**3,427**
Subordinated debt	–	**1,250**	–	–	–	**1,613**	**2,863**
Other liabilities	**919**	**56**	**18**	**22**	**12**	**5,006**	**6,033**
Contingent liabilities	–	**713**	**553**	**681**	**1,093**	**(1,753)**	**1,287**
	₱919	**₱16,611**	**₱16,557**	**₱13,336**	**₱7,781**	**₱71,597**	**₱126,801**

*Consist of cash and cash other items, due from BSP, due from other banks and IBLR

**Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost.

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

	Consolidated						
	2012						
	On demand	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	Beyond 1 year	Total
Financial Assets							
Cash and cash equivalents*	₱18,156	₱9,155	₱–	₱–	₱–	₱–	₱27,311
Investments and trading securities**	–	51	48	2,296	2,642	18,226	23,263
Loans and receivables	–	10,833	9,067	5,128	4,809	41,355	71,192
	₱18,156	₱20,039	₱9,115	₱7,424	₱7,451	₱59,581	₱121,766
Financial Liabilities							
Deposit liabilities***	₱–	₱8,785	₱14,050	₱12,007	₱4,069	₱54,733	₱93,644
Bills and acceptances payable	–	3,868	1,669	–	–	35	5,572
Subordinated debt	–	–	113	1	–	2,750	2,864
Other liabilities	733	32	55	65	52	3,523	4,460
Contingent liabilities	–	464	777	595	776	(1,098)	1,514
	₱733	₱13,149	₱16,664	₱12,668	₱4,897	₱59,943	₱108,054

*Consist of cash and cash other items, due from BSP, due from other banks and IBLR

**Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost.

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

	Parent Company						
	2013						
	On demand	**Up to 1 month**	**>1 to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**Beyond 1 year**	**Total**
Financial Assets							
Cash and cash equivalents*	**₱21,535**	**₱5,401**	**₱–**	**₱–**	**₱–**	**₱–**	**₱26,936**
Investments and trading securities**	–	**880**	**759**	**244**	**665**	**15,341**	**17,889**
Loans and receivables	–	**12,517**	**9,930**	**8,068**	**4,118**	**65,352**	**99,985**
	₱21,535	**₱18,798**	**₱10,689**	**₱8,312**	**₱4,783**	**₱80,693**	**₱144,810**

(Forward)

	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 Liabilities							
Deposit liabilities***	**₱–**	**₱11,168**	**₱14,765**	**₱12,158**	**₱6,379**	**₱66,113**	**₱110,583**
Bills and acceptances payable	**–**	**2,251**	**588**	**–**	**–**	**450**	**3,289**
Subordinated debt	**–**	**1,250**	**–**	**–**	**–**	**1,500**	**2,750**
Other liabilities	**919**	**55**	**17**	**22**	**12**	**4,379**	**5,404**
Contingent liabilities	**–**	**713**	**553**	**681**	**1,093**	**(1,753)**	**1,287**
	₱919	**₱15,437**	**₱15,923**	**₱12,861**	**₱7,484**	**₱70,689**	**₱123,313**

*Consist of cash and cash other items, due from BSP, due from other banks and IBLR

**Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost.

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

	Parent Company 2012						
	On demand	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	Beyond 1 year	Total
Financial Assets							
Cash and cash equivalents*	₱18,043	₱9,034	₱–	₱–	₱–	₱–	₱27,077
Investments and trading securities**	–	51	48	2,296	2,642	18,226	23,263
Loans and receivables	–	10,808	9,059	5,109	4,710	39,784	69,470
	₱18,043	₱19,893	₱9,107	₱7,405	₱7,352	₱58,010	₱119,810
Financial Liabilities							
Deposit liabilities***	₱–	₱8,658	₱13,630	₱11,450	₱3,267	₱53,903	₱90,908
Bills and acceptances payable	–	3,868	1,669	–	–	35	5,572
Subordinated debt	–	–	–	–	–	2,750	2,750
Other liabilities	733	16	29	31	3	3,458	4,270
Contingent liabilities	–	464	777	595	776	(1,098)	1,514
	₱733	₱13,006	₱16,105	₱12,076	₱4,046	₱59,048	₱105,014

*Consist of cash and cash other items, due from BSP, due from other banks and IBLR

**Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost.

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

The Parent Company manages liquidity by maintaining sufficient liquid assets in the form of cash and cash equivalents, investments securities and loan receivables with what it assesses to be sufficient of short-term loans. As of December 31, 2013 and 2012, ₱35.59 billion and ₱32.14 billion, respectively, or 37.50% and 42.30%, respectively, of the Parent Company's total gross loans and receivables had remaining maturities of less than one (1) year. The total portfolio of trading and investment securities is comprised mostly of sovereign-issued securities that have high market liquidity. The Parent Company was fully compliant with BSP's limits on FCDU Asset Cover and FCDU Liquid Assets Cover, having reported ratios above 100.00% and 30.00%, respectively, as of December 31, 2013 and 2012. With the above presented liquidity profile, the Group remains to be inhibited from liquidity risk that it can't adequately manage.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Parent Company treats exposures to market risk as either trading portfolio or balance sheet exposure. The market risk for the trading portfolio is managed and monitored based on a VaR methodology which reflects the interdependency between risk variables. Balance sheet exposures are managed and monitored using sensitivity analyses.

Market risk in the trading books
The Board has set limits on the level of risk that may be accepted. Price risk limits are applied at the business unit level and approved by the BOD based on, among other things, a business unit's capacity to manage price risks, the size and distribution of the aggregate exposure to price risks and the expected return relative to price risks.

The Parent Company applies VaR methodology to assess the market sensitive positions held and to estimate the potential economic loss based on a number of parameters and assumptions on market conditions. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

Objectives and limitations of the VaR Methodology
The Parent Company uses the parametric VaR model, using one-year historical Bloomberg data set to assess possible changes in the market value of the trading portfolio. The VaR model is designed to measure market risk in a normal market environment. The model assumes that any change occurring in the risk factors affecting the normal market environment will create outcomes that follow a normal distribution. The use of VaR has limitations because correlations and volatilities in market prices are based on historical data and VaR assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption.

VaR may also be under or over estimated due to assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolio at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

In practice, actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR model, actual outcomes are monitored through actual backtesting to test the accuracy of the VaR model.

Stress testing provides a means of complementing VaR by simulating the potential loss impact on market risk positions from extreme market conditions, such as 500 bps increase in Philippine peso interest rates and 300 bps increase in US dollar interest rates (based on the uniform stress testing framework of BSP).

VaR assumptions
The VaR that the Parent Company measures is an estimate, using a confidence level of 99.00% of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for 5 days. The use of a 99.00% confidence level means that within a five-day horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

VaR is an integral part of the Parent Company's market risk management and encompasses investment positions held for trading. VaR exposures form part of the market risk monitoring which is reviewed daily against the limit approved by the Board. If the Market Risk Limit is exceeded, such occurrence is promptly reported to the Treasurer, Chief Risk Officer and the President, and further to the Board through the RMC.

The VaR below pertains to interest rate risk of the Parent Company's trading books.

	2013	2012
Year-end VaR	**₱13,122**	₱47,534
Average VaR	**67,046**	66,490
Highest VaR	**324,284**	166,946
Lowest VaR	**3,392**	13,725

The year-end VaR for 2013 was based on a portfolio position size equal to ₱1.20 billion with an average yield of 3.56% and average maturity of 5 years and 5 months. The year-end VaR for 2012 had a position size equal to ₱2.46 billion with an average yield of 4.18 % and average maturity of 10 years and 3 months.

In 2012, the Parent Company bought preferred shares for its trading portfolio. The VaR methodology is likewise applied in measuring the potential loss arising from the price fluctuations of these shares at a 99.00% confidence level with a 10-day horizon.

The VaR below pertains to the market risk of the equity positions of the Parent Company.

	2013	2012
Year-end VaR	**₱39,759**	₱58,842
Average VaR	**60,457**	58,531
Highest VaR	**87,143**	60,107
Lowest VaR	**39,759**	55,692

Foreign Currency Risk

The Parent Company holds foreign currency denominated assets and liabilities, thus, fluctuations on the foreign exchange rates can affect the financial and cash flows of the Parent Company. Managing the foreign exchange exposure is important for banks with exposures in foreign currencies. It includes managing foreign currency positions in order to control the impact of changes in exchange rates on the financial position of the Parent Company.

As noted above, the Parent Company likewise applies the VaR methodology in estimating the potential loss of the Parent Company due to foreign currency fluctuations. The Parent Company uses a 99.00% confidence level with one-day horizon in estimating the foreign exchange (FX) VaR. The use of a 99.00% confidence level means that within a one-day horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

The Parent Company's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. In 2013 and 2012, the Parent Company's profile of foreign currency exposure on its assets and liabilities is within limits for financial institutions engaged in the type of businesses in which the Parent Company is engaged.

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

	2013	2012
Year-end VaR	**₱1,963**	₱1,826
Average VaR	**2,423**	2,073
Highest VaR	**8,364**	8,514
Lowest VaR	**13**	9

Some of the Parent Company's transactions exposed to foreign currency fluctuations include spots and forwards contracts, investments in bonds and due from other banks. The FX position emanates from both the RBU and FCDU books. In the FCDU books, BSP requires banks to match the foreign currency assets with the foreign currency liabilities. Thus, banks are required to maintain at all times a 100.00% cover for their currency liabilities held through FCDU. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDU.

Total foreign exchange currency position is monitored through the daily BSP FX position reports, which are subject to the overbought and oversold limits set by the BSP at 20.00% of unimpaired capital or USD50.00 million, whichever is lower. Internal limits regarding the intraday trading and end-of-day trading positions in FX, which take into account the trading desk and the branch FX transactions, are also monitored.

The table below summarizes the exposure to foreign exchange risk of the Parent Company as of December 31, 2013 and 2012:

	2013		
	USD	**Other Currencies**	**Total**
Assets			
Gross FX assets	**$494,222**	**$1,203**	**$495,425**
Contingent FX assets	**31,524**	**–**	**31,524**
	525,746	**1,203**	**526,949**
Liabilities			
Gross FX liabilities	**462,080**	**81**	**462,161**
Contingent FX liabilities	**59,000**	**24**	**59,024**
	521,080	**105**	**521,185**
Net exposure	**$4,666**	**$1,098**	**$5,764**

	2012		
	USD	Other Currencies	Total
Assets			
Gross FX assets	$453,371	$909	$454,280
Contingent FX assets	81,300	–	81,300
	534,671	909	535,580
Liabilities			
Gross FX liabilities	413,440	–	413,440
Contingent FX liabilities	127,700	–	127,700
	541,140	–	541,140
Net exposure	($6,469)	$909	($5,560)

The table below indicates the currencies to which the Parent Company had significant exposures as of December 31, 2013 and 2012 (amounts in millions). The analysis calculates the effect of a reasonably possible movement of the currency rate against Peso, with all other variables held constant on the statement of income. A negative amount reflects a potential net reduction in statement of income while a positive amount reflects net potential increase. There is no other impact on the Parent Company's equity other than those already affecting the statements of income.

Foreign currency appreciates (depreciates)	**2013**			
	USD	**GBP**	**EUR**	**JPY**
+10.00%	**₱20.72**	**₱1.96**	**₱1.85**	**₱.25**
-10.00%	**(20.72)**	**(1.96)**	**(1.85)**	**(.25)**

Foreign currency appreciates (depreciates)	2012			
	USD	GBP	EUR	JPY
+10.00%	(₱26.56)	₱.56	₱1.2	₱2.05
-10.00%	26.56	(.56)	(1.2)	(2.05)

Market Risk in the Non-Trading Books

Interest rate risk
A critical element of risk management program consists of measuring and monitoring the risks associated with fluctuations in market interest rates on the Group's net interest income. The short-term nature of its assets and liabilities reduces the exposure of its net interest income to such risks.

The Parent Company employs 'Gap Analysis' on a monthly basis to measure the interest rate sensitivity of its assets and liabilities. The asset/liability gap analysis measures, for any given period, any mismatches between the amounts of interest-earning assets and interest-bearing liabilities that would re-price, or mature (for contracts that do not re-price), during that period. Non-maturing deposits are treated as non repricing liabilities by the Parent Company. The re-pricing gap is calculated by first distributing the assets and liabilities contained in the Group's statement of financial position into tenor buckets according to the time remaining to the next re-pricing date (or the time remaining to maturity if there is no re-pricing), and then obtaining the difference between the total of the re-pricing (interest rate sensitive) assets and re-pricing (interest rate sensitive) liabilities. If there is a positive gap, there is asset sensitivity which generally means that an increase in interest rates would have a positive effect on the Group's net interest income. If there is a negative gap, this generally means that an increase in interest rates would have a negative effect on net interest income.

The following table provides for the average effective interest rates by period of re-pricing (or by period of maturity if there is no re-pricing) of the Group as of December 31, 2013 and 2012:

	2013				
	Up to 1 month	**>1 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%**

(Forward)

	2013				
	Up to 1 month	**>1 month to 3 months**	**>3 months to 6 months**	**>6 months to 12 months**	**>12 months**
FCDU					
Financial assets					
Cash and cash equivalents	**0.19%**	–	–	–	–
Loans and receivables	**1.49%**	–	**3.55%**	**5.35%**	**6.77%**
Investment securities	**3.15%**	**3.15%**	**3.15%**	–	**3.24%**
Financial liabilities					
Deposit liabilities	**1.34%**	**1.37%**	**1.43%**	**1.63%**	**2.54%**

	2012				
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>12 months
RBU					
Financial assets					
Cash and cash equivalents	3.55%	–	–	–	–
Loans and receivables	5.50%	5.34%	7.47%	7.0%	11.43%
Investment securities	–	–	–	–	4.92%
Financial liabilities					
Deposit liabilities	3.32%	3.83%	3.89%	4.71%	5.41%
Bills payable	0.81%	0.78%	–	–	–
Subordinated debt	–	10.08%	–	–	8.18%
FCDU					
Financial assets					
Cash and cash equivalents	0.83%	–	–	–	–
Loans and receivables	3.02%	5.23%	4.07%	2.66%	7.56%
Investment securities	4.23%	–	–	–	5.11%
Financial liabilities					
Deposit liabilities	1.57%	1.52%	1.83%	1.60%	2.02%

The following table provides for the average effective interest rates by period of re-pricing (or by period of maturity if there is no re-pricing) of the Parent Company as of December 31, 2013 and 2012:

	2013				
	Up to 1 month	**>1 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%**

	2012				
	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	3.55%	–	–	–	–
Loans and receivables	5.48%	5.34%	7.53%	6.92%	12.72%
Investment securities	–	–	–	–	4.92%
Financial liabilities					
Deposit liabilities	3.32%	3.60%	3.63%	4.60%	5.40%
Bills payable	0.81%	0.78%	–	–	–
Subordinated debt	–	–	–	–	8.01%
FCDU					
Financial assets					
Cash and cash equivalents	0.83%	–	–	–	–
Loans and receivables	3.02%	5.23%	4.07%	2.66%	7.56%
Investment securities	4.23%	–	–	–	5.11%
Financial liabilities					
Deposit liabilities	1.57%	1.52%	1.83%	1.60%	2.02%

The following table sets forth the asset-liability gap position of the Group as of December 31, 2013 and 2012 (amounts in millions):

	2013					
	Up to 1 month	**> 1 to 3 months**	**> 3 to 6 months**	**>6 to 12 months**	**>12 months**	**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**
Other liabilities	**–**	**–**	**–**	**–**	**–**	**–**
Subordinated debt	**1,250**	**–**	**–**	**–**	**1,613**	**2,863**
Contingent liabilities	**22**	**–**	**–**	**–**	**–**	**22**
Total financial liabilities	**33,291**	**4,651**	**545**	**360**	**16,075**	**54,922**
Asset-liability gap	**₱812**	**₱193**	**₱4,017**	**₱4,110**	**₱22,646**	**₱31,778**

	2012					
	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	Total
Financial assets						
Cash and cash equivalents	₱8,815	₱–	₱–	₱–	₱–	₱8,815
Loans and receivables	21,957	5,884	2,866	5,569	16,938	53,214
Investment securities	51	–	–	–	8,585	8,636
Total financial assets	30,823	5,884	2,866	5,569	25,523	70,665
Financial liabilities						
Deposit liabilities	31,191	7,534	1,162	451	3,261	43,599
Bills and acceptances payable	3,047	1,669	–	–	–	4,716
Other liabilities	–	–	–	–	–	–
Subordinated debt	–	114	–	–	2,750	2,864
Contingent liabilities	84	777	145	273	15	1,294
Total financial liabilities	34,322	10,094	1,307	724	6,026	52,473
Asset-liability gap	(₱3,499)	(₱4,210)	₱1,559	₱4,845	₱19,497	₱18,192

The following table sets forth the asset-liability gap position of the Parent Company as of December 31, 2013 and 2012 (amounts in millions):

	2013					
	Up to 1 month	**> 1 to 3 months**	**> 3 to 6 months**	**>6 to 12 months**	**>12 months**	**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**
Other liabilities	**–**	**–**	**–**	**–**	**–**	**–**
Subordinated debt	**1,250**	**–**	**–**	**–**	**1,500**	**2,750**
Contingent liabilities	**22**	**–**	**–**	**–**	**–**	**22**
Total financial liabilities	**31,732**	**4,185**	**512**	**339**	**15,962**	**52,730**
Asset-liability gap	**₱2,489**	**₱639**	**₱4,031**	**₱4,095**	**₱19,644**	**₱30,898**

	2012					
	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	Total
Financial assets						
Cash and cash equivalents	₱8,815	₱–	₱–	₱–	₱–	₱8,815
Loans and receivables	21,932	5,876	2,847	5,470	15,613	51,738
Investment securities	51	–	–	–	8,585	8,636
Total financial assets	30,798	5,876	2,847	5,470	24,198	69,189
Financial liabilities						
Deposit liabilities	30,953	5,351	981	417	3,261	40,963
Bills and acceptances payable	3,047	1,669	–	–	–	4,716
Other liabilities	–	–	–	–	–	–
Subordinated debt	–	–	–	–	2,750	2,750
Contingent liabilities	84	777	145	273	15	1,294
Total financial liabilities	34,084	7,797	1,126	690	6,026	49,723
Asset-liability gap	(₱3,286)	(₱1,921)	₱1,721	₱4,780	₱18,172	₱19,466

With the above positive re-pricing profile, the Group could expect positive returns from the following months after the end of 2013 should there be an upward movement in interest rates.

The Group also monitors its exposure to fluctuations in interest rates by using scenario analysis to estimate the impact of interest rate movements on its interest income. This is done by modeling the impact to the Group's interest income and interest expenses of different parallel changes in the interest rate curve, assuming the parallel change only occurs once and the interest rate curve after the parallel change does not change again for the next twelve months.

The following table sets forth, for the period indicated, the impact of changes in interest rates on the Group's non-trading net interest income (amounts in millions). There is no other impact on the Group's equity other than those already affecting the statements of income.

Change in basis points	**2013**	2012
+100bps	**₱44.8**	(₱46.7)
-100bps	**(44.8)**	46.7

The following table sets forth, for the period indicated, the impact of changes in interest rates on the Parent Company's non-trading net interest income (amounts in millions). There is no other impact on the Parent Company's equity other than those already affecting the statements of income.

Change in basis points	**2013**	2012
+100bps	**₱64.6**	(₱24.8)
-100bps	**(64.6)**	24.8

Market Risk Weighting as of December 31, 2013 and 2012
The table below shows the different market risk-weighted assets (in millions) of the Group and the Parent Company using the standardized approach:

Type of Market Risk Exposure	**2013**	2012
Interest Rate Exposures	**₱1,874**	₱5,243
Foreign Exposures	**256**	266
Equity Exposures	**7**	27
	₱2,137	₱5,536

Operational Risk
Operational risk is the loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal, compliance and reputational risks but excludes strategic risk.

Adopting the Basic Indicator Approach in computing, below is the total operational risk-weighted assets of the Group and Parent Company (amounts in millions).

	2013	2012	2011
Group	**₱15,338**	₱12,973	₱11,916
Parent Company	**14,701**	12,229	11,020

Other Risk Exposures
Group risk exposures other than credit, market, liquidity and operational, while existent, are deemed insignificant relative to the mentioned risks and if taken in isolation. Hence, management of these risks are instead collectively performed and made an integral part of the Group's internal capital adequacy assessment process (ICAAP) and enterprise risk management initiatives.

The last internal capital adequacy assessment results of the Group show that these other risks remain insignificant to pose a threat on the Group's capacity to comply with the minimum capital adequacy ratio of 10% as prescribed by BSP.

5. Fair Value Measurement

The following table provides the fair value hierarchy of the Group's and of the Parent Company's assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	Consolidated				
	2013				
		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**	**₱691,437**	**₱–**	**₱–**
Private bonds	**543,626**	**543,626**	**543,626**	**–**	**–**
Equity securities	**713,640**	**713,640**	**713,640**	**–**	**–**
	1,948,703	**1,948,703**	**1,948,703**	**–**	**–**
Derivative assets	**90**	**90**	**–**	**90**	**–**
Financial assets at FVTOCI	**10,733**	**10,733**	**10,733**	**–**	**–**
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	**7,667,254**	**7,778,029**	**7,778,029**	**–**	**–**
Private bonds	**1,413,066**	**1,752,318**	**1,752,318**	**–**	**–**
	9,080,320	**9,530,347**	**9,530,347**	**–**	**–**
Loans and receivables					
Receivable from customers:					
Corporate lending	**47,558,271**	**47,011,932**	**–**	**–**	**47,011,932**
Consumer lending	**41,871,825**	**50,102,457**	**–**	**–**	**50,102,457**
Unquoted debt securities	**208,753**	**208,753**	**–**	**–**	**208,753**
	89,638,849	**97,323,142**	**–**	**–**	**97,323,142**
Non-financial assets					
Investment properties	**1,006,716**	**1,420,398**	**–**	**1,420,398**	**–**
Total assets	**₱101,685,411**	**₱110,233,413**	**₱11,489,783**	**₱1,420,488**	**₱97,323,142**
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	**₱21,978**	**₱21,978**	**₱–**	**₱21,978**	**₱–**
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	**41,275,731**	**41,314,743**	**–**	**–**	**41,314,743**
LTNCD	**5,466,003**	**6,997,876**	**–**	**–**	**6,997,876**
	46,741,734	**48,312,619**	**–**	**–**	**48,312,619**
Subordinated debt	**2,862,500**	**4,099,986**	**–**	**–**	**4,099,986**
Total liabilities	**₱49,626,212**	**₱52,434,583**	**₱–**	**₱21,978**	**₱52,412,605**

	Consolidated				
	2012				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱1,805,939	₱1,805,939	₱1,805,939	₱–	₱–
Private bonds	1,206,722	1,206,722	1,206,722	–	–
Equity securities	1,247,664	1,247,664	1,247,664	–	–
	4,260,325	4,260,325	4,260,325	–	–

(Forward)

	Consolidated				
	2012				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative assets	₱41,316	₱41,316	₱–	₱41,316	₱–
Financial assets at FVTOCI	9,982	9,982	9,982	–	–
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	8,253,247	8,862,425	8,862,425	–	–
Private bonds	1,367,258	1,887,344	1,887,344	–	–
	9,620,505	10,749,769	10,749,769	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	31,720,228	34,128,059	–	–	34,128,059
Consumer lending	38,165,990	39,482,447	–	–	39,482,447
Unquoted debt securities	207,937	207,937	–	–	207,937
	70,094,155	73,818,443	–	–	73,818,443
Non-financial assets					
Investment properties	937,468	1,666,786	–	1,666,786	–
Total assets	₱84,963,751	₱90,546,621	₱15,020,076	₱1,708,102	₱73,818,443
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	₱97,684	₱97,684	₱–	₱97,684	₱–
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	39,317,476	39,510,418	–	–	39,510,418
LTNCD	1,523,778	1,755,861	–	–	1,755,861
	40,841,254	41,266,279	–	–	41,266,279
Subordinated debt	2,863,751	3,550,031	–	–	3,550,031
Total liabilities	₱43,802,689	₱44,913,994	₱–	₱97,684	₱44,816,310

	Parent Company				
	2013				
		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**	**₱691,437**	**₱–**	**₱–**
Private bonds	**543,626**	**543,626**	**543,626**	**–**	**–**
Equity securities	**713,640**	**713,640**	**713,640**	**–**	**–**
	1,948,703	**1,948,703**	**1,948,703**	**–**	**–**
Derivative assets	**90**	**90**	**–**	**90**	**–**
Financial assets at FVTOCI	**10,733**	**10,733**	**10,733**	**–**	**–**
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	**7,667,254**	**7,778,029**	**7,778,029**	**–**	**–**
Private bonds	**1,412,653**	**1,751,904**	**1,751,904**	**–**	**–**
	9,079,907	**9,529,933**	**9,529,933**	**–**	**–**
Loans and receivables					
Receivable from customers:					
Corporate lending	**47,558,271**	**47,011,932**	**–**	**–**	**47,011,932**
Consumer lending	**41,887,643**	**46,716,063**	**–**	**–**	**46,716,063**
Unquoted debt securities	**208,132**	**208,132**	**–**	**–**	**208,132**
	89,654,046	**93,936,127**	**–**	**–**	**93,936,127**
Non-financial assets					
Investment properties	**811,423**	**1,048,808**	**–**	**1,048,808**	**–**
Total assets	**₱101,504,902**	**₱106,474,394**	**₱11,489,369**	**₱1,048,898**	**₱93,936,127**

	Parent Company				
	2013				
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	**₱21,978**	**₱21,978**	**₱–**	**₱21,978**	**₱–**
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	**41,275,731**	**41,379,781**	**–**	**–**	**41,379,781**
LTNCD	**5,466,003**	**6,997,876**	**–**	**–**	**6,997,876**
	46,741,734	**48,377,657**	**–**	**–**	**48,377,657**
Subordinated debt	**2,750,000**	**3,952,174**	**–**	**–**	**3,952,174**
Total liabilities	**₱49,513,712**	**₱52,351,809**	**₱–**	**₱21,978**	**₱52,329,831**

	Parent Company				
	2012				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱1,805,939	₱1,805,939	₱1,805,939	₱–	₱–
Private bonds	1,206,722	1,206,722	1,206,722	–	–
Equity securities	1,247,664	1,247,664	1,247,664	–	–
	4,260,325	4,260,325	4,260,325	–	–
Derivative assets	41,316	41,316	–	41,316	–
Financial assets at FVTOCI	9,982	9,982	9,982	–	–
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	8,253,247	8,862,425	8,862,425	–	–
Private bonds	1,366,848	1,887,344	1,887,344	–	–
	9,620,095	10,749,769	10,749,769	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	31,720,228	34,128,059	–	–	34,128,059
Consumer lending	35,734,037	37,628,781	–	–	37,628,781
Unquoted debt securities	207,869	207,869			207,869
	67,662,134	71,964,709	–	–	71,964,709
Non-financial assets					
Investment properties	937,648	1,297,364	–	1,297,364	–
Total assets	₱82,531,500	₱88,323,465	₱15,020,076	₱1,338,680	₱71,964,709
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	₱97,684	₱97,684	₱–	₱97,684	₱–
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	39,438,612	39,662,110	–	–	39,662,110
LTNCD	1,523,778	1,755,861	–	–	1,755,861
	40,962,390	41,417,971	–	–	41,417,971
Subordinated debt	2,750,000	3,439,083	–	–	3,439,083
Total liabilities	₱43,810,074	₱44,954,738	₱–	₱97,684	₱44,857,054

In 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

COCI, due from BSP and other banks and IBLR - The carrying amounts approximate fair values due to the short-term nature of these accounts. IBLR consist mostly of overnight deposits and floating rate placements.

Loans and receivables - Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Parent Company's current incremental lending rates for similar types of loans and receivables.

Debt securities - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Equity securities - Fair values of quoted equity securities are based on quoted market prices. Unquoted equity investments are simply carried at cost since there is insufficient information available to determine fair values and there are no indicators that the investments are impaired.

Derivative instruments - Fair values of derivative instruments, mainly forward foreign exchange contracts, are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique is forward pricing, which uses present value calculations. The model incorporates various inputs including the foreign exchange rates and interest rate curves prevailing at the statement of financial position date.

Liabilities - The fair values of liabilities approximate their carrying amounts due to either the demand nature or the relatively short-term maturities of these liabilities except for time deposit liabilities, LTNCD and subordinated debt whose fair value are estimated using the discounted cash flow methodology using the Parent Company's incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

Derivative Financial Instruments

The Parent Company's freestanding derivative financial instruments, which mainly consist of foreign currency forward contracts and swaps, are transactions not designated as hedges. The table below sets out information about the Parent Company's derivative financial instruments and the related fair value as of December 31, 2013 and 2012:

	2013	2012
Notional amount	**$32,000**	$209,000
Derivative assets	**₱90**	₱41,316
Derivative liabilities	**22,017**	97,684

The net movements in fair value changes of all derivative instruments are as follows:

	2013	2012
Derivative assets (liabilities) - net at beginning of year	**(₱56,368)**	₱449
Changes in fair value of derivatives	**(3,585,414)**	(8,324,636)
Fair value of settled instruments	**3,619,855**	8,267,819
Derivative assets (liabilities) - net at end of year	**(₱21,927)**	(₱56,368)

Fair value changes of derivatives are recognized as Foreign exchange gain in the statements of income.

6. Segment Reporting

The Group's main operating businesses are organized and managed primarily, according to the current organizational structure. Each segment represents a strategic business unit that caters to the bank's identified markets. The Group's business segments are:

(a) **Retail banking** - this segment mainly covers traditional branch banking products and services such as deposits, back-to-back/emerging market loans and other over-the-counter (OTC) transactions. It likewise caters to the needs of high net-worth clients for alternative investment channels. It includes entire transaction processing, service delivery and infrastructure consisting of the Group's network of branches, automated teller machines as well as its internet banking platform;

(b) **Corporate banking** - this segment handles lending and trade financing for both large corporations and middle market clients;

(c) **Consumer lending** - this segment primarily caters to loans for individuals;

(d) **Treasury and Trust** - this segment consists of Treasury and Trust operations of the Group. Treasury focuses on providing money market, trading and treasury services, as well as the management of the Group's funding operations through debt securities, placements and acceptances with other banks. Trust includes fund management, investment management services, custodianship, administration and collateral agency services, and stock and transfer agency services. In addition, the Parent Company through Trust, provides retail customers with alternative investment opportunities through its unit investment fund products;

The 'Elimination Items' includes the Group's executive office and elimination items related to the Group's segment reporting framework.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment assets are those operating assets employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense.

The Group's revenue-producing assets are located in the Philippines (i.e., one geographical location); therefore, geographical segment information is no longer presented. The Group has no significant customers which contribute 10.00% or more of the consolidated revenue, net of interest expense.

The segment results include internal transfer pricing adjustments across business units as deemed appropriate by management. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to the business units based on a pool rate which approximates the marginal cost of funds.

Segment information of the Group as of and for the years ended December 31, 2013, 2012 and 2011 follow (amounts in millions):

	2013					
	Retail Banking	**Corporate Banking**	**Consumer Banking**	**Treasury and Trust**	**Elimination Items**	**Total**
Statement of Income						
Net Interest Income						
Third Party	**₱2,122**	**₱597**	**₱5,334**	**₱5**	**₱335**	**₱8,393**
Intersegment	**50**	**426**	**–**	**–**	**(476)**	**–**
	2,172	**1,023**	**5,334**	**5**	**(141)**	**8,393**
Noninterest Income	**654**	**56**	**2,391**	**1,474**	**197**	**4,772**
Revenue - Net of Interest Expense	**2,826**	**1,079**	**7,725**	**1,479**	**56**	**13,165**
Noninterest Expense	**(3,440)**	**(761)**	**(5,456)**	**(267)**	**(966)**	**(10,890)**
Income Before Income Tax	**(614)**	**318**	**2,269**	**1,212**	**(910)**	**2,275**
Provision for Income Tax	**–**	**–**	**–**	**–**	**(219)**	**(219)**
Net Income for the Year	**(₱614)**	**₱318**	**₱2,269**	**₱1,212**	**(₱1,129)**	**₱2,056**
Statement of Financial Position						
Total Assets	**₱25,539**	**₱47,192**	**₱44,414**	**₱10,124**	**₱15,030**	**₱142,299**
Total Liabilities	**109,315**	**21,556**	**1,806**	**10,579**	**(20,350)**	**122,906**
Statement of Income						
Depreciation and Amortization	**417**	**27**	**191**	**17**	**66**	**718**
Provision for Impairment and Credit Losses	**3**	**376**	**2,191**	**4**	**526**	**3,100**

	2012					
	Retail Banking	Corporate Banking	Consumer Banking	Treasury and Trust	Elimination Items	Total
Statement of Income						
Net Interest Income						
Third Party	₱1,702	₱315	₱3,676	₱90	₱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

	2011					
	Retail Banking	Corporate Banking	Consumer Banking	Treasury and Trust	Elimination Items	Total
Statement of Income						
Net Interest Income						
Third Party	₱1,521	₱315	₱2,636	₱66	₱375	₱4,913
Intersegment	28	278	–	–	(306)	–
	1,549	593	2,636	66	69	4,913
Noninterest Income	513	79	1,325	551	(77)	2,391
Revenue - Net of Interest Expense	2,062	672	3,961	617	(8)	7,304
Noninterest Expense	(1,946)	(289)	(2,814)	(230)	85	(5,194)
Income Before Income Tax	116	383	1,147	387	77	2,110
Provision for Income Tax	(38)	(27)	(152)	(74)	(88)	(379)
Net Income for the Year	₱78	₱356	₱995	₱313	(₱11)	₱1,731

(Forward)

	2011					
	Retail Banking	Corporate Banking	Consumer Banking	Treasury and Trust	Elimination Items	Total
Statement of Financial Position						
Total Assets	₱17,478	₱25,190	₱26,822	₱11,489	₱15,028	₱96,006
Total Liabilities	78,687	14,654	1,011	3,846	(13,416)	84,782
Statement of Income						
Depreciation and Amortization	189	18	158	17	19	401
Provision for Impairment and Credit Losses	–	9	920	–	(197)	732

Noninterest income consists of service charges, fees and commissions, gain on sale of assets, gain on asset foreclosure and dacion transactions, trading and securities gain, gain on sale (loss on derecognition) of investment securities at amortized cost, foreign exchange gain, trust income and miscellaneous income. Noninterest expense consists of compensation and fringe benefits, taxes and licenses, depreciation and amortization, rent, amortization of intangible assets, provision for impairment and credit losses, and miscellaneous expenses.

7. Business Combination

Acquisition of East West Rural Bank, Inc. (formerly FinMan Rural Bank, Inc.)
On January 26, 2012, the BOD of the Parent Company approved the acquisition of the outstanding shares of FRBI. FRBI is a rural bank engaged in deposit-taking, rural credit, and consumer lending services to the public. On February 9, 2012, the Parent Company entered into a Memorandum of Understanding with the majority shareholders of FRBI to acquire all of the outstanding shares of FRBI.

On June 20, 2012, the BSP approved the acquisition of up to 100.00% of the total outstanding shares of FRBI. On July 11, 2012, the Parent Company obtained control of FRBI through the purchase of 83.17% of the outstanding capital stock of FRBI for ₱34.10 million. The Parent Company acquired additional shares of FRBI amounting to ₱20.00 million, thereby increasing its ownership to 91.58% as of December 31, 2012. On January 23, 2013, the Parent Company acquired the remaining non-controlling interest amounting to ₱6.90 million, thereby increasing its ownership to 100.00%.

The Parent Company has elected to measure the non-controlling interest in the acquiree at fair value.

The fair values of the identifiable assets and liabilities acquired at the date of acquisition are as follows:

	Fair Value recognized on acquisition date
Assets	
Cash and other cash items	₱243
Due from BSP	376
Due from other banks	13,779
Investment securities at amortized cost	410
Loans and receivables	6,005

(Forward)

	Fair Value recognized on acquisition date
Property and equipment	₱7,219
Other assets	315
	28,347
Liabilities	
Deposit liabilities	9,895
Accrued taxes, interest and other expenses	383
Other liabilities	547
	10,825
Fair value of net assets acquired	**₱17,522**

The goodwill recognized by the Parent Company can be attributed to the synergy potentially to be gained by the microfinance business from the planned integration of GBI and FRBI.

Consideration transferred	₱34,098
Non-controlling interest measured at fair value	6,902
Fair value of the net assets acquired	(17,522)
Goodwill	₱23,478

Analysis of cash flows on acquisition:

Consideration transferred	₱34,098
Net cash acquired with the subsidiary*	(14,398)
Net cash outflow (included in cash flows from investing activities)	₱19,700

**includes Cash and other cash items, Due from BSP and Due from other banks.*

From the date of acquisition to December 31, 2012, the total operating income and net loss of FRBI consolidated to the Group amounted to ₱3.00 million and ₱0.29 million, respectively.

If the acquisition had taken place at the beginning of the year, the Group's total operating income would have increased by ₱2.03 million while net income before tax would have increased by ₱0.02 million.

Acquisition of Green Bank (a Rural Bank), Inc. (GBI)
On May 5, 2011, the BOD of the Parent Company approved the acquisition of the outstanding shares of GBI. GBI is a rural bank in the Caraga region with branches scattered across the Visayas and Mindanao. On May 24, 2011, the Parent Company, GBI, and the majority shareholders of GBI entered into a Memorandum of Understanding to acquire the shares representing 84.78% of the outstanding shares of GBI.

On August 12, 2011, the BSP approved the acquisition of up to 100.00% of the total outstanding shares of GBI. On the same date, the BSP approved in-principle the granting of certain incentives to the Parent Company. Subsequently, on January 30, 2012, the Parent Company obtained the final approval of the BSP on the said incentives.

On August 19, 2011, the Parent Company acquired 84.78% of the voting shares of GBI. It is on this date that the Parent Company effectively obtained control of GBI. Consequently, the Parent Company had a tender offer to acquire the shares of the non-controlling shareholders of GBI. The

Parent Company acquired non-controlling interest amounting to ₱16.91 million, thereby increasing its ownership to 90.79% as of December 31, 2011.

The acquisition provides the Parent Company the opportunity to expand its nationwide footprint, given GBI's wide network of 46 branches and 94 microfinance-oriented other banking offices, and to pursue the microfinance model of GBI.

The Parent Company has elected to measure the non-controlling interest in the acquiree at fair value.

The fair values of the identifiable assets and liabilities acquired at the date of acquisition are as follows:

	Fair Value recognized on acquisition date
Assets	
Cash and other cash items	₱98,503
Due from BSP	10,843
Due from other banks	318,009
Loans and receivables	1,097,181
Property and equipment	220,035
Investment properties	186,377
Other assets	33,009
	1,963,957
Liabilities	
Deposit liabilities	1,193,553
Bills payable	1,062,878
Unsecured subordinated debt	111,282
Accrued taxes, interest and other expenses	206,388
Other liabilities	26,633
	2,600,734
Fair value of net liabilities acquired	**(₱636,777)**

In addition to the above identifiable assets and liabilities, the Group recognized the fair value of branch licenses acquired as a result of the business combination amounting to ₱625.40 million and the related deferred tax liability of ₱187.62 million.

Consideration transferred	₱158,548
Non-controlling interest measured at fair value	16,452
Fair value of net liabilities acquired, including the fair value of branch licenses, net of deferred tax liability	198,996
Goodwill	₱373,996

The goodwill recognized by the Parent Company can be attributed to factors such as increase in geographical presence and customer base due to branch licenses acquired.

Analysis of cash flows on acquisition:

Consideration transferred	₱158,548
Net cash acquired with the subsidiary*	(427,355)
Net cash inflow (included in cash flows from investing activities)	(₱268,807)

**includes Cash and other cash items, Due from BSP and Due from other banks.*

From the date of acquisition to December 31, 2011, the total operating income and net loss of GBI consolidated to the Parent Company amounted to ₱89.58 million and ₱5.00 million, respectively.

If the acquisition had taken place at the beginning of the year, the Group's total operating income would have decreased by ₱256.35 million while the Group's net income before tax would have decreased by ₱275.61 million.

8. **Trading and Investment Securities**

The Group and the Parent Company have the following trading and investment securities:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Financial assets at FVTPL	**₱1,948,703**	₱4,260,325	**₱1,948,703**	₱4,260,325
Financial assets at FVTOCI	**10,733**	9,982	**10,733**	9,982
Investment securities at amortized cost	**9,080,320**	9,620,505	**9,079,907**	9,620,095
	₱11,039,756	₱13,890,812	**₱11,039,343**	₱13,890,402

Financial assets at FVTPL
Financial assets at FVTPL of the Group and of the Parent Company consist of:

	2013	2012
Held-for-trading		
Government securities	**₱691,437**	₱1,805,939
Private bonds	**543,626**	1,206,722
Equity securities	**713,640**	1,247,664
	₱1,948,703	₱4,260,325

As of December 31, 2013 and 2012, financial assets at FVTPL include net unrealized gain of ₱131.15 million and ₱61.84 million, respectively, for the Group and for the Parent Company.

Financial assets at FVTOCI
As of December 31, 2013 and 2012, financial assets at FVTOCI of the Group and of the Parent Company consist of:

	2013	2012
Quoted equity securities	**₱7,486**	₱6,735
Unquoted equity securities	**3,247**	3,247
	₱10,733	₱9,982

The Group has designated the above equity investments as at FVTOCI because they are held for long-term investments rather than for trading. The unquoted equity securities pertain to golf shares.

In 2013 and 2012, no dividends were recognized on these equity investments and no cumulative gain or loss was transferred within equity.

The movements in Net unrealized gain on financial assets at FVTOCI follow:

	2013	2012
Balance at beginning	**₱1,174**	₱299
Unrealized gains for the year	**751**	875
Balance at end	**₱1,925**	₱1,174

Investment securities at amortized cost
As of December 31, 2013 and 2012, investment securities at amortized cost of the Group and of the Parent Company consist of:

	Consolidated		**Parent Company**	
	2013	2012	**2013**	2012
Government securities	**₱7,667,254**	₱8,253,247	**₱7,667,254**	₱8,253,247
Private bonds	**1,413,066**	1,367,258	**1,412,653**	1,366,848
	₱9,080,320	₱9,620,505	**₱9,079,907**	₱9,620,095

Peso-denominated government bonds have effective interest rates ranging from 5.70% to 6.02% in 2013 and 2012, and 5.27% to 12.38% in 2011. Foreign currency-denominated bonds have effective interest rates ranging from 2.87% to 7.07% in 2013, 2.87% to 8.08% in 2012, and 2.87% to 9.88% in 2011.

In 2013, the Parent Company sold government securities carried at amortized cost, with aggregate carrying amount of ₱1.10 billion, and recognized a gain amounting to ₱572.49 million. The gain is presented as Gain on sale of investment securities at amortized cost in the statement of income. The securities were sold to fund the lending requirement for FDC. As a result of the sale, subsequent acquisitions of investment securities in the portfolio will be classified as financial assets at FVTPL while the remaining securities will remain to be classified as investment securities at amortized cost. As of December 31, 2013, the remaining government securities in the portfolio amounted to ₱231.42 million. There were no additions to the portfolio subsequent to the sale.

In 2012, the Parent Company sold government securities classified as investment securities at amortized cost with aggregate carrying amount of ₱1.29 billion and recognized a gain amounting to ₱276.88 million, which is presented as Gain on sale of investment securities at amortized cost in the statement of income. The sale was contemplated to secure financing for the Parent Company's capital expenditures on branch expansion. The Parent Company concluded that the sale is consistent with its business model of managing financial assets to collect contractual cash flows.

In 2011, the Parent Company participated in a debt exchange program for certain investments in government securities classified as financial assets at FVTPL and at amortized cost. The carrying amount of the financial assets at FVTPL surrendered amounted to ₱1.26 billion, and the carrying amount of the investment securities at amortized cost surrendered amounted to ₱3.27 billion. The fair value of the debt securities received amounted to ₱4.47 billion, and the Parent Company recognized Loss on derecognition of investment securities at amortized cost amounting to ₱44.44 million and Loss on derecognition of financial assets at FVTPL, included in Trading and securities gain, amounting to ₱9.93 million. The exchange of investment securities at amortized cost was executed because of a change in the debt structure initiated by the creditor. The management believes that participation in the bond swap is consistent with its business model of managing financial assets to collect contractual cash flows.

Refer to Note 3 for the judgments made related to the sale and derecognition of investment securities at amortized cost.

Interest income on trading and investment securities follows:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Financial assets at FVTPL	**₱106,912**	₱185,963	₱444,520	**₱106,912**	₱185,963	₱444,520
Investment securities at amortized cost	**426,454**	656,299	664,175	**426,447**	656,298	664,175
	₱533,366	₱842,262	₱1,108,695	**₱533,359**	₱842,261	₱1,108,695

Trading and securities gain (loss) of the Group and of the Parent Company consists of:

	2013	2012	2011
Financial assets at FVTPL	**₱1,005,237**	₱988,110	₱447,188
Investment securities at amortized cost	**572,490**	276,883	(44,440)
	₱1,577,727	₱1,264,993	₱402,748

On June 25, 2012, the BOD approved the change in the Parent Company's business model. Management deemed it necessary to change the way it manages its investment securities because of significant changes in its strategic plans, funding structure and cash flow profile brought about by the IPO and its branch expansion program. Accordingly, the Parent Company made certain reclassifications pursuant to the new business model effective July 1, 2012, resulting in ₱711.89 million of Trading and securities gain in the statement of income representing the difference between the aggregate amortized cost of certain securities amounting to ₱5.58 billion and their aggregate fair value of ₱6.29 billion at the reclassification date. Refer to Note 3 for the discussion on the change in the business model.

9. Loans and Receivables

Loans and receivables consist of:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Receivables from customers				
Corporate lending	**₱49,015,326**	₱34,323,221	**₱49,015,326**	₱34,323,221
Consumer lending	**47,256,601**	39,706,955	**44,198,217**	37,253,268
	96,271,927	74,030,176	**93,213,543**	71,576,489
Unearned discounts	**(636,865)**	(1,645,390)	**(589,681)**	(1,645,097)
	95,635,062	72,384,786	**92,623,862**	69,931,392
Unquoted debt securities				
Government securities	**37,184**	33,924	**36,563**	33,856
Private bonds	**342,897**	341,983	**342,897**	341,983
	380,081	375,907	**379,460**	375,839
Other receivables				
Accounts receivable	**985,244**	666,989	**1,415,482**	1,482,733
Accrued interest receivable	**784,853**	716,730	**723,205**	632,578
Sales contracts receivable	**177,690**	202,394	**162,797**	180,032
	1,947,787	1,586,113	**2,301,484**	2,295,343
	97,962,930	74,346,806	**95,304,806**	72,602,574
Allowance for credit and impairment losses (Note 14)	**(4,002,355)**	(3,154,065)	**(3,975,337)**	(3,132,624)
	₱93,960,575	₱71,192,741	**₱91,329,469**	₱69,469,950

Credit card receivables under consumer lending amounted to ₱19.41 billion and ₱16.28 billion as of December 31, 2013 and 2012, respectively.

As of December 31, 2012, accounts receivable of the Parent Company includes the Parent Company's deposits for future stock subscription in GBI and EWRB amounting to ₱700.00 million and ₱120.00 million, respectively. In 2013, the application for the increase in authorized capital stock of GBI and EWRB had been approved by the regulators and the Parent Company's deposits for future stock subscriptions had been applied to the common stock issued by GBI and EWRB to the Parent Company (see Note 1).

Receivables from customers consist of:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Loans and discounts	**₱91,645,274**	₱70,940,952	**₱88,586,890**	₱68,487,265
Customers' liabilities under letters of credit/trust receipts	**2,704,310**	1,763,323	**2,704,310**	1,763,323
Bills purchased	**1,922,343**	1,325,901	**1,922,343**	1,325,901
	₱96,271,927	₱74,030,176	**₱93,213,543**	₱71,576,489

In 2013, the Parent Company entered into a purchase of receivables agreement with EWRB, whereby the Parent Company purchased, on a without recourse basis, loans receivables of EWRB amounting to ₱2.91 billion. The Parent Company's acquisition cost of the loans receivables approximates fair value at the acquisition date. As of December 31, 2013, loans and receivables purchased from EWRB, included in Loans and discounts of the Parent Company, amounted to ₱2.49 billion. In connection with the purchase of receivables agreement, the Parent Company and EWRB also entered into an account servicing and collection agreement whereby the Parent Company agreed to pay service fees equivalent to 0.37% of the loan amounts collected by EWRB on behalf of the Parent Company. The service fees paid by the Parent Company to EWRB in 2013 amounted to ₱1.67 million (see Note 26).

The Parent Company has a memorandum of understanding with Filinvest Land, Inc. (FLI), an entity under common control of FDC, whereby the Parent Company will purchase, on a without recourse basis, installment contracts receivable from FLI. On various dates in 2013 and 2012, several deeds of assignment were executed wherein FLI sold, assigned and transferred without recourse to the Parent Company all the rights, titles and interest in various loan accounts and the related mortgages. During 2013 and 2012, the total receivables purchased by the Parent Company without recourse under the terms of the foregoing assignment agreement amounted to ₱0.27 billion and ₱1.81 billion, respectively. Outstanding receivables purchased included in Loans and discounts amounted to ₱1.31 billion and ₱1.66 billion as of December 31, 2013 and 2012, respectively. The Parent Company's acquisition cost of the installment contracts receivable approximates fair value at the acquisition date. In 2012, the Parent Company and FLI also entered into an account servicing and collection agreement wherein the Parent Company would pay service fees equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company related to its purchase of installment contracts receivable. The total service fees paid by the Parent Company to FLI amounted to ₱2.58 million and ₱1.64 million in 2013 and 2012, respectively (see Note 26).

A reconciliation of the allowance for impairment and credit losses for loans and receivables per class for the Group and the Parent Company as of December 31, 2013 follows:

	Consolidated			
	2013			
	Corporate Lending	**Consumer Lending**	**Others**	**Total**
At January 1	**₱1,068,639**	**₱1,429,929**	**₱655,497**	**₱3,154,065**
Provision for impairment and credit losses (Note 14)	**411,967**	**2,229,435**	**354,747**	**2,996,149**
Write-off (Note 14)	**(6,210)**	**(1,911,453)**	**(182,855)**	**(2,100,518)**
Interest accrued on impaired loans	**(47,341)**	**–**	**–**	**(47,341)**
At December 31	**₱1,427,055**	**₱1,747,911**	**₱827,389**	**₱4,002,355**
Specific impairment	**₱948,461**	**₱–**	**₱–**	**₱948,461**
Collective impairment	**478,594**	**1,747,911**	**827,389**	**3,053,894**
	₱1,427,055	**₱1,747,911**	**₱827,389**	**₱4,002,355**
Gross amount of individually impaired loans	**₱963,228**	**₱–**	**₱–**	**₱963,228**

	Parent Company			
	2013			
	Corporate Lending	**Consumer Lending**	**Others**	**Total**
At January 1	**₱1,068,639**	**₱1,408,488**	**₱655,497**	**₱3,132,624**
Provision for impairment and credit losses (Note 14)	**411,967**	**2,112,733**	**354,747**	**2,879,447**
Write-off (Note 14)	**(6,210)**	**(1,800,328)**	**(182,855)**	**(1,989,393)**
Interest accrued on impaired loans	**(47,341)**	**–**	**–**	**(47,341)**
At December 31	**₱1,427,055**	**₱1,720,893**	**₱827,389**	**₱3,975,337**
Specific impairment	**₱948,461**	**₱–**	**₱–**	**₱948,461**
Collective impairment	**478,594**	**1,720,893**	**827,389**	**3,026,876**
	₱1,427,055	**₱1,720,893**	**₱827,389**	**₱3,975,337**
Gross amount of individually impaired loans	**₱963,228**	**₱–**	**₱–**	**₱963,228**

A reconciliation of the allowance for the impairment and credit losses of loans and receivables per class for the Group and the Parent Company as of December 31, 2012 follows:

	Consolidated			
	2012			
	Corporate Lending	Consumer Lending	Others	Total
At January 1	₱1,071,459	₱1,562,535	₱476,049	₱3,110,043
Provision for impairment and credit losses (Note 14)	38,357	1,292,109	179,448	1,509,914
Write-off (Note 14)	–	(1,424,715)	–	(1,424,715)
Interest accrued on impaired loans	(41,177)	–	–	(41,177)
At December 31	₱1,068,639	₱1,429,929	₱655,497	₱3,154,065
Specific impairment	₱632,691	₱–	₱–	₱632,691
Collective impairment	435,948	1,429,929	655,497	2,521,374
	₱1,068,639	₱1,429,929	₱655,497	₱3,154,065
Gross amount of individually impaired loans	₱933,323	₱–	₱–	₱933,323

	Parent Company			
	2012			
	Corporate Lending	Consumer Lending	Others	Total
At January 1	₱1,071,459	₱1,562,535	₱476,049	₱3,110,043
Provision for impairment and credit losses (Note 14)	38,357	1,270,668	179,448	1,488,473
Write-off (Note 14)	–	(1,424,715)	–	(1,424,715)
Interest accrued on impaired loans	(41,177)	–	–	(41,177)
At December 31	₱1,068,639	₱1,408,488	₱655,497	₱3,132,624
Specific impairment	₱632,691	₱–	₱–	₱632,691
Collective impairment	435,948	1,408,488	655,497	2,499,993
	₱1,068,639	₱1,408,488	₱655,497	₱3,132,624
Gross amount of individually impaired loans	₱933,323	₱–	₱–	₱933,323

The Parent Company took possession of various properties previously held as collateral with an estimated value of ₱563.45 million in 2013, ₱357.76 million in 2012 and ₱358.28 million in 2011 (see Notes 11 and 13).

The following is a reconciliation of the individual and collective allowances for impairment and credit losses on loans and receivables of the Group and of the Parent Company:

	Consolidated					
	2013			2012		
	Specific Impairment	**Collective Impairment**	**Total**	Specific Impairment	Collective Impairment	Total
At January 1	**₱632,691**	**₱2,521,374**	**₱3,154,065**	₱812,909	₱2,297,134	₱3,110,043
Provision for impairment and credit losses	**369,321**	**2,626,828**	**2,996,149**	(139,041)	1,648,955	1,509,914
Write-off	**(6,210)**	**(2,094,308)**	**(2,100,518)**	–	(1,424,715)	(1,424,715)
Interest accrued on impaired loans	**(47,341)**	**–**	**(47,341)**	(41,177)	–	(41,177)
At December 31	**₱948,461**	**₱3,053,894**	**₱4,002,355**	₱632,691	₱2,521,374	₱3,154,065

	Parent Company					
	2013			2012		
	Specific Impairment	**Collective Impairment**	**Total**	Specific Impairment	Collective Impairment	Total
At January 1	**₱632,691**	**₱2,499,933**	**₱3,132,624**	₱812,909	₱2,297,134	₱3,110,043
Provision for impairment and credit losses	**369,321**	**2,510,126**	**2,879,447**	(139,041)	1,627,514	1,488,473
Write-off	**(6,210)**	**(1,983,183)**	**(1,989,393)**	–	(1,424,715)	(1,424,715)
Interest accrued on impaired loans	**(47,341)**	**–**	**(47,341)**	(41,177)	–	(41,177)
At December 31	**₱948,461**	**₱3,026,876**	**₱3,975,337**	₱632,691	₱2,499,933	₱3,132,624

Interest income on loans and receivables consist of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Receivables from customers	**₱9,106,302**	₱6,772,393	₱5,389,982	**₱8,706,551**	₱6,625,128	₱5,319,707
Unquoted debt securities	**7,237**	21,951	31,242	**7,237**	21,951	31,224
Interest accrued on impaired loans	**47,341**	41,177	29,006	**47,341**	41,177	29,006
	₱9,160,880	₱6,835,521	₱5,450,230	**₱8,761,129**	₱6,688,256	₱5,379,937

BSP Reporting

Of the total receivables from customers of the Parent Company as of December 31, 2013, 2012 and 2011, 33.27%, 34.70% and 37.90%, respectively, are subject to periodic interest repricing. The remaining peso receivables from customers earn annual fixed interest rates ranging from 1.50% to 40.00%, 2.23% to 23.86% and 2.78% to 18.50% in 2013, 2012 and 2011, respectively, while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 1.56% to 7.56%, 2.78% to 9.00% and 5.00 % to 8.00% in 2013, 2012 and 2011, respectively.

The details of the secured and unsecured loans receivables of the Group and of the Parent Company follow:

	Consolidated				Parent Company			
	2013		2012		**2013**		2012	
	Gross Amount	**%**	Gross Amount	%	**Gross Amount**	**%**	Gross Amount	%
Loans secured by:								
Chattel	**₱10,691,354**	**11.18**	₱8,215,319	11.35	**₱10,691,353**	**11.54**	₱8,215,319	11.75
Real estate	**12,079,279**	**12.63**	10,683,691	14.76	**11,933,785**	**12.88**	10,519,179	15.04
Hold-out on deposit	**6,986,624**	**7.31**	594,035	0.82	**6,986,624**	**7.54**	594,035	0.85
Others	**4,455,937**	**4.66**	11,561,516	15.97	**4,455,937**	**4.82**	11,561,516	16.53
	34,213,194	**35.78**	31,054,561	42.90	**34,067,699**	**36.78**	30,890,049	44.17
Unsecured	**61,421,868**	**64.22**	41,330,225	57.10	**58,556,163**	**63.22**	39,041,343	55.83
	₱95,635,062	**100.00**	₱72,384,786	100.00	**₱92,623,862**	**100.00**	₱69,931,392	100.00

Information on the concentration of credit as to industry follows (in millions):

	Consolidated				Parent Company			
	2013		2012		**2013**		2012	
	Gross Amount	**%**	Gross Amount	%	**Gross Amount**	**%**	Gross Amount	%
Personal consumption	**₱35,819**	**37.45**	₱26,775	36.99	**₱33,295**	**35.95**	₱26,714	38.20
Real estate, renting and business activity	**14,108**	**14.75**	6,105	8.43	**14,096**	**15.22**	6,033	8.63
Wholesale and retail trade	**11,871**	**12.41**	10,436	14.42	**11,933**	**12.88**	10,295	14.72
Manufacturing	**6,307**	**6.60**	4,344	6.00	**6,298**	**6.80**	4,311	6.16
Financial intermediaries	**5,941**	**6.21**	4,570	6.31	**5,541**	**5.98**	4,499	6.43
Agriculture, fisheries and forestry	**1,214**	**1.27**	1,150	1.59	**606**	**0.65**	405	0.58
Transportation, storage and communications	**661**	**0.69**	1,346	1.86	**658**	**0.71**	1,338	1.91
Others	**19,714**	**20.62**	17,659	24.40	**20,197**	**21.81**	16,336	23.37
	₱95,635	**100.00**	₱72,385	100.00	**₱92,624**	**100.00**	₱69,931	100.00

BSP Circular No. 351 allows banks to exclude from nonperforming classification receivables classified as 'Loss' in the latest examination of the BSP which are fully covered by allowance for credit losses, provided that interest on said receivables shall not be accrued and that such receivables shall be deducted from the total receivable portfolio for purposes of computing NPLs. Subsequently, the BSP issued BSP Circular No. 772, which requires banks to compute their net NPLs by deducting the specific allowance for credit losses on the total loan portfolio from the gross NPLs. The specific allowance for credit losses shall not be deducted from the total loan portfolio in computing the NPL ratio.

As of December 31, 2013 and 2012, NPLs of the Group and of the Parent Company as reported to the BSP follow:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Gross NPLs	**₱5,311,975**	₱3,998,592	**₱4,648,407**	₱3,405,266
Deductions as required by the BSP	**(2,743,840)**	(2,452,419)	**(2,224,252)**	(1,943,520)
	₱2,568,135	₱1,546,173	**₱2,424,155**	₱1,461,746

As of December 31, 2013 and 2012, secured and unsecured NPLs of the Group and of the Parent Company as reported to the BSP follow:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Secured	**₱2,151,441**	₱2,046,874	**₱2,016,763**	₱1,887,266
Unsecured	**3,160,534**	1,951,718	**2,631,644**	1,518,000
	₱5,311,975	₱3,998,592	**₱4,648,407**	₱3,405,266

10. **Property and Equipment**

The composition of and movements in the Group's property and equipment follow:

	2013				
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Total**
Cost					
As of January 1	**₱298,692**	**₱919,934**	**₱1,528,710**	**₱1,614,702**	**₱4,362,038**
Additions	**–**	**62,557**	**421,945**	**731,619**	**1,216,121**
Disposals	**(8,199)**	**(23,193)**	**(87,699)**	**(34,202)**	**(153,293)**
As of December 31	**290,493**	**959,298**	**1,862,956**	**2,312,119**	**5,424,866**
Accumulated Depreciation and Amortization					
As of January 1	**–**	**53,710**	**1,043,391**	**524,248**	**1,621,349**
Depreciation and amortization	**–**	**30,080**	**254,690**	**182,046**	**466,816**
Disposals	**–**	**(6,323)**	**(76,967)**	**(34,174)**	**(117,464)**
As of December 31	**–**	**77,467**	**1,221,114**	**672,120**	**1,970,701**
Allowance for Impairment Losses (Note 14)					
Provision during the year	**–**	**1,955**	**–**	**–**	**1,955**
Disposals	**–**	**(531)**	**–**	**–**	**(531)**
As of December 31	**–**	**1,424**	**–**	**–**	**1,424**
Net Book Value	**₱290,493**	**₱880,407**	**₱641,842**	**₱1,639,999**	**₱3,452,741**

	2012					
	Land	Buildings	Construction in Progress	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost						
As of January 1	₱313,981	₱134,773	₱537,792	₱1,360,394	₱947,192	₱3,294,132
Additions	5,131	195,622	55,017	247,834	718,020	1,221,624
Acquisitions from business combination	6,532	466	–	221	–	7,219
Reclassification	–	592,809	(592,809)	–	–	–
Disposals	(26,952)	(3,736)	–	(79,739)	(50,510)	(160,937)
As of December 31	298,692	919,934	–	1,528,710	1,614,702	4,362,038
Accumulated Depreciation and Amortization						
As of January 1	–	37,531	–	883,914	424,970	1,346,415
Depreciation and amortization	–	16,179	–	203,172	125,616	340,967
Disposals	–	–	–	(43,695)	(22,338)	(66,033)
As of December 31	–	53,710	–	1,043,391	524,248	1,621,349
Net Book Value	₱298,692	₱866,224	₱–	₱485,319	₱1,090,454	₱2,740,689

As of December 31, 2013 and 2012, the cost of fully depreciated property and equipment still in use by the Group amounted to ₱981.12 million and ₱453.54 million, respectively.

The composition of and movements in the Parent Company's property and equipment follow:

	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Total**
Cost					
As of January 1	**₱263,804**	**₱807,518**	**₱1,505,265**	**₱1,599,007**	**₱4,175,594**
Additions	**–**	**61,281**	**401,358**	**725,967**	**1,188,606**
Disposals	**–**	**–**	**(49,972)**	**–**	**(49,972)**
As of December 31	**263,804**	**868,799**	**1,856,651**	**2,324,974**	**5,314,228**
Accumulated Depreciation and Amortization					
As of January 1	**–**	**31,923**	**1,050,468**	**520,671**	**1,603,062**
Depreciation and amortization	**–**	**22,639**	**240,835**	**176,337**	**439,811**
Disposals	**–**	**–**	**(49,276)**	**–**	**(49,276)**
As of December 31	**–**	**54,562**	**1,242,027**	**697,008**	**1,993,597**
Net Book Value	**₱263,804**	**₱814,237**	**₱614,624**	**₱1,627,966**	**₱3,320,631**

	2012					
	Land	Buildings	Construction in Progress	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost						
As of January 1	₱263,804	₱70,117	₱537,792	₱1,288,664	₱888,596	₱3,048,973
Additions	–	144,592	55,017	243,696	710,411	1,153,716
Reclassification	–	592,809	(592,809)	–	–	–
Disposals	–	–	–	(27,095)	–	(27,095)
As of December 31	263,804	807,518	–	1,505,265	1,599,007	4,175,594
Accumulated Depreciation and Amortization						
As of January 1	–	20,883	–	883,914	410,222	1,315,019
Depreciation and amortization	–	11,040	–	188,155	110,449	309,644
Disposals	–	–	–	(21,601)	–	(21,601)
As of December 31	–	31,923	–	1,050,468	520,671	1,603,062
Net Book Value	₱263,804	₱775,595	₱–	₱454,797	₱1,078,336	₱2,572,532

As of December 31, 2013 and 2012, the cost of fully depreciated property and equipment still in use by the Parent Company amounted to ₱862.55 million and ₱389.24 million, respectively.

In 2007, the Parent Company entered into a memorandum of agreement with FDC for the construction of a building in The Fort Global City, Taguig. The Parent Company's cash contribution for the construction of the building was recorded as Construction in Progress. In 2012, the construction was completed and the building became the new principal place of business of the Parent Company. The amounts recorded as Construction in Progress amounting to ₱592.81 million was transferred to the Buildings account.

11. Investment Properties

The composition of and movements in the Group's investment properties follow:

	2013		
	Land	**Buildings and Improvements**	**Total**
Cost			
At January 1	**₱796,858**	**₱502,897**	**₱1,299,755**
Additions	**209,064**	**134,486**	**343,550**
Disposals	**(158,918)**	**(65,711)**	**(224,629)**
At December 31	**847,004**	**571,672**	**1,418,676**
Accumulated Depreciation and Amortization			
At January 1	**–**	**218,281**	**218,281**
Depreciation and amortization	**–**	**50,250**	**50,250**
Disposals	**–**	**(20,300)**	**(20,300)**
At December 31	**–**	**248,231**	**248,231**
Accumulated Impairment Losses (Note 14)			
At January 1	**129,728**	**14,098**	**143,826**
Provisions during the year	**19,090**	**15,439**	**34,529**
Disposals	**(6,156)**	**(8,470)**	**(14,626)**
At December 31	**142,662**	**21,067**	**163,729**
Net Book Value	**₱704,342**	**₱302,374**	**₱1,006,716**

	2012		
	Land	Buildings and Improvements	Total
Cost			
At January 1	₱928,979	₱505,500	₱1,434,479
Additions	57,112	69,694	126,806
Disposals	(189,233)	(72,297)	(261,530)
At December 31	796,858	502,897	1,299,755
Accumulated Depreciation and Amortization			
At January 1	–	184,044	184,044
Depreciation and amortization	–	51,160	51,160
Disposals	–	(16,923)	(16,923)
At December 31	–	218,281	218,281
Accumulated Impairment Losses (Note 14)			
At January 1	139,204	26,077	165,281
Provisions during the year	32,408	12,155	44,563
Disposals	(41,884)	(24,134)	(66,018)
At December 31	129,728	14,098	143,826
Net Book Value	₱667,130	₱270,518	₱937,648

The composition of and movements in the Parent Company's investment properties follow:

	2013		
	Land	**Buildings and Improvements**	**Total**
Cost			
At January 1	**₱648,861**	**₱462,835**	**₱1,111,696**
Additions	**105,233**	**110,897**	**216,130**
Disposals	**(30,552)**	**(61,852)**	**(92,404)**
At December 31	**723,542**	**511,880**	**1,235,422**
Accumulated Depreciation and Amortization			
At January 1	**–**	**207,886**	**207,886**
Depreciation and amortization	**–**	**43,691**	**43,691**
Disposals	**–**	**(19,683)**	**(19,683)**
At December 31	**–**	**231,894**	**231,894**
Accumulated Impairment Losses (Note 14)			
At January 1	**156,111**	**17,364**	**173,475**
Provision during the year	**15,913**	**15,333**	**31,246**
Disposals	**(4,454)**	**(8,162)**	**(12,616)**
At December 31	**167,570**	**24,535**	**192,105**
Net Book Value	**₱555,972**	**₱255,451**	**₱811,423**

	2012		
	Land	Buildings and Improvements	Total
Cost			
At January 1	₱751,710	₱459,648	₱1,211,358
Additions	36,415	65,874	102,289
Disposals	(139,264)	(62,687)	(201,951)
At December 31	648,861	462,835	1,111,696

(Forward)

	2012		
	Land	Buildings and Improvements	Total
Accumulated Depreciation and Amortization			
At January 1	₱–	₱179,389	₱179,389
Depreciation and amortization	–	44,428	44,428
Disposals	–	(15,931)	(15,931)
At December 31	–	207,886	207,886
Accumulated Impairment Losses (Note 14)			
At January 1	139,204	26,663	165,867
Provision during the year	30,887	12,155	43,042
Disposals	(13,980)	(21,454)	(35,434)
At December 31	156,111	17,364	173,475
Net Book Value	₱492,750	₱237,585	₱730,335

The Group's and the Parent Company's investment properties consist entirely of real estate properties and land improvements acquired in settlement of loans and receivables.

The aggregate fair value of the investment properties of the Group amounted to ₱1.42 billion as of December 31, 2013 and 2012. The aggregate fair value of the investment properties of the Parent Company amounted to ₱1.05 billion as of December 31, 2013 and 2012. Fair value has been determined based on valuations made by independent and/or in-house appraisers. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties taking into account the economic conditions prevailing at the time the valuations were made.

As of December 31, 2013 and 2012, the carrying values of foreclosed investment properties of the Parent Company still subject to redemption period by the borrower amounted to ₱153.70 million and ₱73.95 million, respectively.

Direct operating expenses from investment properties not generating rent income amounted to ₱49.33 million, ₱69.87 million and ₱58.73 million for the Group in 2013, 2012 and 2011, respectively, and ₱43.57 million, ₱64.75 million and ₱55.96 million for the Parent company in 2013, 2012 and 2011, respectively.

12. Goodwill and Other Intangible Assets

As of December 31, 2013 and 2012, the intangible assets of the Group consist of:

	2013					
	Goodwill	**Branch Licenses**	**Customer Relationship**	**Core Deposits**	**Capitalized Software**	**Total**
Cost						
As of January 1, 2013	**₱1,316,728**	**₱1,447,400**	**₱154,626**	**₱40,433**	**₱794,758**	**₱3,753,945**
Acquisitions	–	**214,800**	–	–	**183,115**	**397,915**
As of December 31, 2013	**1,316,728**	**1,662,200**	**154,626**	**40,433**	**977,873**	**4,151,860**
Accumulated Amortization						
As of January 1, 2013	–	–	**17,639**	**14,387**	**322,068**	**354,094**
Amortization	–	–	**3,199**	**5,155**	**133,677**	**142,031**
As of December 31, 2013	–	–	**20,838**	**19,542**	**455,745**	**496,125**
Net Book Value	**₱1,316,728**	**₱1,662,200**	**₱133,788**	**₱20,891**	**₱522,128**	**₱3,655,735**

	2012					
	Goodwill	Branch Licenses	Customer Relationship	Core Deposits	Capitalized Software	Total
Cost						
As of January 1, 2012	₱1,293,250	₱625,400	₱154,626	₱40,433	₱546,589	₱2,660,298
From business combination	23,478	–	–	–	–	23,478
Acquisitions	–	822,000	–	–	248,169	1,070,169
As of December 31, 2012	1,316,728	1,447,400	154,626	40,433	794,758	3,753,945
Accumulated Amortization						
As of January 1, 2012	–	–	13,328	10,344	200,447	224,119
Amortization	–	–	4,311	4,043	121,621	129,975
As of December 31, 2012	–	–	17,639	14,387	322,068	354,094
Net Book Value	₱1,316,728	₱1,447,400	₱136,987	₱26,046	₱472,690	₱3,399,851

As of December 31, 2013 and 2012, the intangible assets of the Parent Company consist of:

	2013					
	Goodwill	**Branch Licenses**	**Customer Relationship**	**Core Deposits**	**Capitalized Software**	**Total**
Cost						
As of January 1, 2013	**₱919,254**	**₱822,000**	**₱154,626**	**₱40,433**	**₱783,147**	**₱2,719,460**
Acquisitions	–	**214,800**	–	–	**179,989**	**394,789**
As of December 31, 2013	**919,254**	**1,036,800**	**154,626**	**40,433**	**963,136**	**3,114,249**
Accumulated Amortization						
As of January 1, 2013	–	–	**17,639**	**14,387**	**316,892**	**348,918**
Amortization	–	–	**3,199**	**5,155**	**129,947**	**138,301**
As of December 31, 2013	–	–	**20,838**	**19,542**	**446,839**	**487,219**
Net Book Value	**₱919,254**	**₱1,036,800**	**₱133,788**	**₱20,891**	**₱516,297**	**₱2,627,030**

	2012					
	Goodwill	Branch Licenses	Customer Relationship	Core Deposits	Capitalized Software	Total
Cost						
As of January 1, 2012	₱919,254	₱–	₱154,626	₱40,433	₱536,459	₱1,650,772
Acquisitions	–	822,000	–	–	246,688	1,068,688
As of December 31, 2012	919,254	822,000	154,626	40,433	783,147	2,719,460
Accumulated Amortization						
As of January 1, 2012	–	–	13,328	10,344	199,588	223,260
Amortization	–	–	4,311	4,043	117,304	125,658
As of December 31, 2012	–	–	17,639	14,387	316,892	348,918
Net Book Value	₱919,254	₱822,000	₱136,987	₱26,046	₱466,255	₱2,370,542

Goodwill

The acquisition of EWRB in 2012 resulted in goodwill amounting ₱23.48 million, which has been allocated to EWRB (see Note 7).

The acquisition of GBI in 2011 resulted in goodwill amounting to ₱374.00 million. The goodwill has been allocated to branch operations of GBI (see Note 7).

As discussed in Note 1, on October 31, 2013, GBI transferred certain assets and liabilities to EWRB. The assets and liabilities transferred include the branches where the goodwill from the acquisition of GBI had been allocated. The branches coming from GBI were combined with the branch operations of EWRB after the transfer. Consequently, the goodwill from the acquisition of EWRB and GBI amounting to ₱23.48 million and ₱374.00 million, respectively are now allocated to the branch operations of EWRB, which is now considered as a single CGU for purposes of impairment testing.

The business combination between the Parent Company and AIG Philam Savings Bank (AIGPASB) Group in 2009 resulted in goodwill amounting to ₱769.04 million, which has been allocated to the auto and credit cards lending unit acquired from the AIGPASB Group.

The business combination between the Parent Company and Ecology Savings Bank (ESBI) in 2003 resulted in goodwill amounting to ₱172.80 million, which has been allocated to various branches acquired from ESBI. As of December 31, 2013 and 2012, the carrying amount of goodwill, after impairment recognized in prior years, amounted to ₱150.21 million.

Key assumptions used in value in use calculations
The recoverable amount of the consumer business lending and branch units have been determined based on value in use calculations using cash flow projections based on financial budgets approved by the management covering a five-year period. The discount rates applied to the cash flow projections is 13.09% and 12.71% in 2013 and 2012, respectively.

Discount rates
Discount rates reflect the current market assessment of the risk specific to each CGU.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the units to exceed their recoverable amount.

Customer Relationship and Core Deposits
The business combination between the Parent Company and AIG Philam Savings Bank (AIGPASB) Group in 2009 resulted in acquisition of customer relationship and core deposits amounting to ₱154.63 million and ₱40.43 million, respectively.

Branch Licenses
Branch licenses of the Group amounting to ₱1.66 billion as of December 31, 2013 represents: 10 branch licenses acquired by the Parent Company from the BSP amounting to ₱214.80 million in 2013; 42 branch licenses acquired by the Parent Company from the BSP amounting to ₱822.00 million in 2012; and 46 branch licenses acquired by the Parent Company from the acquisition of GBI amounting to ₱625.40 million in 2011.

Branch licenses of the Parent Company amounting to ₱1.04 billion as of December 31, 2013 represents: 10 branch licenses acquired by the Parent Company from the BSP amounting to ₱214.80 million in 2013; and 42 branch licenses acquired by the Parent Company from the BSP amounting to ₱822.00 million in 2012.

Capitalized Software
Capitalized software pertains to computer software licenses and programs acquired by the Group and Parent Company for its banking operations. Included in the 2013 and 2012 acquisitions are software licenses acquired by the Group for the upgrade of its core banking systems amounting to ₱153.66 million and ₱202.33 million, respectively.

13. **Other Assets**

This account consists of:

	Consolidated		Parent Company	
	As of December 31			
	2013	2012	**2013**	2012
Security deposits	**₱195,835**	₱373,612	**₱189,098**	₱366,653
Other repossessed assets	**172,646**	134,877	**172,646**	134,877
Card acquisition costs	**136,555**	125,435	**136,555**	125,435
Prepaid expenses	**99,326**	85,023	**95,819**	78,546
Returned cash and other cash items	**39,536**	35,735	**39,301**	35,493
Documentary stamps	**36,893**	38,490	**36,893**	32,314
Derivative assets (Note 5)	**90**	41,316	**90**	41,316
Miscellaneous	**284,274**	174,547	**275,562**	170,045
	965,155	1,009,035	**945,964**	984,679
Allowance for impairment losses (Note 14)	**(67,656)**	(51,574)	**(67,656)**	(51,574)
	₱897,499	₱957,461	**₱878,308**	₱933,105

Miscellaneous assets consist mainly of suspense accounts, unused stationery and supplies.

The movements in the allowance for impairment losses on other assets of the Group and of the Parent Company follow:

	2013	2012
Accumulated Impairment Losses		
As of January 1	**₱51,574**	₱58,804
Provision during the year	**65,008**	3,334
Reversal of allowance from disposals	**(31,506)**	(4,265)
Write-off	**(17,420)**	(6,299)
As of December 31	**₱67,656**	₱51,574

The movements in other repossessed assets of the Group and of the Parent Company follow:

	2013	2012
Cost		
As of January 1	**₱159,176**	₱97,873
Additions	**347,316**	255,475
Disposals	**(300,246)**	(194,172)
As of December 31	**206,246**	159,176
Accumulated Depreciation		
As of January 1	**24,299**	11,961
Depreciation and amortization	**58,549**	38,945
Disposals	**(49,248)**	(26,607)
As of December 31	**33,600**	24,299
Net Book Value, gross of impairment	**172,646**	134,877
Accumulated Impairment Losses		
As of January 1	**15,656**	6,936
Provision during the year	**26,302**	12,985
Disposals	**(31,506)**	(4,265)
As of December 31	**10,452**	15,656
Net Book Value, net of impairment	**₱162,194**	₱119,221

14. **Allowance for Impairment and Credit Losses**

Details of and changes in the allowance for impairment and credit losses follow:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Balances at the beginning of year				
Due from BSP	**₱–**	₱27,016	**₱–**	₱27,016
Loans and receivables (Note 9)	**3,154,065**	3,110,043	**3,132,624**	3,110,043
Investment properties (Note 11)	**143,826**	165,281	**173,475**	165,867
Other assets (Note 13)	**51,574**	58,804	**51,574**	58,804
	3,349,465	3,361,144	**3,357,673**	3,361,730
Provisions charged to current operations (Notes 9, 10, 11 and 13)	**3,097,641**	1,530,795	**2,975,701**	1,507,833
Interest accrued on impaired loans	**(47,341)**	(41,177)	**(47,341)**	(41,177)
Write-off of loans and receivables	**(2,100,518)**	(1,424,715)	**(1,989,393)**	(1,424,715)
Reversal of allowance on disposals of property and equipment, investment properties and other repossessed other assets (Notes 10, 11 and 13)	**(46,663)**	(70,283)	**(44,122)**	(39,699)
Write-off of other assets	**(17,420)**	(6,299)	**(17,420)**	(6,299)
Balances at the end of year				
Due from BSP	**–**	–	**–**	–
Loans and receivables (Note 9)	**4,002,355**	3,154,065	**3,975,337**	3,132,624
Property and equipment (Note 10)	**1,424**	–	**–**	–
Investment properties (Note 11)	**163,729**	143,826	**192,105**	173,475
Other assets (Note 13)	**67,656**	51,574	**67,656**	51,574
	₱4,235,164	₱3,349,465	**₱4,235,098**	₱3,357,673

15. **Deposit Liabilities**

Non-FCDU deposit liabilities are subject to liquidity reserve equivalent to 11.00% starting July 15, 2005 (under BSP Circular No. 491), and statutory reserve equivalent to 10.00% starting August 5, 2011 (under BSP Circular No. 732). Prior to August 5, 2011, statutory reserve equivalent was 9.00%. In accordance with BSP Circular No. 753 issued in 2012, reserve requirement effective on the April 6, 2012 reserve week shall be 18.00% for deposits and deposit substitutes and 3.00% for long-term negotiable certificates of deposits. As of December 31, 2013 and 2012, the Parent Company is in compliance with such regulations.

Due from BSP of the Parent Company amounting to ₱15.89 billion and ₱12.99 billion were set aside as reserves as of December 31, 2013 and 2012, respectively.

Of the total deposit liabilities of the Parent Company as of December 31, 2013, 2012 and 2011, about 42.93%, 46.28% and 61.73%, respectively, are subject to periodic interest repricing. The remaining deposit liabilities earn annual fixed interest rates ranging from 3.25% to 9.50% in 2013, 1.21% to 5.23% in 2012, and 1.28% to 6.61% in 2011.

The Group's interest expense on deposit liabilities amounted to ₱1.17 billion in 2013, ₱1.42 billion in 2012 and ₱1.48 billion in 2011. The Parent Company's interest expense on deposit liabilities amounted to ₱1.04 billion in 2013, ₱1.39 billion in 2012 and ₱1.47 billion in 2011.

Long-term Negotiable Certificates of Deposits due 2018 (LTNCD Series 1)
In 2013 and 2012, the Parent Company issued 5.00% fixed coupon rate (average EIR of 4.37%) unsecured LTNCD maturing on May 18, 2018. The first tranche of the LTNCD Series 1 amounting to ₱1.53 billion was issued at a discount on November 23, 2012, and the second to seventh tranches aggregating to ₱3.12 billion were issued at a premium in February to May 2013. The net premium, net of debt issue costs, related to the issuance of the LTNCD Series 1 in 2013 and 2012 amounted to ₱107.91 million and ₱10.64 million, respectively.

Long-term Negotiable Certificates of Deposits due 2019 (LTNCD Series 2)
In 2013, the Parent Company issued 3.25% fixed coupon rate (average EIR of 3.48%) unsecured LTNCD maturing on June 9, 2019. The first to third tranches of the LTNCD Series 2 aggregating to ₱0.74 billion were issued in December 2013. The discount, net of debt issue costs related to the issuance of the LTNCD Series 2 in 2013 amounted to ₱8.42 million.

The movements in unamortized net premium (discount) as of December 31, 2013 and 2012 follow:

	2013	2012
Beginning balance	**(₱10,643)**	₱–
Premium (discount) of issuance during the year	**99,496**	(10,678)
Amortization during the year	**(21,288)**	35
Ending balance	**₱67,565**	(₱10,643)

16. **Bills and Acceptances Payable**

	Consolidated		**Parent Company**	
	2013	2012	**2013**	2012
Banks and other financial institutions	**₱3,274,219**	₱5,536,528	**₱3,274,224**	₱5,536,528
Outstanding acceptances	**5,903**	34,859	**5,903**	34,859
BSP	**8,813**	–	**8,813**	–
	₱3,288,935	₱5,571,387	**₱3,288,940**	₱5,571,387

As of December 31, 2013 and 2012, investments in government securities of the Parent Company (included in Investment securities at amortized cost in the statements of financial position) with face value of ₱2.90 billion and ₱4.74 billion, respectively, and fair value of ₱3.44 billion and ₱5.40 billion, respectively, were pledged with other banks as collateral for borrowings amounting to ₱2.83 million and ₱4.57 billion, respectively.

Bills payable to the BSP, other banks and other financial institutions are subject to annual interest rates ranging from 0.60% to 3.50% in 2013, 0.65% to 5.00% in 2012, and 2.63% to 4.00% in 2011.

The Group's interest expense on bills and acceptances payable amounted to ₱40.23 million in 2013, ₱66.85 million in 2012 and ₱147.26 million in 2011. The Parent Company's interest expense on bills and acceptances payable amounted to ₱38.85 million in 2013 and ₱70.40 million in 2012 and ₱133.41 million in 2011.

17. **Accrued Taxes, Interest and Other Expenses**

This account consists of:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Accrued expenses	**₱758,361**	₱640,305	**₱743,424**	₱498,407
Accrued interest payable	**223,663**	247,653	**217,976**	236,574
Accrued other taxes	**56,151**	68,105	**50,211**	45,530
	₱1,038,175	₱956,063	**₱1,011,611**	₱780,511

Accrued expenses pertain to accruals of various operating expenses such as rent, utilities, management and professional fees, employee bonus and other expenses of similar nature. As of December 31, 2013 and 2012, accrued expenses also includes net retirement obligation amounting to ₱1.36 million and ₱27.04 million, respectively, for the Group, and ₱1.20 million and ₱8.93 million, respectively, for the Parent Company (see Note 24).

18. **Subordinated Debt**

The Group's and the Parent Company's subordinated debt consists of (in millions):

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Lower Tier 2 unsecured subordinated notes due 2021	**₱1,500**	₱1,500	**₱1,500**	₱1,500
Lower Tier 2 unsecured subordinated notes due 2019	**1,250**	1,250	**1,250**	1,250
Lower Tier 2 unsecured subordinated notes due 2018	**113**	114	**–**	–
	₱2,863	₱2,864	**₱2,750**	₱2,750

<u>Lower Tier 2 unsecured subordinated notes due 2021</u>
On July 2, 2010, the Parent Company issued 7.50% coupon rate Lower Tier 2 unsecured subordinated note (the 2021 Notes) with par value of ₱1.50 billion, maturing on January 2, 2021 but callable on January 2, 2016, and with step-up in interest if not called.

Unless the 2021 Notes are previously redeemed, the 2021 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of January 2, 2021.

From and including the issue date to, but excluding the optional redemption date of January 2, 2016, the 2021 Notes bear interest at the rate of 7.50% per annum and shall be payable semi-annually in arrears on January 2 and July 2 of each year, commencing on January 2, 2011. Unless the 2021 Notes are previously redeemed, the interest rate from and including January 2, 2016 to, but excluding January 2, 2021, will be reset and such Step-Up interest shall be payable semi-annually in arrears on January 2 and July 2 of each year, commencing on July 2, 2016.

The Step-Up interest rate shall be computed as the higher of:

a. 80.00% of the 5-year on-the-run Philippine Treasury benchmark bid yield (PDST-F) on optional redemption date plus the Step-Up spread of 3.44% per annum. The Step-Up spread is defined as follows:

   Step-Up spread = 150.00% of the difference between the Interest Rate and 80.00% of the 5-year PDST-F on the Pricing Date, preceding the initial Issue Date, equivalent to 3.44% per annum.

b. 150.00% of the difference between the interest rate and the 5-year PDST-F on the pricing date preceding the initial issue date plus the 5-year PDST-F on the optional redemption date.

Lower Tier 2 unsecured subordinated notes due 2019

On July 25, 2008, the Parent Company issued 8.63% coupon rate Lower Tier 2 unsecured subordinated note (the 2019 Notes) with par value of ₱1.50 billion, maturing on January 26, 2019 but callable on January 25, 2014, and with step-up in interest if not called.

Unless the 2019 Notes are previously redeemed, the 2019 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of January 26, 2019.

From and including the issue date to, but excluding the optional redemption date of January 25, 2014, the 2019 Notes bear interest at the rate of 8.63% per annum and shall be payable semi-annually in arrears on January 25 and July 25 of each year, commencing on January 25, 2009. Unless the 2019 Notes are previously redeemed, the interest rate from and including January 25, 2014 to, but excluding January 26, 2019, will be reset and such Step-Up interest shall be payable semi-annually in arrears on January 25 and July 25 of each year, commencing on July 25, 2014.

The Step-Up rate shall be computed as the higher of:

a. 80.00% of the 5-year on-the-run Philippine Treasury benchmark bid yield (PDST-F) on optional redemption date plus the Step-Up spread. The Step-Up spread is defined as follows:

   Step-Up spread = 150.00% [8.25% - 80.00% (5-year PDST-F on the pricing date before the initial issue date)]

b. 150.00% of the difference between the interest rate and the 5-year PDST-F on the pricing date preceding the initial issue date plus the 5-year PDST-F on the optional redemption date.

Lower Tier 2 unsecured subordinated notes due 2018

On March 12, 2008, GBI issued 9.72% per annum Lower Tier 2 unsecured subordinated notes (the 2018 Notes) in favor of Land Bank of the Philippines (LBP) with par value of ₱112.50 million, maturing on March 13, 2018 but callable on March 13, 2013, and with step-up in interest if not called. The issuance of the 2018 Notes under the terms approved by the BOD was approved by the BSP on February 14, 2008.

Among the significant terms and conditions of the issuance of the Notes are:

a. The 2018 Notes must be issued and fully paid up. Only the net proceeds received from the issuance of the 2018 Notes shall be included as capital.

b. The 2018 Notes bear interest at 9.72% per annum for the first five years of the term, payable quarterly. On the next 5 years, the rate will be reset at 5-year PDST-F at the time of extension plus a spread of 4.00% per annum or 10.00% per annum, whichever is higher, subject to allowable interest rate step-up regulation of the BSP. Upon resetting in 2013, the interest rate has been fixed at 10.72%.

c. The 2018 Notes are neither secured nor covered by a guarantee by GBI or related party of GBI or other arrangement that legally or economically enhances the priority of the claim of any holder of the 2018 Notes as against depositors and other creditors.

d. The 2018 Notes shall not have a priority claim, in respect of principal and coupon payments in the event of winding up of the Issuer, which is higher than or equal with that of depositors and other creditors.

e. The 2018 Notes cannot be terminated by LBP before maturity date.

f. LBP cannot set off any amount that it may owe to GBI against the 2018 Notes.

g. The payment of principal may be accelerated only in the event of insolvency of GBI.

h. The coupon rate or the formulation for calculating coupon payments shall be fixed at the time of the issuance of the 2018 Notes and may not be linked to the credit standing of GBI.

The Group's interest expense on subordinated debt amounted to ₱232.16 million in 2013, ₱232.36 million in 2012 and ₱223.96 million in 2011. The Parent Company's interest expense on subordinated debt amounted to ₱220.31 million in 2013, 2012 and 2011.

The movements in unamortized premium in 2013 and 2012 are as follows:

	2013	2012
Beginning balance	**₱8,413**	₱1,095,337
Amortization	**(8,413)**	(1,086,924)
Ending balance	**₱–**	₱8,413

19. **Other Liabilities**

This account consists of:

	Consolidated		**Parent Company**	
	2013	2012	**2013**	2012
Bills purchased-contra	**₱1,363,885**	₱1,282,201	**₱1,363,885**	₱1,282,201
Accounts payable	**1,223,604**	707,961	**1,102,960**	707,324
Deferred revenue	**381,376**	271,142	**381,376**	271,142
Retention payable	**174,451**	132,781	**174,451**	132,781
Payment orders payable	**52,844**	18,501	**52,844**	18,501
Withholding tax payable	**52,202**	64,025	**49,846**	61,693
Derivative liabilities (Note 5)	**22,017**	97,684	**22,017**	97,684
Miscellaneous	**326,998**	165,648	**326,261**	157,300
	₱3,597,377	₱2,739,943	**₱3,473,640**	₱2,728,626

Deferred revenue pertains to deferral and release of loyalty points program transactions and membership fees and dues. Miscellaneous liabilities consist mainly of Social Security System pension of the Group's clients for remittance and suspense accounts.

20. Maturity Analysis of Assets and Liabilities

The following tables show an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of financial position date:

	Consolidated					
	2013			2012		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Financial Assets						
Cash and other cash items	**₱3,884,538**	**₱–**	**₱3,884,538**	₱3,235,161	₱–	₱3,235,161
Due from BSP	**18,537,655**	**–**	**18,537,655**	21,855,275	–	21,855,275
Due from other banks	**1,751,824**	**–**	**1,751,824**	1,637,917	–	1,637,917
IBLR	**3,116,529**	**–**	**3,116,529**	582,648	–	582,648
Financial assets at FVTPL (Note 8)	**1,948,703**	**–**	**1,948,703**	4,260,325	–	4,260,325
Investments at FVTOCI (Note 8)	**–**	**10,733**	**10,733**	–	9,982	9,982
Investment securities at amortized cost (Note 8)	**–**	**9,080,320**	**9,080,320**	–	9,620,505	9,620,505
Loans and receivables - gross (Note 9)	**57,216,009**	**41,383,786**	**98,599,795**	42,495,232	33,496,964	75,992,196
	86,455,258	**50,474,839**	**136,930,097**	74,066,558	43,127,451	117,194,009
Nonfinancial Assets						
Property and equipment (Note 10)	**–**	**3,452,741**	**3,452,741**	–	2,740,689	2,740,689
Investment properties (Note 11)	**–**	**1,006,716**	**1,006,716**	–	937,648	937,648
Deferred tax assets (Note 23)	**–**	**995,125**	**995,125**	–	973,137	973,137
Goodwill and other intangible assets (Note 12)	**–**	**3,655,735**	**3,655,735**	–	3,399,851	3,399,851
Other assets (Note 13)	**307,628**	**589,871**	**897,499**	187,135	770,326	957,461
	307,628	**9,700,188**	**10,007,816**	187,135	8,821,651	9,008,786
	86,762,886	**60,175,027**	**146,937,913**	74,253,693	51,949,102	126,202,795
Allowances for impairment and credit losses on loans and receivable (Note 14)	**–**	**–**	**(4,002,355)**	–	–	(3,154,065)
Unearned discounts (Note 9)	**–**	**–**	**(636,865)**	–	–	(1,645,390)
	₱86,762,886	**₱60,175,027**	**₱142,298,693**	₱74,253,693	₱51,949,102	₱121,403,340
Financial Liabilities						
Deposit liabilities	**102,121,470**	**9,054,625**	**111,176,095**	₱85,588,336	₱5,620,469	₱91,208,805
Bills and acceptances payable (Note 16)	**3,288,935**	**–**	**3,288,935**	5,571,387	–	5,571,387
Cashiers' checks and demand drafts payable	**866,457**	**–**	**866,457**	714,398	–	714,398
Subordinated debt (Note 18)		**2,862,500**	**2,862,500**	–	2,863,751	2,863,751
Accrued interest, taxes and other expenses (Note 17)	**982,024**	**–**	**982,024**	925,153	–	925,153
Other liabilities (Note 19)	**1,093,516**	**257,154**	**1,350,670**	726,462	196,911	923,373
	108,352,402	**12,174,279**	**120,526,681**	93,525,736	8,681,131	102,206,867
Nonfinancial liabilities						
Income tax payable	**76,935**	**–**	**76,935**	28,113	–	28,113
Accrued interest, taxes and other expenses (Note 17)	**56,151**	**–**	**56,151**	3,867	27,043	30,910
Other liabilities (Note 19)	**1,416,087**	**830,620**	**2,246,707**	1,395,735	420,835	1,816,570
	1,549,173	**830,620**	**2,379,793**	1,427,715	447,878	1,875,593
	₱109,901,575	**₱13,004,899**	**₱122,906,474**	₱94,953,451	₱9,129,009	₱104,082,460

	Parent Company					
	2013			2012		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Financial Assets						
Cash and other cash items	**₱3,811,185**	**₱–**	**₱3,811,185**	₱3,180,497	₱–	₱3,180,497
Due from BSP	**18,404,125**	**–**	**18,404,125**	21,789,239	–	21,789,239
Due from other banks	**1,604,404**	**–**	**1,604,404**	1,524,815	–	1,524,815
IBLR	**3,116,529**	**–**	**3,116,529**	582,648	–	582,648
Financial assets at FVTPL (Note 8)	**1,948,703**	**–**	**1,948,703**	4,260,325	–	4,260,325
AFS investments (Note 8)	**–**	**–**	**–**	–	–	–
Investments at FVTOCI (Note 8)	**–**	**10,733**	**10,733**	–	9,982	9,982
Investment securities at amortized cost (Note 8)	**–**	**9,079,907**	**9,079,907**	–	9,620,095	9,620,095
Loans and receivables - gross (Note 9)	**56,509,839**	**39,384,648**	**95,894,487**	41,559,056	32,688,615	74,247,671
	85,394,785	**48,475,288**	**133,870,073**	72,896,580	42,318,692	115,215,272
Nonfinancial Assets						
Investment in subsidiaries (Note 7)	**–**	**1,409,449**	**1,409,449**	–	241,072	241,072
Property and equipment (Note 10)	**–**	**3,320,631**	**3,320,631**	–	2,572,532	2,572,532
Investment properties (Note 11)	**–**	**811,423**	**811,423**	–	730,335	730,335
Deferred tax assets (Note 23)	**–**	**1,176,342**	**1,176,342**	–	1,146,176	1,146,176
Goodwill and other intangible assets (Note 12)	**–**	**2,627,030**	**2,627,030**	–	2,370,542	2,370,542
Other assets (Note 13)	**307,628**	**570,680**	**878,308**	187,135	745,970	933,105
	307,628	**9,915,555**	**10,223,183**	187,135	7,806,627	7,993,762
	85,702,413	**58,390,843**	**144,093,256**	73,083,715	50,125,319	123,209,034
Allowances for impairment and credit losses on loans and receivable (Note 14)	**–**	**–**	**(3,975,337)**	–	–	(3,132,624)
Unearned discounts (Note 9)	**–**	**–**	**(589,681)**	–	–	(1,645,097)
	₱85,702,413	**₱58,390,843**	**₱139,528,238**	₱73,083,715	₱50,125,319	₱118,431,313
Financial Liabilities						
Deposit liabilities	**₱99,686,240**	**₱9,045,448**	**₱108,731,688**	₱82,555,551	₱5,963,071	₱88,518,622
Bills and acceptances payable (Note 16)	**3,288,940**	**–**	**3,288,940**	5,571,387	–	5,571,387
Cashiers' checks and demand drafts payable	**866,457**	**–**	**866,457**	714,398	–	714,398
Subordinated debt (Note 18)	**–**	**2,750,000**	**2,750,000**	–	2,750,000	2,750,000
Accrued interest, taxes and other expenses (Note 17)	**961,400**	**–**	**961,400**	726,052	–	726,052
Other liabilities (Note 19)	**1,093,516**	**964,037**	**2,057,553**	726,462	196,911	923,373
	105,896,553	**12,759,485**	**118,656,038**	90,293,850	8,909,982	99,203,832
Nonfinancial liabilities						
Income tax payable	**52,208**	**–**	**52,208**	27,766	–	27,766
Accrued interest, taxes and other expenses (Note 17)	**50,211**	**–**	**50,211**	45,530	8,929	54,459
Other liabilities (Note 19)	**1,416,087**	**–**	**1,416,087**	1,395,735	409,518	1,805,253
	1,518,506	**–**	**1,518,506**	1,469,031	418,447	1,887,478
	₱107,415,059	**₱12,759,485**	**₱120,174,544**	₱91,762,881	₱9,328,429	₱101,091,310

21. **Equity**

Capital Management

The Parent Company actively manages its capital to comply with regulatory requirements. The primary objective of the Parent Company's capital management is to ensure that it maintains adequate capital to cover risks inherent to its banking activities without prejudice to optimizing shareholder's value. The Parent Company adopts the capital adequacy requirements of the New Capital Accord or Basel II, as contained in the implementation guidelines of BSP Circular No. 538, which took effect in July 2007. Under this rule, risk weight ratings shall be based on external rating agencies and total risk weighted assets shall be computed based on credit, market and operational risks.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based Capital Adequacy Ratio (CAR) of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

The regulatory Gross Qualifying Capital of the Parent Company consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprises share capital, retained earnings (including current year profit) and non-controlling interest less required deductions such as deferred income tax and unsecured credit accommodations to DOSRI. Tier 2 capital includes unsecured subordinated debts, revaluation reserves and general loan loss provision. Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to equity investments in unconsolidated subsidiary banks and other financial allied undertakings, but excluding investments in debt capital instruments of unconsolidated subsidiary banks (for solo basis) and equity investments in subsidiary and non-financial allied undertakings.

Risk-weighted assets are determined by assigning defined risk weights to the statement of financial position exposure and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors. Below is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type*
0.00%	Cash on hand; claims collateralized by securities issued by the national government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20.00%	COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation

Risk weight	Exposure/Asset type*
50.00%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75.00%	Direct loans of defined Small Medium Enterprise (SME) and microfinance loans portfolio; non-performing housing loans fully secured by first mortgage
100.00%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred income tax)
150.00%	All non-performing loans (except non-performing housing loans fully secured by first mortgage) and all non-performing debt securities

* Not all inclusive

With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.00% to 100.00%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.00%, while items not involving credit risk has a CCF of 0.00%.

In the case of derivatives, the credit equivalent amount (against which the risk weight factor is multiplied to arrive at the risk-weighted exposure) is generally the sum of the current credit exposure or replacement cost (the positive fair value or zero if the fair value is negative or zero) and an estimate of the potential future credit exposure or add-on. The add-on ranges from 0.00% to 1.50% (interest rate-related) and from 1.00% to 7.50% (exchange rate-related), depending on the residual maturity of the contract. For credit-linked notes and similar instruments, the risk-weighted exposure is the higher of the exposure based on the risk weight of the issuer's collateral or the reference entity or entities.

The risk-weighted CAR is calculated by dividing the sum of its Tier 1 and Tier 2 capital, as defined under BSP regulations, by its risk-weighted assets. The risk-weighted assets, as defined by the BSP regulations, consist of all of the assets on the balance sheet at their respective book values, together with certain other off-balance sheet items, weighted by certain percentages depending on the risks associated with the type of assets. The determination of compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting practices which differ from PFRS in some respects.

In 2013 and 2012, the Parent Company has complied with the required 10.00% capital adequacy ratio of the BSP.

The capital-to-risk assets ratio reported to the BSP as of December 31, 2013 and 2012 are shown in the table below (amounts in millions):

	Consolidated			
	2013		2012	
	Actual	**Required**	Actual	Required
Tier 1 capital	**₱19,128**		₱16,836	
Tier 2 capital	**3,896**		3,489	
Gross qualifying capital	**23,024**		20,325	
Less required deductions	**2,463**		2,389	
Total qualifying capital	**₱20,561**		₱17,936	
Risk weighted assets	**₱120,725**		₱103,361	
Tier 1 capital ratio	**13.80%**		13.98%	
Total capital ratio	**17.03%**	**10%**	17.35%	10%

	Parent Company			
	2013		2012	
	Actual	**Required**	Actual	Required
Tier 1 capital	**₱19,130**		₱16,937	
Tier 2 capital	**3,739**		3,353	
Gross qualifying capital	**22,869**		20,290	
Less required deductions	**3,789**		2,178	
Total qualifying capital	**19,080**		₱18,112	
Risk weighted assets	**₱116,029**		₱99,914	
Tier 1 capital ratio	**13.83%**		14.77%	
Total capital ratio	**16.45%**	**10%**	18.13%	10.00%

Presented below are the composition of qualifying capital and the related deductions as reported to the BSP (amounts in millions):

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Tier 1 capital				
Paid up common stock	**₱11,284**	₱11,284	**₱11,284**	₱11,284
Additional paid-in capital	**979**	979	**979**	979
Retained earnings	**4,804**	2,749	**4,910**	2,888
Undivided profits	**2,050**	1,827	**1,952**	1,803
Cumulative foreign currency translation	**5**	(17)	**5**	(17)
Minority interest	**6**	14	**–**	–
Core Tier 1 capital	**19,128**	16,836	**19,130**	16,937
Deductions from Tier 1 capital				
Total outstanding unsecured credit accommodation to a DOSRI	**160**	315	**288**	315
Deferred income tax	**986**	965	**1,173**	1,150
Goodwill	**1,317**	1,109	**919**	713
Total Deductions	**2,463**	2,389	**2,380**	2,178
Total Tier 1 Capital	**16,665**	14,447	**16,750**	14,759
Tier 2 capital				
General loan loss provision	**1,033**	626	**989**	603
Unsecured subordinated debt	**2,863**	2,863	**2,750**	2,750
Total Tier 2 capital	**3,896**	3,489	**3,739**	3,353
Deductions from Tier 1 and Tier 2 capital	**-**	-	**1,409**	-
Qualifying capital				
Net Tier 1 capital	**16,665**	14,447	**16,046**	14,759
Net Tier 2 capital	**3,896**	3,489	**3,034**	3,353
Total qualifying capital	**20,561**	17,936	**19,080**	18,112

(Forward)

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Capital requirements				
Credit risk	**₱10,325**	₱8,485	**₱9,919**	₱8,215
Market risk	**214**	553	**214**	553
Operational risk	**1,534**	1,297	**1,470**	1,223
Total capital requirements	**₱12,073**	₱10,335	**₱11,603**	₱9,991

The policies and processes guiding the determination of the sufficiency of capital of the Parent Company have been incorporated in the Parent Company's Internal Capital Adequacy Assessment Process (ICAAP) which supplements the BSP's risk-based capital adequacy framework under BSP Circular Nos. 538 and 639 to comply with the requirements of the BSP. While the Parent Company has added the ICAAP to its capital management policies and processes, there were no changes made on the objectives and policies for the years ended December 31, 2013 and 2012.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular is effective on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.0% and Tier 1 capital ratio of 7.5%. It also introduces a capital conservation buffer of 2.5% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

The Parent Company has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

Capital Stock

Capital stock consist of:

	2013	2012	2011
Common stock - ₱10.00 par value			
Authorized - 1,500,000,000 shares in 2013 and 2012			
Issued and outstanding - 1,128,409,610 shares in 2013 and 2012 and 387,352,810 in 2011	**₱11,284,096**	₱11,284,096	₱3,873,528
Preferred stock - ₱10.00 par value convertible, nonvoting shares			
Authorized - 500,000,000 shares in 2013 and 2012 and 300,000,000 shares in 2011			
Issued and outstanding - none in 2013 and 2012, and 300,000,000 in 2011	–	–	3,000,000
	₱11,284,096	₱11,284,096	₱6,873,528

On January 19, 2012 and February 10, 2012, the Parent Company received cash from its shareholders totaling ₱3.00 billion as deposits for future stock subscription for 300 million common shares which were subsequently issued in March 2012. Also in the same period, the preferred shareholders converted a total of 300 million preferred shares amounting to ₱3.00 billion to 300 million common shares.

With the approvals by the PSE of the Parent Company's application for listing and by the SEC for the Registration Statement both on March 14, 2012, a total of 245,316,200 common shares, with ₱10.00 par value per share, representing 21.70% of outstanding capital stock, were offered and subscribed through an initial public offering at ₱18.50 per share on April 20 to 26, 2012. The common shares comprise of (a) 141,056,800 new shares issued by the Parent Company by way of a primary offer, and (b) 104,259,400 existing shares offered by FDC, the selling shareholder, pursuant to a secondary offer. Subsequently, on September 5, 2012, 36,715,300 shares under the over-allotment option were exercised at a price of ₱18.50 per share that brought the subscriptions to 25.00% of the outstanding capital stock. The Parent Company's common shares were listed and commenced trading in the PSE on May 7, 2012. As of December 31, 2013 and 2012, 58 and 32 shareholders owned at least 100 shares of stock, respectively.

The total proceeds raised by the Parent Company from the sale of primary offer shares amounted to ₱2.61 billion while the net proceeds (after deduction of direct costs related to equity issuance) amounted to ₱2.39 billion.

Dividends

The following cash dividends were paid by the Parent Company in 2012 and 2011:

			2012			
Class	Date of declaration	Date of record	Date of BSP approval	Date of payment	Per share	Total amount
Preferred	November 24, 2011	November 24, 2011	January 10, 2012	January 18, 2012	₱0.225	₱67,500,000
Common	December 15, 2011	November 30, 2011	January 30, 2012	February 10, 2012	2.582	1,000,000,000
						₱1,067,500,000

			2011			
Class	Date of declaration	Date of record	Date of BSP approval	Date of payment	Per share	Total amount
Preferred	August 27, 2010	August 27, 2010	February 14, 2011	February 16, 2011	₱0.225	₱67,500,000
Preferred	November 25, 2010	November 25, 2010	February 14, 2011	February 16, 2011	0.225	67,500,000
Preferred	February 24, 2011	February 24, 2011	April 27, 2011	May 2, 2011	0.225	67,500,000
Preferred	May 26, 2011	May 26, 2011	July 22, 2011	July 25, 2011	0.225	67,500,000
Preferred	August 25, 2011	August 25, 2011	October 3, 2011	October 4, 2011	0.225	67,500,000
						₱337,500,000

For the years ended December 31, 2013 and 2012, no cash dividends were declared.

22. Income and Expenses

Service charges, fees and commissions consist of:

	Consolidated			**Parent Company**		
	2013	2012	2011	**2013**	2012	2011
Service charges	**₱1,424,416**	₱1,084,687	₱988,308	**₱1,402,264**	₱1,083,567	₱988,308
Fees and commissions	**1,104,054**	775,536	548,466	**802,603**	653,587	520,874
	₱2,528,470	₱1,860,223	₱1,536,774	**₱2,204,867**	₱1,737,154	₱1,509,182

Service charges include loan processing fees, late payment charges and service charges on deposit taking-related transactions.

Fees and commissions include credit card membership fees, interchange fees, merchant discounts and other commissions.

Miscellaneous income consists of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Recovery on charged-off assets	**₱299,399**	₱183,537	₱111,382	**₱297,781**	₱180,821	₱111,382
Rental income	**3,333**	3,823	2,841	**3,333**	3,823	2,841
Dividend income	**76,946**	975	1,047	**76,946**	975	1,047
Others	**27,249**	83,902	50,778	**22,972**	42,499	31,143
	₱406,927	₱272,237	₱166,048	**₱401,032**	₱228,118	₱146,413

Others include referral income earned on insurance premiums charged through credit cards.

Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Service charges, fees and commissions	**₱494,454**	₱363,722	₱258,217	**₱485,648**	₱363,630	₱257,967
Advertising	**395,164**	420,141	320,898	**394,513**	419,628	320,572
Security, messengerial and janitorial services	**362,303**	271,631	188,428	**340,782**	253,743	188,178
Postage, telephone, cables and telegram	**282,808**	156,915	118,049	**274,372**	146,840	116,044
Brokerage fees	**239,503**	161,194	135,327	**239,503**	161,194	135,278
Insurance	**211,207**	185,419	156,190	**197,357**	176,655	156,123
Transportation and travel	**189,705**	151,334	111,444	**156,789**	141,237	108,979
Technological fees	**179,279**	143,240	106,446	**178,866**	143,201	106,239
Power, light and water	**165,633**	122,391	78,572	**155,079**	110,939	76,166
Stationery and Supplies	**74,742**	95,945	62,422	**68,156**	89,401	62,435
Management and other professional fees	**57,000**	52,289	31,594	**53,818**	47,970	29,682
Entertainment, amusement and recreation	**47,970**	45,781	28,900	**43,838**	39,310	28,770
Repairs and maintenance	**40,525**	39,353	46,373	**31,635**	33,132	46,321
Litigation expenses	**37,763**	22,893	13,907	**36,753**	22,893	13,884
Supervision fees	**35,431**	25,780	24,348	**34,270**	25,427	23,810
Others	**137,845**	324,883	119,479	**127,160**	298,000	115,728
	₱2,951,332	₱2,583,001	₱1,800,594	**₱2,818,539**	₱2,473,200	₱1,786,086

Others include payments for subscriptions, membership fees, trainings, donations and contributions, delivery and freight expenses, fines, penalties, other charges and clearing fees.

23. Income and Other Taxes

Under Philippine tax laws, the RBU of the Parent Company and its subsidiaries are subject to percentage and other taxes (presented as Taxes and licenses in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp taxes. Income taxes include corporate income tax, as discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as Provision for (benefit from) income tax in the statements of income.

Republic Act (RA) No. 9397, *An Act Amending National Internal Revenue Code*, provides that the Regular Corporate Income Tax (RCIT) rate shall be 30.00% and the interest expense allowed as a deductible expense shall be reduced by 33.00% of interest income subjected to final tax.

An MCIT of 2.00% of modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the period of incurrence.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10.00% gross income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units is subject to a 7.50% final tax. RA No. 9294, which became effective in May 2004, provides that the income derived by the FCDU from foreign currency transactions with non-residents, Offshore Banking Units (OBUs), local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

In 2011, the BIR issued Revenue Regulation 14-2011, which prescribes the proper allocation of costs and expenses among the income earnings of financial institutions for income tax reporting. Only costs and expenses attributable to the operations of the RBU can be claimed as deduction to arrive at the taxable income of the RBU subject to the RCIT. All costs and expenses pertaining to the FCDU/EFCDU are excluded from the RBU's taxable income. Within the RBU, common costs and expenses should be allocated among taxable income, tax-paid income and tax-exempt income using the specific identification or the allocation method.

Provision for income tax consists of:

	Consolidated			**Parent Company**		
	2013	2012	2011	**2013**	2012	2011
Current:						
Regular corporate income tax	**₱171,993**	₱84,873	₱–	**₱146,917**	₱84,873	₱–
Minimum corporate income tax	–	2,350	68,445	–	–	68,383
Final tax	**68,809**	120,369	154,481	**66,946**	120,151	153,779
	240,802	207,592	222,926	**213,863**	205,024	222,162
Deferred	**(22,146)**	(31,590)	156,572	**(30,324)**	(17,009)	156,572
	₱218,656	₱176,002	₱379,498	**₱183,539**	₱188,015	₱378,734

The components of the Group's and the Parent Company's net deferred tax assets as of December 31, 2013 and 2012 follow:

	Consolidated		**Parent Company**	
	2013	2012	**2013**	2012
Deferred tax asset on:				
Allowance for impairment and credit losses	**₱1,326,604**	₱1,040,389	**₱1,281,117**	₱1,012,345
Accumulated depreciation of assets foreclosed or dacioned	**80,892**	71,681	**76,914**	69,655
Accrued expenses	**42,040**	45,116	**42,040**	45,116
Unamortized past service cost	**5,958**	7,023	**5,958**	7,023
Unrealized foreign exchange loss	–	117,340	–	117,340
Net retirement obligation	**4,240**	8,113	**359**	2,679
Unrealized trading loss	**46**	–	**46**	–
MCIT	–	2,350	–	–
NOLCO	–	2,038	–	–
	1,459,780	1,294,050	**1,406,434**	1,254,158

(Forward)

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Deferred tax liability on:				
Branch licenses acquired from business combination	**₱187,620**	₱187,620	**₱–**	₱–
Gain on asset foreclosure and dacion transactions	**134,346**	83,084	**88,528**	58,898
Unrealized foreign exchange gain	**94,987**	–	**94,987**	–
Excess of fair value over carrying value of net assets acquired from business combinations	**46,577**	49,084	**46,577**	49,084
Prepaid rent	**1,125**	1,125	**–**	–
	464,655	320,913	**230,092**	107,982
	₱995,125	₱973,137	**₱1,176,342**	₱1,146,176

As of December 31, 2013 and 2012, the Group and the Parent Company did not recognize deferred tax assets on the following temporary differences:

	2013	2012
Allowance for credit and impairment losses	**₱394,890**	₱686,379
NOLCO	**8,134**	126,396
Excess of MCIT over RCIT	**–**	3,264
Accrued Expenses	**–**	474
	₱403,024	₱816,513

The Group believes that it is not reasonably probable that the tax benefits of these temporary differences will be realized in the future.

Provision for deferred income tax charged directly to OCI during the year for the Group and the Parent Company follows:

	2013	2012
Remeasurements on retirement plan	**₱158**	(₱13,389)

The movements in NOLCO and MCIT follows:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
NOLCO				
At beginning of year	**₱133,189**	₱180,172	**₱–**	₱60,667
Addition	**–**	15,351	**–**	–
Used	**(125,055)**	(62,334)	**–**	(60,667)
At end of year	**₱8,134**	₱133,189	**₱–**	₱–
MCIT				
At beginning of year	**₱5,614**	₱71,718	**₱–**	₱68,383
Addition	**–**	2,279	**–**	–
Used	**(5,614)**	(68,383)	**–**	(68,383)
At end of year	**₱–**	₱5,614	**₱–**	₱–

The reconciliation of statutory income tax at statutory tax rate to the effective income tax follows:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Statutory income tax	**₱682,317**	₱597,715	₱633,001	**₱652,359**	₱610,069	₱634,271
Additions to (reductions from) income taxes resulting from the tax effects of:						
Nondeductible expenses	**185,303**	135,428	139,234	**180,061**	135,062	137,455
FCDU income	**(73,524)**	(186,543)	(97,998)	**(73,524)**	(186,543)	(97,998)
Non taxable and tax-exempt income	**(639,005)**	(255,598)	(204,984)	**(516,165)**	(237,827)	(204,984)
Interest income subjected to final tax net of tax paid	**(62,767)**	(132,771)	(89,755)	**(59,192)**	(132,746)	(90,010)
Change in unrecognized deferred tax assets	**126,332**	17,771	–	–	–	–
Effective income tax	**₱218,656**	₱176,002	₱379,498	**₱183,539**	₱188,015	₱378,734

24. Retirement Plan

The existing regulatory framework, RA No. 7641, *the Retirement Pay Law* requires companies with at least ten (10) employees to pay retirement benefits to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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, the Bank only has four remaining employees. As a result of GBI's transfer of its assets and liabilities to EWRB (see Note 1), the employment of GBI's employees had been terminated. These employees were hired by EWRB after their termination from GBI. The total amount of retirement benefits paid by GBI to its employees amounted to ₱42.27 million. Loss on settlement of the retirement plan amounting to ₱24.65 million was recognized and included in Compensation and fringe benefits expense in the consolidated statement of income. As of December 31, 2013, there were no retirement benefits accruing to the remaining employees of GBI.

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, 2013, the retirement plan of EWRB is unfunded. Prior to 2013, EWRB provides accrual for retirement benefits of its employees based on the requirements of RA No. 7641.

The net retirement obligation included in 'Accrued taxes, interest and other expenses' in the statements of financial position are as follows:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Present value of the defined benefit obligation	**₱432,948**	₱342,590	**₱432,782**	₱322,467
Fair value of plan assets	**431,584**	315,547	**431,584**	313,538
Net retirement obligation	**₱1,364**	₱27,043	**₱1,198**	₱8,929

Changes in the present value of the defined benefit obligation as of December 31, 2013 and 2012 recognized in the statements of financial position follow:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Balance at beginning of year	**₱342,590**	₱255,252	**₱322,467**	₱237,235
Current service cost	**76,300**	50,762	**74,391**	49,986
Interest cost	**20,439**	17,633	**19,670**	16,132
Loss on settlement	**24,647**	–	–	–
Remeasurement (gains) losses:				
Actuarial (gains) and losses arising from changes in demographic assumptions	**(185,747)**	3,977	**(185,747)**	3,977
Actuarial losses arising from changes in financial assumptions	**150,447**	38,953	**150,447**	38,953
Actuarial losses arising from devistions of experience from assumptions	**75,822**	–	**75,822**	–
Benefits paid	**(71,550)**	(23,987)	**(24,268)**	(15,492)
Balance at end of year	**₱432,948**	₱342,590	**₱432,782**	₱322,467

Changes in the fair value of plan assets are as follows:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Balance at beginning of year	**₱315,547**	₱279,562	**₱313,538**	₱278,285
Contributions	**82,438**	42,646	**82,138**	41,846
Interest income	**19,228**	19,026	**19,126**	18,923
Remeasurements	**41,050**	(1,700)	**41,050**	(10,024)
Benefits paid	**(26,679)**	(23,987)	**(24,268)**	(15,492)
Balance at end of year	**₱431,584**	₱315,547	**₱431,584**	₱313,538

The fair value of plan assets by class are as follows:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Cash and cash equivalents	**₱275,907**	₱72,048	**₱275,907**	₱70,039
Debt instruments				
Government securities	**54,502**	153,426	**54,502**	153,426
Private securities	**30,330**	25,432	**30,330**	25,432
Equity instruments				
Holding	**23,801**	16,895	**23,801**	16,895
Financial services	**12,684**	12,476	**12,684**	12,476
Telecommunications	**8,319**	7,176	**8,319**	7,176
Real estate	**7,273**	16,189	**7,273**	16,189
Utilities	**4,970**	3,149	**4,970**	3,149
Services	**4,343**	4,396	**4,343**	4,396
Manufacturing	**3,358**	3,311	**3,358**	3,311
Retail	**3,032**	–	**3,032**	–
Mining	**2,008**	982	**2,008**	982
Transportation	**234**	–	**234**	–
Others	**823**	67	**823**	67
Fair value of plan assets	**₱431,584**	₱315,547	**₱431,584**	₱313,538

The Group's plan assets are carried at fair value. All equity and debt instruments held have quoted prices in active market. The fair value of other assets and liabilities, which include deposits in banks, accrued interest and other receivables and trust fee payables, approximate carrying amount due to the short-term nature of these accounts.

The plan assets are diversified investments and are not exposed to concentration risk.

Each year, an Asset-Liability Matching Study (ALMS) is performed with the result being analyzed in terms of risk-and-return profiles. The Group's current strategic investment strategy consists of 70.00% of debt instruments, 25.00% of equity instruments, and 5.00% cash.

The Group expects to contribute ₱88.70 million to the plans in 2014.

The cost of defined benefit retirement plans as well as the present value of the benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used are shown below:

	Parent Company		EWRB	GBI
	2013	2012	**2013**	2012
Discount rate				
At January 1	**6.10%**	6.80%	**5.99%**	8.33%
At December 31	**4.20%**	6.10%	**5.13%**	8.33%
Future salary increase rate	**5.00%**	5.00%	**5.00%**	1.00%
Average remaining working life	**19**	14	**24**	13

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2013, assuming all other assumptions were held constant.

	Increase in defined benefit obligation	
	Consolidated	Parent Company
Decrease in discount rate of 1%	₱50,250	₱50,215
Increase in salary rate increase of 1%	49,371	49,336
Improvement in employee turnover by 10%	20,988	20,960

In 2012, the Group only performed sensitivity analysis for the decrease in the discount rate as the decrease in the discount rate will increase the amount of the defined benefit obligation. Management assessed that as of December 31, 2012, it is only the decline in discount rate that could significantly affect the retirement obligation. The sensitivity analysis has been determined based on reasonably possible change in the discount rate occurring as of December 31, 2012, assuming all other assumptions were held constant. If the discount rate would decrease by 50 basis points, the defined benefit obligation would increase by ₱40.89 million for the Group and ₱24.67 million for the Parent Company.

The amounts included in Compensation and fringe benefits expense in the statements of income are as follows:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Current service cost	**₱76,300**	₱50,762	₱31,802	**₱74,391**	₱49,986	₱31,563
Loss on settlement	**24,647**	–	–	**–**	–	–
Net interest expense (income)	**1,211**	(1,393)	(1,534)	**544**	(2,791)	(1,652)
Expense recognized	**₱102,158**	₱49,369	₱30,268	**₱74,935**	₱47,195	₱29,911

25. **Leases**

The Group leases several premises occupied by its head office and branches. Some leases are subject to annual escalation of 5.00% to 10.00% and for periods ranging from 5 to 15 years, renewable upon mutual agreement of both parties. For the years ended December 31, 2013, 2012 and 2011, the total rentals of the Group charged to operations amounted to ₱542.47 million, ₱410.18 million and ₱291.05 million, respectively. For the years ended December 31, 2013, 2012 and 2011, total rentals charged to operations by the Parent Company amounted to ₱518.23 million, ₱386.66 million and ₱282.62 million, respectively.

Future minimum annual rentals payable under the aforementioned lease agreements follow:

	Consolidated		**Parent Company**	
	2013	2012	**2013**	2012
Within one year	**₱441,672**	₱296,914	**₱424,498**	₱281,762
After one year but not more than five years	**1,783,259**	1,133,633	**1,742,601**	1,108,746
More than five years	**2,304,121**	1,128,635	**2,220,774**	1,126,800
	₱4,529,052	₱2,559,182	**₱4,387,873**	₱2,517,308

26. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel, and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- subsidiaries, joint ventures and associates and their respective subsidiaries, and
- post-employment benefit plans for the benefit of the Group's employees.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

The amounts and the balances arising from the foregoing significant related party transactions of the Group and of the Parent Company are as follows:

	2013		
Category	**Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions/Nature**
Significant investors:			
Loans receivable	**₱5,621,850**	**₱5,621,850**	Loans granted with a term of one year, interest of 4.50%, unsecured, no impairment
Deposit liabilities	–	**5,019,354**	Deposit liabilities with interest ranging from 0.00% to 1.00%
Accrued interest receivable	–	**33,599**	Interest income accrued on outstanding loans receivable

(Forward)

	2013		
Category	**Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions/Nature**
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

	2012		
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/ Nature
Significant investors:			
Loans receivable	₱–	₱958,055	Loans granted with terms of one year, interest ranging from 2.38% to 4.50%, secured by real estate and chattel mortgage, no impairment
Deposit liabilities	–	600,808	Deposit liabilities with interest ranging from 1.24% to 3.50%
Accrued interest receivable	–	8,655	Interest income accrued on outstanding loans receivable
Accrued expenses	–	5,558	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	–	4,284,055	Unused credit lines
Derivative assets	–	28,102	Fair value of the foreign exchange forward contracts with FDC
Interest income	28,566	–	Interest income on loans receivable
Interest expense	8,418	–	Interest expense on deposit liabilities
Foreign exchange gain	23,731	–	Foreign exchange gain on the foreign exchange forward contracts with FDC
Key management personnel:			
Loans receivable	–	26,277	Loans granted with terms ranging from five to fifteen years, interest ranging from 7.00% to 10.20%, unsecured, no impairment
Deposit liabilities	–	515,923	Deposit liabilities with interest ranging from 1.24% to 3.50%
Interest income	2,755	–	Interest income on loans receivable
Interest expense	325	–	Interest expense on deposit liabilities

(Forward)

Category	2012 Amount/ Volume	Outstanding Balance	Terms and Conditions/ Nature
Other related parties:			
Loans receivable	₱–	₱501,581	Loans granted with terms ranging from three months to five years, interest ranging from 4.50% to 11.52%, secured by real estate and chattel mortgage, no impairment
Receivables purchased	1,836,807	1,664,331	Receivables purchased by the Parent Company from FLI
Deposit liabilities	–	1,228,756	Deposit liabilities with interest ranging from 1.24% to 3.50%
Accrued interest receivable	–	389	Interest income accrued on outstanding loans receivable
Guarantees and commitments	–	9,900,000	Unused credit lines
Accounts receivables	–	9,050	Noninterest-bearing advances, payable on demand, no impairment
Interest income	581	–	Interest income on loans receivable
Interest expense	1,388	–	Interest expense on deposit liabilities
Service fee expense	1,635	–	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company (see Note 9)
Service charges, fees and commissions	1,034	–	Commissions received by the Parent Company for its services as a selling agent of FLI's bonds issued in 2012
Rent expense	39,652	–	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, Filinvest Alabang, Inc. and FLI
Gain on sale of assets	232	–	Gain on sale of investment property to Filinvest Alabang, Inc

The Group's significant investors pertain to FDC, the immediate Parent Company of the Group, and FDC Forex Corporation (a company under common control of FDC).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24. The Group provides banking services to its key management personnel.

Other related parties pertain to the Group's affiliates (subsidiaries of FDC).

The Group and the Parent Company had no outright purchases and outright sale of debt securities with significant shareholders, key management personnel and other related parties in 2013 and 2012.

No provision and allowance for loan losses was recognized by the Group for loans to significant investors, key management personnel and other related parties.

The Parent Company's subsidiaries have no transactions with related parties outside of the Group. The transactions disclosed above are the same for the Group and the Parent Company.

Parent Company Related Party Transactions

Transactions between the Parent Company and its subsidiaries meet the definition of related party transactions. Details of the Parent Company's subsidiaries are disclosed in Note 1.

In addition to the transactions discussed above, the following are the transactions between the Parent Company and its subsidiaries that are recognized in the Parent Company's statements of financial position and statements of income and eliminated in the consolidated financial statements:

	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)

	2012		
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/ Nature
Subsidiaries:			
Deposit liabilities	₱–	₱353,960	Deposit liabilities with interest from 0.00% to 2.50%.
Other receivables	–	820,000	Additional investments in GBI and FRBI amounting to ₱700.00 million and ₱120.00 million, respectively, presented as deposits for future stock subscription in the subsidiaries' financial statements (See Notes 1 and 9)
Interest income	69,696	–	Interest income on outstanding loans receivable
Interest expense	588	–	Interest expense on deposit liabilities

Transactions with Retirement Plans
Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company's retirement plan is in the form of a trust administered by the Parent Company's Trust Division under the supervision of the Retirement Committee. The values of the assets of the fund are as follows:

	2013	2012
Cash and cash equivalents	**₱275,907**	₱70,039
Equity instruments	**70,022**	64,574
Debt instruments	**84,832**	178,858
Others	**823**	67
	₱431,584	₱313,538

As of December 31, 2013 and 2012, cash and cash equivalents include the savings deposit with the Parent Company amounting to ₱16.41 million and ₱1.20 million, respectively and debt instruments include investments in the Parent Company's LTNCD amounting to ₱62.24 million and ₱46.15 million, respectively. Equity instruments include investments in the Parent Company's equity securities amounting to ₱0.73 million, equivalent to 30,000 common shares with fair market value of ₱24.30 per share as of December 31, 2013, and ₱0.87 million equivalent to 30,000 common shares with fair market value of ₱29.00 per share as of December 31, 2012. The Trust Division exercises the voting rights over the shares.

The following are the amounts recognized by the retirement plan arising from its transactions with the Parent Company for the years ended December 31, 2013, 2012 and 2011.

	2013	2012	2011
Trust fees	**₱2,095**	₱1,265	₱1,351
Interest income on savings deposit	**4,796**	149	–
Interest income on investments in LTNCD	**2,669**	45	–
Gain on investments in equity shares	**1,232**	91	–

Remunerations of Directors and other Key Management Personnel
Total remunerations of key management personnel are as follows:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Short-term employee benefits	**₱197,933**	₱231,210	₱171,883	**₱187,535**	₱225,199	₱141,744
Post employment benefits	**7,448**	4,320	7,515	**4,160**	4,320	7,515
	₱205,381	₱235,530	₱179,398	**₱191,695**	₱229,519	₱149,259

Remunerations given to directors which were approved by the Board Remuneration Committee amounted to ₱10.16 million in 2013, ₱7.30 million in 2012 and ₱8.00 million in 2011 for the Group and the Parent Company.

Regulatory Reporting
As required by BSP, the Group discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Group. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said circular:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Total outstanding DOSRI accounts	**₱6,394,361**	₱1,596,916	₱1,102,394	**₱6,394,361**	₱1,596,916	₱2,102,394
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**0.000%**	0.001%	0.01%	**0.000%**	0.001%	0.01%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	**6.494%**	2.27%	1.88%	**6.738%**	2.27%	3.53%
Percent of DOSRI accounts to total loans	**6.495%**	2.27%	1.89%	**6.738%**	2.27%	3.54%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**2.499%**	19.71%	29.11%	**2.499%**	19.71%	62.83%
Percent of past due DOSRI accounts to total DOSRI accounts	**0.067%**	0.00%	0.00%	**0.067%**	0.00%	0.00%

The amounts of loans disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive that that of key management personnel.

BSP Circular No. 560 provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank. As of December 31, 2013 and 2012, the Parent Company is in compliance with these requirements.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation. As of December 31, 2013 and 2012, the Parent Company is in compliance with these requirements.

27. Trust Operations

Securities and other properties held by the Parent Company in fiduciary or agency capacity for clients and beneficiaries are not included in the accompanying statements of financial position since these are not assets of the Parent Company. The combined trust and managed funds of the Trust Department of the Parent Company amounted to ₱7.80 billion and ₱13.80 billion as of December 31, 2013 and 2012, respectively.

Government securities with total face value of ₱161.90 million and ₱181.80 million as of December 31, 2013 and 2012, respectively, are deposited with the BSP in compliance with current banking regulations related to the Parent Company's trust functions. These government securities are recorded as part of investment securities at amortized cost as of December 31, 2013 and 2012.

In accordance with BSP regulations, 10.00% of the profits realized by the Parent Company from its trust operations are appropriated to surplus reserves. The yearly appropriation is required until the surplus reserves for trust operations amounts to 20.00% of the Parent Company's authorized capital stock.

The Parent Company's income from its trust operations amounted to ₱29.02 million, ₱27.84 million and ₱31.10 million in 2013, 2012 and 2011, respectively.

28. Commitments and Contingent Liabilities

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. The Group does not anticipate material unreserved losses as a result of these transactions.

The Group has several loan related suits and claims that remain unsettled. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, the suits and claims, if decided adversely, will not involve sums having a material effect on the Group's financial statements.

The following is a summary of commitments and contingencies of the Parent Company at their peso-equivalent contractual amounts arising from off-balance sheet items:

	2013	2012	2011
Unused credit line - credit card	**₱26,932,813**	₱22,108,158	₱15,549,780
Trust department accounts (Note 27)	**7,819,270**	13,803,205	8,857,411
Treasurer/cashier/manager's checks	**4,867,487**	5,258,228	–
Unused commercial letters of credit	**2,965,080**	1,348,261	612,741
Forward exchange sold	**2,308,540**	7,150,910	15,119,147
Spot exchange sold	**1,711,332**	1,429,038	9,325,935
Outstanding guarantees	**957,760**	483,008	568,910
Inward bills for collection	**930,110**	68,507	88,054
Outward bills for collection	**37,132**	14,010	47,814
Late deposits/payments received	**12,581**	20,202	3,620
Items held for safekeeping	**676**	555	455
Unsold traveler's check	**27**	25	26
Others	**27**	20	21

29. Financial Performance

Earnings per share amounts were computed as follows:

	2013	2012	2011
a. Net income attributable to equity holders of the Parent Company	**₱2,055,570**	₱1,817,409	₱1,730,965
b. Dividends declared on convertible preferred shares	–	–	(270,000)
c. Net income attributable to common shareholders of the Parent Company	**2,055,570**	1,817,409	1,460,965
d. Weighted average number of outstanding common shares (Note 21)	**1,128,410**	981,391	387,353
e. Weighted average number of convertible preferred shares (Note 22)	–	50,000	300,000
f. Total weighted average number of outstanding common and convertible preferred shares	**1,128,410**	1,031,391	687,353
g. Basic EPS (c/d)	**1.82**	1.85	3.77
h. Diluted EPS (a/f)	**1.82**	1.76	2.52

The following basic ratios measure the financial performance of the Group and of the Parent Company:

	Consolidated			**Parent Company**		
	2013	2012	2011	**2013**	2012	2011
Return on average equity	**11.11%**	11.86%	17.00%	**10.65%**	12.04%	17.11%
Return on average assets	**1.60%**	1.87%	2.02%	**1.59%**	1.92%	2.09%
Net interest margin on average earning assets	**8.43%**	7.04%	6.60%	**8.50%**	7.03%	6.56%

30. **Offsetting of Financial Assets and Liabilities**

The amendments to PFRS 7, which is effective January 1, 2013, require the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments subject to enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Financial assets

December 31, 2013						
Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative assets (Note 5)	**₱90**	**₱–**	**₱90**	**₱–**	**₱–**	**₱90**
Total	**₱90**	**₱–**	**₱90**	**₱–**	**₱–**	**₱90**

December 31, 2012						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets (Note 5)	₱41,316	₱–	₱41,316	₱–	₱–	₱41,316
Total	₱41,316	₱–	₱41,316	₱–	₱–	₱41,316

Financial liabilities

December 31, 2013						
Financial 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**

December 31, 2012						
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)	₱97,684	₱–	₱97,684	₱–	₱–	₱97,684
Bills payable* (Note 16)	4,571,853	–	4,571,853	–	4,571,853	–
Total	₱4,669,537	₱–	₱4,669,537	₱–	₱4,571,853	₱97,684

** Included in bills and acceptances payable in the statements of financial position*

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

31. **Notes to Statement of Cash Flows**

Transfers from loans and receivables to investment properties as a result of foreclosures amounted to ₱249.77 million, ₱84.40 million and ₱149.12 million in 2013, 2012 and 2011 respectively, for the Group, and ₱125.58 million, ₱72.44 million and ₱96.15 million in 2013, 2012 and 2011 respectively, for the Parent Company. Amounts mentioned are exclusive of gain on asset foreclosure and dacion transactions amounting to ₱93.78 million, ₱42.41 million and ₱84.65 million in 2013, 2012 and 2011 respectively, for the Group, and ₱90.55 million, ₱29.85 million and ₱82.62 million in 2013, 2012 and 2011, respectively, for the Parent Company.

In 2013, the Parent Company applied deposits for future stock subscription amounting to ₱700.00 million and ₱120.00 million as payments for the acquisitions of 441,000,000 common shares of GBI and 46,000,000 common shares of EWRB, respectively.

In 2012, the Parent Company assigned to GBI bills payable amounting to ₱700.00 million as deposits for subscription of 46,000,000 common shares of GBI. Also in 2012, the preferred shareholders converted a total of 300 million preferred shares amounting to ₱3.00 billion to 300 million common shares.

In 2011, the Parent Company participated in a debt exchange program for certain investments in government securities classified as financial assets at FVTPL and at amortized cost. The carrying amount of the financial assets at FVTPL surrendered amounted to ₱1.26 billion, and the carrying amount of the investment securities at amortized cost surrendered amounted to ₱3.27 billion. The fair value of the debt securities received amounted to ₱4.47 billion.

32. **Events Subsequent to Reporting Period**

Redemption of Lower Tier 2 Unsecured Subordinated Notes due 2019 (the 2019 Notes)
On January 25, 2014, the Parent Company exercised its call option on the ₱1.25 billion 2019 Notes due on January 26, 2019 and with optional redemption date of January 25, 2014.

The redemption was approved by the Parent Company's BOD on August 29, 2013 and by the BSP on November 7, 2013. The call option amount was the sum of the face value of the Notes, plus accrued interest amounting to ₱53.85 million, covering the 11th interest period from July 25, 2013 to January 25, 2014 at the interest rate of 8.625%, as of but excluding the call option date.

Long-term Negotiable Certificates of Deposits due 2019 (LTNCD Series 2)
In February 2014, the Parent Company issued the fourth tranche of its 3.25% fixed coupon rate unsecured LTNCD maturing on June 9, 2019 amounting to ₱0.83 billion. The discount, net of debt issue costs related to the issuance of the LTNCD Series 2, amounted to ₱34.77 million.

33. **Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010**

Supplementary Information under RR No. 19-2011
On December 9, 2011, the Bureau of Internal Revenue issued RR No. 19-2011 which prescribes the new annual income tax forms that will be used for filing effective taxable year 2011 and requires disclosure of taxable income, cost of service and other deductions in the notes to the financial statements.

The Parent Company reported the following gross receipts and expenses in its annual income tax return under Regular/Normal rate for the year ended December 31, 2013:

	RBU	FCDU
Gross receipts		
Interest income	₱8,568,982	₱–
Other income	1,926,414	57,623
	10,495,396	57,623
Cost of Services		
Interest expense	1,013,291	–
Compensation	1,846,177	5,145
Other direct expenses	1,200,988	11,565
	4,060,456	16,710
Other administrative expenses		
Write-off and losses	2,063,697	–
Other outside services	720,897	693
Taxes and licenses	645,816	–
Salaries and allowances	615,743	2,783
Advertising	415,390	658
Computer cost	254,286	853
Communication, light and water	250,449	511
Security services	180,168	1,394
Janitorial and messengerial services	174,651	926
Transportation and travel	163,172	529
Asset Acquisition	121,224	–
Office supplies	69,256	351
Management and consultancy fee	52,595	143
Representation and entertainment	41,804	204
Repairs and maintenance	30,078	152
NOLCO	–	30,040
Insurance	28,496	108
Rental	28,371	29
Commissions	15,733	–
Miscellaneous	75,425	1,539
	5,947,251	40,913
Net Taxable Income	₱487,689	₱–

Supplementary Information under RR No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010, requiring the inclusion of information on various taxes paid and accrued during the taxable year in the notes to the financial statements.

The Parent Company reported and/or paid the following types of taxes for the year ended December 31, 2013:

Gross Receipts Tax (GRT)

The Parent Company is subject to GRT on its gross income from Philippine sources. GRT is imposed on interest, commissions and discounts from lending activities at 5.00% or 1.00%, depending on the remaining maturities of instruments from which such receipts are derived, and at 7.00% on non-lending fees and commissions, trading and foreign exchange gains and other items constituting gross income.

Details of the Parent Company's income and GRT accounts in 2013 are as follows:

	Gross Receipts	Gross Receipts Tax
Income derived from lending activities	9,834,442	458,968
Other income	2,234,903	156,443
	12,069,345	615,411

Exclusive of the above GRT schedule, the Parent Company charged GRT to its clients amounting to ₱13.48 million in December 31, 2013.

Other Taxes and Licenses
For the year ended December 31, 2013, other taxes and licenses included in 'Taxes and licenses' account of the Parent Company consist of:

Documentary stamps taxes	₱141,002
Local taxes	19,061
Fringe benefit taxes	12,624
Others	1,400
	₱174,087

Withholding Taxes
Details of withholding taxes remitted and balances as of December 31, 2013 are as follows:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	₱381,654	₱32,780
Expanded withholding taxes	105,522	15,432
Final withholding taxes	146,344	9,439
	₱633,520	₱57,651

As of December 31, 2013, the Parent Company has no tax assessments which are covered by a Final Assessment Notice (FAN) issued by the BIR.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the 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) as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, included in the Form 17-A, and have issued our report thereon dated February 27, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca

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

February 27, 2014

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AS OF DECEMBER 31, 2013

ANNEX I
EAST WEST BANKING CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2013

Presented is the reconciliation of retained earnings available for dividend declaration of the Parent Company as of December 31, 2013 with amendments based on SEC Bulletin No. 14, *Presentation of Reconciliation of Retained Earnings* (amounts in thousands):

Unappropriated retained earnings available for dividend declaration, beginning		**₱3,547,326**
Net income actually earned/realized during the year		**1,990,991**
Net income during the year closed to retained earnings		5,538,317
Less:		
Interest accrued on impaired loans	47,341	
Unrealized gain on trading securities	62,733	
Deferred tax assets recognized through profit or loss	30,166	
Unrealized gain on investment properties	75,933	
Add:		
Realized gain on trading securities, categorized as unrealized in prior years	104,862	
Realized gain on investment properties, categorized as unrealized in prior years	15,161	
		5,442,167
Less appropriation during the period	2,902	
Total unappropriated retained earnings available for dividend declaration, ending		**₱5,439,265**

ANNEX II
EAST WEST BANKING CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL RATIOS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

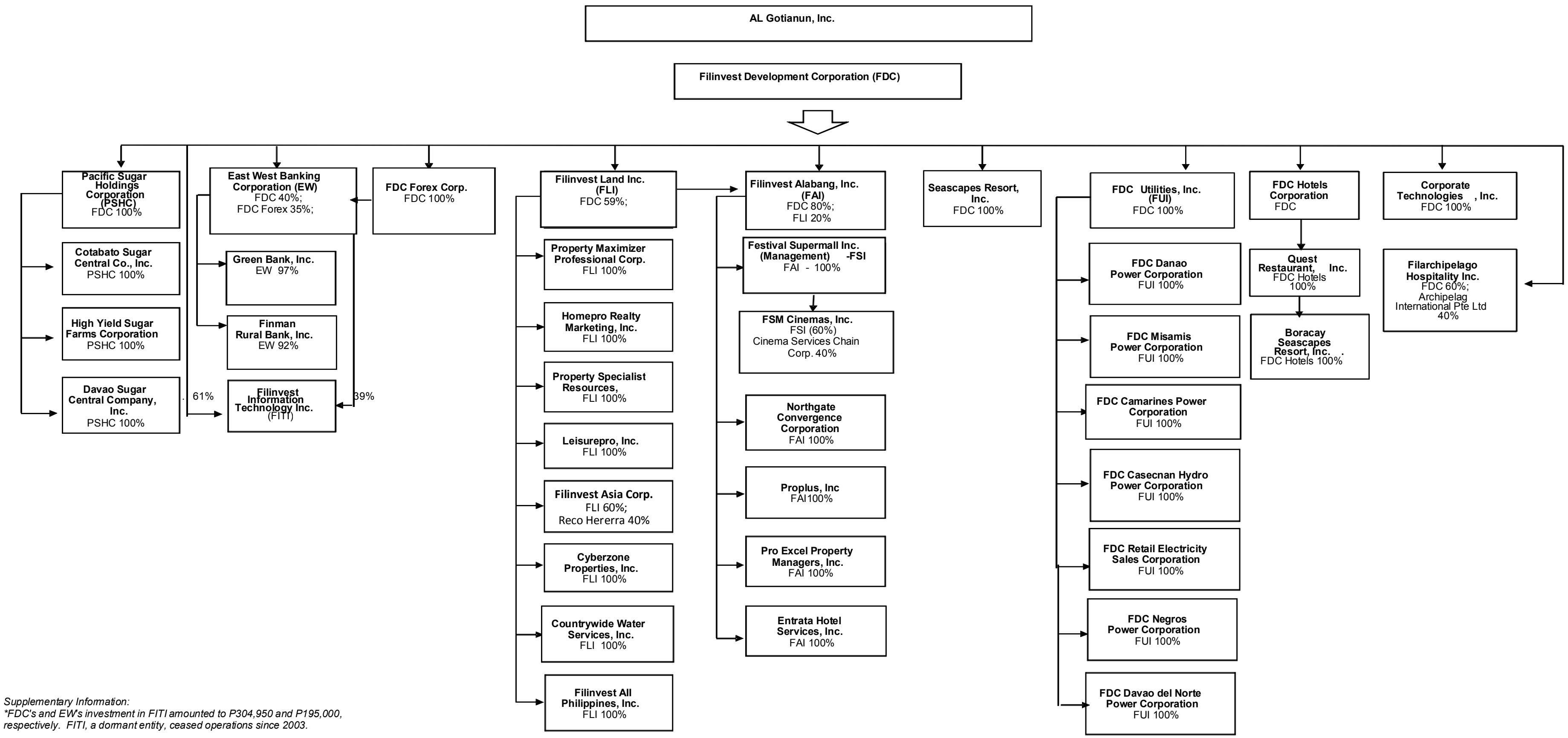
Below are the financial ratios that are relevant to the Group for the year ended December 31, 2013 and 2012:

	2013	2012
Current ratio(1)	**78.41%**	79.19%
Solvency ratio(2)	**115.78%**	116.64%
Debt-to-equity(3)	**6.34**	6.01
Asset-to-equity(4)	**7.34**	7.01
Interest rate coverage ratio(5)	**255.42%**	215.31%
Profitability ratio		
Return on asset (6)	**1.60%**	1.87%
Return on equity (7)	**11.11%**	11.86%
Net profit margin(8)	**8.43%**	25.49%
Gross profit margin(9)	**85.15%**	77.89%

1 Current assets divided by current liabilities
2 Total assets divided by total liabilities
3 Total liabilities divided by total equity
4 Total assets divided by total equity
5 Income before interest and taxes divided by interest expense
6. Net income divided by average total assets. Average total assets is based on average monthly balances
7. Net income attributable to equity holders of the Parent Company divided by average total equity attributable to equity holders of the Parent Company. Average total equity is based on average monthly balances
8 Income before income tax over total interest income
9 Net interest income over total interest income

ANNEX III
EAST WEST BANKING CORPORATION AND SUBSIDIARIES
CONGLOMERATE MAP
AS OF DECEMBER 31, 2013

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and affiliate as of December 31, 2013:



Supplementary Information:
**FDC's and EW's investment in FITI amounted to P304,950 and P195,000, respectively. FITI, a dormant entity, ceased operations since 2003.*

ANNEX IV
EAST WEST BANKING CORPORATION
LIST OF ALL PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS)
AS OF DECEMBER 31, 2013

Below is the list of all Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2013:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Considerations in a Business Combination		Not early adopted	
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements		Not early adopted	
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities*	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments Assets to the Entity's Assets		Not early adopted	
PFRS 9*	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities		Not early adopted	
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Investment Entities		Not early adopted	
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement (2013 Version)	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception		Not early adopted	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income*	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2013**		**Adopted**	**Not Adopted**	**Not Applicable**
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation		Not Early Adopted	
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions		Not Early Adopted	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel		Not Early Adopted	
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities		Not Early Adopted	
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets		Not Early Adopted	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2013**		**Adopted**	**Not Adopted**	**Not Applicable**
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization		Not Early Adopted	
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting		Not Early Adopted	
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property		Not Early Adopted	
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
SIC-13	Amendment to SIC - 12: Scope of SIC 12			✓
	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

* *This standard has been early adopted by the Bank.*

ANNEX V
EAST WEST BANKING CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES REQUIRED UNDER SRC RULE 68, AS AMENDED
AS OF DECEMBER 31, 2013

Below are the additional information and schedules required by SRC Rule 68, As Amended that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

Below is the detailed schedule of the Group's financial assets as of December 31, 2013 (amounts in thousands):

Name of issuing entity and association of each issue	Number of shares/principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotation at end of year	Income received and accrued
Financial assets at Fair Value through Profit or Loss				
Debt securities				
Republic of the Philippines	14,295	₱14,952	₱14,952	₱28,320
Rizal Commercial Banking Corporation	362,441	376,855	376,855	13,739
Bureau of Treasury	219,541	217,372	217,372	20,388
United States Treasury	443,950	434,724	434,724	176
First Pacific Company Ltd	88,790	92,287	92,287	2,644
Banco De Oro	4,440	4,550	4,550	361
SM Investments Corporation	67,214	69,934	69,934	4,378
PSALM (Power Sector Asset And Liabilities Management)	710	847	847	26
ROP warrants				
Citibank Manila	48	4,262	4,262	–
Credit Suisse	43	19,280	19,280	–
Equity securities				
Victorias Milling Corporation	70,000 shares	133,000	133,000	–
Mastercard, Inc.	18,216 shares	13,268	13,268	–
San Miguel Corporation	4,983 shares	379,493	379,493	–
Visa, Inc.	361 shares	177,647	177,647	–
LGU Guarantee Corporation	50 shares	10,213	10,213	–
Mabuhay Vinyl Corporation	19 shares	19	19	–
		₱1,948,703	₱1,948,703	₱70,032

Name of issuing entity and association of each issue	Number of shares/principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotation at end of year	Income received and accrued
Investment Securities at Amortized Cost				
National Power Corp.	3,761,588	₱4,013,477	₱4,249,617	₱149,741
Republic of the Philippines	2,116,922	2,712,985	2,792,496	96,887
Citigroup, Inc.	443,950	472,268	511,919	19,727
Bank of America Corporation	443,950	456,126	506,090	22,404
Development Bank of The Philippines	346,281	355,163	369,094	13,092
FPT Finance Ltd	301,886	303,146	313,364	18,258
Philippine Power Trust I	231,065	225,942	228,755	15,086
PSALM	220,921	225,809	233,471	13,505
First Pacific Company, Ltd.	173,141	181,113	191,777	10,338
Republic of Indonesia	133,185	133,878	133,351	2,752
Small Business Corporation	400	413	413	8
	8,173,289	9,080,320	9,530,347	361,798
Financial Assets at Fair Value Through Other Comprehensive Income				
Roxas Holdings, Inc.	914 shares	2,725	2,725	–
Aboitiz Transport System Corporation	242 shares	411	411	–
Asiatrust Development Bank	18 shares	127	127	–
Empire East Land Holdings, Inc.	3 shares	213	213	–
Caliraya Golf	–	3,120	3,120	–
Phil. Clearing House Corp.	–	2,582	2,582	–
PDSH	–	1,555	1,555	–
	–	10,733	10,733	–
Total		₱11,039,756	₱11,489,783	₱431,830

Schedule B. Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)

Below is the schedule of advances to employees of the Group with balances above ₱100,000 as of December 31, 2013 (amounts in thousands):

	Balance at beginning of year	Additions	Collections	Write off	Current	Not current	Balance at end of year
Abigail Bernice Valmonte	137	44	72	-	92	18	110
Abigail Joan Cairo	387	-	127	-	121	140	260
Adelaida Gusi	-	117	-	-	62	55	117
Adrian Wilson Salazar	445	-	109	-	140	196	336
Aerol Paul Banal	-	169	-	-	67	103	169
Alan Atienza	-	1,200	-	-	644	556	1,200
Alan John Ching	-	271	-	-	70	201	271
Albert Jude Bautista	107	96	23	-	111	69	180
Alessandro Villaraza	2,965	-	106	-	369	2,490	2,859
Alexander Glen Bautista	-	280	-	-	70	210	280
Allan John Tumbaga	3,622	-	244	-	600	2,778	3,378
Allan Kim Villanueva	53	213	27	-	84	155	239
Allan Pe·Aloza	249	-	43	-	61	146	206
Allan Penarubia	259	54	51	-	124	138	262
Allan Vivo	173	50	48	-	80	96	176
Almira Rabor	-	250	-	-	61	189	250
Amada Ma. Laarni Soller	232	-	44	-	61	127	188
Ana Jean Agcaoili	535	-	199	-	233	103	336
Ana Liza Leonardo	113	60	35	-	79	60	138
Ana Maria Loterio - Paras	620	-	201	-	176	243	419
Ana Maria Paras	-	2,192	-	-	274	1,918	2,192
Angela Reyes	-	143	-	-	53	90	143
Angeles Capili	214	17	65	-	118	48	165
Angelico Israel Benitez	306	-	133	-	106	66	173
Ann Grace Sigua	-	185	-	-	48	137	185
Anna Liza De Leon	266	221	46	-	158	283	441
Anna Marie Capobianco	162	-	57	-	68	38	105
Anne Rachelle Cruz	-	287	-	-	70	217	287
Anthony Olalia	250	-	42	-	61	147	208
Anthony Vergel De Dios	-	228	-	-	61	167	228
Antonio Patungan	287	-	161	-	88	37	125
Archibald Villa	118	270	49	-	124	214	338
Ariann Arintok	-	169	-	-	48	121	169
Arlene Lamarroza	2,760	-	258	-	493	2,009	2,502
Arlene Trinidad	135	174	51	-	134	125	259
Arlene Viernes	-	269	-	-	187	82	269
Arnel Suico	-	226	-	-	61	165	226
Arnold Esguerra	-	223	-	-	58	164	223
Arnold Thomas Rafael David	-	283	-	-	70	213	283
Arthur Golez Jr.	222	-	45	-	61	117	178
Arvin Santos	283	-	49	-	70	163	233

	Balance at beginning of year	Additions	Collections	Write off	Current	Not current	Balance at end of year
Aylwin Herminia Tamayo	-	149	-	-	149	-	149
Baltazar Randy De Luna	280	189	50	-	160	259	419
Benizi Ranola	244	-	85	-	104	55	159
Broderick Santos	-	313	-	-	79	234	313
Buen Rabuya	-	247	-	-	70	177	247
Carla Teresa Regio	243	-	43	-	61	139	200
Carlo Enanosa	335	-	61	-	86	187	274
Carlota Medina	273	-	65	-	84	124	208
Carmichael Manuel	216	-	71	-	85	60	145
Catalino Hilario	176	-	49	-	61	67	128
Catherine Cariaga	-	235	-	-	61	174	235
Catherine Cortez	74	73	46	-	95	6	101
Catherine Joy Camat	-	106	-	-	80	25	106
Catherine Ong	255	-	67	-	85	103	188
Catherine Sangalang	259	-	51	-	70	138	208
Catherine Tan	425	-	77	-	118	229	347
Cecilia Viray	-	396	-	-	137	259	396
Charisse Tubu	-	368	-	-	105	263	368
Cherry Ann Vanessa Kimpo	-	251	-	-	70	181	251
Christian Cruz	-	250	-	-	61	189	250
Christina Ong	279	-	59	-	79	140	219
Christine Saman	262	167	69	-	227	133	360
Ciara Ann Yu	-	114	-	-	47	66	114
Cindy Carreon	247	-	74	-	70	103	173
Claudette Makilan	-	235	-	-	61	174	235
Conrad Anthony Dominic Banal	-	328	-	-	91	237	328
Conrad Paul Pascual Jr	-	419	-	-	139	280	419
Cotabato Sugar Central Company,Inc.	-	400,000	-	-	400,000	-	400,000
Crispin Reyes	313	-	152	-	112	49	161
Cristina Pama	292	215	63	-	187	256	444
Cyrus Morales	-	233	-	-	61	172	233
Danilo Palo	226	-	44	-	61	121	182
Davao Sugar Central Co., Inc.	-	200,000	-	-	200,000	-	200,000
Dave Arreglado	161	195	46	-	135	175	310
December Iremedio	-	217	-	-	61	157	217
Denise Corpuz	-	236	-	-	61	175	236
Dino Antonio Salvador	-	239	-	-	61	178	239
Divine Grace Dagoy	-	209	-	-	53	156	209
Djhoanna Zepeda	-	335	-	-	139	196	335
Dyan Ann Yuson	197	-	44	-	57	96	153
Editha San Jose	409	-	145	-	173	92	264
Eduardo Aribon	163	-	58	-	105	-	105
Eduardo Dimla Jr.	2,009	-	195	-	357	1,457	1,814
Edwin Tamayo	193	-	44	-	58	91	148
Edwin Villegas	318	-	101	-	125	91	217
Eileen Genevieve Catolos	-	100	-	-	58	42	100
Elamor Flores	214	-	65	-	79	71	150

	Balance at beginning of year	Additions	Collections	Write off	Current	Not current	Balance at end of year
Emanuele Santos	244	-	42	-	60	142	202
Emmanuel Ramon Zamora Itf Canillas	241	38	62	-	117	100	217
Ephraim Vincent Yuson	-	236	-	-	61	175	236
Eric Cariaga	230	-	44	-	61	125	186
Ericson Bautista	226	-	39	-	56	131	186
erlie soliven	257	111	55	-	139	175	314
Ermelyn Escoses	480	-	109	-	143	228	371
Ernesto De Guzman	251	-	55	-	98	97	196
Ernesto Santiago	384	-	68	-	96	219	315
Esther Sta Maria	367	-	153	-	147	67	214
Estrella Ng	-	233	-	-	61	172	233
Eufrocina Jaucian	2,523	-	196	-	347	1,981	2,328
Eugenio Verzosa	-	219	-	-	61	158	219
Evangeline Mosqueda	674	-	213	-	266	194	460
Evangeline Pe·afiel	249	-	43	-	61	146	206
Evelyn See	229	-	44	-	61	125	185
FDC Utilities, Inc.	906	-	150	-	247	509	756
Felipe Ignacio	231	80	63	-	165	82	248
Ferdinand Hilario	376	-	102	-	138	135	273
Filarchipelago Hospitality Inc.	792	-	264	-	264	264	528
Filinvest Development Corporation	958,055	5,621,850	958,055	-	-	5,621,850	5,621,850
Flordeliza Cruz	221	-	45	-	61	116	177
Florence Cruz	242	-	43	-	61	138	199
Florence Pe Benito	-	292	-	-	79	213	292
Frances Lea Guino	345	-	60	-	85	200	286
Francesco Michael Purugganan	240	171	43	-	145	223	368
Francis Alexandre Salvador	-	221	-	-	61	160	221
Frederick Reyes	205	-	90	-	78	37	115
Frederick Voltaire Rosal	-	161	-	-	61	100	161
G Fulton Acosta	321	44	143	-	177	45	223
Gay Biscocho	-	240	-	-	61	179	240
Gemma Lacambra	-	279	-	-	79	200	279
Gemma Vedasto	-	112	-	-	50	63	112
George Molina	269	-	60	-	79	130	209
Geraldine Tuason	-	233	-	-	61	172	233
Gerard John Presingular	-	314	-	-	103	212	314
Gerardo Magdales	259	-	51	-	70	138	208
Gerardo Susmerano	1,994	-	358	-	488	1,148	1,636
German Pacat	-	243	-	-	61	182	243
Gerna Joanne Ramiscal	403	-	104	-	132	167	299
Ginalyn Caberoy	-	235	-	-	61	174	235
Gisela Michelle Maningas	267	-	106	-	116	46	161
Glenda Gaba	-	119	-	-	62	57	119
Glenn Lotho	190	220	66	-	192	153	345
Glennmore Dela Cruz	-	289	-	-	79	210	289
Grace Borja	290	107	58	-	123	215	338

	Balance at beginning of year	Additions	Collections	Write off	Current	Not current	Balance at end of year
Gracia Regina Ricaforte	222	-	45	-	61	116	177
Harold Olarte	-	337	-	-	98	239	337
Henry Episcope	274	157	47	-	174	210	384
Herman Nonato	275	-	91	-	68	116	184
Ian Daleo Andrade	308	-	56	-	79	172	252
Imelda Bernabe	-	242	-	-	74	168	242
Irene Go	295	-	60	-	60	175	235
Irene Rito	235	142	44	-	141	192	333
Ires Guzman	383	-	48	-	335	-	335
Israel Jr. Yadao	-	491	-	-	155	336	491
Ivah Marizol Landrito	-	187	-	-	100	88	187
Ivy Uy	8,637	-	406	-	1,294	6,937	8,231
Jacinto Guinto	272	-	41	-	231	-	231
Jacobo Foja	449	-	158	-	147	145	292
Jacqueline Fernandez	12,024	-	1,063	-	2,133	8,829	10,961
Jaharra Go	349	-	125	-	128	96	224
Jahil Macapagal	326	-	61	-	85	180	265
Jake Gattoc	-	100	-	-	67	33	100
James Carijutan	-	236	-	-	61	175	236
Janette Laguda	622	-	110	-	162	349	511
Jannet Saguinsin	80	255	48	-	102	185	287
Janus Anonuevo	-	268	-	-	67	201	268
Jasmin Mae Marcelo	-	250	-	-	61	189	250
Jasmine Bautista	409	-	175	-	163	72	234
Jason Anthony Atienza	475	-	102	-	135	238	373
Jason Vives	-	247	-	-	61	186	247
Jayson Siocson	223	-	42	-	58	123	181
Jean Margarette Lee	280	-	49	-	70	161	231
Jeannette Maglaki	416	110	147	-	146	233	379
Jenice Chua	351	-	109	-	132	110	243
Jennifer Arnaldo	284	-	133	-	126	25	151
Jerome Villocillo	172	-	49	-	61	62	123
Jessie Bandol	337	-	60	-	85	191	276
Jeziel Basilio	-	161	-	-	46	114	161
Jimmy John Santos	-	154	-	-	93	61	154
Jimmy Tarnate Jr.	280	231	46	-	167	298	465
Jizell Magadia	-	150	-	-	55	95	150
Joanne Deocampo	272	-	69	-	79	124	203
Job Lizada	-	111	-	-	46	65	111
Jocelyn Legaspi	4,564	-	218	-	708	3,638	4,346
Jocelyn Soliongco	211	247	89	-	173	196	369
Joeffrey Manalangsang	-	134	-	-	50	84	134
Joel Joven	235	-	91	-	102	41	144
Joel Ugsimar	235	-	77	-	158	-	158
John Andrew Ladores	195	142	47	-	128	162	290
John Benecer Lariosa Iii	159	-	34	-	45	80	125
John Gil Geronimo	67	300	67	-	68	232	301
John Ramon Lopez	174	-	53	-	73	48	121

	Balance at beginning of year	Additions	Collections	Write off	Current	Not current	Balance at end of year
John Salcedo	284	-	106	-	110	67	177
Johnell Gutierrez	-	174	-	-	174	-	174
Johoanna Cadano	-	397	-	-	163	234	397
Joji Malana	-	102	-	-	37	65	102
Jolly Allan Cheng	-	211	-	-	61	150	211
Jonathan Auza	-	306	-	-	79	227	306
Jonathan Caldozo	281	-	106	-	107	67	175
Jose Hrothgard Navarro	268	57	61	-	126	138	264
Jose Ma. Oscar Navidad	-	316	-	-	79	237	316
Joseph Hulguin	-	226	-	-	61	165	226
Jovito Viernes	265	-	51	-	70	144	214
Jovito Zamora	266	-	60	-	79	127	206
Joy Samson	-	184	-	-	81	102	184
Juan Christian Arevalo	248	-	55	-	98	95	193
Juancho Tomboc	418	-	188	-	116	113	229
Judy Ulysses Lacsamana	-	232	-	-	61	171	232
Julie Adelyn Nayve	210	2	46	-	63	103	166
Justin Robert Ladaban	-	396	-	-	148	248	396
Karleen Manuel	548	-	33	-	85	430	515
Karren Bernaldo	246	-	45	-	61	140	200
Karsten Tinio	-	254	-	-	70	185	254
Katherine Manguiat	1,172	-	125	-	214	834	1,048
Katherine Tamondong	170	127	49	-	141	107	248
Kathryn Que	260	-	51	-	70	139	209
Kervin John Torchiva	-	226	-	-	61	165	226
Kerwin Lim	180	-	48	-	61	71	132
Kristel Ojales	-	106	-	-	80	25	106
Kristine Karen Leuterio	-	226	-	-	61	165	226
Kristoffer Alexis Borres	271	118	58	-	126	206	331
Laudemer Generoso	-	105	-	-	45	60	105
Leila Soriano	203	36	37	-	76	126	202
leovelino ebora	-	242	-	-	61	182	242
Liberty Valderrama	268	-	50	-	70	147	217
Lizette Badando	352	-	119	-	128	105	233
Lope Austria	-	244	-	-	61	183	244
Lorita Tee	270	-	66	-	85	118	203
Lourdes Ona	138	304	73	-	150	219	370
Lovelle Lizette Valenzuela	-	113	-	-	43	70	113
Lovely Manaois	374	-	67	-	95	212	307
Ma. Barbara Lima	-	250	-	-	61	189	250
Ma. Christina Puno,	319	-	56	-	79	185	264
Ma. Edwina Pineda	-	184	-	-	184	-	184
Ma. Ellen Victor	185	-	67	-	79	39	118
Ma. Jessica Madeleine Dalusung	462	-	148	-	169	145	314
Ma. Karen Junio	219	130	45	-	113	191	303
Ma. Leonora Reyes	311	209	68	-	193	260	453
Ma. Margarita Dela Cruz	-	110	-	-	44	65	110
Ma. Noemi Ong	237	38	43	-	99	133	231

	Balance at beginning of year	Additions	Collections	Write off	Current	Not current	Balance at end of year
Ma. Rio Luz Pili	-	104	-	-	40	63	104
Ma. Ruby Rosa Coligado	191	-	83	-	98	10	108
Ma. Susana Editha Lumbres	236	-	43	-	61	132	193
Ma. Teresa Bayani	-	396	-	-	102	294	396
Mai Sangalang	-	236	-	-	92	144	236
Malcolm Cobarrubias	236	56	44	-	115	134	249
Mara Siena Castillo	223	137	45	-	128	187	315
Marchito Nonato	-	101	-	-	43	58	101
Margareth De Peralta	-	277	-	-	70	207	277
Maria Aileen Capili	-	412	-	-	142	270	412
Maria Aileen Villarama	373	-	92	-	117	164	281
Maria Cecilia De Leon	188	-	67	-	79	42	121
Maria Cecilia Lim-Marohombsar	-	215	-	-	61	154	215
Maria Corazon Villegas	-	267	-	-	70	197	267
Maria Cristina Cobarrubias	-	380	-	-	136	244	380
Maria Cristina Gomez	253	-	114	-	126	13	139
Maria Cristina Maribojoc	-	124	-	-	58	66	124
Maria Cristina Ty	-	200	-	-	55	145	200
Maria Deborah Fernandez	223	-	71	-	86	66	152
Maria Gloria Dulce Erana	265	-	47	-	67	150	217
Maria Jocelyn Balatbat	234	240	75	-	158	241	399
Maria Kristina Joanna Saulog	-	258	-	-	70	188	258
Maria Kristina Mortel	-	254	-	-	70	184	254
Maria Laarni Alcasid	-	125	-	-	70	54	125
Maria Leah Tumao	-	217	-	-	61	157	217
Maria Luisa Clutario	305	-	57	-	79	169	248
Maria Luisa Dolina	-	231	-	-	69	161	231
Maria Regina Bautista	-	298	-	-	87	210	298
Maria Rosita Calderon	203	108	47	-	117	147	264
Maria Theresa Sibug	258	195	51	-	159	243	402
Maria Zheena Lopez	-	106	-	-	51	55	106
Maribeth De Leon	479	-	205	-	104	170	274
Maricel Panganiban	-	105	-	-	105	-	105
Maricel Soriano	214	209	55	-	175	192	367
Marichu Teng	209	-	55	-	70	83	153
Marie Antoinette Teves	196	-	42	-	56	97	154
Marilou Bermudez	284	127	149	-	230	33	263
Marinela Hebron	-	236	-	-	61	175	236
Marinella Dela Cruz	-	214	-	-	61	153	214
Marissa Bauson	353	516	144	-	219	507	725
Marissa Sandro	349	-	162	-	126	61	187
Marita Papag	-	217	-	-	61	157	217
Mark Anthony Valino	239	-	53	-	70	116	186
Mark Manlulu	205	-	73	-	87	45	132
Marvin James	-	399	-	-	116	283	399
Mary Ann Lama	275	33	50	-	103	155	257
Mary Ann Topacio	-	247	-	-	61	186	247
Mary Anne Resurreccion	-	217	-	-	61	157	217

	Balance at beginning of year	Additions	Collections	Write off	Current	Not current	Balance at end of year
Mary Gay Asuncion	-	232	-	-	61	171	232
Mary Jane Alcala	87	279	87	-	70	209	279
Mary Jane Chan	316	-	75	-	75	166	241
Mary Joy Aquino	-	169	-	-	104	64	169
Melias Tumbiga	156	50	68	-	114	24	138
Melvin Mendros	-	115	-	-	79	37	115
Meybel Bautista	-	315	-	-	79	236	315
Michael Navarro	182	-	68	-	79	35	114
Mina Gracia Sayson	-	101	-	-	41	60	101
Mineleo Serrano	434	-	184	-	129	122	251
Minnie Ceniza	177	53	49	-	83	98	181
Moises Lampano	216	-	55	-	70	92	162
Mylene Pilares	-	316	-	-	85	231	316
Myra Nicasio	-	214	-	-	61	153	214
Napoleon Cruz Jr.	-	543	-	-	182	361	543
Neil Allen Sen	383	-	70	-	97	216	313
Neliechel Rosario	170	-	49	-	61	60	121
Nico Valenzuela	58	351	29	-	164	215	379
Nilo Guerrero	330	-	67	-	98	165	263
Nina May Reynoso	404	-	136	-	125	143	268
Nina Paz Adlawan	169	59	100	-	127	-	127
Noel Pangan	-	238	-	-	122	116	238
Noel Ramos	-	113	-	-	45	68	113
Noemi Canedo	243	-	52	-	70	121	191
Nova Delos Santos	303	-	77	-	98	127	226
Odelon Francia Jr	1,378	81	107	-	183	1,168	1,351
Odelon Logarta	-	226	-	-	61	165	226
Ofelia Marqueses	-	154	-	-	75	79	154
Olivia Galicia	238	-	53	-	70	115	185
Pamela Bite	208	223	46	-	143	242	385
Pamela Cabalquinto	263	153	263	-	137	16	153
Paolo Juan Miguel Maipid	237	134	43	-	128	200	328
Paolo Narciso	-	233	-	-	61	172	233
Patricia Espiritu	285	-	59	-	85	140	225
Patrik Konrad Ticzon	330	-	49	-	85	196	281
Paulina Chua	286	-	68	-	68	150	218
Paulino Mamalayan	239	-	43	-	61	135	196
Paulo Jose Rodriguez	424	-	136	-	165	123	288
Pedro Catalino Ba·ez	-	233	-	-	61	172	233
Perla Arevalo	373	-	111	-	119	143	262
Peter Augustus Mallari	-	321	-	-	114	207	321
Portia Gilda Florendo	263	-	43	-	66	155	221
Pricilla De Guzman	-	239	-	-	61	178	239
Rachelle De Guzman	229	179	44	-	190	174	363
Racquel Magnaye	-	267	-	-	70	197	267
Ralph Eduardo Yambao	-	315	-	-	121	194	315
Ramon Macaraeg	180	-	55	-	68	57	125
Raoul Antonio Abreu	245	-	62	-	79	104	183

	Balance at beginning of year	Additions	Collections	Write off	Current	Not current	Balance at end of year
Raquel Balatbat	-	284	-	-	79	205	284
Raquel Del Rosario	-	217	-	-	61	157	217
Raul Raymund Locsin	337	-	68	-	68	201	269
Ravi Rivera Jr.	234	-	54	-	70	110	180
Ray Karlo Borromeo	-	232	-	-	61	171	232
Raymond Reboredo	1,216	-	259	-	258	699	957
Reginald Andal	-	391	-	-	169	222	391
Reginald Dennis Kosca	-	231	-	-	58	172	231
Renato Sampang	854	-	124	-	256	474	730
Reynaldo Valeros	199	-	36	-	53	110	163
Rhoda Joven	272	-	50	-	70	152	222
Richard Benjamin Munoz	-	176	-	-	70	105	176
Richard De Jesus	1,364	-	95	-	140	1,129	1,269
Rico Ramirez	-	167	-	-	78	89	167
Riconoel Calimbahin	250	-	29	-	61	160	221
Riza Santiago	-	102	-	-	80	22	102
Rizel Alonde	-	232	-	-	61	171	232
Roberto Paul Catane	-	217	-	-	61	157	217
Robin Melchor Jon Villano	378	-	169	-	79	130	209
Robin Melchor Villano	-	277	-	-	106	171	277
Rod Louie Jefferson Isidro	455	-	246	-	209	-	209
Rodney Jardiel	413	-	180	-	176	57	234
Roland Estacio	-	128	-	-	52	76	128
Roland Savellano	195	-	56	-	70	69	139
Rosalina Gacasan	-	247	-	-	61	186	247
Rosemarie Bombais	-	267	-	-	70	197	267
Rosemarie Dumalaog	333	-	72	-	99	161	260
Rosemarie Sy	290	-	60	-	60	170	230
Rowena Caro	-	226	-	-	61	165	226
Rufina Anabelle Velasco	222	-	54	-	70	98	168
Sally Marie Macaraeg	400	68	112	-	135	221	357
Sharon Que	-	247	-	-	61	186	247
Sheena Sangkula	-	219	-	-	59	160	219
Sheila Salvador	224	173	51	-	213	134	346
Sheryl Anne Mata	-	114	-	-	47	67	114
Simeon Canto	153	40	51	-	91	51	143
Soraya Perez	272	207	66	-	159	255	414
Tomas Nanquil	264	-	122	-	114	28	141
Toni Regina Ortiz	-	211	-	-	61	150	211
Tootsie Honorico	601	-	165	-	207	229	436
Ursulo Cuaton Jr. II	-	391	-	-	134	257	391
Valerie Mariflor Valera	312	146	56	-	134	268	403
Victor Apaliso Jr	-	543	-	-	255	288	543
Violeta Carlos	-	236	-	-	70	166	236
Wilbert Aldrin Bajo	-	641	-	-	87	554	641
Wilbert Go	213	-	90	-	87	36	123
Wilroy Ticzon	-	338	-	-	121	218	338
Windy Gutierrez	-	233	-	-	61	172	233

	Balance at beginning of year	Additions	Collections	Write off	Current	Not current	Balance at end of year
Xavier Ramos	1,668	-	272	-	444	952	1,396
Yolanda Contreras	78	222	47	-	92	161	253
Yvette Rhodora Siongco	320	-	61	-	84	176	259
Zaida Angelita Lazaro	131	214	48	-	117	180	297
	1,063,884	6,270,834	977,939	-	643,750	5,713,029	6,356,776

Schedule C. Amounts receivable from related parties which are eliminated during the consolidation of financial statements

Below is the schedule of receivables from related parties which are eliminated in the consolidated financial statements as of December 31, 2013 (amounts in thousands):

	Balance at beginning of year	Additions	Collections	Balance at end of year
Green Bank (A Rural Bank), Inc.	₱700,000	₱ 406,400	₱978,200	₱128,200
East West Rural Bank	120,000	600,125	270,000	450,125
	₱820,000	₱1,006,525	₱1,248,200	₱578,325

Schedule D. Intangible Assets

As of December 31, 2013, the goodwill and intangible assets in the Group's consolidated statements of financial position follow (amounts in thousands):

	Balance at beginning of year	Additions	Charged to cost and expenses	Balance at end of year
Goodwill	₱1,316,728	₱–	₱–	₱1,316,728
Branch licenses	1,447,400	214,800	–	1,662,200
Capitalized software	472,690	183,115	133,677	522,128
Customer relationship	136,987	–	3,199	133,788
Core deposits	26,046	–	5,155	20,891
	₱3,399,851	₱397,915	₱142,031	₱3,655,735

Schedule E. Long-term Debt

Details of the Group's long term debt* as of December 31, 2013 follow (amounts in thousands):

	Amount	Current	Noncurrent
Lower Tier 2 unsecured subordinated notes due 2021	₱1,500	₱–	₱1,500
Lower Tier 2 unsecured subordinated notes due 2019	1,250	–	1,250
Lower Tier 2 unsecured subordinated notes due 2018	113	–	113
	₱2,863	₱–	₱2,863

**Excludes long-term negotiable certificates of deposit, that are classified as deposit liabilities in the statement of financial position.*

Schedule F. Indebtedness to Related Parties (long term loan obligations to related parties)

The Group has no outstanding long term loan obligations to its related parties as of December 31, 2013.

Schedule G. Guarantees of Securities of Other Issuers

The Group does not have guarantees of securities of other issuers as of December 31, 2013.

Schedule H. Capital Stock

Below is the schedule of the Group's issued and outstanding capital stock as of December 31, 2013 (amounts in thousands):

	Number of Shares					
				Held by		
Title of issue	Authorized	Issued and outstanding as shown under related statement of financial position	Reserved for options, warrants, conversion and other rights	Related parties	Directors, Officers and Employees	Others
East West Banking Corporation - common shares	1,500,000	1,128,410	–	846,378	10,553	271,479