November 5, 2012

THE PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Ms. Janet A. Encarnacion**
Head – Disclosure Department

Dear Ms. Encarnacion:

We are submitting an amended SEC Form 17Q Report for the period ended 30 June 2012, which was filed to the Securities and Exchange Commission (SEC) on 5 November 2012. The amendments aim to address the comments made by the SEC on the original report that was filed, which we have italicized in the attached report.

Thank you.

Very truly yours,

Aerol Paul B. Banal
Corporate Planning Officer

eastwest

October 30, 2012

ATTY. JUSTINA F. CALLANGAN
Acting Director
Corporation Finance Department
Securities and Exchange Commission
SEC Building, EDSA Greenhills
Mandaluyong City

Dear Atty. Callangan:

In compliance to your letter dated August 30, 2012, we hereby submit our amended SEC Form 17-Q Report for the period ended June 30, 2012 with revisions on the following pages:

PAGE NO.	SUMMARY OF COMMENTS		REMARKS
	Part 1	**Financial Information**	
	Item 2	**Management Discussion and Analysis (MDA) of Financial Condition and Results of Operations [(Part III, Par. (A) (2) (b)]**	
Pages 8 to 11	1	Comparable discussion that will enable the reader to assess material changes in financial condition and results of operation since the end of the last fiscal year and for the comparable interim period in the preceding financial year.	Complied. The required discussion was presented under the MDA section of the revised report.
Pages 12 to 13	2	Discussion of the company's and its majority-owned subsidiaries' top five (5) key performance indicators. It shall include a discussion of the manner by which the company calculates or identifies the indicators presented on a comparable basis.	Complied. The key financial ratios were presented in tabular form. The required discussion on the KPI's was provided on the revised report.
	3	Discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations of the following:	
Page 13	a	Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity	Complied. The minimum disclosure requirements were provided in the revised report.
Page 13	b	Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation	Complied. The minimum disclosure requirements were provided in the revised report.

PAGE NO.	SUMMARY OF COMMENTS		REMARKS
Page 13	c	All material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period	Complied. The minimum disclosure requirements were provided in the revised report.
Page 13	d	Any material commitments for capital expenditures, the general purpose of commitments and the expected source of funds for such expenditures	Complied. The minimum disclosure requirements were provided in the revised report.
Page 13	e	Any known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/ revenues/income from continuing operations	Complied. The minimum disclosure requirements were provided in the revised report.
Pages 14 to 15	f	Any significant elements, of income or loss from period to period which shall include vertical and horizontal analyses of any material item; and	Complied. The vertical and horizontal analysis of each material item in the Group's financial statements was provided on the revised report.
Pages 14 to 15	g	The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item; and	Complied. The vertical and horizontal analysis of each material item in the Group's financial statements was provided on the revised report.
Page 13	h	Any seasonal aspects that had a material effect on the financial condition and results of operations	Complied. The minimum disclosure requirements were provided in the revised report.
		Financial Risk Disclosure	
Pages 29 to 30	a	Assess the financial risk exposures of the company and its subsidiaries particularly on currency, interest, credit, market, and liquidity risks. If any change thereof would materially affect the financial condition and results of operation of the company, provide a discussion in the report on the qualitative and quantitative impact of such risks and included a description of any enhancement in the company's risk management policies to address the same.	Complied. The Group has provided the qualitative impact of each type of risk. There were no significant changes in the Group's financial risk exposures which would materially affect its financial conditions and results of operations as stated on its 2011 audited financial statements.
	b	Evaluate whether the company could provide clearer and more transparent disclosure regarding its financial instruments including but not limited to the following information:	
Page 34	1	A description of the financial instruments of the company and the classification and measurements applied for each if material in amount. Provide detailed explanation on complex securities particularly on derivatives and their impact on the financial condition of the company.	Complied. The financial assets and liabilities and their corresponding fair market value were presented under Note 5 - Fair Value Measurement. The Group has disclosed that it has no material complex securities under Note 7 - Trading and Investment Securities.

EAST WEST BANKING CORPORATION
6795 Ayala Avenue corner V.A. Rufino Street, Salcedo Village, Makati City 1229
Telephone: 575.3888 Email: service@eastwestbanker.com www.eastwestbanker.com
A member of the FILINVEST Group

eastwest

PAGE NO.		SUMMARY OF COMMENTS	REMARKS
Page 34	2	The amount and description of the company's investment in foreign securities.	Complied. The Group disclosed the total amount of its investment in foreign securities classified under FVTPL and those investments at amortized cost. See Note 7 - Trading and Investment Securities.
Pages 30 to 31	3	The significant judgments made in classifying a particular financial instrument in the fair value hierarchy.	Complied. The Group provided a discussion on its significant judgments made to classify its financial instruments in the fair value hierarchy. See Note 5 - Fair Value Measurement.
Pages 30 to 31	4	An explanation of how risk is incorporated and considered in the valuation of assets and liabilities.	Complied. The Group's methodology of determining the fair value of its financial instruments was disclosed under Note 5- Fair Value Measurement.
Pages 30 to 31 and 34	5	A comparison of the fair values as of date of recent interim financial report as of date of the preceding interim period and the amount of gain/loss recognized for each of the said periods.	Complied. The fair values of the Group's financial assets and liabilities were presented under Note 5 - Fair Value Measurement. The gains/losses recognized by the Group on its financial instruments were disclosed under Note 7 - Trading and Investment Securities.
Pages 30 to 31	6	The criteria used to determine whether the market or a financial instrument is active or inactive as defined under PAS 39 Financial Instruments	Not applicable. The Group has already adopted PFRS 9. The determination of fair market value of financial instruments traded in active markets and those which are not were provided under Note 5 - Fair Value Measurement.
Pages 30 to 31	7	If any of the foregoing disclosure is not applicable to the company, so state in the report and provide a brief explanation.	Complied. The brief explanation was provided under Note 5 - Fair Value Measurement.
Page 39		A schedule showing financial soundness indicators In two comparative periods as follows: 1.) current/liquidity ratios 2.) Solvency ratios, debt-to-equity ratios 3.) Asset-to-equity ratio 4.) Interest rate coverage ratio 5.) Profitability ratios and 6.) Other relevant ratio as the Commission may prescribe.	Complied. The financial soundness indicators were presented under Attachment 3 - Financial Ratios.

We trust that this meets your requirements.

Thank you.

Very truly yours,

for Renato K. De Borja, Jr.
Senior Vice-President and Chief Finance Officer

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A member of the FILINVEST Group

COVER SHEET

AS094-002733

SEC Registration Number

EAST WEST BANKING CORPORATION AND SUBSIDIARY

(Company's Full Name)

20th Floor, PBCom Tower, 6795 Ayala Avenue Corner Herrera Street, Makati City

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

Renato K. De Borja, Jr.

(Contact Person)

(632) 813-9772 local 3390

(Company Telephone Number)

12	31
Month	Day

(Fiscal Year)

17-Q(A)

(Form Type)

Month Day

(Annual Meeting)

NONE

(Secondary License Type, If Applicable)

Corporate Finance Department

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

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2012**

2. Commission identification number **AS094-002733**

3. BIR Tax Identification No. **003-921-057-000**

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

5. Province, country or other jurisdiction of incorporation or organization **PHILIPPINES**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office — Postal Code
   20th Floor, PBCom Tower, 6795 Ayala Avenue corner Herrera Street, Makati City — **1226**

8. Issuer's telephone number, including area code
   (632) 813-9772 extension 3390

9. Former name, former address and former fiscal year, if changed since last report
   Not applicable

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares (Php 10 par)	**Total: 1,128,409,610 shares**
Subordinated Debt Php 2,750,000,000.00	

....

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

    Yes [**X**] No [ ]

    The company was listed in the Philippine Stock Exchange on May 7, 2012.

    If yes, state the name of such Stock Exchange and the classes of securities listed therein:

    Name of exchange: **Philippine Stock Exchange**
    Class of securities: **Common shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

PART I--FINANCIAL INFORMATION

Item 1:
Management's Discussion and Analysis of Financial Condition and Results of Operations

- **-Economy**
- **-Executive Commentary**
- **-Financial Condition**
- **-Results of Operations:**
  - **-For the Second Quarter ended June 30, 2012 and 2011**
  - **-For the Six Months ended June 30, 2012 and 2011**
- **-Key Financial Ratios**
- **-Other Information**

Item2:
Financial Statements

Refer to the Attachment 1 - Unaudited Interim Financial Statements

PART II--OTHER INFORMATION

Refer to the following:

Attachment 2 - Aging of Past Due Loans and Other Receivables
Attachment 3 – Financial Ratios

There are no material disclosures that have not been reported under SEC Form 17-C during the period covered by this report.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

East West Banking Corporation
Issuer

By:

Manuel Andres D. Goseco
Senior Vice- President and Treasurer

for **/Renato K. De Borja, Jr.**
Senior Vice-President and Chief Finance Officer

October 30, 2012

Part I
Management's Discussion and Analysis of
Financial Condition and Results of Operations

Economy

The Philippine economy grew 6.4% year-on-year in the first quarter of 2012. This was the fastest pace in 5 quarters on the back of personal consumption and government expenditure which grew by 6.6% and 24.0%, respectively. Feared weakness from exports did not materialize as exports grew 7.9% after 2 quarters of decline despite a slowdown in global growth on the back of the continued weakness in the US, a slowdown in China, and the recession in Europe. Remittances continued to buck expectations as total overseas remittances grew by 5.1% y-o-y. This, together with the business process outsourcing (BPO) sector and foreign investments helped keep foreign exchange reserves at a level of US$76.1B in June.

Inflation at 2.8% is below the lower end of the Bangko Sentral ng Pilipinas' (BSP) 3.0%-5.0% range as food prices stabilized and lower oil prices lowered transportation cost increases. Producer prices have also been supportive of low inflation as PPI has posted negative growth for the second straight quarter. This combination of strong growth and weak inflation has helped the local currency post gains of 4.3% this year, the best performer in South East Asia. The Philippine peso (PHP) outperformance has given the BSP leeway on raising rates and as a result, local rates have tightened 10 basis points (bps) from the start of the year and 40bps from their highs.

The lower interest rate environment and stronger currency has also allowed the Philippine government to issue debt at lower interest rates helping the fiscal position of the country. Currently Debt-to-Gross Domestic Product (GDP) ratio of the country is at 40% compared to 63% about 10 years ago. Recently Moody's changed its credit rating outlook for the Philippines to positive. Rating houses Fitch and S&P already have the country one notch below investment grade and both on stable credit outlooks.

The BSP unexpectedly cut interest rates a third time this year to a record low, as easing inflation gives the central bank scope to spur growth. The BSP reduced the rate it pays lenders for overnight deposits to 3.75% from 4%. The BSP is using the opportunity to ease policy now, when the inflation outlook allows them to. GDP in the US$225 billion economy rose 6.4% in the first quarter, the most since 2010, and the quickest expansion in Southeast Asia. Faster growth is luring more foreign investors, helping the peso gain about 4% this year to become the best performer in Asia.

That has prompted the BSP to tighten rules on capital inflows by banning foreign funds from investing in its so-called special deposit accounts (SDAs), in July. The BSP also lowered the rates it pays on SDAs on July 13. Inflation eased in June, with consumer prices rising 2.8% from a year earlier, after climbing 2.9% in May. This was preceded by a move by the BSP to stop paying interest on regulatory reserves on deposits. This non-payment of interest on reserves has added around 30bps on the bank's intermediation costs.

The IMF cut its global growth forecast for next year to 3.9%, and the Asian Development Bank said the region's economies may need to ease monetary and fiscal policies further, after

\reducing its predictions for expansion for 2012 and 2013. The Philippine Stock Exchange Index rose to series of record highs in the first half of 2012.

Executive Commentary

The Bank is on track with its branch expansion program. As of this writing, EW has 158 branches, 103 of which are in the Metro Manila area while 55 are in key provincial cities and towns across the country. 34 branches are currently under various stages of construction and another 60 branches are to begin construction.

Net income for the 1st half of 2012 is at Php910 million, which is Php26 million or 3% higher from same period last year. Net interest income is up by 18% to Php2.8 billion despite the lower interest rates on loans, investments, and the loss interest income on deposit reserves. This is because of the expansion in loans. Corporate loans, mostly middle markets, expanded by 18% while Consumer loans expanded by 34%. Net interest margin remained at an industry leading 6.8%.

Fees, commissions and trading income were up by 61% to Php1.7 billion. Fees were up as a result of business expansion. Total assets up by 12% to Php93.1 billion from last year lead by the 24% expansion of net loans as previously noted. Deposits were up by 9% to Php67.5 billion. The drop in interest rates resulted in trading opportunities. Operating expenses (exclusive of provision for loan losses) were up by 42% due to the bank's expansion program. Manpower and infrastructure expenses were front-loaded while it takes time for the branches to mature.

For the rest of the year, EW is looking to end the year with at least 240 branches. Net loans should expand by around 40% from the Php48.1 billion level in December 2012. This would come from the more than doubling of corporate lending officers and the expansion of consumer lending centers in key cities nationwide (i.e. San Fernando, Dagupan, Batangas, Cebu, Davao, and satellite consumer lending office in Cagayan de Oro). Deposit gathering should start to pick up as the branches mature and momentum gains traction from the complementation of new and old branches. There may be less trading but deposits and loans growth should take the cudgels.

Financial Position

Total assets stood at Php93.1 billion as of June 30, 2012. This is 3% lower and 12% higher vs. December 31, 2011 and June 30, 2011 respectively. Total loans stood at Php52.3 billion as of June 30, 2012. This is Php4.2 billion (9%) and Php10.3 billion (24%) higher vs. December 31, 2011 and June, 30, 2011 respectively. The growth in loans is consistent with our strategy focused on consumer and mid-market corporate loans.

About 57% of total loans are in consumer loans with cards and auto still at the forefront accounting for 26% and 18%, respectively. The consumer heavy loan portfolio pushed net interest margin (NIM) higher at around 6.8% in June, up 10bps from 2011. In terms of industry concentration, our loan portfolio has 43% on personal consumption, 15% on wholesale and retail trade and the rest spread across real estate, manufacturing, services and financial intermediaries.

In terms of loan maturity, about 61% are short term and 39% on medium to long term. Around 98% of our loans are denominated in Philippine Peso. In terms of loan collateral, 40% of total loans are secured, 34% of which is secured by real estate, 50% by chattel mortgage while the remainder is secured by various collaterals such as deposit hold-outs. 60% of the loans are unsecured largely on account of Credit Cards and Personal loans.

NPL ratio net of fully covered NPLs improved to 4.0% down from 4.2% in the same period last year. NPL cover, or total allowance for losses to NPL, is at 92%.

Capital adequacy and Tier 1 ratios stood at 20.8% and 16.5%, well above current regulatory minimums of 10% and 5%, respectively. The Bank's Tier 1 capital is composed entirely of Common Equity Tier 1 (CET1) qualified capital, which makes the current ratios well above the Basel 3 required minimum for CAR, Tier 1 and CET1 ratios of 12.5%, 10%, and 8.5%, respectively (all of which are inclusive of capital conservation buffer of 2.5%).

Major Products:

Credit card receivables ended June 30, 2012 at Php14.1 billion which has grown 24% from same period last year and 11% from December 2011. The strong growth in Cards is anchored on strong sales and marketing efforts to increase market share as well as the introduction of new and innovative card products. The Cards earning portfolio still yields around 26%. NPL ratio stood at 7.8% which is down from 10.1% in the same period last year due to strong portfolio management. NPL cover stood at 110%, up 4% and 12% vs. June and December 2011 respectively. EW Cards is still ranked 6th in terms of receivables.

Auto loan receivables stood at Php9.8 billion, up 37% from same period last year, and 17% from December 2011, despite the residual shortage in supply early in the year due to the effects of floods in Thailand and Japan last year. Yield on receivables stood at 11.9% down slightly by 0.9% from last year due to the slight adjustment in interest rates to keep in step with competition. NPL ratio stood at 6.4% better by 2.1% and 0.4% vs. June and December 2011 respectively, on account of improved credit and collections practices.

Mortgage loans receivables ended the 1st half at Php4.5 billion, up 21% and 10% vs. June and December 2011 respectively. Yield on earning loans dropped to 8.5% from 10.0% and 9.4% vs. June and December 2011 respectively on account of promotional teaser rates in the 1st half. The teaser rate of as low as 5.188% was intended to generate noise in crowded mortgage lending space. NPL ratio increased slightly to 8.7% from 8.4% in the same period last year.

Personal loans grew to Php558 million at a year after it was launched. Yield is about 32% while NPL ratio is still negligible. Salary loans stood at Php227 million down from Php270 million in June last year from Php245 million from December 2011 as new bookings were lower than repayments.

Corporate loans (inclusive of loans to SMEs) stood at Php23.6 billion which is 18% better than same time last year but only 5% higher vs. 2011 year-end, as we released low yielding loans early in the year due to very thin spreads. Yield on loans dropped slightly to 6.2% from 6.6% last year due to the continuing low interest rate environment. NPL ratio stood at 4.6%, down from 5.5% and 5.4% vs. June and December 2011, respectively on account of prudent loan booking focused on good credit quality accounts. NPL cover stood at 109% from 104% and 96% compared to June and December 2011, respectively.

Deposits stood at Php67.5 billion, up 9% from last year, but is about 12% lower vs. December 2011 as we paid off high cost funds in conjunction with the release of low yielding corporate loans early in the year to optimize net margins. Part of the high cost funds released was due to the additional funds generated from the IPO in May. Low cost funds (or CASA) stood at Php36.0 billion or about 32% higher from same period last year and is already 8% higher vs. December 2011 year-end balance. The growth in CASA which accounted for 53% of deposits in June 2012 helped improve cost of deposits to 1.9% from 2.0% vs. same time last year. About 70% of the high cost funds that were paid off found its way to our Trust unit.

Results of Operations

For the Second Quarter ended June 30, 2012 and 2011

Net income for the second quarter of 2012 amounting to Php450 million was Php8.4 million or 2% higher than the same period last year. Total operating income for the quarter of Php2.3 billion was up by Php477 million or 27% higher than the same period last year, due to combined core earnings growth and realized trading income on fixed income securities. However, operating expenses and provision for taxes grew by Php468 million or 35% on account of business expansion initiatives.

Net interest income grew by 16% or Php204 million at Php1.4 billion. Interest income increased by Php178 million or 11%, mostly coming from higher loan bookings in both the consumer lending and middle market corporate lending. The volume growth in loans, more than compensated for the declining interest rate environment for the period. On the one hand, interest expense declined by Php26 million or 6% at Php374 million due to higher CASA to total deposit mix.

Service charges, fees and commissions went up by Php41 million or 11% to Php398 million on account of the fee-generating business contributed by the growth in the consumer lending business and branch banking transactions. Trading gains increased by more than 4 times to Php302 million in the second quarter of 2012 from Php62 million in the same period last year, as the Bank took advantage of the drop in interest rates. Foreign exchange gain was at Php62 million, lower by Php14 million, while other operating income increased by Php6.4 million on account of gains from sale of repossessed assets.

Operating expenses increased in the second quarter of 2012 as compared to the same period last year due to expanded business lines and branch operations. Compensation and fringe benefits increased by Php130 million or 42% on account of a larger manpower base. Provision for impairment and credit losses increased by 30% or Php87 million, largely from the credit cards business. Taxes and licenses increased by 37% or Php44 million due to the growth in operating income. Depreciation and amortization expense grew by Php37 million or 41% due to expansion related activities. Rent increased by Php23 million or 34% due to increased branch network.

Other expenses increased by Php162 million or 41%, mostly due to branding related marketing activities as well as marketing expenses in Credit Cards, Auto and Mortgage businesses. Provision for taxes declined by Php16 million or 19% due to booking of higher provision for losses.

For the Six Months ended June 30, 2012 and 2011

Net income for the first half of 2012 stood at Php910 million, which was Php26 million or 3% higher than the same period last year which stood at Php884 million.

Total operating income of Php4.45 billion was up by Php1.1 billion or 32% from Php3.38 billion at 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 Php572 million or 18%. Net interest income of Php2.76 billion was Php430 million or 18% higher than the Php2.33 billion net interest income recorded in the same period last year, largely due to increase in the Bank's loan portfolio. Fee-based income, or non-interest income exclusive of trading gains, stood at Php982 million, which is Php142 million or 17% higher than the same period last year driven mainly by fees and service charges from consumer lending and branch banking.

The Bank's operating income was enhanced by securities and foreign exchange trading gains, which increased by Php451 million and Php45 million respectively, as the Bank took advantage of the lower interest rates.

Provision for impairment and credit losses of Php682 million was Php315 million higher than the Php367 million provisions in the same period last year. The increase in provisions was largely on account of the credit cards portfolio which has grown 24% from last year as well as increased provisions for its restructured accounts. The variance (increase) was also partly attributed to the release of excess provisions that accumulated prior to 2011. The provisions for the first 6 months were more representative of normal credit losses.

Compensation and fringe benefits of Php853 million was Php210 million or 33% higher than the same period last year as the Bank continued its planned branch and business expansion and the hiring of needed manpower across the Bank. This also reflects the full year impact of the branch expansion last year which mostly happen in the second half. Taxes and licenses of Php345 million increased by Php126 million or by 57% as a direct result of increase in operating income. Rent expense of Php180 million, was Php51 million or 40% higher, similarly due to business expansion, particularly the new branches. Depreciation and amortization expense of Php255 million was Php81 million or 47% higher due to expansion related activities.

Other expenses of Php1.1 billion, increased by Php343 million or 44%. The increase largely came from higher advertising expenses, which increased by Php107 million or 31% of the increase in other operating expenses, as a result of the Bank's re-branding efforts and marketing programs particularly for consumer loans and branch banking. The rest are spread across management & professional fees, service charges, repairs & maintenance, and utilities as a direct result of business growth and branch expansion.

Provision for income taxes declined by Php84 million or 46% due to increase in deferred income tax arising from higher provisions for impairment and credit losses.

Key Financial Ratios

The following ratios, applied on a consolidated basis, are used to assess the performance of the Bank and its majority-owned subsidiary:

	June 30, 2012	***June 30, 2011***
Return on Equity [(1)]	*13.1%*	*18.1%*
Return on Assets [(2)]	*2.0%*	*2.3%*
Net Interest Margin [(3)]	*6.8%*	*6.7%*
Cost to Income Ratio [(4)]	*62%*	*58%*
Capital Adequacy Ratio [(5)]	*20.8%*	*15.6%*

(1) Net income divided by average total equity for the periods indicated.

(2) Net income divided by average total assets for the periods indicated.

(3) Net interest income divided by average interest-earning assets (Including interbank loans, trading and investment securities and loans).

(4) Other expenses (excluding provision for impairment and credit losses) divided by net interest and other income for the periods indicated.

(5) Based on total capital divided by total risk-weighted assets as disclosed in the Bank's BSP report for the relevant period.

Revenues from the Bank's core businesses posted significant growth, with core earnings (i.e. net interest income and fee-based income) growing by 18%. Very good trading income contributed a significant amount to the Bank's profits for the period. The growth in earnings were offset with the increase in operating expenses, as the Bank begins its 3-year expansion plans leading to tripling its branch network by 2014. Operating expenses, excluding credit costs grew by Php811 million or 42%, as the Bank opened 35 new branches and hired 489 new talents from June last year. Credit cost also increased as seen in the growth in provision for credit losses as the Bank's loan business expanded, largely in the consumer segment. The combined result of better revenues and higher costs resulted to net income increasing by only 3% y-o-y. Assets posted significant growth coming from expansion in the lending business, particularly in the Cards and Auto loan segments, while new capital coming from the infusion of FDC in the first quarter and the IPO in the second quarter of 2012 increased the Bank's total capital. As a result, return on equity (ROE) ratios in June 2012 declined 13.1% compared to June 2011 ratio 18.1% while return on assets (ROA) ratios remain relatively strong at 2.0% down slightly from 2.3% last year. Cost- to- income ratio also increased to 62% in June 2012 from 58% in the same period last year as most costs associated with the branch expansion are front-loaded while the branches will take a little more time to mature. Leverage at 5.7 times is still not optimal.

Despite the low interest yield environment, the Bank's spreads were not adversely affected as earning assets largely came from the growth in the higher yielding consumer business and low cost fund generating activities were prudently managed. Consumer lending grew by 37%, funded by low cost deposits as a result of better mix of deposits (with CASA generation replacing most of high cost funds). As a result, Net Interest Margin (NIM) has remained among the highest in the industry at 6.8% as of June 2012 from 6.7% in June 2011.

The Bank's capital ratios improved significantly in the first half of the year as a result of its capital raising programs. The increase in capital largely came in the first half of 2012, which has yet to be deployed by the Bank on risk assets. As a result, CAR and Tier 1 ratios increased to 20.8% and 16.5%, respectively as of June 2012.

The Bank's NPL ratios declined on account of improved credit and collection processes, which has been the focus of the lending units in preparation for their anticipated portfolio growth. As a result, NPL to Total Gross Loans and NPL to Total Gross Loans (net of fully covered) improved to 6.5% and 4.0%, respectively. NPL ratio stayed relatively the same at around 4.5%. NPL cover increased slightly to 92% from 90% y-o-y.

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 branch licenses, the expansion of the branch network and implementation of IT projects. Expected sources of funds for the projects will come from the proceeds of the recently concluded IPO.

Significant Elements of Income or Loss

Significant elements of the consolidated net income of the Group for the six months ended June 30, 2012 and 2011 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 – June 30, 2012 vs. December 31, 2011

- *Cash and cash equivalents decreased by 21% to P1.8 billion due to the lower reserve requirement as mandated by the BSP this year.*
- *Due from other bank declined by 21% to P1.4 billion due to lower levels of deposits.*
- *Interbank loans receivable and SPURA decreased by 84%to P1.2 billion due to maturity of placements with BSP.*
- *Financial Assets at Fair Value through profit and loss declined by 48% to P3.1 billion. The Bank took advantage of the favorable market during the first half of the year and disposed sizable portion of Financial Assets at Fair Value through profit and loss.*
- *Investment Securities at Amortized Cost increased by 22% to P14.5 billion due to the acquisition of various government securities and private bonds.*
- *Loans and receivable-net accelerated by 9% to P52.3 billion driven by high growth in consumer loans.*
- *Goodwill and Other Intangible Assets increased by 14% due to the acquisition of additional branch licenses from BSP.*
- *Other assets increased by 90% to P1.2 billion due primarily to the increase in foreign currency notes and coins on hand.*
- *Deposit liabilities declined by 12% to P67.5 billion as the Bank paid off high cost funds in conjunction with the release of low yielding corporate loans early in the year to optimize net margins.*
- *Accrued taxes, interest and other expenses dipped by 15% due to lower accruals during the period.*
- *Cashier's Checks and Demand Draft Payable inched up by 48% due to higher transaction volumes during the period.*
- *Other liabilities jumped by 55% to P2.9 billion. The increase was due to higher balances of bills purchased (with contra account classified under Loans and Receivables).*
- *Total equity increased by 47% primarily due to the additional P2.0 billion investments from FDC and P2.3 billion proceeds from the recently concluded IPO.*

II. Income Statement – June 30, 2012 vs. June 30, 2011

- *EW's interest income increased by 17.5% to P3,667.5 million for the 1st half of 2012 from P3,121.9 million for the same period last year primarily due to an increase in loans and receivables, largely driven by credit cards, auto loans and corporate lending growth.*
- *Interest expense increased 14.6% to P908.2 million for the period ended June 30, 2012 from P792.5 million for the same period last year primarily due to an increase in EW's funding base in support of balance sheet growth.*

- *Service charges, fees and commissions increased 11.7% to P801.4 million for the six month ended June 30, 2012 from P717.7 million for the same period last year, resulting from the expansion of EW's business, particularly with respect to fees generated by retail banking and consumer lending.*
- *Trading and securities gain and foreign exchange gain increased by 370.5% and 52.3%, respectively, as the Bank took advantage of the favorable market during the first half of the year.*
- *Gain on sale of assets increased by 281.9% for the 1st half of the year as the Bank was able to disposed sizable portion of its repossessed assets. Miscellaneous income also increased by 12.5% to P93.2 million due to higher volume of transactions.*
- *Manpower costs continue to rise from P642.7 million last year to P852.7 million this year on account of business expansion initiatives.*
- *The Bank continued its conservative provisioning by setting aside P682.4 million in provision for probable losses, an increase of 85.8% from what was reported in the same period last year.*
- *Taxes and licenses, Depreciation and amortization, Rent and Miscellaneous expenses increased by 57.5%, 46.8%, 39.9% and 43.9%, respectively, on account of business expansion.*

Other Information

As of June 30, 2012 the Bank has a total of 150 branches with 78 in restricted areas and a total of 97 in all of Metro Manila. In the rest of Luzon, the Bank has 30 branches, while Visayas and Mindanao has 11 and 12 branches, respectively. Total ATMs reached 159 with 136 inside the branches with 23 on various off-site locations. The Bank as of reporting date has a total of 3,144 employees.

As of the time of writing, the Bank has received its Certificate of Authority to Operate (COA) as a universal bank from the BSP.

Part 2:
Financial Statements

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East West Banking Corporation and Subsidiary

Interim Consolidated Financial Statements
As of June 30, 2012 (Unaudited) and December 31, 2011 (Audited)
And for the Six Months Ended June 30, 2012 and 2011 (Unaudited)

EAST WEST BANKING CORPORATION AND SUBSIDIARY
UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION
As of June 30, 2012
(With Comparative Figures for December 31, 2011)
(Amounts in Thousands of Philippine Peso)

	June 30, 2012	December 31, 2011
	Unaudited	Audited
ASSETS		
Cash and Other Cash Items	**₱1,782,235**	₱2,243,104
Due from Bangko Sentral ng Pilipinas	**10,936,692**	11,315,202
Due from Other Banks	**1,376,041**	1,739,088
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	**1,208,136**	7,723,094
Financial Assets at Fair Value Through Profit or Loss	**3,056,798**	5,891,324
Financial Assets at Fair Value Through Other Comprehensive Income	**20,591**	17,543
Investment Securities at Amortized Cost	**14,525,273**	11,946,992
Loans and Receivables	**52,319,733**	48,086,799
Property and Equipment	**1,958,431**	1,947,717
Investment Properties	**1,026,568**	1,085,154
Deferred Tax Assets	**900,143**	927,929
Goodwill and Other Intangible Assets	**2,765,455**	2,436,179
Other Assets	**1,227,214**	646,474
TOTAL ASSETS	**₱93,103,310**	₱96,006,599

LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	**₱24,673,994**	₱21,787,662
Savings	**11,334,962**	11,476,140
Time	**29,882,374**	41,779,095
Long-term negotiable certificates of deposits	**1,605,728**	1,626,638
	67,497,058	76,669,535
Bills and Acceptances Payable	**2,073,571**	2,163,188
Accrued Taxes, Interest and Other Expenses	**641,177**	752,758
Cashier's Checks and Demand Draft Payable	**670,993**	452,569
Subordinated Debt	**2,861,405**	2,861,282
Income Tax Payable	**461**	15,696
Other Liabilities	**2,902,213**	1,867,438
TOTAL LIABILITIES	**₱76,646,878**	₱84,782,466
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Common Stock	**₱11,284,096**	₱3,873,528
Preferred Stock	**–**	3,000,000
Additional Paid-in Capital	**978,721**	–
Surplus Reserves	**36,183**	36,183
Surplus	**4,148,340**	4,305,370
Net Unrealized Gains on:		
Financial Assets at Fair Value Through Other Comprehensive Income	**1,272**	299
Cumulative Translation Adjustment	**(6,917)**	(7,699)
NON-CONTROLLING INTEREST	**14,737**	16,452
TOTAL EQUITY	**16,456,432**	11,224,133
TOTAL LIABILITIES AND EQUITY	**₱93,103,310**	₱96,006,599

See accompanying Notes to Unaudited Interim Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARY
UNAUDITED INTERIM STATEMENTS OF INCOME
For the Six Months Ended June 30, 2012 and 2011
(Amounts in Thousands of Philippine Peso)

	For the quarter ended June 30, 2012	**For the quarter ended June 30, 2011**	For the six months ended June 30, 2012	For the six months ended June 30, 2011
INTEREST INCOME				
Loans and receivables	**₱1,536,124**	**₱1,354,635**	₱3,077,238	₱2,553,584
Trading and investment securities	**254,100**	**245,558**	513,801	483,682
Due from other banks and interbank loans receivable and securities purchased under resale agreements	**25,684**	**37,489**	76,480	84,665
	1,815,908	**1,637,682**	3,667,519	3,121,931
INTEREST EXPENSE				
Deposit liabilities	**323,531**	**313,759**	747,566	634,525
Subordinated debt, bills payable and other borrowings	**50,295**	**85,951**	160,629	158,020
	373,826	**399,710**	908,195	792,545
NET INTEREST INCOME	**1,442,082**	**1,237,972**	2,759,324	2,329,386
Service charges, fees and commissions	**397,766**	**356,775**	801,366	717,695
Trading and securities gain	**301,770**	**62,152**	573,020	121,794
Foreign exchange gain	**61,621**	**75,871**	131,750	86,504
Gain on sale of assets	**21,672**	**12,844**	75,762	19,837
Trust income	**6,780**	**10,430**	12,161	19,869
Others	**42,917**	**41,685**	93,186	82,862
TOTAL OPERATING INCOME	**2,274,608**	**1,797,709**	4,446,569	3,377,947

(Forward)

	For the quarter ended June 30, 2012	**For the quarter ended June 30, 2011**	For the six months ended June 30, 2012	For the six months ended June 30, 2011
OPERATING EXPENSES				
Compensation and fringe benefits	**438,134**	**308,155**	852,741	642,661
Provision for impairment and credit losses	**374,347**	**287,622**	682,427	367,207
Taxes and licenses	**163,921**	**119,492**	344,724	218,941
Depreciation and amortization	**128,297**	**91,044**	254,808	173,567
Rent	**91,819**	**68,354**	180,156	128,771
Miscellaneous	**562,586**	**400,123**	1,123,800	781,072
TOTAL OPERATING EXPENSES	**1,759,104**	**1,274,790**	3,438,656	2,312,219
INCOME BEFORE INCOME TAX	**515,504**	**522,919**	1,007,913	1,065,728
PROVISION FOR INCOME TAX	**65,491**	**81,315**	97,443	181,304
NET INCOME	**₱450,013**	**₱441,604**	₱910,470	₱884,424
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱450,239**	**₱441,604**	₱911,000	₱884,424
Non-controlling interest	**(226)**	–	(530)	–
NET INCOME	**₱450,013**	**441,604**	₱910,470	₱884,424
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company			**₱1.09**	**₱1.93**
Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company			**₱0.97**	**₱1.29**

See accompanying Notes to Unaudited Interim Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARY
UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
For the Six Months Ended June 30, 2012 and 2011
(Amounts in Thousands of Philippine Peso)

	For the quarter ended June 30, 2012	**For the quarter ended June 30, 2011**	For the six months ended June 30, 2012	For the six months ended June 30, 2011
NET INCOME FOR THE PERIOD	**₱450,013**	**₱441,604**	₱910,470	₱884,424
OTHER COMPREHENSIVE INCOME				
Unrealized gains (losses) on available-for-sale investments	**₱ –**	**(3,181)**	**₱ –**	188,772
Realized loss transferred to the statement of income	**–**	**3,181**	–	(188,772)
Net change in fair value of available –for-sale investments	**₱ –**	**₱ ---**	**₱ –**	**₱ –**
Unrealized loss on financial assets at FVTOCI	**(651)**	**(39)**	973	(3,220)
Cumulative translation adjustment	**(2,390)**	**618**	782	39,449
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(3,041)**	**579**	1,755	36,229
TOTAL COMPREHENSIVE INCOME	**₱446,972**	**₱442,183**	₱ 912,225	₱920,652
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱447,198**	**₱442,183**	₱912,755	₱920,652
Non-controlling interest	**(226)**	**–**	(530)	
TOTAL COMPREHENSIVE INCOME	**₱446,972**	**₱442,183**	₱912,225	₱920,652

See accompanying Notes to Unaudited Interim Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARY
UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY
For the Six Months Ended June 30, 2012 and 2011
(Amounts in Thousands of Philippine Peso)

	Six Months Ended June 30, 2012 and 2011									
	Equity Attributable to Equity Holders of the Parent Company									
	Common Stock	**Preferred Stock**	**Additional Paid-In Capital**	**Surplus Reserves**	**Surplus**	**Net Unrealized Gain (Loss) on Financial Assets at FVTOCI**	**Cumulative Translation Adjustment**	**Total**	**Non-Controlling Interest**	**Total Equity**
Balances at January 1, 2012	**₱3,873,528**	**₱3,000,000**	**₱–**	**₱36,183**	**₱4,305,370**	**₱299**	**(₱7,699)**	**₱11,207,681**	**₱16,452**	**₱11,224,133**
Total comprehensive income (loss)	**–**	**–**		**–**	**910,470**	**973**	**782**	**912,225**	**(530)**	**911,695**
Issuance of common stock	**4,410,568**	**–**	**978,721**	**–**	**–**	**–**	**–**	**5,389,289**	**–**	**5,389,289**
Conversion of preferred stock to common stock	**3,000,000**	**(3,000,000)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**		**–**	**(1,067,500)**	**–**	**–**	**(1,067,500)**	**–**	**(1,067,500)**
Reduction in non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1.185)**	**(1,185)**
Balances at June 30, 2012	**₱11,284,096**	**₱–**	**₱978,721**	**₱36,183**	**₱4,148,340**	**₱1,272**	**(₱6.917)**	**₱16,441,695**	**₱14,737**	**₱16,456,432**
Balances at January 1, 2011	₱3,873,528	₱3,000,000	₱–	₱33,073	₱2,717,948	₱188,772	(₱54,429)	₱9,758,892	₱–	₱9,758,892
Total comprehensive income	–	–	–		884,424	(191,992)	39,449	731,880	–	731,880
Dividends paid	–	–	–		(202,500)	–	–	(202,500)	–	(202,500)
Balances at June 30, 2011	₱3,873,528	₱3,000,000	₱–	₱33,073	₱3,399,872	(₱3,220)	(₱14,980)	₱10,288,272	₱–	₱10,288,272

EAST WEST BANKING CORPORATION AND SUBSIDIARY
UNAUDITED INTERIM STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2012 and 2011
(Amounts in Thousands of Philippine Peso)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**1,007,914**	1,065,727
Adjustments for:		
Provision for impairment and credit losses	**682,427**	367,207
Depreciation and amortization	**254,808**	173,567
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Financial assets at fair value through profit or loss	**3,249,805**	2,371,108
Loans and receivables	**(8,447,918)**	(2,165,971)
Other assets	**(524,045)**	138,224
Increase (decrease) in the amounts of:		
Deposit liabilities	**(9,172,477)**	(4,656,915)
Accrued taxes, interest and other expenses	**(83,794)**	(78,361)
Cashier's checks and demand draft payable	**218,424**	250,207
Other liabilities	**1,034,777**	(693,699)
Income taxes paid	**(112,679)**	(135,695)
Net cash used in operating activities	**(11,892,762)**	(3,364,601)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturity of:		
Investment properties and other repossessed assets	**58,587**	-
Investment securities at amortized cost	**2,671,909**	-
Acquisitions of:		
Property and equipment	**(156,132)**	(193,384)
Capitalized software	**(438,666)**	(133,853)
Investment securities at amortized cost	**(2,192,614)**	(3,204,332)
Net cash used in investing activities	**(56,916)**	(3,531,569)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bills and acceptances payable	**17,752,224**	38,982,933
Payments of bills and acceptances payable	**(17,841,841)**	(34,092,277)
Payments of dividends	**(1,067,500)**	(202,500)
Issuance of common stock	**5,389,411**	-
Net cash provided by financing activities	**4,232,294**	4,688,156
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(7,717,384)**	(2,208,014)

(Forward)

	2012	2011
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	**2,243,104**	2,079,324
Due from Bangko Sentral ng Pilipinas	**11,315,202**	11,556,018
Due from other banks	**1,739,088**	1,253,412
Interbank loans receivable and securities purchased under resale agreements	**7,723,094**	2,598,621
	23,020,488	1,7487,375
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	**1,782,235**	1,572,704
Due from Bangko Sentral ng Pilipinas	**10,936,692**	8,632,808
Due from other banks	**1,376,041**	1,261,219
Interbank loans receivable and securities purchased under resale agreements	**1,208,136**	3,812,630
	₱15,303,104	₱15,279,361

See accompanying Notes to Unaudited Interim Financial Statements.

1. **Corporate Information**

East West Banking Corporation (the Parent Company) was granted authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a commercial bank under Monetary Board (MB) Resolution. No. 101 dated July 6, 1994, and commenced operations on July 8, 1994. The Parent Company was also granted authority by the BSP to operate an expanded foreign currency deposit unit under MB Resolution No. 832 dated August 31, 1994. The Parent Company is effectively 100.00% owned by Filinvest Development Corporation (FDC). The Parent Company's ultimate parent company is ALG Holdings Corporation.

The Parent Company is a domestic corporation registered with the Securities and Exchange Commission (SEC) on March 22, 1994. The Parent Company's common shares were listed and commenced trading on the Philippine Stock Exchange (PSE) on May 7, 2012 (see Note 9).

Through its network of 150 and 122 branches as of June 30, 2012 and December 31, 2011, 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. Its principal place of business is at the 20th Floor, PBCom Tower, 6795 Ayala Avenue, corner Herrera Street, Makati City.

On August 19, 2011, the Parent Company acquired 84.78% of the voting shares of Green Bank (A Rural Bank), Inc. (GBI). 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. GBI, as a subsidiary, has been consolidated to the Parent Company from the date of acquisition, being the date on which the Parent Company obtained control of GBI.

2. **Summary of Significant Accounting Policies**

<u>Basis of Presentation</u>

The accompanying condensed consolidated interim financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34 *Interim Financial Reporting*. Accordingly, the condensed consolidated interim financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Groups' annual audited financial statements as at December 31, 2011 which have been prepared in accordance with Philippine Financial Reporting Standards. 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.

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 the subsidiary is the Philippine Peso.

Statement of Compliance

The accompanying consolidated 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.

Basis of Consolidation

The interim condensed consolidated financial statements include the financial statements of the Parent Company and its subsidiary. The interim financial statements of the subsidiary are prepared for the same reporting period as the Parent Company using consistent accounting policies.

A subsidiary is fully consolidated from the date of acquisition, being the date on which the Parent Company obtained control and continue to be consolidated until the date when the control ceases. All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries acquired or disposed of during the year 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 parent shareholder's equity. 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.

PFRS-9, *Financial Instruments*

The Group has early adopted PFRS-9 (2010) with a date of initial application of January 1, 2011. The interim financial statements reflect the adoption of such standard. The adoption of PFRS-9 related to classification and measurement of financial liabilities has no material impact on the Group's financial statements. As of December 31, 2011 and June 30, 2012, the Group's financial liabilities are classified and measured at amortized cost.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2011, and June 30, 2012, except for the adoption of the following PAS and PFRS by the Group effective beginning January 1, 2012.

The adoption of the following amended standards and interpretation did not have any material impact on the financial position or performance of the Group:

PAS-12, *Income Taxes - Recovery of Underlying Assets*

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS-40, *Investment Property,* should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS-16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset.

PFRS-7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*

The amendment requires additional disclosure on financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Future Changes in Accounting Policies

The Group will adopt the following standards and interpretations and assess their impact when these become effective.

Effective in 2012

PAS-1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)*

The amendments to PAS-1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

Effective in 2013

PFRS-7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

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 to PFRS-7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

PAS-19, *Employee Benefits (Amendment)*

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the impact of the amendment to PAS-19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

The following standards become effective for annual period beginning on or after January 1, 2013, with earlier application permitted.

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 SIC-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 will 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.

PFRS-12, *Disclosure of Interests in Other Entities*

PFRS-12 includes all of the disclosures that were previously in PAS-27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS-31 and PAS-28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

PFRS-13, *Fair Value Measurement*

PFRS-13 establishes a single source of guidance under PFRS 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 when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance.

PAS-27, *Separate Financial Statements (as revised in 2011)*

As a consequence 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 separate financial statements.

PAS-28, *Investments in Associates and Joint Ventures (as revised in 2011)*

As a consequence of the new PFRS-11, *Joint Arrangements* and PFRS-12, PAS-28 has been renamed PAS-28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

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.

4. Financial Risk Management

The risk exposure of the Bank and its subsidiary in market, interest rate, credit, and liquidity remain contained within its risk limit and adequately covered by its available capital.

Specifically, notable risk exposures, where most emanate from the Parent Company, during and/or as of the second quarter of 2012 in the following areas are summarized below.

- *Market risk: At less than P200 million value-at-risk on the Bank's trading book for potential adverse movements in interest rate and foreign exchange rate.*

- *Interest rate risk: On Bank's banking book, maximum potential loss impact from adverse movement in interest rate is approximated at 3% and 10% of the full year 2012 net interest income and net income, respectively.*

- *Credit risk: Potential risk is well within regulatory capital as gleaned from the following indicators.*
    - *Credit quality of portfolio remains at a composite rating of 'Satisfactory' for its corporate portfolio, 'Standard' grade for most of its secured consumer portfolio, 'Substandard' grade for most of its unsecured consumer portfolio, and its investment portfolio hovering in the 'BB' composite rating.*
    - *Loan portfolio security profile remains healthy at around 45% secured despite significant proportion of consumer lending business.*
    - *No credit concentration in size, borrower, and industry as defined by BSP and internal risk policies.*

- *Liquidity risk: Nothing significant as the Bank remains to be generally liquid with sufficient sources of funding as and when the need arises.*

Capital level, on the other hand, stands at P16 billion, more than enough to cover for the above approximated exposures.

Thus, the Bank's risk management policies remain generally the same as in 2011. The Bank's 2011 audited financial statements discuss in detail its risk exposures and its related policies.

5. *Fair Value Measurement*

The table below presents a comparison by category of carrying amounts and estimated fair values of all of the Bank's financial instruments as of June 30, 2012 and December 31, 2011:

	June 30, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and other cash items	₱1,782,235	₱1,782,235	₱2,243,104	₱2,243,104
Due from BSP	10,936,692	10,936,692	11,315,202	11,315,202
Due from other banks	1,376,041	1,376,041	1,739,088	1,739,088
IBLR and SPURA	1,208,136	1,208,136	7,723,094	7,723,094
Loans and receivables	52,319,733	52,858,569	48,086,799	49,511,929
Financial assets at FVTPL	3,056,798	3,056,798	5,831,623	5,831,623
Financial assets at FVOCI	20,591	20,591	77,244	77,244
Investment securities at amortized cost	14,525,273	15,299,882	11,946,992	13,086,986
	₱85,225,499	₱86,538,944	₱88,963,146	₱91,528,270
Financial liabilities				
Deposit liabilities	₱67,497,058	₱67,667,951	76,669,535	76,696,730
Bills and acceptances payable	2,073,571	2,073,571	2,163,188	2,163,188
Accrued Taxes, Interest and Other Expenses	530,764	530,764	709,252	709,252
Cashier's Checks and Demand Draft Payable	670,993	670,993	452,569	452,569
Subordinated Debt	2,861,405	3,603, 109	2,861,282	3,556,714
Other liabilities	241,500	241,500	529,248	529,248
	₱73,875,291	₱ 74,787,887	₱83,385,074	₱84,107,701

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

Cash and other cash items, due from other banks, IBLR, SPURA - The carrying amounts approximate fair values due to the short-term nature of these accounts. These accounts 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 Bank's current incremental lending rates for similar types of loans and receivables.

Debt securities - Fair values are generally based upon 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.

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.

Fair Value Hierarchy

The Bank uses the following hierarchy for determining the fair value of financial instruments which is consistent with the methodology applied by the Bank on its December 31, 2011 audited financial statements.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the analysis of financial instruments of the Group recorded at fair value by level of the fair value hierarchy:

		June 30, 2012	
	Level 1	Level 2	Level 3
Financial assets at FVTPL	₱3,056,798	₱–	₱–
Financial assets at FVTOCI	20,591	–	–
Derivative assets	–	20,659	–

		December 31, 2011	
	Level 1	Level 2	Level 3
Financial assets at FVTPL	₱5,831,623	₱–	₱–
Financial assets at FVTOCI	77,244	–	–
Derivative assets	–	449	–

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

During the periods ended June 30, 2012 and December 31, 2011, 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 provision under PAS 39, Financial Instruments: Recognition and Measurement, on the criteria used to determine whether the market of a financial instrument is active or inactive, is not a required disclosure for the Bank.

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 loans, emerging market (SME) loans and other OTC (over-the-counter) 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 (ATMs) as well as its internet banking platform.

(b) **Corporate Banking** – this segment handles lending and trade financing for both large and middle market corporate clients.

(c) **Consumer Lending** – this segment primarily caters to loans for individuals that includes credit cards, auto, residential mortgage, personal and salary loans.

(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.

(e) **Executive and Elimination Items** – this segment includes the Group's executive offices 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 six months ended June 30, 2012 follow:

In Millions	**Retail Banking**	**Corporate Banking**	**Consumer Lending**	**Treasury & Trust**	**Elimination Items**	**Total Bank**
Statement of Income						
Net Interest Income						
Third Party	776	130	1,685	29	139	2,759
Intersegment	13	135	-	-	(148)	-
	789	265	1,685	29	(9)	2,759
Noninterest Income	301	21	724	630	11	1,687
Revenue - Net of Interest Expense	1,089	286	2,409	660	2	4,447
Noninterest Expense	(1,219)	(140)	(1,978)	(121)	20	(3,439)
Income Before Income Tax	(130)	146	431	538	22	1,008
Provision for Income Tax	(8)	(10)	112	(12)	(180)	(97)
Net Income for the Period	(138)	136	543	526	(157)	910

In Millions	**Retail Banking**	**Corporate Banking**	**Consumer Lending**	**Treasury & Trust**	**Elimination Items**	**Total Bank**
Statement of Financial Position						
Total Assets	15,925	24,865	29,841	6,584	15,888	93,103
Total Liabilities	71,098	15,120	1,399	3,822	(14,793)	76,647
Other Segment Information						
Depreciation and Amortization	151	9	67	13	14	255
Provision for Credit and Impairment Losses	-	(27)	814	-	(105)	682

Segment information of the Group as of and for the six months ended June 30, 2011 follow:

In Millions	**Retail Banking**	**Corporate Banking**	**Consumer Lending**	**Treasury & Trust**	**Elimination Items**	**Total Bank**
Statement of Income						
Net Interest Income						
Third Party	658	152	1,257	4	259	2,329
Intersegment	15	108	-	-	(123)	-
	673	259	1,257	4	136	2,329
Noninterest Income	232	33	606	195	(17)	1,049
Revenue - Net of Interest Expense	905	293	1,863	199	119	3,378
Noninterest Expense	(861)	(121)	(1,254)	(88)	11	(2,312)
Income Before Income Tax	44	172	609	111	130	1,066
Provision for Income Tax	(20)	(20)	(7)	(24)	(111)	(181)
Net Income for the Period	24	152	602	87	19	884

Statement of Financial Position						
Total Assets	12,859	21,347	23,060	13,643	12,028	82,936
Total Liabilities	63,127	12,058	1,001	7,683	(11,011)	72,858
Other Segment Information						
Depreciation and Amortization	88	5	59	8	13	174
Provision for Credit and Impairment Losses	-	9	403	-	(45)	367

Non-interest income consists of service charges, fees and commissions, gain (loss) on sale of assets, gain on asset foreclosure and *dacion* transactions, fixed income securities trading gain (loss), foreign exchange gain (loss), trust income and miscellaneous income.

Non-interest 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 other expenses.

7. ***Trading and Investment Securities***

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 a ₱0.04 billion loss on derecognition of financial assets at amortized cost and
₱0.01 billion loss on derecognition of financial assets at FVTPL included in the statement of income. 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.

As of June 30, 2012, the Group's investment in foreign debt securities totaled P3.2 billion while investment in foreign equity securities amounted to P101.4 million.

Of the P3.2 billion debt securities, P807.18 million are classified under FVTPL, while the rest are investment securities at amortized cost.

Trading gains on trading and investment securities during the periods ended June 30, 2012 and 2011 amounted to P573 million and P121.8 million, respectively.

The Bank has no significant derivative instruments which may impact its financial condition as of June 30, 2012 and December 31, 2011.

8. **Related Party Transactions**

In the ordinary course of business, the Group has various transactions with its related parties and with certain directors, officers, stockholders and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Group these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks.

Under current banking regulations, the aggregate amount of loans to DOSRI (i.e. directors, officers, shareholders and related interests) should not exceed the total capital funds or 15.0% of the total loan portfolio of each of the Parent Company and Subsidiary, whichever is lower. In addition, the amount of direct credit accommodations to DOSRI, of which 70.0% must be secured, should not exceed the amount of their respective regular and / or quasi-deposits and book value of their respective investments in the Parent Company.

On January 31, 2008, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding exposures to each of the bank's subsidiaries and affiliates shall not exceed 10.0% of bank's net worth, the unsecured portion of which shall not exceed 5.0% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank. BSP Circular No. 560 is effective February 15, 2008.

As of June 30, 2012 and December 31, 2011, the Bank has complied with the above requirements.

9. Financial Performance

Earnings per share amounts were computed as follows:

		June 30, 2012	June 30, 2011
a.	Net income attributable to equity holders of the Parent Company	**₱911,000**	₱884,424
b.	Dividends declared on convertible preferred shares	**-**	(135,000)
c.	Net income attributable to common shareholders of the Parent Company	**911,000**	749,424
d.	Weighted average number of outstanding common shares	**834,372**	387,353
e.	Weighted average number of convertible preferred shares	**100,000**	300,000
f.	Basic EPS (c/d)	**₱1.09**	₱1.93
g.	Diluted EPS [a/(d+e)]	**₱0.97**	₱1.29

10. **Equity Transactions**

As of June 30, 2012, the Parent Company's capital stock consists of:

	June 30, 2012	December 31, 2011
Preferred stock - ₱10.00 par value convertible, nonvoting shares		
Authorized - 500,000,000 shares		
Issued and outstanding -		
December 31, 2011 – 300,000,000 shares		
June 30, 2012 – none	**₱--**	3,000,000
Common stock - ₱10.00 par value		
Authorized – 1,500,000,000 shares		
Issued and outstanding –		
December 31, 2011 – 387,352,810 shares		
June 30, 2012 - 1,128,409,610 shares	**11,284,096**	3,873,528
	₱11,284,096	₱6,873,528

On January 19, 2012 and February 10, 2012, the Parent Company received cash from its shareholders totaling ₱3.0 billion as a deposit for future stock subscription representing 300 million common shares which were subsequently issued in March 2012. Also in the same period, the preferred shareholders converted a total of P3.0 billion preferred shares to common shares.

With the approvals by the PSE for 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 P10 par value, representing 21.7% of outstanding capital stock, was offered and subscribed through an initial public offering at P18.50 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 June 5, 2012, 36,715,300 shares coming from the over-allotment option were exercised at a price of P18.50 per share that brought the subscriptions to 25% of the outstanding capital stock. The Parent Company's common shares were listed and commenced trading at the PSE on May 7, 2012.

The total proceeds raised by the Parent Company from the sale of primary offer shares amounted to P2,609.6 million while the net proceeds (after deduction of fees and expenses) amounted to P2,378.6 million. The Parent Company intends to use the net proceeds from the primary offer for the payment of branch license fees, expansion of the branch network, implementation of IT infrastructure and for general business purpose. The proceeds from the sale of secondary offer shares are for the account of the selling shareholder.

The following cash dividends were paid by the Parent Company in 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

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ATTACHMENT 2

CONSOLIDATED AGING SCHEDULE
PAST DUE LOANS AND OTHER RECEIVABLES
JUNE 30, 2012
(*Amounts in thousands of Philippine Peso)*

Particulars	**Total**	**1-90 days**	**91-180 days**	**181-360 days**	**>360 days**
Past Due Loans & other receivables	4,540,774	1,432,999	199,131	583,793	2,324,850
Allowance for credit losses	(3,978,574)				
Total	**562,199**	**1,432,999**	**199,131**	**583,793**	**2,324,850**

ATTACHMENT 3 – FINANCIAL RATIOS

The following ratios, applied on a consolidated basis, are used to assess the performance of the Bank and its majority-owned subsidiary:

	June 30, 2012	***June 30, 2011***
Current ratio (1)	*91%*	*116%*
Solvency ratio (2)	*1.2*	*1.1*
Debt-to-equity (3)	*4.7*	*7.1*
Asset-to-equity (4)	*5.7*	*8.1*
Interest rate coverage ratio (5)	*211%*	*234%*

Notes:

(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