November 14, 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 pleased to furnish your good office with a copy of our SEC Form 17-Q as of September 30, 2012 filed with the Securities and Exchange Commission (SEC).

Thank you.

Very truly yours,

Aerol Paul B. Banal
Corporate Planning Officer

COVER SHEET

AS094-002733

SEC Registration Number

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

(Company's Full Name)

PODIUM OF THE BEAUFORT
5TH AVENUE CORNER 23RD ST.
FORT BONIFACIO GLOBAL CITY
TAGUIG CITY 1634

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

Renato K. De Borja, Jr.

(Contact Person)

(632) 813-9772 local 3390

(Company Telephone Number)

1 2	3 1
Month	Day

(Fiscal Year)

17-Q

(Form Type)

Month Day

(Annual Meeting)

NONE

(License Type, If Applicable)

Amended Articles Number/Section

Total Amount of Borrowings

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 **<u>September 30, 2012</u>**

2. Commission identification number **<u>AS094-002733</u>**

3. BIR Tax Identification No. **<u>003-921-057-000</u>**

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

5. Province, country or other jurisdiction of incorporation or organization **<u>PHILIPPINES</u>**

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

7. Address of issuer's principal office — Postal Code
   <u>Podium of the Beaufort, 5th Avenue, Corner 23rd St.</u> — **<u>1634</u>**
   <u>Fort Bonifacio Global City, Taguig City</u>

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

9. Former name, <u>former address</u> and former fiscal year, if changed since last report
   <u>20th Floor, PBCom Tower, 6795 Ayala Avenue</u> — **<u>1226</u>**
   <u>corner Herrera Street, Makati City</u>

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
<u>Common Shares (Php 10 par)</u>	**<u>Total: 1,128,409,610 shares</u>**
<u>Subordinated Debt Php 2,750,000,000.00</u>	

....

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

    Yes [**X**] No [ ]

    <u>The company was listed in the Philippine Stock Exchange on May 7, 2012.</u>

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

    Name of exchange: **<u>Philippine Stock Exchange</u>**
    Class of securities: **<u>Common shares</u>**

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 Third Quarter ended September 30, 2012 and 2011**
  - **-For the Nine Months ended September 30, 2012 and 2011**
- **-Key Financial Ratios**
- **-Other Information**

Item2:

Financial Statements

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 – Consolidated 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:

Antonio C. Moncupa, Jr.
President and Chief Executive Officer

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

November 13, 2012

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

Economy

The Philippine economy grew by 5.9% year on year (y-o-y) to the end of the second quarter and 6.1% in the first half of 2012. This was lower than the first quarter growth of 6.4% but is still above expectations. The consistent growth in the economy is attributable to government spending on infrastructure, consumption on the back of remittances from Filipinos abroad, and strong services sector which is considered as the main driver of growth for the period. Export still posted growth of 4.2% but it has slowed down compared to the first quarter. As a result of this sustained growth, the Philippine economy positioned itself as one of the fastest growing economy in the ASEAN region, just behind China and Indonesia which grew at 7.4% and 6.4%, respectively.

Inflation rate of 3.6% in September 2012 was slightly lower than the 3.8% recorded the previous month, which was the highest rate in seven months. Inflation was higher in the 3rd quarter due to supply disruptions as a result of typhoons and monsoon rains. The BSP expects inflation to remain within the 3.00%-5.00% range. The BSP further reduced its policy rates to 3.50% in October 2012, which is the fourth time this year that the BSP adjusted its policy rates. The BSP also banned foreign funds investments in SDAs and removed interest payment on reserve requirement deposits of banks in the earlier part of the year.

Economic outlook continue to remain bullish for the Philippines. The Philippine Stock Exchange Index continues to test new highs in the third quarter of 2012, breaking the 5,400 mark. Likewise, in the latest report of Standard & Poor's (S&P) titled "*Asia Pacific Feels the Pressure of Ongoing Global Economic Uncertainty*" last September 2012, the international credit rating agency upgraded its growth forecast for the Philippines to 4.9% from its earlier projection of 4.3%. Among those countries in the Asia-Pacific region, only the Philippines growth forecast was upgraded by S&P. In July 2012, S&P assigned the Philippines with a BB+ rating with stable outlook, or a notch below investment grade. The S&P upgrade came after Fitch Ratings' credit upgrade in June 2012. Moody's Investor Service also raised the Philippines' credit rating to a notch below investment grade and assigned a stable outlook in October 2012. This sequence of events supports market expectations on the Philippines' credit rating to be upgraded to investment grade by next year.

Executive Commentary

The Bank remains on track in achieving its bottom line target for the year posting a YTD net income after tax of Php1.36 billion, or a 12% increase from the same period last year. Net revenues grew by 41% as trading income doubled from its level in the first half of the year and core earnings coming from net interest income and fee-based income is within expected growth at 23%. The Bank expects to achieve its year-end target to have around 240 branches. It opened 95 new branches this year, which brings its total branch network to 217 branches as of the time of writing. As expected, the accelerated branch expansion had pushed operating expenses higher. Excluding provisions for loan losses, operating expenses grew by 45% y-o-y. Provisions for loan losses also grew by 129%. As previously reported, 2011 credit costs were lower than normal. The higher provisions were also a result of the expected faster credit growth. The Bank believes that since the economy is in the early stages of the credit expansion, it will be optimum to expand the revenue base at this time.

Financial Position

Total Assets stood at Php97.48 billion as of September 30, 2012. This is 8% and 2% higher vs. September 30, 2011 and December 31, 2011, respectively. The slow growth in assets as against 2011 year-end level is largely due to the low interest rate environment, which makes investments in liquid assets unattractive due to its negative carry. Investments in securities, Special Deposit Accounts, and other liquid assets are 28% lower year on year. This has kept the Bank's leverage (or Assets to Equity) at 5.8x.

The Bank, however, continues to remain focused on its strategies in growing its consumer and mid-market corporate loans. Total loans stood at Php60.97 billion or 36% and 27% higher vs. September 30, 2011 and December 31, 2011, respectively. Similar to previous quarters, consumer loans take up more than half at 56% of total loans. Loans across all major products have posted double digit growth.

<u>Analyses by major products:</u>

Corporate loans stood at Php28.14 billion, which is 35% and 25% better than the same period last year and year-end 2011. Liquidity loans released in the first quarter of the year as a result of thinning spreads were now replaced with higher yielding middle market loans. The Bank has maintained its corporate lending standards and its loan growth resulted mainly from the expansion of its lending organization. In September 2011, the Bank has 16 loan officers vs. the 49 loan officers on board as of September 2012. NPL to total loans declined to 3.5% in the 3rd quarter of 2012 from 5.4% in year-end 2011, while NPL ratio net of fully provided NPLs declined to 1.3% in the 3rd quarter of 2012 from 3.0% in year-end 2011. NPL of corporate loans has 124% loss coverage.

Credit Card receivables ended at Php15.12 billion, which is 27% and 19% bigger than the same period last year and year-end 2011. The growth is in line with the Bank's strategy to increase its market share as total cards in force reached 860,505 in the 3rd quarter, growing by almost 100,000 new cards for the year. The higher market share resulted to a slightly higher NPL to total Receivables, which grew to 8.6% from 7.4% in December 2011. The Bank recognized the appropriate expected losses to cover for the cost of growing its cards base, as seen in the improving NPL ratio net of fully provided NPLs, which declined to 2.8% from 3.6% in December 2011. Total Cards NPL is also over provided at 110% NPL cover.

Auto loans stood at Php10.7 billion, which is 39% and 27% higher than the same period last year and year-end 2011. Vehicle supply normalized in the second half of 2012, and the Bank took advantage of new models introduced by dealerships in which it has existing tie-ups. The growth in new loan bookings resulted to NPL to total loans to decline to 6.5% from 6.8% in December 2011. NPL net of fully covered NPL increased to 4.2% from 3.9% in 2011 as the Bank has adequately provided for its auto NPL, with NPL coverage of over 50% despite having recoverable collaterals. The Bank expects its credit costs on auto to be lower in the coming months.

Mortgage loans ended at Php6.02 billion, posting its highest growth so far which is at 52% and 46% from same period last year and year-end 2011. Around half of the growth came from the Php1.3 billion portfolio purchased from Filinvest in the 3rd quarter of 2012. The new bookings from this seasoned portfolio reduced its NPL to total loans to 7.6% from 8.2% in 2011. NPL coverage for mortgage remain to be at 0% as recoveries are still higher due to conservative loan to value levels in mortgage and steady appreciation of collateral values.

Other consumer loans, consisting of personal loans and salary loans to public school teachers (by the Bank's rural bank subsidiaries) increase by 106%. NPL ratio of other consumer loans is at 18%, with total provisions at 107%.

The Bank's overall NPL ratios continue to decline as the loan book continues to grow and retain its quality. The Bank's NPL ratio declined to 4.3%[1] from 4.8%[1]. This is currently higher than industry due 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 written-off all its fully provided NPLs to optimize the tax benefits; write-offs are tax deductible (provisions are not) and thus, the Bank should only write off to the extent of its taxable income. The Bank's NPL to Total Customer Loans is only at 3.6%[2], if we are to net out the fully provided NPLs. The Bank's NPL has a coverage ratio of 91%.

Deposits stood at Php69.3 billion, up by 3% from same period last year and down by 10% from year-end 2011, mainly due to decrease in high cost funds as the Bank deleveraged due to the negative carry on low yield securities and interbank loans as interest rates stay at all time lows. Likewise, the Php1.6 billion LTNCD of the Bank matured in August 2012. Most of the high cost funds found its way in our Trust Business which is largely placed in SDA. Although total deposits did not grow, low cost funds (or CASA) grew by 22% from same period last year. As a result, the proportion of CASA to total deposits increased to 48% from 41% in the same period last year.

The double digit growth in both lending and low cost funds, and the reduction in high cost deposits resulted in an all time high NIM of 7.0% at year to date September 30, 2012.

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[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
For the Nine Months ended September 30, 2012 and 2011

Net Income for the first nine months of 2012 stood at Php1.36 billion, Php144 million or 12% higher than the same period last year.

Total operating income increased 41% to Php7.22 billion, Php2.1 billion higher from Php5.12 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 Php1.08 billion or 23%. Net Interest Income of Php4.32 billion was Php781 million or 22% higher than the Php3.54 billion posted last year as a result of the increase in loan portfolio and higher proportion of CASA to total deposit. Fee-based income or non-interest income exclusive of trading income, stood at Php1.54 billion or 24% higher than last year as a result of expansion in deposits and loans.

The Bank's operating income was helped by higher securities and foreign exchange (FX) trading gains, which increased by Php940 million and Php81 million respectively.

The faster growth in consumer loans, particularly credit cards, resulted to an increase in provisions for impairment and credit losses of Php1.23 billion, or Php689 million higher than the Php536 million provisions in the same period last year. A good part of the higher provisions were due to the lower than normal provisions in 2011, which was due to excess provisions in 2010.

Compensation and fringe benefits of Php1.45 billion was Php415 million or 40% higher than the same period last year on account of manpower requirements in support of its branch and business expansion. Total headcount as of September 2012 was at 3,455 vs. the 2,697 in September 2011. Taxes and licenses of Php540 million increased by Php172 million or by 47% as a direct result of GRT on higher operating income. Rent expense of Php282 million was Php77 million or 37% higher, similarly due to business expansion, particularly for the new branches that opened for the period. Depreciation and amortization expense of Php392 million was Php126 million or 47% higher due to expansion related activities. Other expenses of Php1.89 billion increased by Php621 million or 49%. The increase largely came from higher advertising expenses, which increased by Php104 million or 49% 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, etc. Provision for taxes declined by Php146 million or 62% due to increase in deferred income tax arising from higher provisions for impairment and credit losses.

Results of Operations
For the Quarters ended September 30, 2012 and 2011

Net Income for the third quarter of 2012 amounting to Php446 million was Php118 million or 36% higher than the same period last year. Total operating income for the quarter of Php2.77 billion was up by Php1.03 billion or 59% than the same period last year, in which close to half of the increase or Php505 million came from core income (NII and fees) and the remaining Php524 million is due to better securities and FX gains for the quarter. However, operating expenses and provision for taxes grew by Php911 million or 64% on account of business expansion initiatives.

Net interest income grew by 29% or Php351 million at Php1.56 billion. Interest income increased by Php219 million or 13%, mainly due to higher loan bookings in consumer and middle market loan segments. Interest income on loans increased by 30% or Php408 million, which covered for the drop in interest income on liquid assets of 49% or down by Php188 million. Interest expense declined by 25% or Php132 million as a result of higher proportion of CASA to total deposits.

Service charges, fees and commissions went up by Php107 million or 28% to Php493 million due to the growth in the consumer lending business and deposit related transaction banking fees. Trading and securities gain increased by 5.5x to Php597 million from Php108M in the same quarter last year. Foreign exchange gains increased by Php35 million or 135%, while other operating income increased by close to 3x, partly on account of losses booked in bond swap transactions in 2011, combined with higher 2012 fee income contribution coming from the Parent Company's rural bank subsidiary which was booked as miscellaneous income.

Operating expenses increased by 72% or Php973 million due to loan growth and business line expansion. Compensation and fringe benefits increased by Php205 million or 53% on account of larger manpower base. Provision for impairment and credit losses increased by 3.2x as a result of loan growth, largely on credit cost for Cards. Taxes and licenses increased by 31% or Php46 million due to higher operating income subject to GRT. Depreciation and amortization expense grew by 48% due to expansion- related activities. Rent increased by Php25 million or 33% due to increased branch network. Other expenses increased by Php279 million or 57%, mostly due to branding- related marketing activities. Provision for taxes declined by 116% or Php62 million due to booking of higher provision for 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:

Financial Ratio	September 30, 2012	September 30, 2011
Return on Equity (1)	12.3%	16.2%
Return on Assets (2)	1.9%	2.0%
Net Interest Margin (3)	7.0%	6.5%
Cost- to- Income Ratio (4)	63%	61%
Capital Adequacy Ratio (5)	19.3%	15.5%

(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 core banking businesses continue to grow with core earnings coming from net interest income and fee based income growing by 23% as a result of its business expansion. Trading gains boosted income while operating expenses and provisions for losses grew as well as a result of the new branch openings and lending growth. The Bank opened a total of 95 new branches in 2012 and hired 758 new employees, or a 28% increase from headcount in

September 2011. Credit cost also grew due to the decision to fast track growth in credit card receivables. All told, income after tax increased by 12% y-o-y.

Despite the steady growth in net income, ROE ratios declined to 12.3% in September 2012 from 16.2% in the same period last year. This was expected as the Bank has yet to leverage the Php4.75 billion in new capital from FDC and the IPO. ROA stayed flat at 1.9% from 2.0%.

Net Interest Margin improved to 7.0% in September 2012 from 6.5% in the same period last year due to the following: (1) robust growth in loans, particularly consumer loans which accounts for 56% of the portfolio; (2) reduction in high cost deposits; and (3) CASA growth of 22%, replacing some of the high cost funding.

Cost- to- Income ratio increased to 63% in September 2012 from 61% in the same period last year due to front-loaded expenses related to its branch and business expansion programs and the lower leverage.

The Bank's capital ratios improved in 2012, mainly due to the Php4.75 billion in new capital as previously mentioned. Capital Adequacy Ratio improved to 19.3% in September 2012 from 15.5% in the same period last year. Likewise, Tier 1 capital ratio improved to 15.4% from 11.2% in the same period last year. The Bank's Tier 1 capital is composed entirely of common equity, which means that Tier 1 ratio will be the same as CET1 ratio using Basel 3 measures that will be in effect in 2014.

Other Information:

As of the time of writing, the Bank has a total of 217 branches, with 107 of these branches in the restricted areas and a total of 133 of these branches in all of Metro Manila. For the rest of the country, the Bank has 41 branches in other parts of Luzon, 23 branches in Visayas, and 20 branches in Mindanao.

As of September 30, 2012, the Banks total ATM network is at 193, composed of 168 on-site ATMs and 25 off-site ATMs. Total headcount is at 3,455.

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 earlier in the year.

Significant Elements of Income or Loss

Significant elements of the consolidated net income of the Group for the nine months ended September 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. Statements of Financial Position – September 30, 2012 vs. December 31, 2011

- Cash and other cash items decreased by 20% to Php1.8 billion due to the lower reserve requirement as mandated by the BSP this year.
- Due from BSP and other banks declined by 8% and 47% respectively, due to lower levels of deposits.
- Interbank loans receivable and SPURA decreased by 97% to Php270 million due to maturity of placements with BSP.
- Financial Assets at Fair Value through Profit and Loss declined by 18% to Php4.8 billion. The Bank took advantage of the favorable market during the first half of the year and disposed sizable portion of these financial assets.
- Investment Securities at Amortized Cost decreased by 18% to Php9.8 billion due to the maturity and sale of various government securities and private bonds.
- Loans and Receivables accelerated by 27% to Php61.0 billion driven by high growth in consumer loans.

- Property and equipment inched up by 14% to Php2.2 billion on account of aggressive branch expansion.
- Goodwill and Other Intangible Assets increased by 25% due to the acquisition of additional branch licenses from BSP.
- Other assets increased by 106% to Php1.3 billion due primarily to the increase in foreign currency notes and coins on hand.
- Deposit liabilities declined by 10% to Php69.3 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.
- Bills and acceptance payables increased by 95% to Php4.2 billion mainly due to availment of various borrowings from BSP and other banks.
- Cashier's Checks and Demand Draft Payable inched up by 41% due to higher transaction volumes during the period.
- Other liabilities jumped by 51% to Php2.8 billion. The increase was due to higher balances of bills purchased (with contra-account classified under Loans and Receivables).
- Total equity increased by 51% primarily due to the additional investments from FDC and proceeds from the recently concluded IPO.

II. Statements of Income and Expenses – September 30, 2012 vs. September 30, 2011

- The Group's interest income increased by 16% to Php5,624.8 million for the first nine months 2012 from Php4,859.8 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.
- Service charges, fees and commissions increased 17% to Php1,294.2 million for the nine month ended September 30, 2012 from Php1,103.9 million for the same period last year, resulting from the expansion of the Parent Company's business, particularly with respect to fees generated by retail banking and consumer lending.
- Trading and securities gain and foreign exchange gain increased by 410% and 71%, respectively, as the Bank took advantage of the favorable market conditions during the first half of the year.
- Gain on sale of assets increased by 205% for the first nine months of the year as the Bank was able to disposed sizable portion of its repossessed assets.
- Miscellaneous income also increased by 76% to Php135.2 million due to higher volume of transactions.
- Manpower costs continue to rise from Php1,031.2 million last year to Php1,446.2 million this year on account of business (branch) expansion program.
- The Bank continued its conservative provisioning by setting aside Php1,225.4 million in provision for probable losses, an increase of 129% from what was reported in the same period last year.
- Taxes and licenses, Depreciation and amortization, Rent and Miscellaneous expenses increased by 47%, 47%, 37% and 49%, respectively, on account of business expansion.

Attachment 1

East West Banking Corporation and Subsidiaries

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

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

	September 30, 2012	December 31, 2011
	Unaudited	Audited
ASSETS		
Cash and Other Cash Items	**1,796,791**	₱2,243,104
Due from Bangko Sentral ng Pilipinas	**10,381,238**	11,315,202
Due from Other Banks	**923,257**	1,739,088
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	**270,277**	7,723,094
Financial Assets at Fair Value Through Profit or Loss	**4,758,800**	5,891,324
Financial Assets at Fair Value Through Other Comprehensive Income	**16,356**	17,543
Investment Securities at Amortized Cost	**9,786,946**	11,946,992
Loans and Receivables	**60,968,413**	48,086,799
Property and Equipment	**2,225,464**	1,947,717
Investment Properties	**1,023,474**	1,085,154
Deferred Tax Assets	**961,929**	927,929
Goodwill and Other Intangible Assets	**3,038,143**	2,436,179
Other Assets	**1,332,003**	646,474
TOTAL ASSETS	**₱97,483,091**	₱96,006,599

LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	**₱21,928,428**	₱21,787,662
Savings	**11,450,574**	11,476,140
Time	**35,891,630**	41,779,095
Long-term negotiable certificates of deposits	**–**	1,626,638
	69,270,632	76,669,535
Bills and Acceptances Payable	**4,220,735**	2,163,188
Accrued Taxes, Interest and Other Expenses	**737,590**	752,758
Cashier's Checks and Demand Draft Payable	**636,081**	452,569
Subordinated Debt	**2,863,595**	2,861,282
Income Tax Payable	**34,160**	15,696
Other Liabilities	**2,815,862**	1,867,438
TOTAL LIABILITIES	**₱80,578,655**	₱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	**4,594,418**	4,305,370
Net Unrealized Gains on:		
Financial Assets at Fair Value Through Other Comprehensive Income	**705**	299
Cumulative Translation Adjustment	**(8,641)**	(7,699)
NON-CONTROLLING INTEREST	**18,954**	16,452
TOTAL EQUITY	**16,904,436**	11,224,133
TOTAL LIABILITIES AND EQUITY	**₱97,483,091**	₱96,006,599

See accompanying Notes to Unaudited Interim Financial Statements.

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

	For the quarter ended September 30, 2012	**For the quarter ended September 30, 2011**	For the nine months ended September 30, 2012	For the nine months ended September 30, 2011
INTEREST INCOME				
Loans and receivables	**₱1,760,915**	**₱1,353,094**	₱4,838,153	₱3,906,678
Trading and investment securities	**169,147**	**337,304**	682,948	820,986
Due from other banks and interbank loans receivable and securities purchased under resale agreements	**27,263**	**47,464**	103,743	132,128
	1,957,325	**1,737,862**	5,624,844	4,859,792
INTEREST EXPENSE				
Deposit liabilities	**330,208**	**408,974**	1,077,774	1,043,499
Subordinated debt, bills payable and other borrowings	**69,354**	**122,395**	229,983	280,415
	399,562	**531,369**	1,307,757	1,323,914
NET INTEREST INCOME	**1,557,763**	**1,206,493**	4,317,087	3,535,878
Service charges, fees and commissions	**492,869**	**386,167**	1,294,235	1,103,862
Trading and securities gain	**596,651**	**107,544**	1,169,671	229,338
Foreign exchange gain	**61,469**	**26,207**	193,219	112,711
Gain on sale of assets	**14,750**	**11,685**	90,512	31,522
Trust income	**6,452**	**10,106**	18,613	29,975
Other income (loss)	**42,058**	**(5,896)**	135,244	76,966
TOTAL OPERATING INCOME	**2,772,012**	**1,742,306**	7,218,581	5,120,252

(Forward)

	For the quarter ended September 30, 2012	For the quarter ended September 30, 2011	For the nine months ended September 30 2012	For the nine months ended September 30, 2011
OPERATING EXPENSES				
Compensation and fringe benefits	**593,445**	**388,543**	1,446,186	1,031,204
Provision for impairment and credit losses	**542,923**	**168,763**	1,225,350	535,970
Taxes and licenses	**195,195**	**149,412**	539,919	368,353
Depreciation and amortization	**137,008**	**92,412**	391,816	265,979
Rent	**102,024**	**76,609**	282,180	205,380
Miscellaneous	**763,887**	**485,303**	1,887,687	1,266,376
TOTAL OPERATING EXPENSES	**2,334,482**	**1,361,042**	5,773,138	3,673,262
INCOME BEFORE INCOME TAX	**437,530**	**381,264**	1,445,443	1,446,990
PROVISION FOR (BENEFIT FROM) INCOME TAX	**(8,548)**	**53,439**	88,895	234,743
NET INCOME	**₱446,078**	**₱327,825**	1,356,548	1,212,247
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱444,329**	**₱331,299**	₱1,355,329	₱1,215,721
Non-controlling interest	**1,749**	**(3,474)**	1,219	(3,474)
NET INCOME	**₱446,078**	**327,825**	₱1,356,548	₱1,212,247
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company			**₱1.45**	**₱2.62**
Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company			**₱1.36**	**₱1.77**

See accompanying Notes to Unaudited Interim Financial Statements.

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

	For the quarter ended September 30, 2012	**For the quarter ended September 30, 2011**	For the nine months ended September 30, 2012	For the nine months ended September 30, 2011
NET INCOME FOR THE PERIOD	**₱446,078**	**₱327,825**	₱1,356,548	₱1,212,247
OTHER COMPREHENSIVE INCOME				
Unrealized gains (losses) on available-for-sale investments	**₱ –**	**(3,220)**	₱ –	188,772
Realized gain (loss) transferred to the statement of income	**–**	**3,220**	–	(188,772)
Net change in fair value of available –for-sale investments	**₱ –**	**₱ –**	₱ –	₱ –
Unrealized gain (loss) on financial assets at FVTOCI	**(567)**	**(84)**	406	(3,304)
Cumulative translation adjustment	**(1,724)**	**3,694**	(942)	43,143
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(2,291)**	**3,610**	(536)	39,839
TOTAL COMPREHENSIVE INCOME	**₱443,787**	**₱331,435**	₱1,356,012	₱1,252,086
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱442,038**	**₱334,909**	₱1,354,793	₱1,255,560
Non-controlling interest	**1,749**	**(3,474)**	1,219	(3,474)
TOTAL COMPREHENSIVE INCOME	**₱443,787**	**₱331,435**	₱1,356,012	₱1,252,086

See accompanying Notes to Unaudited Interim Financial Statements.

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

	Nine Months Ended September 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)	**–**	**–**		**–**	**1,356,548**	**406**	**(942)**	**1,356,012**	**–**	**1,356,012**
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)**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,315**	**2,315**
Balances at September 30, 2012	**₱11,284,096**	**₱–**	**₱978,721**	**₱36,183**	**₱4,594,418**	**₱705**	**(₱8,641)**	**₱16,885,482**	**₱18,767**	**₱16,904,249**
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	–	–	–		1,212,247	(192,076)	43,143	1,063,314	–	1,063,314
Dividends paid	–	–	–		(270,000)	–	–	(270,000)	–	(270,000)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	(96,746)	(96,746)
Balances at September 30, 2011	₱3,873,528	₱3,000,000	₱–	₱33,073	₱3,660,195	(₱3,304)	(₱11,286)	₱10,552,206	(₱96,746)	₱10,455,460

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

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**1,445,443**	1,446,990
Adjustments for:		
Provision for impairment and credit losses	**1,225,350**	535,970
Depreciation and amortization	**391,816**	265,979
Gain on sale of assets	**(90,512)**	(31,522)
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Financial assets at fair value through profit or loss	**2,286,041**	(2,184,068)
Loans and receivables	**(14,090,868)**	(5,263,149)
Other assets	**(702,074)**	(21,443)
Increase (decrease) in the amounts of:		
Deposit liabilities	**(7,398,903)**	1,090,233
Accrued taxes, interest and other expenses	**(35,405)**	103,046
Cashier's checks and demand draft payable	**183,512**	174,284
Other liabilities	**950,738**	(2,185,158)
Income taxes paid	**(84,193)**	(206,849)
Net cash used in operating activities	**(15,918,868)**	(6,275,686)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturity of:		
Investment properties and other repossessed assets	**181,023**	-
Investment securities at amortized cost	**2,669,038**	3,048,703
Acquisitions of:		
Property and equipment	**(596,626)**	(496,734)
Capitalized software	**(171,612)**	(224,736)
Branch licenses	**(510,600)**	-
Investment securities at amortized cost	**(1,722,210)**	(3,566,203)
Acquisition of a subsidiaries	**(19,700)**	268,807
Net cash used in investing activities	**(109,393)**	(970,162)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in bills and acceptances payable	**2,057,547**	5,839,581
Payments of dividends	**(1,067,500)**	(270,000)
Issuance of common stock	**5,389,289**	**-**
Net cash provided by financing activities	**6,379,336**	5,569,581
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(9,648,925)**	(1,676,267)

(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	17,487,375
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	**1,796,791**	1,594,311
Due from Bangko Sentral ng Pilipinas	**10,381,238**	10,019,680
Due from other banks	**923,257**	2,052,687
Interbank loans receivable and securities purchased under resale agreements	**270,277**	2,144,430
	₱13,371,563	₱15,811,108

See accompanying Notes to Unaudited Interim Financial Statements.

1. Corporate Information

East West Banking Corporation (the Parent Company or the Bank) 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 Bank received the approval of the BSP to operate as a universal bank.

The Bank is effectively 75% owned by Filinvest Development Corporation (FDC) and its 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 12).

Through its network of 185 and 122 branches as of September 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.

On October 8, 2012, the Parent Company 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, Podium of The Beaufort, 5th Avenue, corner 23rd Street, Fort Bonifacio Global City, Taguig City.

On July 31, 2012, the Parent Company also acquired 91.6% voting shares of FinMan Rural Bank, Inc. (FRBI). 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.

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.

Both GBI and FRBI were consolidated with the Parent Company by the time the latter gained control.

2. Summary of Significant Accounting Policies

Basis of Presentation

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 subsidiaries 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 subsidiaries. The interim financial statements of the subsidiaries 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 September 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 September 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 Parent Company and its subsidiaries 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, as of the third quarter of 2012 in the following areas are summarized below.

- Market risk: At less than Php200 million value-at-risk on the Parent Company's trading book for potential adverse movements in interest rate and foreign exchange rate.

- Interest rate risk: On the Parent Company's banking book, maximum potential loss impact from adverse movement in interest rate is approximated at 2% and 6% 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 at 'BB' composite rating.
    - Loan portfolio security profile remains healthy at around 43% 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 Parent Company remains to be generally liquid with sufficient sources of funding as and when the need arises.

Capital level, on the other hand, stands at Php16 billion, more than enough to cover for the above approximated exposures.

Thus, the Group's risk management policies remain generally the same as in 2011. The Group'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 Group's financial instruments as of September 30, 2012 and December 31, 2011:

	September 30, 2012		**December 31, 2011**	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial assets				
Cash and other cash items	**₱1,796,791**	**₱1,796,791**	**₱2,243,104**	**₱2,243,104**
Due from BSP	**10,381,238**	**10,381,238**	**11,315,202**	**11,315,202**
Due from other banks	**923,257**	**923,257**	**1,739,088**	**1,739,088**
IBLR and SPURA	**270,277**	**270,277**	**7,723,094**	**7,723,094**
Loans and receivables	**60,968,413**	**61,552,643**	**48,086,799**	**49,511,929**
Financial assets at FVTPL	**4,758,800**	**4,758,800**	**5,831,623**	**5,891,324**
Financial assets at FVOCI	**16,356**	**16,356**	**77,244**	**17,543**
Investment securities at amortized cost	**9,786,946**	**10,437,834**	**11,946,992**	**13,086,986**
	₱88,902,078	**₱90,188,110**	**₱88,963,146**	**₱91,528,270**
Financial liabilities				
Deposit liabilities	**69,270,632**	**69,394,933**	**76,669,535**	**76,696,730**
Bills and acceptances payable	**4,220,735**	**4,220,735**	**2,163,188**	**2,163,188**
Accrued Taxes, Interest and Other Expenses	**466,799**	**466,799**	**709,252**	**709,252**
Cashier's Checks and Demand Draft Payable	**636,081**	**636,081**	**452,569**	**452,569**
Subordinated Debt	**2,863,595**	**3,914,990**	**2,861,282**	**3,556,714**
Other liabilities	**507,650**	**507,650**	**529,248**	**529,248**
	₱77,965,492	**₱79,141,188**	**₱83,385,074**	**₱84,107,701**

The methods and assumptions used by the Group 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 Group uses the following hierarchy for determining the fair value of financial instruments which is consistent with the methodology applied by the Group 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:

	September 30, 2012		
	Level 1	**Level 2**	**Level 3**
Financial assets at FVTPL	**₱4,758,800**	**₱–**	**₱–**
Financial assets at FVTOCI	**16,356**	**–**	**–**
Derivative assets	**–**	**38,329**	**–**

	December 31, 2011		
	Level 1	**Level 2**	**Level 3**
Financial assets at FVTPL	**₱5,891,324**	**₱–**	**₱–**
Financial assets at FVTOCI	**17,543**	**–**	**–**
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 September 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.

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.

Segment information of the Group as of and for the nine months ended September 30, 2012 follow:

	Retail Banking	Corporate Banking	Consumer Banking	Treasury & Trust	Elimination Items	Total Bankwide
Statement of Income						
Net Interest Income						
Third Party	1,230	166	2,637	51	233	4,317
Intersegment	24	209	-	-	(232)	-
	1,254	374	2,637	51	1	4,317
Non- interest Income	511	45	1,089	1,258	(1)	2,902
Revenue - Net of Interest Expense	1,765	419	3,726	1,309	0	7,219
Non- interest Expense	(1,883)	(269)	(2,969)	(196)	(456)	(5,773)
Income Before Income Tax	(118)	150	757	1,113	(456)	1,446
Provision for Income Tax	(15)	(6)	133	(28)	(173)	(89)
Net Income for the Period	(133)	144	890	1,085	(629)	1,357
Statement of Financial Position						
Total Assets	16,693	28,510	35,656	5,715	10.909	97,483
Total Liabilities	73,697	14,467	1,005	4,521	(13,111)	80,579
Other Segment Information						
Depreciation and Amortization	222	13	105	19	33	392
Provision for Credit and Impairment Losses	-	10	1,155	-	60	1,225

Segment information of the Group as of and for the nine months ended September 30, 2011 follow:

	Retail Banking	Corporate Banking	Consumer Banking	Treasury & Trust	Elimination Items	Total Bankwide
Statement of Income						
Net Interest Income						
Third Party	993	211	1,951	52	329	3,536
Intersegment	23	187	-	-	(210)	-
	1,016	398	1,951	52	119	3,536
Non- interest Income	386	50	902	273	(27)	1,584
Revenue - Net of Interest Expense	1,402	448	2,853	325	92	5,120
Non- interest Expense	(1,380)	(191)	(2,021)	(156)	75	(3,673)
Income Before Income Tax	22	257	832	169	167	1,447
Provision for Income Tax	(34)	(24)	(66)	(53)	(58)	(235)
Net Income for the Period	(12)	233	766	116	109	1,212
Statement of Financial Position						
Total Assets	15,368	22,870	26,095	15,239	11,396	90,968
Total Liabilities	71,241	13,682	995	7,435	(12,351)	81,002
Other Segment Information						
Depreciation and Amortization	138	8	72	13	35	266
Provision for Credit and Impairment Losses	-	8	673	-	(145)	536

7. Business Combination

On June 15, 2012, the BSP approved the Parent Company's acquisition of up to 100% of the total outstanding shares of FRBI. Consequently, on July 31, 2012, the Parent Company gained control of FRBI at 91.6%.

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	33,779
Financial assets at FVTOCI	410
Loans and receivables	5,949
Property and equipment	7,192
Other assets	559
	48,508

Liabilities	
Deposit liabilities	8,127
Accrued taxes, interest and other expenses	356
Other liability	547
	9,030
Fair value of net assets acquired	**₱39,478**

The purchase price allocation has been prepared on a preliminary basis due to unavailability of certain information to facilitate fair value computation, and reasonable changes are expected as additional information becomes available.

The computation of provisional goodwill follows:

Consideration for the acquisition	₱61,000
Fair value of net assets	39,478
Goodwill	₱21,522

The data below shows the cash flow analysis of the acquisition:

Acquisition cost	₱54,098
Net cash acquired with the subsidiary*	(34,398)
Net cash inflow (included in cash flows from investing activities)	₱19,700

**includes Cash and other cash items, Due from BSP and Due from other banks.*

Other costs incurred from the acquisition such as legal, audit and other professional fees are not material.

8. **Trading and Investment Securities**

As of September 30, 2012, the Group's investment in foreign debt securities totaled Php2,138 million while investment in foreign equity securities amounted to Php109 million.

Of the Php2,138 billion debt securities, Php865 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 September 30, 2012 and 2011 amounted to Php1,170 million and Php229 million, respectively.

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

9. **Goodwill and Other Intangible Assets**

The Monetary Board (MB) of the BSP, in its MB Resolution No. 1727 dated November 17, 2011, granted the Parent Company 75 branch licenses applied for by the latter in restricted areas. The grant was made in accordance with Phase I of BSP Circular No. 728, , issued by the BSP on June 23, 2011 which implemented the phased lifting of branching restriction in the eight restricted areas in Metro Manila. Under Phase I of the liberalization, private domestically incorporated universal and commercial banks were given a time-bound window until June 30, 2014 to apply for and establish branches in the said restricted areas.

The licensing and processing fees were capitalized as branch licenses and classified under Goodwill and Other Intangible Assets in the Group's statement of financial position.

10. **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 Subsidiaries, 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 September 30, 2012 and December 31, 2011, the Bank has complied with the above requirements.

In 2012 and previous years, the Parent Company entered into agreements for the purchase of receivables with FDC, its principal stockholder, and Filinvest Land, Inc. (FLI), a related party, by which the Parent Company agreed to purchase, on a without recourse basis, the installment contracts receivable from FDC and FLI on an arms-length basis.

Outstanding receivables purchased by the Parent Company from FDC and FLI amounted to Php891.7 million and Php546.3 million, respectively, as of September 30, 2012.

The carrying value approximates its fair value at inception date.

11. **Financial Performance**

Earnings per share amounts were computed as follows:

	September 30, 2012	September 30, 2011
a. Net income attributable to equity holders of the Parent Company	**₱1,355,329**	₱1,215,721
b. Dividends declared on convertible preferred shares	**-**	(202,500)
c. Net income attributable to common shareholders of the Parent Company	**1,355,329**	1,013,221
d. Weighted average number of outstanding common shares	**932,384**	387,353
e. Weighted average number of convertible preferred shares	**66,667**	300,000
f. Basic EPS (c/d)	**₱1.45**	₱2.62
g. Diluted EPS [a/(d+e)]	**₱1.36**	₱1.77

12. **Equity Transactions**

As of September 30, 2012 and December 31, 2011, the Parent Company's capital stock consists of:

	September 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		
September 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		
September 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 Php3.0 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 Php3.0 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 Php10 par value, representing 21.7% of outstanding capital stock, was offered and subscribed through an initial public offering at Php18.50 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 coming from the over-allotment option were exercised at a price of Php18.50 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 Php2,609.6 million while the net proceeds (after deduction of fees and expenses) amounted to Php2,378.6 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

ATTACHMENT 2

CONSOLIDATED AGING SCHEDULE
PAST DUE LOANS AND OTHER RECEIVABLES
SEPTEMBER 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	8,126,314	2,845,656	686,299	643,741	3,950,618
Allowance for credit losses	(4,489,840)				
Total	3,636,474				

ATTACHMENT 3

CONSOLIDATED FINANCIAL RATIOS
(As Required by SRC Rule)
September 30, 2012

	September 30, 2012	**September 30, 2011**
Current ratio [1]	78.34%	96.96%
Solvency ratio [2]	1.21	1.13
Debt-to-equity [3]	4.77	7.65
Asset-to-equity [4]	5.77	8.65
Interest rate coverage ratio [5]	210.53%	209.30%

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