May 8, 2013

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 March 31, 2013 filed with the Securities and Exchange Commission (SEC).

Thank you.

Very truly yours,

Aerol Paul B. Banal
Corporate Planning Officer

COVER SHEET

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

SEC Registration Number

E A S T W E S T B A N K I N G C O R P O R A T I O N A N D
S U B S I D I A R I E S

(Company's Full Name)

T H E B E A U F O R T
5 T H A V E N U E C O R N E R 23 R D S T .
F O R T B O N I F A C I O G L O B A L C I T Y
T A G U I G C I T Y 1 6 3 4

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

Renato K. De Borja, Jr.
(Contact Person)

+632 8139772 Local 3390
(Company Telephone Number)

1 2	3 1	1 7 - Q		
Month	Day	(Form Type)	Month	Day
(Fiscal Year)			(Annual Meeting)	

NONE

(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 **March 31, 2013**

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
   The Beaufort, 5th Avenue, Corner 23rd St. — **1634**
   Fort Bonifacio Global City, Taguig City

8. Issuer's telephone number, including area code
   +632 8139772 Extension 3390

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

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 2,862,491,587	

....

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 I:

Management's Discussion & Analysis of Financial Position and Results of Operations

Item II:

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

May 8, 2013

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

Financial Performance Highlights

The Bank's net income grew by 60% to P735 million from P460 million in the same period last year, which resulted to an annualized Return on Equity and Return on Assets of 16.7% and 2.5%, respectively.

Total Assets stood at P118.6 billion as of March 31, 2013. This is 34% higher and 2% lower than March 31, 2013 and December 31, 2012, respectively. The y/y growth in assets is driven mainly by the growth in lending. Customer loans grew by 54% y/y and 3% q/q. The Bank remains focused on its strategies in growing its consumer and mid-market corporate loans. Consumer loans grew by 44% y/y and 9% q/q, at the backed of strong consumer demand. Corporate loans grew 70% y/y but went down by 4% q/q. Consumer loans still take up more than half of the loan portfolio at 55% of total customer loans.

In the first quarter of the year, the Bank posted a significantly higher operating expenses and credit costs. Operating expenses (exclusive of provision for impairment losses) increased by 47% to P2.0 billion from P1.4 billion in the same period last year resulting from the full year effect of its 2012 branch store expansion. The Bank opened 123 branch stores in 2012 the majority of which were opened in the 2nd half of 2012. Provision for credit losses increased by 194% to P904 million as the Bank accelerated its provisioning in line with strong revenue growth. The Bank's operating income posted a growth of 66% to P3.6 billion from P2.2 billion in the same period last year. Strong growth in core earnings anchored on above industry net interest margin (NIM) of 8.0% and boosted by hefty trading gains in the 1st quarter. Fee-based income also posted double-digit growth driven mainly by consumer loan related fees and branch related transaction fees.

Revenues

Net Revenues grew by 66% y/y to P3.6 billion from P2.2 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 P703 million or 38% y/y.

Core recurring income was complemented by robust trading gains during the first quarter as the Bank took advantage of favorable market conditions with fixed income securities trading gains growing by nearly 4x to P1.0 billion from P271 million in the same period last year. Foreign exchange trading, on the other hand, went down to P29 million from P70 million in the same period last year.

Net Interest Income

Net Interest Income stood at P1.9 billion, 43% or P565 million higher than the P1.3 billion posted in Q1 last year. The higher net interest income was a result of the double digit growth in lending coupled by declining cost of funds. Net Interest Margin (NIM) improved to 8.0% in 1Q2013 from 6.5% in the same period last year, even as corporate loan yields continue to decline,due to (i) robust growth in loans, particularly consumer loans which accounts for 55% of the portfolio; (ii) reduction in interest cost of high cost deposits; and (iii) CASA to Total Deposit ratio increasing to 54% as against 48% in the same period last year.

Fee Income

Fee based income increased by 27% to end at P651 million from P513 million in the same period last year. The increase primarily came from service charges, fees, commissions and other charges which stood at P572 million or 42% higher. This is attributable to the increasing deposit base and consumer loan portfolio which attract transaction fee income. The increase in fees was partly offset by the decline in gain on sale of assets, which went down by P50 million y/y.

Trading Income

The Bank took advantage of market opportunities as interest rates continue to drop and posted strong trading results from fixed income securities. Trading income increased by 286% or P777 million to end at P1.0 billion as of the first quarter of 2013. Foreign exchange gains was at P29 million, down by P41 million y/y, at the back of a volatile FX market.

Operating Costs

Total operating expenses increased by 47% to P2.0 billion from P1.4 billion in the same period last year as the full year effect of the branch store expansion has started to reflect on expenses. Compensation and fringe benefits of P726 million was P311 million or 75% higher than the same period last year on account of the higher headcount for the new branch stores and business expansion particularly in the areas of consumer and corporate lending. Taxes and licenses increased by 36% to P245 million as a direct result of higher operating income. Depreciation and amortization of P157 million was 24% higher while Rent expense of P137 million was 55% higher both on account of the new branch stores that were opened throughout 2012.

Miscellaneous expenses increased by 33% to P748 million due to the following: (1) Advertising went down by P50 million due to the heavy re-branding spends in the first quarter of 2012; (2) Service charges and commissions, postage and broker-collection fees increased by a combined P122 million on account of expansion in consumer loans, esp. credit cards; and (3) Securities, messengerial and janitorial expenses, as well as utilities cost increased by P65 million on account of new corporate head quarters and branch stores. The rest were spread out across various variable expenses such as PDIC insurance (o/a of higher deposit level), repairs & maintenance, transportation and travel, directly related to growth in loans and deposit businesses.

Cost-to-Income ratio declined to 55.8% in 1Q2013 from 63.1% in the same period last year due to growth in core earnings and trading gains which offset the expenses arising from the branch store expansion from last year.

Provisions

Provisioning were significantly higher, increasing by nearly 3x to P904 million from P308 million in the same period last year as the Bank accelerated loan loss provisions on account of the rapid growth in consumer loans, particularly unsecured portfolios of credit cards and personal loans. There were also some one-off non-credit loss provisions. All told, there were about P500 million of non-recurring credit and non-credit impairment provisions in Q1.

Loans

Customer loans grew by 54% y/y and 3% q/q. The Bank remains focused in growing its consumer and mid-market corporate loans. Consumer loans grew by 44% y/y and 9% q/q, at the back of strong consumer demand. Corporate loans grew 70% y/y but went down by 4% q/q. Similar to previous quarters, consumer loans take up more than half of the portfolio at 55% of total loans.

Deposits

Deposit levels as of the first quarter of 2013 was at P86.7 billion, up by 32% from the same period last year but down by only 5% from end 2012. The decline coming from year-end levels was expected as liquidity is usually high during the last quarter of the year. The y/y growth is largely attributable to the expanded branch store network as reflected in the growth of low cost deposits (CASA) which ended at P47.2 billion for an increase of 51% y/y. High cost deposits (inclusive of LTNCDs) on the other hand increased by only 15% to end the quarter at P39.5 billion. As a result, low cost (CASA) to total deposits ratio further improved to 54%.

The strong growth in both lending and low cost funds, and the reduction in the cost of high cost deposits resulted for the Bank to post another record NIM of 8.0% as of the first quarter of 2013. This is more than 2x the industry average of about 3.6%.

Capital

The Bank's Capital Adequacy Ratio remain more than adequate at 17.5% in 1Q2013 despite the increase in risk weighted assets, particularly customer loans which increased by 54% y/y. The Bank's Tier 1 ratio stood at 14.0%. The Bank's Tier 1 capital is composed entirely of common equity. While the Bank's capital levels are still above Basel 3 requirements, which will take effect next year, the Bank is now reviewing its capital structure that will best optimize returns for shareholders under Basel 3 regime.

Credit Quality

The Bank's overall NPL ratios declined y/y as the loan book continues to grow and maintain its quality. The Bank's NPL to Total Customer Loans, net of fully provided NPLs, declined to 3.7%[1] in the first quarter of 2013 from 4.3%[1] in the same period last year. It increased slightly from 3.5%[1] as of December 2012 due to higher credit cards past due, which is in line with expectations as we continue to gain market share.

The Bank's net NPL ratio at solo level and as disclosed to the BSP declined to 2.05%[2] in March 2013 from 4.36%[2] in March 2012. The y/y decline in NPL is largely due to the change in BSP guidance in calculating NPL ratio, in which total specific allowances are now a deductible from NPL in computing for NPL ratio, as compared to last year wherein only the NPLs classified as loss by the BSP are considered as deductions in computing for its NPL.

The Bank's NPL ratio is relatively higher than industry average for two reasons: (i) more than half of the Bank's portfolio is in the consumer segment which has a much higher yield but also attracts higher credit costs; and (ii) the Bank has not fully written-off all its charged-off NPLs to optimize its tax position.

The Bank's overall NPL coverage ratio is at 81%[3]. Unsecured consumer NPLs are 100% provisioned while those with collaterals are provisioned after considering expected recoveries. This explains why provisions are not 100% of total NPL.

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

<u>Summary of Key Financials and Ratios:</u>

Balance Sheet (in PHP billions)	**March 31, 2013**	**March 31, 2012**	**y/y Growth %**
Assets	118.6	88.6	34%
Consumer Loans	41.1	28.5	44%
Corporate Loans	33.3	19.7	70%
Low Cost Deposits (CASA)	47.2	31.3	51%
High Cost Deposits	39.5	34.2	15%
Capital	18.1	13.6	33%

Profitability (in PHP millions)	**March 31, 2013**	**March 31, 2012**	**y/y Growth %**
Net Interest Income	1,882	1,317	43%
Other Income	1,728	855	102%
Operating Expenses	2,013	1,371	47%
Provision for Losses	904	308	194%
Net Income After Tax	735	460	60%

Key Financial Ratios	**March 31, 2013**	**March 31, 2012**	**Variance b/(w)**
Return on Equity	16.7%	14.4%	2.3%
Return on Assets	2.5%	2.0%	0.5%
Net Interest Margin	8.0%	6.5%	1.5%
Cost-to-Income Ratio	55.8%	63.1%	(7.3%)
Capital Adequacy Ratio	17.5%	18.5%	(1.0%)

Business Segment Performance

The industry leading net interest margin of the Bank was from the combined efforts of the Consumer Lending, Corporate Banking and Retail Banking business segments. The growth in loans was the main driver in interest income for the first quarter of 2013. Both Consumer Lending and Corporate Banking posted double-digit growth in their respective loan portfolios. The increase in corporate loan releases was brought about by the expanded account officer corps which mitigated the effects of thinning spreads due to the low interest rate environment. The decline in interest expense was due to Retail Banking's efforts, as the branch stores continue to focus on CASA generation and management of cost of deposits. As a result, CASA to total deposit ratio improved to 54% from 48% in the same period last year, driven by the 51% y/y growth in low cost funds.

Consumer Lending was led by the contribution of the credit card business as receivables ended at P16.5 billion, which is 26% higher than the same period last year and 3% higher q/q. NPL to total receivables increased to 6.3% during the first quarter of 2013 from 5.9% as of year-end 2012. The increase in NPL was in line with expectations as the Bank ramped up its cards acquisition in 2012 to gain market share, where it ranked first in terms of y/y growth. NPL of cards receivables remain to be fully covered with coverage ratio of 106%. Likewise, NPL ratio net of fully covered NPLs (or net of charged off accounts) is only at 3.7%.

Auto loans was the second highest contributor for Consumer Lending, which reached a total of P12.3 billion in loans, or 38% higher y/y and 8% higher q/q. The Bank was able to grab a proportionate share of the record sales posted by the auto industry in the first quarter of 2013. NPL to total loans improved to 6.7% in the first quarter of 2013 from 6.8% as of December 31, 2012, while NPL net of fully covered NPLs went down to 4.5% from 4.6% in December 2012. NPL coverage for auto is at 41%.

Mortgage loans grew by 54% to P6.7 billion in the first quarter of 2013 compared to the same period last year and 2% vs. Dec. 2013. NPL ratio of Mortgage loans went down to 7.4% in the first quarter of 2013 from 7.8% in December 2012, due to new loan bookings that added to its seasoned portfolio. NPL coverage for mortgage is still at 0% as recoverable value of mortgage loan continues to be higher due to the steady appreciation of collateral values.

Other consumer loans stood at P5.6 billion or a 151% increase y/y and 45% increase q/q due to the strong contribution of the Bank's personal loans and the subsidiary rural bank's consumer loan products. Loans of the rural bank, which largely composed of salary loans to public school teachers, ended at P4.0 billion or P2.6 billion higher than the same period last year as the subsidiary starts to gain traction. The Bank's personal loans business which was launched 2 years ago posted a 234% growth y/y and ended at P1.3 billion from P395 million in the same period last year. NPL ratio of other consumer loans went down to 12.3% in the first quarter of 2013 from 18.8% q/q. These NPLs are mostly coming from legacy accounts of the rural bank.

On the Corporate Banking side, loans grew by 70% to P33.3 billion y/y as contributions from the expanded sales force started to produce results. However, compared to year-end 2012 levels, corporate loans went down slightly by 4% due to low yielding accounts that were not renewed due to negative spreads. NPL to total loans increased slightly to 3.1% in the first quarter of 2013, from 3.0% in the 4th quarter of 2012. NPL ratio net of fully covered accounts was only 1.2%. Corporate loan NPL cover stood at 116%.

Non-interest income came from Treasury business segment which took advantage of the declining rates and favorable market situation and posted hefty trading gains in the first quarter of 2013. This was complemented by solid growth on transaction fee income from Consumer loans and Branch banking businesses.

On the cost side, the headcount heavy Consumer lending and Retail banking led all business segments in terms of operating expenses. This was largely due to the branch store expansion program and the higher credit costs booked for Consumer loans mainly due to the increase in credit cards receivables.

In summary, the Treasury business contributed the most to the net income for the Bank due to strong trading performance. Consumer lending and Corporate banking, were the second and third, respectively, in terms of net income contribution due to the robust increase in loans. Retail banking on the other hand is still carrying the brunt of the heavy investment for the branch store expansion.

<u>Other Information:</u>

As of March 31, 2013, the EW Bank has a total of 255 branches, with 124 of these branch stores in the restricted areas and a total of 153 of these branch stores in all of Metro Manila. For the rest of the country, the Bank has 52 branches in other parts of Luzon, 29 branches in Visayas, and 21 branches in Mindanao. The total ATM network is at 301, composed of 243 on-site ATMs and 58 off-site ATMs. Total headcount of EW Bank is 3,866.

The rural bank subsidiaries have a total of 47 branches, 47 ATMs and 443 officers/staff, bringing the group branch store network total to 302 with 348 ATMs and combined manpower of 4,309.

<u>Known trends, demands, commitments, events or uncertainties</u>

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.

<u>Events that will trigger direct or contingent financial obligation</u>

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.

<u>Material off-balance sheet transactions, arrangements or obligations</u>

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 store expansion and implementation of various IT projects. Expected sources of funds for the projects will come from the Bank's operating cash flows.

Significant Elements of Income or Loss

Significant elements of the consolidated net income of the Group for the quarter ended March 31, 2013 and 2012 came from its continuing operations.

Seasonal Aspects

There are no seasonal aspects that had a material effect on the Bank's financial position 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 – March 31, 2013 vs. December 31, 2012

- Cash and cash equivalents decreased by 31% to P2.2 billion due to the leveling-off of cash in vault from the usual year-end build-up.
- Due from BSP decreased by 18% to P17.9 billion due to maturity of placements with the BSP.
- Due from other banks increased by 33% to P2.2 billion due to increased levels of placements and working balances with counterparty banks.
- Interbank loans receivable and Securities Purchased Under Resale Agreements (SPURA) decreased by 17%to P484 million from lower overnight placements with the BSP.
- Financial Assets at Fair Value through Profit and Loss increased by 25% to P5.3 billion due to higher volume of trading related activities of the Bank.
- Investment Securities at Amortized Cost decreased by 6% to P9.0 billion due to the maturity and sale of various government securities and private bonds.
- Property and equipment inched up by 7% to P2.9 billion on account of aggressive branch expansion.
- Deferred income tax increased by 11% to 1.1 billion on account of higher provisioning set-up during the period.
- Other assets decreased by 12% to P847 million due primarily to the decrease in foreign currency notes and coins on hand.
- Deposit liabilities decreased by 5% to P86.7 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.

- Cashier's Checks and Demand Draft Payable inched up by 17% due to higher transaction volumes during the period.
- Accounts payable and accrued expenses increased by 22% due to higher level of accruals on account of aggressive branch expansion.
- Other liabilities jumped by 20% to P3.3 billion. The increase was due to higher balances of bills purchased (with contra-account classified under Loans and Receivables).

II. Statement of Income – March 31, 2013 vs. March 31, 2012

- Interest income increased by 26% to P2.33 billion in the first quarter of 2013 from P1.85 billion in the same period last year primarily due to an increase in lending activities, largely driven by credit cards, auto loans and corporate loan growth.
- Service charges, fees and commissions increased 42% to P572 million from P404 million in 2012, resulting from the expansion of retail banking and consumer lending.
- Trading and securities gain and foreign exchange gain increased by 216% as the Bank took advantage of the favorable market conditions during the period.
- Gain on sale of assets decreased by 92% in the first quarter of 2013 as the Bank disposed a sizable portion of repossessed assets last year compared to this year.
- Miscellaneous income also increased by 35% to P68 million due to higher volume transactions.
- Manpower costs continue to rise from P415 million last year to P726million this year on account of business and branch store expansion.
- The Bank continued its conservative provisioning on account of its loan expansion by setting aside P904 million in provision for probable losses, an increase of 194% from what was reported in the first quarter of 2012.
- Taxes and licenses, Depreciation and amortization, Rent and Miscellaneous expenses increased by 36%, 24%, 55% and 33%, respectively, on account of business expansion.

Attachment I

East West Banking Corporation and Subsidiaries

Interim Consolidated Financial Statements
As of March 31, 2013 (Unaudited) and December 31, 2012 (Audited)
And for the Three Months Ended March 31, 2013 and 2012 (Unaudited)

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION
As of March 31, 2013
(With Comparative Figures for December 31, 2012)
(Amounts in Thousands of Philippine Peso)

	2013	2012
	Unaudited	Audited
ASSETS		
Cash and Other Cash Items	**₱2,217,351**	3,235,161
Due from Bangko Sentral ng Pilipinas	**17,946,186**	21,855,275
Due from Other Banks	**2,173,427**	1,637,917
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (IBLR and SPURA)	**483,799**	582,648
Financial Assets at Fair Value Through Profit or Loss	**5,314,815**	4,260,325
Financial Assets at Fair Value Through Other Comprehensive Income (FVTOCI)	**10,485**	9,982
Investment Securities at Amortized Cost	**9,011,165**	9,620,505
Loans and Receivables	**72,336,641**	71,192,741
Property and Equipment	**2,935,864**	2,740,689
Investment Properties	**970,439**	937,648
Deferred Tax Assets	**1,077,828**	973,137
Goodwill and Other Intangible Assets	**3,309,698**	3,399,851
Other Assets	**847,064**	957,461
TOTAL ASSETS	**₱118,634,761**	₱121,403,340
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	**₱30,653,176**	₱34,129,088
Savings	**16,586,342**	16,238,463
Time	**36,887,378**	39,317,476
Long-term negotiable certificates of deposits	**2,568,518**	1,523,778
	86,695,414	91,208,805
Bills and Acceptances Payable	**5,677,277**	5,571,387
Accrued Taxes, Interest and Other Expenses	**1,169,645**	956,063
Cashier's Checks and Demand Draft Payable	**833,364**	714,398
Subordinated Debt	**2,862,492**	2,863,751
Income Tax Payable	**33,106**	28,113
Other Liabilities	**3,301,302**	2,739,943
TOTAL LIABILITIES	**₱100,572,600**	₱ 104,082,460
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		
Common Stock	**₱11,284,096**	₱11,284,096
Additional Paid-in Capital	**978,721**	978,721
Surplus Reserves	**38,967**	38,967
Surplus	**5,769,901**	5,034,967
Net unrealized Gains on FVTOCI	**1,266**	1,174
Remeasurement Losses on Retirement Plan	**(14,247)**	(14,247)
Cumulative Translation Adjustment	**(3,102)**	(16,351)
	18,055,602	17,307,327
NON-CONTROLLING INTEREST	**6,559**	13,553
TOTAL EQUITY	**18,062,161**	17,320,880
TOTAL LIABILITIES AND EQUITY	**₱118,634,761**	₱121,403,340

See accompanying Notes to Unaudited Interim Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM STATEMENTS OF INCOME
For the Three Months Ended March 31, 2013 and 2012
(Amounts in Thousands of Philippine Peso)

	2013	2012
INTEREST INCOME		
Loans and receivables	**2,120,243**	₱1,541,113
Trading and investment securities	**166,832**	259,701
Due from other banks and interbank loans receivable and securities purchased under resale agreements	**44,300**	50,796
	2,331,375	1,851,611
INTEREST EXPENSE		
Deposit liabilities	**373,406**	424,035
Subordinated debt, bills payable and other borrowings	**75,678**	110,334
	449,084	534,368
NET INTEREST INCOME	**1,882,291**	1,317,242
Service charges, fees and commissions	**571,628**	403,601
Trading and securities gain	**1,047,838**	271,250
Foreign exchange gain	**29,327**	70,129
Trust income	**7,270**	5,381
Gain on sale of foreclosed assets and other properties	**4,194**	54,090
Miscellaneous	**67,797**	50,269
TOTAL OPERATING INCOME	**3,610,345**	2,171,962
OPERATING EXPENSES		
Provision for impairment and credit losses	**904,310**	308,079
Compensation and fringe benefits	**725,614**	414,607
Taxes and licenses	**245,382**	180,803
Depreciation and amortization	**157,249**	126,511
Rent	**137,156**	88,336
Miscellaneous	**747,761**	561,214
TOTAL OPERATING EXPENSES	**2,917,472**	1,679,551
INCOME BEFORE INCOME TAX	**692,873**	492,411
PROVISION FOR INCOME TAX	**(42,061)**	31,952
NET INCOME	**₱734,934**	₱460,458
ATTRIBUTABLE TO:		
Equity holders of the Parent Company	**₱737,741**	₱460,762
Non-controlling interest	**(2,807)**	(304)
NET INCOME	**₱734,934**	₱460,458
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company	**₱0.65**	₱0.78
Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	**₱ 0.65**	₱0.59

See accompanying Notes to Unaudited Interim Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months Ended March 31, 2013 and 2012
(Amounts in Thousands of Philippine Peso)

	2013	2012
NET INCOME FOR THE PERIOD	**₱734,934**	₱460,458
OTHER COMPREHENSIVE INCOME		
Unrealized gains on financial assets at FVTOCI	**92**	1,623
Cumulative translation adjustment	**13,249**	3,172
TOTAL OTHER COMPREHENSIVE INCOME	**13,341**	4,795
TOTAL COMPREHENSIVE INCOME	**₱748,275**	₱465,253
ATTRIBUTABLE TO:		
Equity holders of the Parent Company	**₱751,082**	₱465,557
Non-controlling interest	**(2,807)**	(304)
TOTAL COMPREHENSIVE INCOME	**₱748,275**	₱465,253

See accompanying Notes to Unaudited Interim Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY
For the Three Months Ended March 31, 2013 and 2012
(Amounts in Thousands of Philippine Peso)

Consolidated

Three Months Ended March 31, 2013 and 2012

	Equity Attributable to Equity Holders of the Parent Company									
	Common Stock	**Additional Paid-in Capital**	**Surplus Reserves**	**Surplus**	**Net Unrealized Gain on Financial Assets at FVTOCI**	**Remeasurement Gains (Losses) on Retirement Plan**	**Cumulative Translation Adjustment**	**Total**	**Non-Controlling Interest**	**Total Equity**
	(Amounts in Thousands)									
Balances at January 1, 2013	**₱11,284,096**	**₱978,721**	**₱38,967**	**₱5,034,967**	**₱1,174**	**(₱14,247)**	**(₱16,351)**	**₱17,307,327**	**₱13,553**	**₱17,320,880**
Other comprehensive income (loss)	–	–	–	**734,934**	**92**	–	**13,249**	**748,275**	**2,807**	**751,082**
Increase in controlling interest in subsidiaries	–	–	–	–	–	–	–	–	**(9,801)**	**(9,801)**
Balances at March 31, 2013	**₱11,284,096**	**₱978,721**	**₱38,967**	**₱5,769,901**	**₱1,266**	**(₱14,247)**	**(₱3,102)**	**₱18,055,602**	**₱6,559**	**₱18,062,161**

	Common Stock	**Preferred Stock**	**Surplus Reserves**	**Surplus**	**Net Unrealized Gain (Loss) on Financial Assets at FVTOCI**	**Remeasurement Gains (Losses) on Retirement Plan**	**Cumulative Translation Adjustment**	**Total**	**Non-Controlling Interest**	**Total Equity**
	(Amounts in Thousands)									
Balances at January 1, 2012	**₱3,873,528**	**₱3,000,000**	**₱36,183**	**₱4,287,842**	**₱299**	**₱16,994**	**(₱7,699)**	**₱11,207,147**	**₱16,452**	**₱11,223,599**
Total comprehensive income (loss)	–	–	–	**460,762**	**1,623**	–	**3,172**	**465,557**	**(304)**	**465,253**
Issuance of common stock	**3,000,000**	–	–	–	–	–	–	**3,000,000**	–	**3,000,000**
Conversion of preferred stock to common stock	**3,000,000**	**(3,000,000)**	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	**(1,067,500)**	–	–	–	**(1,067,500)**	–	**(1,067,500)**
Increase in controlling interest in a subsidiary	–	–	–	–	–	–	–	–	**(1,422)**	**(1,422)**
Balances at March 31, 2012	**₱9,873,528**	**₱–**	**₱36,183**	**₱3,681,104**	**₱1,922**	**₱16,994**	**(₱4,527)**	**₱13,605,204**	**₱14,726**	**₱13,619,480**

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
UNAUDITED INTERIM STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2013 and 2012
(Amounts in Thousands of Philippine Peso)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱692,873**	₱492,411
Adjustments for:		
Provision for impairment and credit losses	**904,310**	308,079
Depreciation and amortization	**157,249**	126,511
Gain on sale of assets	**(242,030)**	(366,671)
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Financial assets at fair value through profit or loss	**(1,054,901)**	(237,560)
Loans and receivables	**(2,048,210)**	1,232,845
Other assets	**92,474**	(983,006)
Increase (decrease) in the amounts of:		
Deposit liabilities	**(4,513,391)**	(11,151,828)
Accrued taxes, interest and other expenses	**218,575**	(211,560)
Cashier's checks and demand draft payable	**118,965**	187,824
Other liabilities	**566,357**	1,067,381
Income taxes paid	**(62,629)**	(15,956)
Net cash used in operating activities	**(5,170,358)**	(9,551,530)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Investment properties and other repossessed assets	**21,205**	149,162
Investment securities at amortized cost	**759,867**	3,047,167
Property and equipment		58,306
Acquisitions of:		
Property and equipment	**(206,843)**	(227,246)
Investment securities at amortized cost	**-**	(3,082,494)
Net cash from (used in) investing activities	**574,229**	(55,105)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in bills and acceptances payable	**105,890**	83,637
Payments of dividends	**-**	(1,067,500)
Issuance of common stock	**-**	3,000,000
Net cash provided by financing activities	**105,890**	2,016,137
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(4,490,239)**	(7,590,498)

(Forward)

	2013	2012
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	**3,235,161**	2,243,104
Due from Bangko Sentral ng Pilipinas	**21,855,275**	11,315,202
Due from other banks	**1,637,917**	1,739,088
Interbank loans receivable and securities purchased under resale agreements	**582,648**	7,723,094
	27,311,001	23,020,488
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	**2,217,251**	1,825,891
Due from Bangko Sentral ng Pilipinas	**17,946,186**	9,644,805
Due from other banks	**2,173,427**	955,584
Interbank loans receivable and securities purchased under resale agreements	**483,799**	3,003,709
	₱22,820,762	₱15,429,990

See accompanying Notes to Unaudited Interim Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

1. **Corporate Information**

East West Banking Corporation (the Parent Company) was granted authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a commercial bank under Monetary Board (MB) Resolution No. 101 dated July 6, 1994, and commenced operations on July 8, 1994. The Parent Company was also granted authority by the BSP to operate an expanded foreign currency deposit unit under MB Resolution No. 832 dated August 31, 1994. On July 31, 2012, the Bank received the approval of the BSP to operate as a universal bank. As of March 31, 2013, the Parent Company is effectively 75%owned by Filinvest Development Corporation (FDC). The Parent Company's ultimate parent company is A.L. Gotianun, Inc.

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

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.

Both GBI and FRBI (the Subsidiaries) were consolidated with the Parent Company from the time the latter gained control. As of March 31, 2013, the Parent Company controls 96.53% and 100% of GBI and FRBI, respectively.

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

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, 2012 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 subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continue to be consolidated until the date when the control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies.

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

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.

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, 2012. In addition, the following standards effective January 1, 2013 onwards were assessed to either be applicable or not applicable to the Group. The Group is currently evaluating the impact of each of the standards below based on its audited figures as of December 31, 2012.

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. This standard will have no material impact on the Group's financial position and performance upon its adoption.

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. This standard is not applicable to the Group.

PFRS 1 – Government Loans - Amendments to PFRS 1
These amendments require first-time adopters to apply the requirements of PAS 20 prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PFRS 9 (or PAS 39, as applicable) and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. The exception will give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. As a result of not applying PFRS 9 (or IAS 39, as applicable) and PAS 20 retrospectively, first-time adopters will not have to recognize the corresponding benefit of a below-market rate government loan as a government grant. This standard is not applicable to the Group.

Amendments to 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 amendment affects disclosures only and has no impact on the Group's financial position or performance.

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. The adoption of the standard is not expected to have a material impact on the financial position or performance of the Group.

PFRS 11, *Joint Arrangements*
PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard is not applicable to the Group.

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. The adoption of the standard has no material impact on the financial position or performance of the Group.

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. Adoption of the standard is not expected to have a material impact on the financial position or performance of the Group.

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 limits and adequately covered by its available capital.

Specifically, notable risk exposures, where most emanate from the Parent Company, as of the first quarter of 2013 in the following areas are summarized below.

- Market risk: At less than P90 million value-at-risk (VaR) on the Parent Company's trading book for potential adverse movements in interest rate, foreign exchange rate, and equity prices.

- Interest rate risk: On the Parent Company's banking book, maximum potential loss impact from adverse movement in interest rate is approximated to not exceed 3% and 10% of the full year 2013 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 is around 39% secured given the significant proportion of consumer lending business. For the portfolio of products that normally require collateral, the Bank remains healthy at 53% secured.
    - No credit concentration in size, borrower, and industry as defined by BSP and internal risk policies.

- Liquidity risk: There is no imminent liquidity risk 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 P18 billion, more than enough to cover for the above approximated exposures.

Thus, the Group's risk management policies remain generally the same as in 2012. The Group's 2012 audited financial statements discuss in detail its risk exposures and its related policies.

5. **Fair Value Measurement**

The table in the next page presents a comparison by category of carrying amounts and estimated fair values of all of the Group's financial instruments as of March 31, 2013 and December 31, 2012.

	March 31, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and other cash items	**₱2,217,351**	**₱2,217,351**	**3,325,161**	**3,325,161**
Due from BSP	**17,946,186**	**17,946,186**	**21,855,275**	**21,855,275**
Due from other banks	**2,173,427**	**2,173,427**	**1,637,917**	**1,637,917**
IBLR and SPURA	**483,799**	**483,799**	**582,648**	**582,648**
Loans and receivables	**72,336,641**	**74,710,553**	**71,192,741**	**74,917,029**
Financial assets at FVTPL	**5,314,815**	**5,314,815**	**4,260,325**	**4,260,325**
Financial assets at FVOCI	**10,485**	**10,485**	**9,982**	**9,982**
Investment securities at amortized cost	**9,011,165**	**10,115,357**	**9,620,505**	**10,749,769**
	₱109,493,869	**₱112,971,973**	**₱112,394,554**	**₱ 117,248,106**
Financial liabilities				
Deposit liabilities	**₱86,695,414**	**₱87,326,760**	**₱91,208,805**	**₱91,633,830**
Bills and acceptances payable	**5,677,277**	**5,677,277**	**5,571,387**	**5,571,387**
Accrued Taxes, Interest and Other Expenses	**145,724**	**145,724**	**925,153**	**925,153**
Cashier's Checks and Demand Draft Payable	**833,364**	**833,364**	**714,398**	**714,398**
Subordinated Debt	**2,862,492**	**3,865,031**	**2,863,751**	**3,550,031**
Other liabilities	**1,034,550**	**1,034,550**	**923,373**	**923,373**
	₱97,248,821	**₱98,882,706**	**₱102,206,867**	**₱103,318,154**

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, 2012 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:

	March 31, 2013		
	Level 1	**Level 2**	**Level 3**
Financial assets at FVTPL	**₱5,314,815**	**₱–**	**₱–**
Financial assets at FVTOCI	**2,817**	**–**	**–**
Derivative assets	**–**	**1,084**	**–**

	December 31, 2012		
	Level 1	**Level 2**	**Level 3**
Financial assets at FVTPL	**₱4,260,325**	**₱–**	**₱–**
Financial assets at FVTOCI	**6,735**	**–**	**–**
Derivative assets	**–**	**(56,638)**	**–**

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 March 31, 2013 and December 31, 2012, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The 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 (store) 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 include 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 three months ended March 31, 2013 follow:

	Retail Banking	**Corporate Banking**	**Consumer Banking**	**Treasury & Trust**	**Elimination Items**	**Total Bankwide**
Statement of Income						
Net Interest Income						
Third Party	480	104	1,215	13	70	1,882
Intersegment	10	118	-	-	(128)	-
	490	222	1,215	13	(58)	1,882
Noninterest Income	208	18	441	1,016	45	1,728
Revenue - Net of Interest Expense	698	240	1,656	1,029	(13)	3,610
Noninterest Expense	(801)	(203)	(1,176)	(101)	(636)	(2,917)
Income Before Income Tax	(103)	37	480	928	(649)	693
Provision for Income Tax	(8)	25	(2)	(11)	38	42
Net Income for the Period	(111)	62	478	917	(611)	735
Statement of Financial Position						
Total Assets	20,946	34,222	41,588	12,051	9,828	118,635
Total Liabilities	90,243	20,875	1,331	8,000	(19,877)	100,573
Other Segment Information						
Depreciation and Amortization	93	6	46	5	8	157
Provision for Credit and Impairment Losses	5	96	501	-	302	904

Segment information of the Group as of and for the three months ended March 31, 2012 follow:

	Retail Banking	**Corporate Banking**	**Consumer Banking**	**Treasury & Trust**	**Elimination Items**	**Total Bankwide**
Statement of Income						
Net Interest Income						
Third Party	351	56	806	(8)	111	1,317
Intersegment	3	42	–	–	(45)	–
	355	98	806	(8)	67	1,317
Noninterest Income	147	13	377	310	8	855

	Retail Banking	Corporate Banking	Consumer Banking	Treasury & Trust	Elimination Items	Total Bankwide
Revenue - Net of Interest Expense	502	111	1,183	302	75	2,172
Noninterest Expense	(612)	(36)	(923)	(63)	(46)	(1,680)
Income Before Income Tax	(110)	76	260	239	28	492
Provision for Income Tax	(8)	(13)	88	(8)	(90)	(32)
Net Income for the Period	(119)	63	348	231	(62)	460
Statement of Financial Position						
Total Assets	14,807	21,666	28,155	9,228	14,778	88,633
Total Liabilities	67,877	13,780	873	4,237	(11,754)	75,013
Other Segment Information						
Depreciation and Amortization	75	4	33	7	8	127
Provision for Credit and Impairment Losses	−	(46)	352	−	2	308

7. Business Combination

Acquisition of FinMan Rural Bank, Inc. (FRBI)
On January 26, 2012, the Board of Directors of the Parent Company approved the acquisition of the outstanding shares of FRBI offering deposit-taking, rural credit, and consumer lending services to the public. On February 9, 2012, the Parent Company entered into a Memorandum of Understanding with the majority shareholders of FRBI to acquire all of the outstanding shares of FRBI. On June 20, 2012, the BSP approved the acquisition of up to 100.00% of the total outstanding shares of FRBI. On July 11, 2012, the Parent Company obtained control of FRBI through the purchase of 83.17% of the outstanding capital stock of FRBI for ₱34.10 million. The Parent Company has elected to measure the non-controlling interest in the acquiree at fair value.

The fair values of the identifiable assets and liabilities acquired at the date of acquisition are as follows:

	Fair Value recognized on acquisition date
Assets	
Cash and other cash items	₱243
Due from BSP	376
Due from other banks	13,779
Investment securities at amortized cost	410
Loans and receivables	6,005
Property and equipment	7,219
Other assets	315
	28,347
Liabilities	
Deposit liabilities	9,895
Accrued taxes, interest and other expenses	383
Other liabilities	547
	10,825
Fair value of net assets acquired	**₱17,522**

The goodwill recognized by the Parent Company can be attributed to the synergy potentially to be gained by the microfinance business from the planned integration of GBI and FRBI.

Consideration transferred	₱34,098
Non-controlling interest measured at fair value	6,902
Fair value of the net assets acquired	(17,522)
Goodwill	₱23,478

Analysis of cash flows on acquisition:

Consideration transferred	₱34,098
Net cash acquired with the subsidiary*	(14,398)
Net cash outflow (included in cash flows from investing activities)	₱19,700

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

As of March 31, 2013, the Parent Company owns 100% of FRBI.

8. **Trading and Investment Securities**

As of March 31, 2013, the Group's investment in foreign debt securities totaled P8,937 million while investment in foreign equity securities amounted to P21.64 million.

Of the P13,022 million debt securities, P4,011 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 March 31, 2013 and 2012 amounted to P1,048 million and P271million, respectively.

The Bank has no significant derivative instruments which may impact its financial condition as of March 31, 2013 and December 31, 2012.

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**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- subsidiaries, joint ventures and associates and their respective subsidiaries, and
- post-employment benefit plans for the benefit of the Group's employees.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

The amounts and the balances arising from the foregoing significant related party transactions of the Group and the Parent Company are as follows:

	March 31, 2013		
Category	**Amount/Volume**	**Outstanding Balance**	**Terms and Conditions/ Nature**
Significant investors:			
Loans receivable	**₱–**	**₱953,280**	Loans granted with terms of one year, interest ranging from 2.38% to 4.50%, and with 70.00% of the loans fully secured by real estate and chattel mortgage.
Deposit liabilities	**255,104**		Deposit liabilities with interest ranging from 1.00% to 6.125%
Accrued interest receivable	–	**13,571**	Interest income accrued on outstanding loans.
Accrued expenses	–	**3,248**	Payable for management and professional fees paid by FDC (reimbursement for expenses).
Guarantees and commitments	–	**2,546,720**	Unused credit lines.
Derivative assets	–	**33,157**	Fair value of the foreign exchange forward contracts with FDC.
Interest income	**6,628**	–	Interest income on loans.
Interest expense	**223**	–	Interest expense on deposit liabilities.

(Forward)

	March 31, 2013		
Category	**Amount/Volume**	**Outstanding Balance**	**Terms and Conditions/ Nature**
Key management personnel:			
Loans receivable	**₱–**	**₱24,443**	Loans granted with terms ranging from five to fifteen years and interest ranging from 7.00% to 10.20%.
Deposit liabilities	**520,858**		Deposit liabilities with interest ranging from 0.75% to 8.25% in 2013.
Interest income	**458**	–	Interest income on loans.
Interest expense	**457**	–	Interest expense on deposit liabilities.
Other related parties:			
Loans receivable	–	**601,749**	Loans granted with terms ranging from three months to five years, interest ranging from 4.50% to 11.52%, fully secured by real estate and chattel mortgage.
Deposit liabilities		**705,936**	Deposit liabilities with interest ranging from 0.50% to 6.25%.
Accrued interest receivable	–	**1,702**	Interest income accrued on outstanding loans.
Guarantees and commitments	–	**3,650,000**	Unused credit lines.
Interest income	**5,932**	–	Interest income on loans.
Interest expense	**1,119**	–	Interest expense on deposit liabilities.
Service fee expense	**959**	–	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI in behalf of the Parent Company related to the Parent Company's purchase of installment contract receivables.
Rent expense	**15,517**	–	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, Filinvest Alabang, Inc. and Filinvest Land, Inc. (FLI)

	December 31, 2012		
Category	**Amount/Volume**	**Outstanding Balance**	**Terms and Conditions/ Nature**
Significant investors:			
Loans receivable	**₱–**	**₱958,055**	Loans granted with terms of one year, interest ranging from 2.38% to 4.50%, and with 70.00% of the loans fully secured by real estate and chattel mortgage.
Deposit liabilities	–	**600,808**	Deposit liabilities with interest ranging from 1.24% to 3.50%.
Accrued interest receivable	–	**8,655**	Interest income accrued on outstanding loans.
Accrued expenses	–	**5,558**	Payable for management and professional fees paid by FDC (reimbursement for expenses).
Guarantees and commitments	–	**4,284,055**	Unused credit lines.
Derivative assets	–	**28,102**	Fair value of the foreign exchange forward contracts with FDC.
Interest income	**28,566**	–	Interest income on loans.
Interest expense	**8,418**	–	Interest expense on deposit liabilities.

(Forward)

Key management personnel:			
Loans receivable	**₱–**	**₱26,277**	Loans granted with terms ranging from five to fifteen years and interest ranging from 7.00% to 10.20%.
Deposit liabilities	–	**515,923**	Deposit liabilities with interest ranging from 1.24% to 3.50% in 2012.
Interest income	**2,755**	–	Interest income on loans.
Interest expense	**325**	–	Interest expense on deposit liabilities.
Other related parties:			
Loans receivable	–	**501,581**	Loans granted with terms ranging from three months to five years, interest ranging from 4.50% to 11.52%, fully secured by real estate and chattel mortgage.
Deposit liabilities	–	**1,228,756**	Deposit liabilities with interest ranging from 1.24% to 3.50%.
Accrued interest receivable	–	**389**	Interest income accrued on outstanding loans.
Guarantees and commitments	–	**9,900,000**	Unused credit lines.
Accounts receivables	–	**9,050**	Accounts receivables for certain advances that are non-interest bearing and payable on demand.
Interest income	**581**	–	Interest income on loans.
Interest expense	**1,388**	–	Interest expense on deposit liabilities.
Service fee expense	**1,635**	–	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI in behalf of the Parent Company related to the Parent Company's purchase of installment contract receivables.
Service charges, fees and commissions	**1,034**	–	Commissions received by the Parent Company for its services as a selling agent of FLI's bonds issued in 2012.
Rent expense	**39,652**	–	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, Filinvest Alabang, Inc. and FLI.
Gain on sale of assets	**232**	–	Gain on sale of investment property to Filinvest Alabang, Inc.

The Group's significant investors pertain to FDC, immediate Parent Company of the Group and FDC Forex Corporation (a company under common control of FDC).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24. The Group provides banking services to its key management personnel.

Other related parties pertain to the Group's affiliates (subsidiaries of FDC).

The Group and Parent Company had no outright purchases and outright sale of debt securities with its significant shareholders, key management personnel and other related parties in 2013 and 2012.

No provision and allowance for loan losses was recognized by the Group for loans to its significant investors, key management personnel and other related parties both in 2013 and 2012.

The Parent Company's subsidiaries have no transactions with related parties outside of the Group. The transactions disclosed above are the same for the Group and the Parent Company.

In addition to the transactions discussed above, the following are the transactions between the Parent Company and its subsidiaries that are recognized in the Parent Company's statement of financial position and statement of income and eliminated in the consolidated financial statements:

	March 31, 2013		
Category	**Amount/Volume**	**Outstanding Balance**	**Terms and Conditions/ Nature**
Subsidiaries:			
Deposit liabilities	**₱–**	**₱462,105**	Deposit liabilities with interest from 0.00% to 2.50%.
Other receivables	–	**820,000**	Additional investments in GBI and FRBI amounting to ₱700.00 million and ₱120.00 million, respectively, presented as deposits for future stock subscription in the subsidiaries' financial statements.
Interest income	**--**	–	Interest income on outstanding loans.
Interest expense	**1,315**	–	Interest expense on deposit liabilities.

	December 31, 2012		
Category	**Amount/Volume**	**Outstanding Balance**	**Terms and Conditions/ Nature**
Subsidiaries:			
Deposit liabilities	**₱–**	**₱353,960**	Deposit liabilities with interest from 0.00% to 2.50%.
Other receivables	–	**820,000**	Additional investments in GBI and FRBI amounting to ₱700.00 million and ₱120.00 million, respectively, presented as deposits for future stock subscription in the subsidiaries' financial statements
Interest income	**69,696**	–	Interest income on outstanding loans.
Interest expense	**588**	–	Interest expense on deposit liabilities.

11. Issuance of Long-Term Negotiable Certificates of Deposits

The Parent Company issued two tranches of long-term negotiable certificates of deposits during the first quarter of 2013. The second tranche amounting to P239 million was issued in February, while the third tranche amounting to P 770 million was released in March. The certificates of deposit bear an annual interest rate of 5% payable quarterly and will mature in 2018.

12. Commitments and Contingent Liabilities

In the normal course of operations of the Group, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying interim financial statements. The Group does not anticipate material unreserved losses as a result of these transactions.

The Group has several loan related suits and claims that remain unsettled. It is not practicable to estimate the potential impact of these contingencies. However, based on management's opinion, the suits and claims, if decided adversely, will not involve sums having a material impact on the Group's interim financial statements.

13. **Financial Performance**

Earnings per share amounts were computed as follows:

		March 31, 2013	March 31, 2012
a.	Net income attributable to equity holders of the Parent Company	**₱732,127**	₱460,762
b.	Dividends declared on preferred shares	--	--
c.	Net income attributable to common shareholders of the Parent Company	**732,127**	460,762
d.	Weighted average number of outstanding common shares	**1,128,410**	587,353
e.	Weighted average number of convertible preferred shares	--	200,000
f.	Basic EPS (c/d)	**₱0.65**	₱0.78
g.	Diluted EPS [c/(d+e)]	**₱0.65**	₱0.59

14. **Equity Transactions**

As of March 31, 2013 and December 31, 2012, the Parent Company's capital stock consists of:

	2013	2012
Common stock - ₱10.00 par value		
Authorized – 1,500,000,000 shares		
Issued and outstanding – 1,128,409,610shares	**11,284,096**	11,284,096
	₱11,284,096	₱11,284,096

On January 19, 2012 and February 10, 2012, the Parent Company received cash from its shareholders totaling ₱3.00 billion as deposits for future stock subscription for 300 million common shares which were subsequently issued in March 2012. Also in the same period, the preferred shareholders converted all preferred shares totaling 300 million preferred shares amounting to₱3.00 billion to 300 million common shares.

With the approvals by the PSE of the Parent Company's application for listing and by the SEC for the Registration Statement both on March 14, 2012, a total of 245,316,200 common shares, with ₱10.00 par value per share, representing 21.70% of outstanding capital stock, were offered and subscribed through an initial public offering at ₱18.50 per share on April 20 to 26, 2012. The common shares comprise of (a) 141,056,800 new shares issued by the Parent Company by way of a primary offer, and (b) 104,259,400 existing shares offered by FDC, the selling shareholder, pursuant to a secondary offer. Subsequently, on September 5, 2012, 36,715,300 shares under the over-allotment option were exercised at a price of ₱18.50 per share that brought the subscriptions to 25.00% of the outstanding capital stock. The Parent Company's common shares were listed and commenced trading in the PSE on May 7, 2012.

The total proceeds raised by the Parent Company from the sale of primary offer shares amounted to ₱2.61 billion while the net proceeds (after deduction of direct costs related to equity issuance) amounted to ₱2.39 billion.

No cash dividends were declared for the period ended March 31, 2013.

ATTACHMENT 2

PAST DUE LOANS AND OTHER RECEIVABLES
MARCH 31, 2013
(*Amounts in thousands of Philippine Peso)*

Particulars	Total	1-90 days	91-180 days	181-360 days	>360 days
Past Due Loans & other receivables	8,543,560	3,867,858	740,477	574,815	3,360,410
Allowance for credit losses	(4,166,071)				
Total	4,377,490				

ATTACHMENT 3

CONSOLIDATED FINANCIAL RATIOS
(As Required by SRC Rule)
March 31, 2013

	March 31, 2013	**March 31, 2012**
Current ratio [1]	79.9%	77.3%
Solvency ratio [2]	1.2	1.2
Debt-to-equity [3]	5.6	5.5
Asset-to-equity [4]	6.6	6.5
Interest rate coverage ratio [5]	254.3%	192.1%
Return on Equity [6]	16.7%	14.4%
Return on Assets [7]	2.5%	2.0%
Net Interest Margin [8] [9]	8.0%	6.5%
Cost- to- Income Ratio [10]	55.8%	63.1%

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

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

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

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

(9) Starting April 2012, the BSP stopped paying interest on reserves on customer deposits of banks. The Q1 2013 computation considered the Bank's deposit with the BSP as non-earning. In Q1 2012 and previous to that, it is considered part of earning assets. NIM is Q1 2012 would have been 7.3% if this was to be calculated on same basis as that of Q1 2013.

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