2014 MAYBANK ANNUAL REPORT

Building Bridges

Maybank Corporate Centre
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Having the tenacity and endurance of a rock climber, every drop of sweat on the climb triggers Maybank to go further. In a communal effort, we strengthen the driving force that continually inspires and propels spirits towards reaching the highest peak with a promise of a scenic view from the top. Your journey is Maybank's journey.

Together, we are on our way up.

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Maybank

2014

ANNUAL REPORT

Building Bridges

Humanising Financial Services

Bridging Gaps

Who We Are

Corporate Profile

A result of the acquisition of Malayan Banking Berhad (Maybank) of a majority stake in PNB Republic Bank, Maybank Philippines, Inc. (MPI) is a full-service commercial bank, serving retail, commercial, and corporate clients.

MPI offers an array of financial services and products that include retail, commercial, and corporate lending; deposit-taking; electronic banking; credit card; cash management services; remittances; trust and fiduciary accounts; treasury products and services; and pre-need plans.

On November 7, 1997, Maybank -- Malaysia's largest bank in asset terms -- purchased a 60% stake in PNB Republic Bank under the Foreign Bank Liberalization Act or Republic Act No. 7721. Being a majority shareholder of PNB Republic Bank, Maybank took over the bank's management and renamed it Maybank Philippines, Inc. Three years after, Maybank increased its stake to 99.96% in MPI, making it the first foreign financial institution to have almost 100% ownership in a Philippine commercial bank.

MPI has grown organically as it expanded its network throughout the country. It has 79 branches nationwide as of end-2014, of which 30 are in Metro Manila and the rest are strategically located in key cities in Luzon, Visayas, and Mindanao. MPI has 94 offsite and on-site ATMs nationwide.

MPI is part of the Maybank Group, Asia's leading financial services provider with presence in 20 countries worldwide, including all 10 ASEAN countries. The Maybank Group, backed by assets of over USD183.2 billion as of end 2014, has been ranked as the 17th Strongest Bank by Bloomberg Markets for 2014 and is the fourth largest bank in the Southeast Asian region. The Group has an international network of over 2,200 branches and offices serving more than 22 million customers worldwide. It has operations in Bahrain, Brunei Darussalam, Cambodia, People's Republic of China, Great Britain, Hong Kong SAR, India, Indonesia, Laos, Malaysia, Myanmar, Pakistan, Papua New Guinea, Philippines, Saudi Arabia, Singapore, Thailand, United States, Uzbekistan and Vietnam.

Our Vision

To be a regional financial services leader.

To be the preferred financial service provider in the Philippines.

Our Mission

Humanising Financial Services.

By 2018, MPI aims:

1. To be among the most profitable top 10 banks in the Philippines.
2. To be among the top 5 players in key consumer and enterprise financing segments.
3. To be recognized for delivering superior value propositions to customers -- achieve at least 90% in the customer satisfaction index.
4. To be among the top 25% of employers in the Philippines -- obtain at least a 90% employee engagement score.

Core Values

Our T.I.G.E.R. values are the essential guiding principles for our hearts and minds for those situations where the rule book provides no answers. Our T.I.G.E.R. values define what we believe in and what we stand for.

Our Promise

It simply means Maybank wins hearts and inspires confidence through its commitment of treating customers and staff with respect.

We make
Humanising Financial Services
more than just a promise but the *way we do business*.

The Maybank brand is about one simple, powerful and unique idea: **Humanising Financial Services.**

Brand Drivers

The Brand Drivers define the Maybank way of doing things, how we translate our values into actions. They help us deliver 'Humanising Financial Services' through our behaviour. They are about the way we treat each other and the way our customers expect to be treated.

1 Do the Right Thing
Treat others in the way you would want to be treated if you were in their place - with fairness, honesty, and clarity.

2 Delivery, not just promise
Honoring commitments and fulfilling promises is the only way to build trust and mutual respect.

3 Being at the Heart of the Community
Actively contribute to help build and support communities around you, be they your colleagues, customers, or our broader society.

4 Flexibility within a Framework
Be flexible in your approach to resolve issues while keeping within agreed guidelines.

5 Building long-term sustainable relationships
Nurture relationships based on trust so that mutual commitment and benefit is assured over the long term.

Brand Personality

When it comes to brand expression and how we speak to the world outside, all of Maybank must be seen, heard and felt as one, through a consistent Brand Personality.

Courageous
Maybank stands for confidence and conviction, conveying strength, determination, and leadership.

Genuine
Maybank is honest, sincere, and up front - what you see is what you get.

Creative
We question the given. We go beyond the obvious to develop new and innovative ideas. We delight in delivering valuable solutions.

Empathetic
We always listen to what is being said and what is implied. We understand our customers by putting ourselves in their shoes.

Collaborative
We take pride in working together, both internally and externally, to deliver the best solutions, support, and advice.

Global Network

Maybank is Southeast Asia's fourth largest bank by assets today.
It is headquartered in Kuala Lumpur and is the largest listed company on Bursa Malaysia, Malaysia's Stock Exchange. Maybank is among the top 120 banks in the world, including the third largest Islamic bank globally.

The Maybank Group has a global network of over 2,200 offices in 20 countries, including all 10 ASEAN countries. The Group commenced banking operations in Malaysia in 1960 and today operates from its key home markets -- Malaysia, Singapore and Indonesia -- as well as across the Asia Pacific region and major international financial centers. These include the Philippines, Brunei Darussalam, Cambodia, Vietnam, Laos, Thailand, Myanmar, China, Hong Kong, Papua New Guinea, Pakistan, India, Uzbekistan, Saudi Arabia, Bahrain, United Kingdom and United States of America.

Having over 50 years of experience and an early presence in the global banking markets, the Maybank Group offers businesses and investors the ability to tap into its resources and network to meet their financial needs. Its comprehensive range of services include corporate and consumer banking, investment banking, insurance and takaful, asset management, Islamic banking, offshore banking, stock broking, venture capital financing and much more.

2,200 OFFICES
Over 2,200 offices in 20 countries

22 million CUSTOMERS
With 47,000 employees serving over 22 million customers worldwide

USD183.2 billion TOTAL ASSETS
The No. 1 Bank in Malaysia and fourth largest in ASEAN

USD2.1 billion NET PROFIT
Highest income on record with PATAMI reaching RM6.72 billion for FY2014

USD24.4 billion MARKET CAPITAL
The largest listed company on Bursa Malaysia

HOME MARKETS

Malaysia	402 branches; 7 branches via Maybank Investment Bank
Singapore	22 branches; 5 branches via Maybank Kim Eng
Indonesia	428 branches via 78.95%-owned Bank Internasional Indonesia (BII); 6 branches via Maybank Kim Eng; 1 branch via Maybank Syariah Indonesia

OVERSEAS MARKETS

Bahrain	1 branch
Brunei	2 branches
Cambodia	21 branches via Maybank (Cambodia) PLC
China	3 branches
Hong Kong	1 branch; 2 branches via Maybank Kim Eng
India	1 branch via Maybank Kim Eng; 1 branch in Mumbai via BII
Labuan	1 branch via Maybank International (L) Ltd.
Laos	1 branch
London	1 branch; 1 branch via Maybank Kim Eng
Myanmar	1 representative office
New York	1 branch; 1 branch via Maybank Kim Eng
Pakistan	1,242 branches via 20%-owned MCB Bank; 4 branches via 32.5%-owned Pak-Kuwait Takaful Company
Papua New Guinea	2 branches via Maybank (PNG) Ltd.
Philippines	79 branches via Maybank Philippines Inc.; 3 branches via Maybank ATR Kim Eng
Saudi Arabia	1 office via Anfaal Capital
Thailand	51 branches via Maybank Kim Eng
Uzbekistan	1 office via 35%-owned Uzbek Leasing International
Vietnam	2 branches; 8 branches via Maybank Kim Eng; 145 branches via 20%-owned An Binh Bank

Strategic Business Units

Maybank

Malayan Banking Berhad is the holding company and listed entity for the Maybank Group with branches in Malaysia, Singapore and other international financial centers such as London, New York, Hong Kong and Bahrain.

Maybank's key overseas subsidiaries are PT Bank Internasional Indonesia Tbk, Maybank Philippines, Incorporated, Maybank (Cambodia) Plc, Maybank (PNG) Ltd in Papua New Guinea and Maybank International (L) Ltd in the offshore center of Labuan. The major operating subsidiaries are Maybank Islamic Berhad, Maybank Investment Bank Berhad, Maybank Kim Eng Holdings Limited and Etiqa Insurance Berhad. Maybank has associate companies in Pakistan (through 20%-owned MCB Bank) and in Vietnam (through 20%-owned An Binh Bank).

ISLAMIC BANKING

Maybank Islamic

Maybank Islamic Berhad

Maybank Islamic Berhad is Maybank Group's wholly-owned, full-fledged licensed Islamic bank. It is the leading provider of Islamic financial products and services in ASEAN. Maybank Islamic leverages on the Group's infrastructure and network to offer end-to-end Shariah compliant financial solutions. Its portfolio of diversified products and services are available through a network of over 400 Maybank branches in Malaysia, as well as in Indonesia, Singapore, Hong Kong, London and Bahrain. It continues to be the domestic leader in overall market share for financing and deposits in 2014.

Maybank Syariah

Maybank Syariah Indonesia

PT Bank Maybank Syariah Indonesia (Maybank Syariah) was established from the conversion of PT Bank Maybank Indocorp into an Islamic (syariah) commercial banking entity in 2010. The corporate and investment banking services mainly deal with bilateral, syndication and club deal financing for local and multinational corporations, particularly Indonesian and Malaysian entities, while the treasury services focuses on money market operations and foreign exchange trading covering the front office dealing functions as well as backroom settlement and support services.

INVESTMENT BANKING

Maybank Investment Bank

Maybank Investment Banking Berhad

Maybank Investment Bank Berhad is a wholly-owned subsidiary of Maybank. Maybank IB is the Malaysian investment banking operation of Maybank Kim Eng. It offers a complete range of investment banking products and solutions including corporate finance and advisory, strategic advisory, equity markets, stock broking, debt markets, derivatives and research.

Maybank Kim Eng

Maybank Kim Eng Holdings Limited

Maybank Kim Eng Holdings Limited is a wholly-owned subsidiary of Maybank. Maybank Kim Eng comprises businesses stretching around the globe with offices in Singapore, Hong Kong, Thailand, Indonesia, the Philippines, India, Vietnam, Great Britain and the United States of America. It provides services in corporate finance, debt markets, equity capital markets, derivatives, retail and institutional securities broking and research.

INSURANCE

eTiQa Insurance & Takaful

Etiqa

Etiqa is the brand for Maybank Group's Insurance and Takaful businesses, which offers all types and classes of Life and General conventional insurance policies as well as Family and General Takaful plans via our multi-distribution channels. Etiqa features a strong agency force comprising over 15,000 agents, 31 branches throughout Malaysia, a wide Bancassurance distribution network with more than 400 Maybank branches and also third party banks; as well as co-operatives and brokers. Etiqa is one of the pioneers of direct sales through the internet with Motortakaful.com/Maybank2u online services.

ASSET MANAGEMENT

Maybank Asset Management

Maybank Group Asset Management Berhad

Maybank Asset Management Group ("Maybank AM Group") is one of the pioneers in the local asset management industry with over 30 years of experience. The Maybank AM Group provides a diverse range of Asian focused investment solutions for all types of investors such as corporations, institutions, pension funds, insurance, takaful companies and individual clients. The fund portfolio management services cater to products ranging from equity, fixed income to money market instruments through direct mandates, unit trust and wholesale funds.

INTERNATIONAL OPERATIONS

bii Maybank

PT Bank Internasional Indonesia Tbk

PT Bank Internasional Indonesia Tbk (BII) is a subsidiary of Maybank. It is the ninth largest commercial bank by assets and is listed on the Indonesia Stock Exchange (Ticker: BNII). The Bank provides a full range of financial services for business, retail and global banking customers.

As of 31 December 2014, BII's network comprises 428 branches, including Syariah branches, two overseas branches in Mumbai and Mauritius, and 1,530 ATMs including Cash Deposit Machines (CDMs). BII has total customer deposits of Rp102.5 trillion and Rp143.4 trillion in assets.

Maybank

Maybank International (L) Ltd and Maybank International Labuan Branch

Maybank International Labuan Branch was set up in 2013, as an offshore branch. This is designated as the Group's Centre of Excellence for foreign currency credit and provides international banking services including foreign currency deposits and loans, trade financing, treasury services and Islamic banking solutions. This is in addition to Maybank International (L) Ltd, which was incorporated in 1990 as a wholly-owned subsidiary of Maybank Group.

Maybank

Maybank Singapore

Maybank Singapore is Qualifying Full Bank (QFB) with an approximate net asset size of SGD57 billion and staff strength of over 1,800. We have established significant presence in the retail and wholesale banking markets over the 5 decades of our history here. Today, we lead the market in providing customers with alternative financial solutions in the form of the widest suite of Islamic Banking products and services.

Our network of 27 service locations in Singapore is one of the largest among foreign banks. As part of the atm - Singapore's only shared ATM network among 7 participating QFBs, we offer customers a combined reach of more than 200 ATMs, island-wide.

Maybank

Maybank Philippines, Incorporated

Maybank Philippines, Incorporated (MPI) is a full-service commercial bank providing both retail and wholesale banking services, providing a wide-array of financial solutions geared towards the consumer market and selected segments of top-tier corporations in the Philippines. MPI is also involved in treasury operations, with an emphasis on money market operations and foreign exchange trading. MPI operates an extensive network of 79 branches nationwide.

INTERNATIONAL OPERATIONS

Maybank Indochina Cluster

Maybank Indochina comprises Maybank's subsidiary in Cambodia, full-fledged branches in Vietnam and Laos, and a representative branch in Myanmar. Maybank offers wholesale banking services to commercial and corporate segments across Indochina, and provides retail banking services in Cambodia and Laos.

Maybank (Cambodia) Plc

In April 2012, Maybank was locally incorporated to become Maybank (Cambodia) Plc, reflecting Maybank's long-term commitment to Cambodia and in line with its standing as a regional bank. The bank provides a full range of banking services for the consumer, SME and commercial and corporate segments through 21 branches across the nation.

Maybank Greater China

Maybank Greater China comprises the bank's presence in Hong Kong, Shanghai, Beijing and most recently Kunming. It provides wholesale banking and investment banking services to commercial and corporate clients in Hong Kong and China, and specializes in cross-border solutions to facilitate flows between Greater China and ASEAN.

ASSOCIATES

MCB Bank Ltd

MCB Bank is a 20%-owned associate company of Maybank. As a leading bank in Pakistan with more than 60 years of experience, MCB has played a pivotal role in representing the country on global platforms with presence in Sri Lanka, Dubai, Bahrain, Azerbaijan and Hong Kong. It serves through a network of 1,242 branches, including 27 Islamic banking branches within Pakistan and nine branches outside the country. MCB has a large deposit base of Rs676 billion and total assets of Rs941 billion.

An Binh Bank

An Binh Bank is a 20%-owned associate company of Maybank. Founded in May 1993, An Binh Bank has transformed over the years from a rural bank to an urban bank offering a full range of commercial banking products and services. With 20 years under its belt, An Binh Bank has gained a firm foothold in Vietnam's banking industry with a network of over 146 branches and sub-branch offices located across 29 provinces nationwide.

Our Achievements

Corporate Milestones

One with its symbol, the independence and strength of the tiger makes Maybank Philippines Inc. emanate vitality in all of its undertakings and makes it a survivor in the wild; brave and unrelenting.

SEPTEMBER

03 Sept 2014

MPI approved a Php2 billion syndicated loan deal for P.A. Alvarez Properties & Development Corporation to finance the real estate company's expansion plans.

18 Sept 2014

MPI launched the Maybank Manchester United Credit Card powered by Visa to offer Filipino fans of the football team and sports-savvy individuals exclusive privileges and discounts that only the first international sports franchise co-branded in the country can offer. Maybank and Manchester United rolled out their first co-branded credit card in 2011 in Malaysia.

18 Sept 2014

MPI participated in the 5th Philippine International Motorshow organized by the Chamber of Automative Manufacturers in the Philippines. It was the only participating bank during the four-day event, which showcased 16 car brands under one roof.

AUGUST

26 Aug 2014

MPI relocated its Guagua Branch to Barangay Sto. Cristo to be more accessible to clients in the area.

22 Sept 2014

Maybank relocated one of its 3 Business Centers in Cagayan de Oro to Pioneer House Building in a bid to provide better service, reach more customers and strengthen its presence in the area. Being a Business Center, it houses a full-service branch, consumer lending desks and the Bank's first Premier Wealth Lounge.

27 Sept 2014

In line with the Maybank Group's celebration of Global Corporate Responsibility Day, MPI hosted a carnival-themed Family Day for the Deaf kids of My Children's House of Hope. The event also served as the graduation ceremony of the kids who attended Maybank's bi-monthly creative workshop sessions from June to September.

JULY

25 Jul 2014

MPI named the six Filipino student-representatives to the Maybank Go Ahead. Challenge Grand Finale in Kuala Lumpur, where they competed against other finalists from Malaysia, Singapore, Indonesia, Thailand, Myanmar, Cambodia, Vietnam, Laos, Brunei, China, Hong Kong, the United Kingdom, and the United States.

OCTOBER

10 Oct 2014

MPI, along with five other banks, extended a USD90 million loan facility to Carmen Copper Corporation, a wholly-owned subsidiary of Atlas Consolidated Mining & Development Corporation.

17 Oct 2014

Maybank, along with other foreign and local banks, was tapped by Lopez-led Energy Development Corp. for a USD315 million loan for the construction of its 150-megawatt Burgos Wind Project in Ilocos Norte.

NOVEMBER

10 Nov 2014

MPI launched Maybank Treats Fair in the Philippines to offer exciting deals and fantastic discounts to Maybank cardholders for the whole month of November.

DECEMBER

15 Nov 2014

MPI announced the transformation of its Maybank Resorts World Branch into the first bank branch in the Philippines that operates 24 hours a day, seven days a week to better cater to financial requirements of business establishments and retail customers in the area.

20 Nov 2014

MPI's Private Wealth Team and the Bank's top executives hosted an investment seminar and appreciation dinner for Maybank's high net worth clients. The event attendees were treated to a whiskey pairing dinner.

8 DEC 2014

MPI relocated its San Fernando branch to Odette Grace Building located along MacArthur Highway in Dolores, San Fernando to complement the rising demand in the area and provide more services and products to clients. The branch houses a full-service branch and the fourth Premier Wealth Lounge in the Philippines.

JANUARY

17 Jan 2014

As we ushered in 2014, MPI strengthened its foothold in Mindanao as it opened the CDO-Lapasan Branch, the Bank's 78th branch in the country and second in Cagayan de Oro.

FEBRUARY

04 Feb 2014

MPI's Senior Vice President and Head of Global Markets Group Atty. Arlene Joan T. Agustin swore in as a member of the ACI Philippines Board, the country's official business organization for financial market professionals and a member of the Association Cambiste Internationale. The induction was led by Bangko Sentral ng Pilipinas Governor Amando M. Tetangco, Jr.

14 Feb 2014

MPI continued with its expansion plan in the country as it opened the first Maybank branch in La Union, the Bank's 79th branch in the Philippines. The newly-opened branch is situated in San Fernando City, the heart of the province.

24 Feb 2014

MPI and Maybank ATR Kim Eng, the stockbrokerage arm of the Maybank Group in the Philippines, donated children's books to the Paediatric Institute of St. Lukes Medical Center in Bonifacio Global City. The books were collected during the first book donation drive in the Maybank Group.

MARCH

21 Mar 2014

MPI hosted the third leg of the Maybank Malaysian Open Corporate Challenge 2014, which was attended by over 70 valuable clients who played with three local star players, namely, Aran Olea; Artemio Murakami; and Jerome Delariarte. Maybank Group Chairman Tan Sri Megat Zaharrudin and Maybank Group President and CEO Datuk Abdul Farid Alias also graced the event. Winners of the Philippine leg were flown to Kuala Lumpur and were given a free pass to watch the Maybank Malaysian Open live.

APRIL

Apr 2014

MPI was a key participant in a syndicated loan agreement worth Php21 billion to the National Grid Corporation.

MAY

09 May 2014

MPI launched its 2014 Cahaya Kasih (Employee Volunteerism) Program at the Maybank Civic Center, which was attended by MPI's top management and staff. The ceremony was opened by MPI PCEO Herminio M. Famatigan, Jr. who encouraged Maybankers to take part in the Bank's effort to live out its mission of humanising financial services. He also led Maybankers in imprinting their hands on the Cahaya Kasih Commitment Wall to signify full support for the program, which benefited the Deaf kids of My Children's House of Hope.

29 May 2014

In time for the opening of classes in June, MPI donated backpacks and school supplies to elementary, high school and vocational students of My Children's House of Hope.

Chairman’s Message

Dear Shareholders,

Each year, I have shared with you significant achievements of the Maybank Group as it moves closer to its aspiration of being a regional financial services leader. Despite a challenging business environment for the financial industry, 2014 proved to be another momentous year not only for the Group, but for Maybank Philippines Inc. (MPI) as well.

The Maybank Group managed to rise in a highly competitive environment in 2014 as it ended with a record net income of USD2.1 billion, 2.5% higher than the previous year, and a commendable return-on-average equity of 13.8%. Our earnings was mainly supported by the growth seen across our business segments. The Group’s assets further expanded by 14.3% year-on-year to USD183.2 billion driven by a 13.4% increase in our loan book and an 11.1% jump in deposits. We remain well-capitalized as of end-2014 with our total capital adequacy ratio at 16.24%.

The Maybank Group further cemented its regional presence in 2014 as it increased its footprint by opening its first branch in Myanmar. As a result, we ended with 1,185 offices in ASEAN countries alone and a total global network of 2,400 offices, which spans from ASEAN nations, to key Asian economies, and to global financial centers such as Hong Kong, New York, London, Shanghai, and Bahrain.

Meanwhile, on the local front, MPI marked a new milestone in 2014 as the Bank hit Php1 billion in net profit supported by the positive annual growth of its business pillars. This translated to a return-on-average-equity of 9.6%, higher than the 4.20% the year before. Thus, enabling us to deliver the value we promised to our shareholders.

These accomplishments are testament to our strong institutional franchise.

Given the positive prospects on the Philippine economy and the banking industry, MPI remains committed to its long-term aspiration of capturing value and creating opportunities in areas and communities where it is present. Moving forward, the bank will pursue its strategy of facilitating cross-border trade and flows between the Philippines and other ASEAN countries; we will continue to serve our corporate clients from a total relationship and regional perspective; expand our footprint to strengthen our presence and reach more markets; and pursue an above-market business growth to capture a bigger share of the local banking industry’s business.

Acknowledgment
On behalf of MPI’s Board of Directors, I would like to recognize and thank our shareholders, our customers, and most importantly, our employees for the continued trust and support to the Bank for the past 17 years.

I am confident that with your unwavering confidence on MPI, we will continue to build a wider presence in the Philippines while we pursue our mission of humanising financial services.

Dato’ Mohd Salleh Bin HJ Harun
Chairman
Maybank Philippines, Incorporated

Herminio M. Famatigan, Jr.
President and Chief Executive Officer
Maybank Philippines, Incorporated

President’s Message

Dear Shareholders,

2014 marked a watershed in the history of Maybank Philippines, Inc. (MPI). The Bank’s net profit reached the Php1-billion mark, a first since we started operations in the country in 1997. MPI’s net earnings rose by 145% to Php1.01 billion from Php409 million in 2013. This was supported by the market-beating performance of the Bank’s core businesses and the realization of our deferred income tax assets arising from improved profitability in the past three years. The result was a return-on-average equity of 9.6% versus 4.20% in 2013.

Amid tougher competition and declining interest rates, MPI recorded better-than-industry net interest margin of 5.01%. Our loan book expanded by 32% to Php49 billion in 2014, with consumer and commercial loans growing by 44% and 24%, respectively. It is noteworthy that both growth rates outpaced those of the industry. Complementing this sizeable expansion in our loan book, the Bank was able to bring down its interest expense by 20% while achieving a 4% increase in deposits. Furthermore, the positions the Global Markets Team took in 2014 allowed the Bank to realize significant interest income from investments.

As a result, MPI recorded a 35% increase in net interest income, one of the highest in the industry. Tempering all these however, was the pronounced weak environment for treasury trading that prevailed throughout 2014. Our overhead amounted to Php3.43 billion, representing a 15.1% rise from Php2.98 billion in 2013, but was well below our projected level for 2014.

A key element of our business strategy was the implementation of the Maybank Group’s Strategic Transformation Program. This aims to significantly enhance the Bank’s value proposition to clients by instituting transformative changes in the way we run our various businesses. A good example is the Operational Excellence program for our Auto Loans. Its objective was to considerably raise efficiencies and productivity in critical business processes in order to achieve a quantum leap in business growth. It is notable that our Auto Loan business posted an annual growth of 36.27% in 2014.

To support the Bank’s rapidly growing business, we continued to strengthen our middle and back office support units by bringing in the right people and upgrading the capacity of MPI’s infrastructure. Notwithstanding the build up in our risk assets and the significant investments in infrastructure, the Bank’s capital adequacy ratio was a healthy 16.7%, well-above the Bangko Sentral ng Pilipinas’ 10% minimum requirement.

As a way to give back to the communities we serve and in keeping with the Maybank Group’s mission of Humanising Financial Services, MPI launched the project “DEAFying Silence” under the 2014 Cahaya Kasih Program, the Group’s employee volunteerism program. This gave Maybankers the opportunity to tangibly support the Deaf kids of My Children’s House of Hope community in Payatas. We conducted workshops designed to improve the beneficiaries’ sense of self-worth and capability to generate livelihood. We find this cause notable that we are continuing our relationship with the community in 2015.

For 2015 and beyond, we expect a more competitive business environment in view of the impending entry of more foreign banks in the Philippines. We recognize this reality, but we remain confident that we are well positioned given the infrastructure investments we did -- the establishment of 24 branches in the last two years, implementation of regional IT initiatives such as the Regional Cash Management System, and most importantly, the aggressive deepening of our talent pool. MPI will continue to pursue its long-term aspiration of being one of the top 10 most profitable banks in the Philippines and the top 5 players in key enterprise segments.

With your continued support and dedication, I believe we can make 2015 another banner year for MPI.

Acknowledgment
On behalf of the management, I wish to thank MPI’s Board of Directors for their wisdom and guidance, our customers for their unwavering support, and our 1,200 Maybankers who have shown commitment and dedication to furthering the interest of the Bank. We are also grateful for the guidance we received from the Bangko Sentral ng Pilipinas and Bank Negara Malaysia.

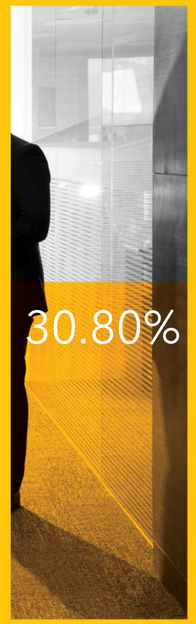
Our Performance

OUR REACH

INCREASE

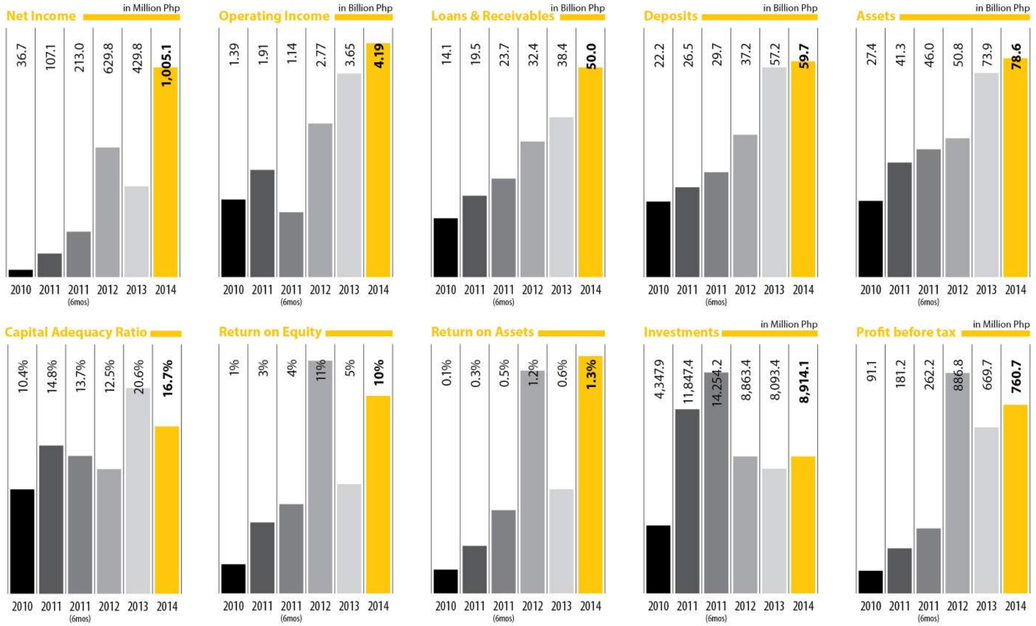
Increase in Deposit Levels

Increase in Asset Size



Growth in Lending Portfolio

Financial Highlights



A Review of 2014 Operations

Maybank Philippines, Incorporated (MPI) marked its territory as it boosted the year with a succession of positive efforts without any doubt and hesitancy

Herminio M. Famatigan, Jr.
President and Chief Executive Officer

Economic and Industry Review and Outlook

The Philippine Economy

The Philippines continued to be a favored investment market in 2014 after recording the fastest full year gross domestic product expansion among the major ASEAN economies. The country posted a 6.1% domestic economic growth, trailed closely by Malaysia and Vietnam. The country's GDP growth was mainly driven by the rise in private consumption, higher fixed investments and an improvement in exports of goods and services. However, the country suffered from shifts in market sentiment and risk aversion due to developments in large economies. These led to market turbulence and capital flow volatility that hit emerging economies, including the Philippines. Despite such developments, the country managed to receive two credit rating upgrades last year from Standard & Poor's and Moody's Investors Service.

The Philippine Banking Industry

The local banking industry continued to increase its assets reaching a new peak in 2014 of P11.17 trillion, 12% higher than the P9.97 trillion registered the year before. This was primarily fueled by a 19% expansion in banks' total loan portfolio, mainly driven by consumer loans. Moreover, deposits continued to rise, climbing by 12% in 2014 to support the banks' lending business.

Despite the rise in banks' core businesses, 2014 proved to be a challenging year as the industry's net profits contracted by 6% to Php135.66 billion from Php144.65 billion on the back of lower non-interest income due to lower trading gains and foreign exchange profits.

Outlook

The Maybank Group expects the Philippine economy to grow at a faster clip of 6.7% in 2015 from 6.1% in 2014 largely driven by structural reforms; strong growth in domestic consumption; and increasing investments in infrastructure, health, and education sectors.

Richard C. Lim
Retail Business Group Head

Retail Business Group

The Retail Business Group (RBG) is a sector of the Bank serving the consumer, retail small and medium enterprises and business banking customer segments. We bring to the market differentiated value propositions through our 79 branches nationwide -- the largest footprint for a foreign bank in the Philippines.

Despite being a relatively new entrant to Philippine banking, MPI has emerged as a rapidly growing player in the market today, especially in the retail banking space. Strong, steady growth in deposits and consumer loans, particularly auto loans, has fueled this rapid expansion.

In 2014, we saw a healthy growth of the housing and automobile markets, thus we built our capability in these two areas. We captured the demand opportunities in the two segments by strengthening our relationship with auto dealers and real estate developers. To support and compliment the growth of these segments, the Bank utilized its resources to expand and improve its branch network in line with its goal to strengthen its retail banking business in the country and its commitment to be present in the communities it wants to serve.

With the upsurge of bank branches nationwide, deposit-taking was a very competitive area for all banks in 2014. Fortunately, MPI has one of the best deposit acquiring franchise poised to compete head on with other banks that have significantly more branches. We have our customized cash management services offering and our Branch Heads and Sales Executives are trained first and foremost on CASA generation. We also enhanced our deposit generation capabilities by ensuring that the daily banking needs of our customers are not just served, but enriched through our Maybank brand of customer experience.

In RBG, we believe that products are useless if it is irrelevant to the customer. In 2014, we deepened our segmentation in our product offerings. We have been practicing the customer centricity approach in coming up with our products and services. We have focused on not just building new products, but more importantly, strategizing how to make these products more relevant and enabling for our customers. We introduced Premiere Wealth and Maybank Privileges to help our clients enjoy and understand the full suite of what the bank has to offer. These new products were launched to deepen the Bank's relationship with our customers and be with them in every step of their financial journey.

When we develop products, we think of what is important to our customers, the Maybank Manchester United credit card launched in September 2014 is an example. We want customers who love football to have a credit card that allows them to express their passion for the sport. We also ensure that each product carry a value beyond the usual, our simple ATM card is not just a card to withdraw cash, we have tied up with top merchants and retail outlets to give our customers perks and discounts by showing their Maybank ATM card. All these were done because we believe our customers deserve more. Even our branches are carefully designed to provide a better customer experience. Our people are people-oriented. They take time to interact with customers and are not in a hurry to get the customer out the door. Once you step into a Maybank branch, immediately you feel the ambiance of a top regional bank, but with that distinct local warmth.

Moreover, we always aim to reward our customers. In November 2014, we brought in the Philippines the Maybank TREATS Fair event -- an annual communitywide program in Malaysia that allows Maybank card holders to enjoy the benefits of owning a Maybank card by getting discounts and being able to get items with their TREATS Points.

Outlook
As RBG has been growing three times faster than industry for the past three years, our challenge will be on maintaining the same level of intimacy with our customers and constantly delivering on our promise of better customer experience. We need to ensure that while our business grows, our customers and people grow with us as well. This is the reason why the Bank will continue to invest in modernizing our IT infrastructure, product development, channel expansion, people development, and strengthening capability.

Our outlook remains to be very positive on consumer business. Our core business of auto finance, mortgage, personal loans and business banking will continue to deliver our core income, while emerging contributors to our business will be those we started two years ago such as the credit cards business and new branches we opened.

In the next 12 months, we will capture opportunities in the retail SME space. We have also started building our wealth management capabilities leveraging on our regional expertise through the Maybank Premier Wealth. With all these initiatives coming into play, our customers can expect a truly world class banking experience as we bring in our regional strength and expertise to the local market.

Manuel A. Castañeda III
Global Banking Head

Global Banking

Global Banking provides a wide range of financing, investment and capital market solutions to corporate and institutional clients. Our client centric business model is anchored on key product groups namely, Client Coverage, Corporate Banking, Transaction Banking, and Real Estate Financing. Our commitment to build long term, trusted and sustainable relationships with our clients is a vital part of our relationship approach. We combine this with our local market knowledge and regional capabilities to support their business needs.

In 2014, the Global Banking Team remained resilient amid very challenging market conditions in 2014. Despite continuous margin compression and tight competition, we were able to rise and step up our client engagement. Our Team focused on deepening the Bank's relationship with clients and creating value-added business propositions. In particular, our Client Coverage Team collaborated with different product partners and business sectors across the Maybank Group to ensure that we provide a full suite of tailored products and solutions to our clients. We want to support them financially and we want that as they expand their business whether locally or regionally, we are hand-in-hand with them. Our personalized management style for each client resulted in the growth of our cross-border deals and the expansion of our client base.

As such, we offer a wide range of funding solutions, from short-term working capital to cash management services to complex lending solutions. We also leveraged on the Maybank Group's expertise as a regional financial services leader. Thus, with the Bank's capabilities and regional expertise, we were able to clutch notable transactions last year.

2014 Global Banking Notable Deals

NGCP National Grid Corporation of the Philippines	COSCO Capital, Inc.	Belle Corporation	International Container Terminal Services, Inc.
Php10 Billion	**Php5.0 Billion**	**Php1.0 Billion**	**USD350.0 Million**
Syndicated Term Loan Lender	Syndicated Term Loan Lender	Term Loan Bilateral Loan	Syndicated Term Loan Lender
April 2014	**May 2014**	**June 2014**	**July 2014**
P.A. Properties P.A. Alvarez Properties and Development Corp.	Petron Petron Corporation	energy EDC Burgos Wind Power Corporation	Double Dragon Properties DoubleDragon Properties Corporation
Php1.0 Billion	**USD480.0 Million**	**USD315.0 Million** **Php5.0 Billion**	**Php7.4 Billion**
Corporate Notes Lender Collateral Trustee Maybank ATR Kim Eng Financial Advisor and Joint Leader Arranger	Syndicated Term Loan JLA Maybank ATR Kim Eng Capital Partners Inc. Mandated Lead Arranger and Bookrunner	Syndicated Term Loan Lender	Syndicated Term Loan Lender
August 2014	**September 2014**	**October 2014**	**November 2014**

Travellers International Travellers International Hotels, Inc.	SM Development Corporation SM Development Corp.	San Miguel Corporation San Miguel Subsidiaries	City Savings City Savings Bank Inc.	Jetti Jetti Petroleum Inc.	Phoenix Phoenix Petroleum
Php2.0 Billion	**Php1.0 Billion**	**Php1.0 Billion**	**Php315.0 Million**	**USD17.5 Million**	**USD10 Million**
CMS - RCMS	CMS - RCMS	Trust - PN Issuer San Miguel Yamamura Gaveba San Miguel Properties	FI/NBFI - Bilateral Loan	Term Loan Lender	Term Loan Lender
July 2014	**April 2014**	**January 2014**	**October 2014**	**November 2014**	**September 2014**

Outlook
Moving forward, we remain confident of the economic growth prospects in the Philippines. Companies are well-poised in expanding their operations and our Team is prepared to cater to their financial requirements. We will continue to strive to be relevant in the domestic market by offering products that will streamline our clients' operations. Our Team will push through with our cross selling strategy as we beef up our customer base and focus on the top 2000 companies. We will continue with our Asset Light Strategy and focus on servicing the capital requirements of our clients. Most importantly, we will use the Group's heavy presence in the region as our competitive advantage.

Atty. Arlene Joan T. Agustin
Global Markets Head

Global Markets

Global Markets Group provides a wide array of treasury products and services, including foreign exchange, money market instruments, fixed-income securities, and derivatives.

2014 was a year fraught with challenges for Global Markets. Most Philippine banks traded amidst heightened market volatilities and MPI was not spared.

However, in an environment of significant tightening of spreads and various economic uncertainties here and abroad, our dealers were able to ride volatilities very well. While there was cautiousness in taking positions due to economic data coming out of the US economy, which significantly influenced interest rates globally, we were nimble enough to manage our positions better in all fronts, from government securities, to foreign exchange, to our banking books.

In 2014, all Maybank Global Markets Teams started to run in the same platform. This allowed the MPI Global Markets Team to start to capitalize on synergies with our counterparts in Maybank Singapore, Maybank KL and Maybank New York. This was evident when the Philippines received a credit rating upgrade from global debt watcher Moody's Investors Service and Standard & Poor's. These positive news nudged inflows and interests from foreign funds to the Philippines, causing our counterparts to direct a lot of their investors to the country through the Bank. We were able to cater their trading requirements from the Philippine market and they were able to provide our requirements from their respective markets.

Another milestone of the Team was being able to secure the Type 2 derivatives license in August 2014 from the Bangko Sentral ng Pilipinas. This achievement allowed our Team to add more value to the products and services we give to our clients.

Similar to the Treasury teams of other banks, the challenge for the whole Maybank Group's Global Markets Team is to have a sustainable revenue channel. For MPI, we faced this by strengthening our organization's capability, specifically setting up the MPI Global Markets Sales Team. We brought in the right people in the Bank and tapped 79 branches nationwide to serve as our distribution network for our treasury products and services. As for the members of our team who have been here, it was about upscaling their knowledge and skills to be abreast of the changing market landscape.

Outlook
In 2015, our bread and butter will always be trading. We will continue to further cement our sales and distribution capabilities, which would entail offering more foreign exchange products to both our corporate and retail clients as well as alternative investments such as fixed-income securities to both segments and to the clients of the newly launched Premier Wealth business of the Bank.

Our Social Responsibility

Maybank Philippines, Inc. (MPI) is one in its mission with the Maybank Group of humanising financial services. MPI believes that to sustainably grow our business in the country, we have to plant deeper relationships with the communities we serve and take the extra mile to develop long-term relationships with our customers. MPI hopes that everyone who comes to us will grow with us. We are all for investing in people and businesses and building relationships that transcend documents and currencies. To achieve that, we strive to be at the heart of every community through implementing programs focused on community development, environment, workplace, and marketplace.

Maybank Group Book Donation Drive

In February 2014, MPI participated in the Maybank Group's first book donation drive, which aimed to spread joy and cheer to children by giving books to different pediatric wards in the region. In collaboration with Maybank ATR Kim Eng (MATRKE), Maybank's investment banking arm in the Philippines, over 200 books were donated by Maybankers to the playroom of the Pediatric Institute of St. Luke's Medical Center in Global City.

International Women's Day

The following month, MPI celebrated International Women's Day (IWD) for the fifth straight year to recognize the role of women in the organization and at the same time to empower all female to reach their goals and aspirations. MPI had a live telecast of the IWD conference themed "Inspiring Change" in Maybank's headquarters in Kuala Lumpur. A Guru Session with Irene Ang -- a famous Malaysian author, entrepreneur, and entertainer -- and an exclusive screening of "ikal Mayang: Telling Women Stories," an omnibus of short stories by non-traditional women directors took place.

DEAFying Silence

For the first time, MPI engaged with the Deaf community for its Cahaya Kasih (English translation: Ray of Love) Program through a project called "DEAFying Silence." MPI partnered with My Children's House of Hope, a Deaf community center in Payatas in Quezon City. From June to September 2014, Maybankers and their families were given the opportunity to conduct sessions every second and fourth Saturday morning called #CKSaturday to impart to the Deaf kids their skills and knowledge in art, dance, and English writing.

MPI employees' interaction with My Children's House of Hope raised awareness among Maybankers on the Deaf community and increased employee volunteerism. Most importantly, the activities equipped the Deaf children with skills that they can use to live a better life.

Global CSR Day 2014

MPI, together with MATRKE, celebrated the annual Maybank Group Global CSR Day with My Children's House of Hope community through a carnival-themed family day and graduation ceremony. The event served as MPI and MATRKE's present to the more than 150 Deaf kids who finished a #CKSaturday creative course in art, dance or writing. There were more than 200 Maybankers who participated in the event. Maybank clients such as Maynilad, Goya, and Oishi also celebrated with Maybankers through donating their products.

Christmas in September

Maybankers have proven that Christmas could be lived any day. As a way to give thanks for the untiring support and service of Maybank personnel -- comprised of janitors, messengers and security guards -- MPI invited their children to the Head Office. Through Maybankers' collective efforts, the Maybank Corporate Centre was transformed to a Christmas town with all floors playing Christmas carols and designed with Christmas decors. The children received goodies and enjoyed the activities prepared by Maybankers as they made rounds in each floor. Christmas in September was made possible for the kids!

No Tricks, Just Treats!

In November 2014, MPI celebrated a different kind of Halloween by having fun with a cause. Aside from the usual decoration contest per floor in the Maybank Corporate Centre, employees came together to raise funds for UNICEF's disaster preparedness campaign for 2015. Through employee donations, Maybankers raised more than Php20,000, which was donated in full to UNICEF.

Maybank Foundation Projects

Aligned with Maybank's vision of humanising financial services, the Maybank Foundation continues to implement high impact, regionwide value-added programs that deliver lasting results to the Group it serves.

Disaster Relief

Maybank Foundation recognizes the need of providing immediate assistance in times of natural calamities and disasters. Through the years, it continues to be of service to its beneficiaries by empowering them.

Since the donation of the **Maybank Community Center** in the Xavier Ecoville Project (XEP) in Lumbia, Cagayan de Oro in 2012, MPI has continued its engagement in the resettlement community through the **Maybank Manpower Project**. On April 1, 2014, the Maybank – Xavier Ecoville Manpower Association (MAXEMA) was duly registered with the Department of Labor and Employment (DOLE). Seeing its role in helping rebuild the lives of 256 displaced families whose houses have been totally washed out by the flash floods of Typhoon Sendong, the MAXEMA initiative now has 40 members and produced 7 NCII licensed electricians and 8 NCII licensed carpenters from Technical Education and Skills Development Authority-accredited training facilities. It has already completed 10 projects ranging from construction, bed manufacturing, fabrication and installation of hand washing facilities, provision of custodian/janitress, and carpentry works, among others.

With 48% of XEP residents aged 15 years old and above and not gainfully employed, MAXEMA has given livelihood assistance to 9% of the unemployed. The numbers are poised to increase with different marketing and linkaging initiatives in the pipeline. MAXEMA will now be embarking on building the Barangay Community Center located behind the Maybank structure. The skill set of the community members is sufficient to construct the major building and provide livelihood to members of the association.

The **Frances Elementary School** continues to be a source of hope for Calumpit, Bulacan, a flood-prone area, which was inundated by typhoon Habagat in 2012. The establishment, which was built in partnership with ABS-CBN Lingkod Kapamilya Foundation, United Architects of the Philippines, and the 54th Infantry Division of the Philippine Army, aims to serve as a classroom for students and as a shelter for families in the community during typhoons. It started to stand tall in 2014 as its construction neared completion.

Education

Maybank made a significant donation to the University of the Philippines Integrated School's (UPIS) Adopt-a-Room Project. The bank's donation was used to fully furnish a computer laboratory called the **Maybank Computer Laboratory**. The Laboratory is now equipped with 36 brand new computers and is being used for lectures and research of more than 400 UPIS pupils.

Arts & Culture

In collaboration with MATRKE, MPI turned over a generous donation to the Bonifacio Art Foundation Inc. (BAFI) for the development of a world-class venue for the performing arts called the **Maybank Performing Arts Center**, which is soon to rise in the heart of Bonifacio Global City. The Maybank Perfoming Arts Center is a multi-function center, which will house trusted brands in the local market that are headquartered in BGC. It is targeted to be completed in 2016.

In the years ahead, Maybank will stand by its promise of being at the heart of the community where it is present to improve more lives and aid the country's development.

Building Relationships

Maybank Philippines, Inc. only aspires to make your ideas and visions come to life.
We build the bridges that lead the way for your ambitions to thrive.

We try to remove the limitations, the roadblocks, and the differences that separate people from the best opportunities they can get. At the heart of it, we at Maybank yearn to understand and learn from our clients so that we may create the most ideal ways to serve them. As we build the bridges to their future, we also yearn for their success on their way there. Together, we help our clients in creating pioneering solutions that conquer a great feat.

PHOENIX
Fuels Life

Phoenix Petroleum Philippines, Inc. started in 2004. Ever since, the listed independent oil player has been in a great journey in providing its customers with the best quality service. "Customers are our main stakeholders, if we don't have customers, the company will cease to exist," said Mr. Dennis A. Uy, Phoenix Petroleum President and Chief Executive Officer. "We make it our goal to consistently provide quality products and reliable service through operational excellence. We also seek ways to expand our services. For our commercial and industrial clients, this means technical training and assistance. For our retail dealers, on the other hand, this means making Phoenix stations a one-stop shop for consumers' needs. Thus, we have stations that house popular fast food chains, convenience stores, ATMs, auto-care shops and other locators," he said.

Maybank and Phoenix Petroleum have been in partnership since 2010. "Maybank has always been at the forefront in providing excellent support for our company," Mr. Uy shared.

At the time when Phoenix Petroleum faced a low point in their business, Maybank readily stepped forward to support the company's aggressive expansion plans by providing Phoenix Petroleum a Php200 million term loan.

> "Maybank works hard in being a **committed partner** in giving us solutions to every challenge & every requirement that we need."

Dennis A. Uy
President and CEO,
Phoenix Petroleum Philippines, Inc.

Maybank confidently provided Phoenix Petroleum with a pair of bi-lateral loans amounting to Php300 million plus USD24 million in 2012. Mr. Uy noted that Maybank was also the first bank to provide his company with a derivative line, giving them the option to hedge foreign exchange and commodity risks, which are all critical in Phoenix's line of business.

Mr. Uy shared that Phoenix Petroleum's biggest challenge is to secure enough credit lines particularly in times when oil prices are continuously rising.

"All Maybank's credit support has contributed to the successful achievement of being the fourth largest oil company in the country despite being the newest kid on the block," Mr. Uy said.

Moreover, Maybank's other products and services made it easier for Phoenix Petroleum, he noted. Maybank's check cutting facility eliminated the need to manually affix signatures on checks and allowed the company to tag by batch various cleared items in its system. "Everything was faster and the cost of our operations was trimmed," he said.

Phoenix Petroleum aims to be the third largest oil company in the Philippines in a few years' time. "In a highly competitive industry, we envision to become an indispensible partner in the journey of everyone whose life we touch." With a belief that client relationships are vital in achieving their goal, Mr. Uy believes that Maybank, being customer-centric and being excellent in relationship management will enable Phoenix to reach that goal. "It's all about relationships. Understanding your customer, what his needs are and addressing them to the best of your abilities."

Through Maybank, Phoenix Petroleum was able to have a clear and objective understanding of their business and who they are as a company, he pointed out. Phoenix Petroleum has found possible ways through Maybank's financing services to operate in one of the most vital industries, providing an indispensable commodity. Through Maybank, Phoenix Petroleum was able to achieve its position as the leading independent oil player in the country today.

energy
DEVELOPMENT CORPORATION

Richard B. Tantoco
President and COO,
Energy Development Corporation

> "It's been a **mutually beneficial relationship,** one where both institutions continue to grow symbiotically."

Energy Development Corporation ("EDC"), the largest vertically integrated geothermal company in the world with presence also in other clean and renewable energy, has been operating in the industry for more than three decades. The Company constantly innovates and develops sustainable ways to commercialize renewable energy and provide the most affordable source of energy in the country.

EDC and its relationship with Maybank started off from Mr. Richard B. Tantoco's career in First Gas Corporation. As the former head of Business Development in First Gas, he explained how Maybank was already a long-term lender of the Company back when they did a major refinancing with Maybank. He said, "We needed help from an institution that was comfortable working with us, so we called Maybank." This ultimately helped in developing the kind of relationship that Maybank and EDC has today.

Maybank has also aided EDC in a major way in the financing of the Burgos Wind Project in 2014. The Company had a funding gap of US$23 million when EDC decided to call on Maybank. "Maybank came in, did their due diligence and credit and very quickly said, 'Done, Maybank will take the whole thing'. Maybank believed in what EDC was doing and admired how they worked. The deal was closed and the rest was history."

In gratitude for the Bank's support, EDC officials took the time to meet and personally thank the Maybank team who made it possible for the Company to close the much needed project financing. Mr. Tantoco relayed to the Chairman of EDC Maybank's strong support. The Chairman responded, "From now on, when we have an attractive financing deal, let's make sure Maybank is a part of it." For Mr. Tantoco, that is the essence of a partnership.

The Project Financing for the Burgos Wind Project has been recognized as deal of the year by various international finance and export trade publications, like EuroMoney, Project Finance International, Global Trade Review, and Trade and Export Finance. No other financing deal in the Philippines in 2014 has been recognized as much. "Our credit facility with Maybank was timely. It was much needed funding that followed a pragmatic credit evaluation and approval process. There is a saying that some banks want to lend you an umbrella only when the sun is out, but when there is a storm and you are in a tight spot, the umbrella is no longer there. But with Maybank, it's the exact opposite."

According to Mr. Tantoco, EDC has transformed significantly in the past seven years. Through a series of acquisitions, its revenue has doubled, and the Company's current cash flow is at 250%. "We are at a very strong cash generation position right now that will enable us to grow. It's interesting because you have a rare Filipino champion with very deep domain expertise. EDC has a thousand and eight hundred engineers in the Company that's about to firmly establish a foothold overseas. We are working hard to expand the business in Chile, Peru, and Indonesia. So what we're really exporting here is Filipino talent. Our most important goal right now is to plant the Philippine flag overseas with our technical expertise and say: Yes, the Filipino can do it. It's Philippine engineering skill and know-how. With Philippine technology, we can achieve our goals."

Behind that dream is Maybank's continued support for EDC. Not only has Maybank helped EDC with its project expansions, Maybank bridged the way for the Company to give back to the community as well.

The aftermath of Typhoon Yolanda (International name: Haiyan) devastated the schools in the province of Leyte. And now the Company has built 80 typhoon-proof classrooms with plans to build 60 more. "We have spent a lot of resources giving back." In the immediate aftermath of the strongest Typhoon in recorded history, Typhoon Yolanda, EDC took the lead in mobilizing ships, helicopters, and fixed wing aircrafts to deliver goods, medicine and water to people affected by the typhoon. "We put together search and rescue teams. After each and every person in the Company was accounted for, I would write letters to keep our employees informed. The main message enclosed in those letters was 'hindi namin kayo pababayaan.' The letters were shared within the Lopez group and it went international."

EDC and Maybank's relationship is built on a strong foundation. As Mr. Tantoco puts it, "It's been a mutually beneficial relationship, one where both our institutions continue to grow symbiotically. We have needed Maybank's support, Maybank needs our high quality deals, but neither one takes advantage of the situation at any given point in time. And that type of dealing with each other is very entrepreneurial Asian-style banking. Credit discipline is there but at the end of the day, you don't get into situations where people harm relationships to close a deal. It's a good relationship. It's what you want to have going forward."

Established in August 1994, **P.A. Alvarez Properties and Development Corporation** aims to give Filipinos the opportunity to afford their own homes. Its successful track record can be seen from its very first residential subdivision project in San Pedro, Laguna where it built 200 housing units that were sold within four months.

Providing Filipino families with homes that are comfortable and safe is what inspires the company to continue building the much-needed economical houses. P.A. Alvarez wants to be the bridge for every Filipino to afford their homes. "The country has 4 million housing backlog. It inspires us to be one of the providers of the housing needs of our Filipino brothers and sisters and serves as an instrument in fulfilling their dreams of owning an affordable and decent home. This is ingrained in our tagline 'kasama sa pangarap mo,'" Mr. Romarico T. Alvarez, P.A. Alvarez and Development Corp. Chairman, states.

As the company grew its business, it has encountered roadblocks. It has not always been smooth sailing for the real estate developer, Mr. Alvarez said. "The biggest challenge of any developer is funding and we are not exempted from that."

This is where Maybank comes into the picture. Maybank has always been the company's partner in achieving its dream of providing affordable housing. Aside from smart consultancy and constant guidance, Maybank has provided P.A. Alvarez development loans as well as CTS financing for the company's projects. Maybank also provided P.A. Alvarez with credit facilities for its working capital and to grow its real estate assets, enabling the company to further grow and expand its business. "Maybank has always given us solutions. Specifically, providing us with our funding needs."

Moreover, he highlighted that P.A. Alvarez's relationship with the Bank, bound by trust, is further strengthened by the excellent products and services that the Bank offers. "Maybank has provided us excellent service and support to make us where we are right now. Our relationship is superb."

Through Maybank, P.A. Alvarez is able to develop affordable and quality-housing properties for Filipinos. The company was able to expand and build more St. Joseph Villages in Laguna to cater to the increasing demand of the market. "So far we have built more or less 12,000 housing units to date."

As business partners, Mr. Alvarez believes that Maybank is "fair and considerate," resulting in a strong relationship from the very start. "The people in Maybank are warm, approachable and helpful. They treat their business partners professionally and with high respect."

Today, P.A. Alvarez only has high hopes of achieving greater heights with its continued expansion and strong commitment to the Filipino people. "Our company's goal is to help the government in filling up the housing backlog and to provide various stakeholders decent return on their investments. We would like to see the company as one of the leading providers of affordable housing in the country. We are also considering tapping the capital markets to raise funds for our future expansion."

Mr. Alvarez stressed that with the values P.A. Alvarez shares with Maybank, such as trust, confidence, and transparency, the company -- hand-in-hand with Maybank -- will be successful in achieving its goals.

"Maybank is part of our growth. Whatever we have achieved as a company to date is partly because of Maybank."

> "I believe **trust, confidence,** and **transparency**, which are the values we share with Maybank, made us successful in achieving our goals."

P.A. PROPERTIES
Kasama sa Pangarap mo

Romarico T. Alvarez
Chairman, P.A. Alvarez Properties and Development Corp.

In 2006, Mr. Botchi Santos, along with his father Atty. Ferdinand T. Santos, ventured in the hotel and resorts business by putting up their family business -- Serenity View. The company's first project is the Boracay Sands Hotel, a beach property located in Station 3 of Boracay Island. "We learned the ropes of the hotel business as we went with our day-to-day operations. Now, being in the industry for more than five years, we have learned a lot. In fact, we're now ready to launch the Tagaytay Sands Project within the year. That's the project we have close coordination with Maybank and that's the second hotel project we have."

The young Santos shared that his family is open to growing their two-year relationship with the Bank. "Our partnership with Maybank started off in a time where the company has a good liquidity. The partnership back then was more of the banking services that Maybank could provide to us."

"Maybank has always been present, from providing us with different banking services, to answering our queries even beyond office hours, to giving us updates on various banking services the Bank can offer to better implement our projects at hand," Mr. Santos said. "The flexibility that the bank has shown us has very well helped us in a little way in the past two years and we see this as something that will help us in a big way in the coming years because we are looking forward to a longer, more fruitful, and deeper relationship with Maybank."

With a plan to continuously expand its business, Mr. Santos said his company targets to increase its hotel rooms to 500 from 69 in the next five years. "You should be able to sustain your growth year in and year out. No matter what the situation may be." To achieve this, he said, "We are trying to establish first a source of recurring income," which is a lesson his father passed on to them when the economy was hit during the 1997 Asian financial crisis. Mr. Santos believes that their relationship with Maybank can help them achieve their company's growth plan, emphasizing that the essence of their relationship with the Bank is built on "vigilance and strategic business thinking.

He believes that the important factor in forming a relationship with a bank does not rely merely on size and popularity, but more importantly, on the quality of relationship a bank can offer to its clients. More often than not, small players of an industry are not given importance by big lending companies.

Botchi L. Santos
Chief Operating Officer, Serenity View Resort Property, Inc.

> "Maybank personifies the type of bank we want to deal with on a **long-term** basis."

They project an image of "We are a big bank and we don't need your money. You need us." In the case of Maybank, it was different, he said. Even if it was part of the Maybank Group, which is one of the largest banks by assets in the Southeast Asian region, the Bank "personifies a very different culture. Maybank has the value and attitude of creating quality relationships with their clients and depositors -- big or small," Mr. Santos shared. "Banking is a relationship business. You have to treat your depositors properly and you have to give them the importance that they all deserve," he added.

Mr. Santos believes that they have found a very good bank partner in Maybank and hopes to further grow its current relationship with the Bank. Maybank is very flexible. "Whenever we have some challenges in our business related to banking, we always consult Maybankers who have consistently provided us with possible options. We also exchange views on different issues, we evaluate options together, then we decide what is best for the company and it has been very helpful in reaching business decisions -- big or small." He added, "Small things like that help build strong relationships. And we are very happy with Maybank...Maybank personifies the type of bank we want to deal with on a long-term basis."

Our Leadership

Board of Directors

Dato' Mohd Salleh Bin Hj Harun
Chairperson

Dato' Mohd Salleh Bin Hj Harun has been the Chairman of Maybank Philippines' Board of Directors since 2010.

He started his career as a Senior Accountant at the Federal Treasury from 1971 to 1974. In 1974, he joined the Maybank Group as an Investment Manager in Maybank Investment Bank Berhad, formerly known as Aseambankers Malaysia Berhad. After a four year stint with Maybank, he moved to Bank Rakyat. Dato' Salleh rejoined the Maybank Group in 1979 and served in various capacities culminating as an Executive Director of Maybank from 1994 to 2000. After which, he was appointed as a Deputy Governor in Bank Negara Malaysia, a post he held until 2004. After his stint at the central bank, he was appointed as Director in the RHB Group and was named as the Chairman of RHB Insurance Berhad until November 2009.

His current directorships in companies within the Maybank Group include being the Chairman of Maybank Ageas Holdings Berhad; Etiqa Insurance Berhad; Etiqa Takaful Berhad; Etiqa Insurance Pte Ltd; and Maybank Philippines. He is also a Director of Scicom (MSC) Berhad and Asia Capital Reinsurance Malaysia Sdn Bhd.

Herminio M. Famatigan, Jr.
Director and President and CEO

Herminio M. Famatigan, Jr. has been a member of the MPI Board of Directors since 2012, the same year when he was named as the bank's first Filipino president.

Mr. Famatigan has over 30 years of experience in the banking industry. He started his career as an Account Officer in BPI Leasing in 1980. After seven years, he had a short stint in Anscor Finance. In 1990, Mr. Famatigan moved to Citytrust Banking Corp. where he held different senior positions. Three years after, he joined Solidbank Corp. where he left as a branch region head. In 2000, he joined the Yuchengco Group of Companies as a Region Head in Rizal Commercial Banking Corp. (RCBC). A year after, he was appointed to be the acting President of RCBC Bankard. Three years after, he moved to United Coconut Planters Bank where he served as the Head of the Consumer Banking Group for nearly two years. In 2005, he moved to Planters Development Bank where he was the Head of Account Management Group. Prior to joining Maybank, he was the President and CEO of Premiere Development Bank, which he left in 2012 after it was acquired by Security Bank.

He holds directorships in different companies within the Maybank Group, namely, Maybank ATR KimEng Capital Partners, Inc.; Maybank ATR KimEng Financial Corp.; ATR Kim Eng Land, Inc.; and AsianLife & General Assurance Corp.

Pollie Sim
Director

Pollie Sim joined MPI's Board of Directors in 2013, replacing Mr. Spencer Lee. Concurrently, she serves as the Chief Executive Officer of the Maybank Group's International Operations, covering 14 countries, excluding Singapore and Indonesia.

With more than 30 years of experience in the banking and the finance industry, Ms. Sim has held several senior posts in the Maybank Group. Prior to becoming the CEO of Maybank International, she was the CEO of Mayban Finance (S) Ltd. From 2006 to 2013, she led Maybank Singapore where she was instrumental in developing its retail banking business.

In 2012, Ms. Sim was accorded the Distinguished Financial Industry Certified Professional by the Institute of Banking & Finance Singapore. She was also given the Pacific Rim Bankers Program Distinguished Leadership Award.

Ms. Sim holds non-executive director positions in several companies, namely, Singapore Unit Trusts, Ltd.; Sorak Financial Holding Pte Ltd.; Maybank Kim Eng Holdings, Ltd.; and Maybank Cambodia. She also sits as chairman of the Investment Committee of Singapore Unit Trusts, Ltd.; Chief Executive Officer of Maybank International; and Maybank's Representative to the Asian Bankers' Association.

Felix Antonio M. Andal
Director

Felix Antonio M. Andal has been a Director in MPI since 2007.

He started his career in 1966 with Procter & Gamble as the Section Manager of the Finance Department. In 1971, he became a professor at De La Salle University while he was the Head of Corporate Planning of Far East Bank and Trust Co. In 1974, Mr. Andal held directorships in various companies, namely, Consolidated Electronics, Inc.; Mutual Realty Corp.; and Beneficial Life Insurance Corp. That same year, he became the CEO of FMF Development Corp. and General Manager of Far East Chemco Leasing & Finance. In 1975, he was appointed director in Phil KOYO Bearing Corp. He also held senior positions in the following companies: the United Pacific Amherst Leasing; Nilfisk Phil., Inc.; Pacific United Merchant Corp.; Nissan Central Manila, Inc.; Commercial Auto Sales Service Corp.; and Bremenn Industries, Inc.

At present, Mr. Andal serves as the Managing Director of Cheswick, Inc. and sits as the President of AYME Corp.

Atty. Andres G. Gatmaitan
Director

Atty. Andres G. Gatmaitan has been a member of MPI's Board of Directors since 2001.

Mr. Gatmaitan was a former director in various companies, which include SM Development Corp.; Phelps Dodge Phil.; BHP Engineering Philippines, Inc.; Iligan Cement Corp.; and Consolidated Bank and Trust Corp.

He currently sits as a director in Supralex Asia; Unicharm Philippines, Inc.; Benguet Nickel Mining Corp.; MFG Manille, Inc.; JVS Worldwide, Inc.; JVS Asia, Inc.; St. Agen. Holdings; Benguet Corp.; Triumph International Philippines, Inc.; and Holcim Philippines. He also serves as a Senior Counsel at Sycip, Salazar, Hernandez & Gatmaitan Law Firm.

Aloysius B. Colayco
Director

Aloysius B. Colayco has been a member of MPI's Board of Directors since 2010.

He previously held directorships in Aboitiz Transport Group; United Industrial Corp. (Singapore); and Genesis Emerging Market Fund (London). Mr. Colayco also held senior posts in various companies such as Philippine American Life and General Insurance Company; Jardine Matheson Group; and AIG Investment Corp.

At present, he sits as a director in Gammon Philippines, Inc.; Pasig Land Corp.; Jardine Lloyd Thompson; Jardine Distribution, Inc.; Jardine Shipping Services; Jardine Direct Co. Inc.; Northpine Properties, Inc.; Mandarin Manila Hotel; Republic Cement Corp.; Argosy Advisors; Colliers Philippines; Exeter Berkeley Corp.; Davies Energy Systems; Argosy Finance Corp.; and TVI Pacific. He also serves as the chairman of Jardine Matheson Group and Home Funding, Inc. (SPC); managing director of Argosy Partners, Inc.; member of the Advisory Board of JG Summit Advisory Board; treasurer of Artpostasia, Inc.; and member of the International Management Advisory Group of Fletcher School, Tufts U.

Datuk Lim Hong Tat
Director

Datuk Lim Hong Tat was reinstated as a member of Maybank Philippines' Board of Directors in 2014, replacing Maybank Group President and CEO Datuk Abdul Farid Alias.

He was Maybank Philippines' president and CEO from 2000 to 2006 and served as the bank's director from 2007 to 2010. Datuk Lim has more than 30 years of experience in banking and finance. He joined the Maybank Group upon graduation in 1981. He has covered all aspects of banking, having managed branches, regional banking, credit cards and international banking operations, including holding senior management positions as Head of International Banking and Head of Consumer Banking in the Maybank Group.

Datuk Lim currently sits as the Maybank Group Head for Community Financial Services and the Chief Executive Officer of Maybank Singapore. He is also a director of Maybank Kim Eng Holdings Ltd.; Maybank Kim Eng Securities Pte Ltd.; and Etiqa Insurance Pte Ltd. He is also a member of the Asia Pacific Visa Client Council; a Board Member of the European Financial Management Association; and a Council Member of The Association of Banks in Singapore.

Our Leadership

Management Committee

Herminio M. Famatigan, Jr.
MPI President and Chief Executive Officer

Herminio M. Famatigan, Jr. has been a member of the MPI Board of Directors since 2012, the same year when he was named as the bank's first Filipino president.

Mr. Famatigan has over 30 years of experience in the banking industry. He started his career as an Account Officer in BPI Leasing in 1980. After seven years, he had a short stint in Anscor Finance. In 1990, Mr. Famatigan moved to Citytrust Banking Corp. where he held different senior positions. Three years after, he joined Solidbank Corp. where he left as a branch region head. In 2000, he joined the Yuchengco Group of Companies as a Region Head in Rizal Commercial Banking Corp. (RCBC). A year after, he was appointed to be the acting President of RCBC Bankard. Three years after, he moved to United Coconut Planters Bank where he served as the Head of the Consumer Banking Group for nearly two years. In 2005, he moved to Planters Development Bank where he was the Head of Account Management Group. Prior to joining Maybank, he was the President and CEO of Premiere Development Bank, which he left in 2012 after it was acquired by Security Bank.

He holds directorships in different companies within the Maybank Group, namely, Maybank ATR KimEng Capital Partners, Inc.; Maybank ATR KimEng Financial Corp.; ATR Kim Eng Land, Inc.; and AsianLife & General Assurance Corp.

Atty. Arlene Joan T. Agustin
SVP and Head of Global Markets

Atty. Arlene Joan T. Agustin joined MPI in 2011. She currently heads the Global Markets Group, MPI's Treasury department.

Ms. Agustin brings with her more than two decades of experience and expertise in Treasury. She started her career in banking in 1990 as an Assistant Manager in China Banking Corp. In 1997, she transferred to Jade Progressive Savings and Mortgage Bank where she served as a Senior Assistant Vice President. After two years, she joined Robinsons Savings Bank Corp. and became its Head of Treasury. From 2007 to 2009, she worked for GE Money Bank where she was appointed as First Vice President and Treasurer. When GE Money Bank was acquired by BDO Unibank, Inc., she became the Customer Solutions Desk Head of the Treasury Capital Markets and Derivatives division. Simultaneously, she served as the First Vice President and Treasurer of BDO Elite Savings Bank until 2011.

Nearly a year after joining MPI she was named senior vice president.

Manuel A. Castañeda III
SVP and Head of Global Banking

Manuel A. Castañeda III joined MPI in 2007. He currently leads the Global Banking Group of the Bank. Under his supervision are different units: Real Estate Finance; Client Coverage; Corporate Banking; and Transaction Banking.

Mr. Castañeda is a career banker. He started as a Merchants Assistant in BPI Express in 1991. Two years after, he transferred to Asiatrust Development Bank, Inc. where he was a Unit Head and Senior Manager. He later joined International Exchange Bank, now known as Union Bank of the Philippines, where he worked as a Relationship Manager and Head of Project Finance. He left the Aboitiz-led bank in 2007 to join MPI.

In MPI, he started as a Credit Manager for Enterprise Financial Services (EFS). Two years after, he was named as the Acting Head of EFS, now called the Global Banking Group.

Richard C. Lim
EVP and Head of Retail Business Group

Richard C. Lim joined MPI in 2000. He heads the Retail Business Group, which covers Consumer Loans; SME Loans; Community Distribution; Business Enablement; Business Development; Virtual Banking; and Credit Cards.

Mr. Lim carries with him over 21 years of in-depth knowledge in retail finance, retail marketing, and consumer sales. He started his career in banking as a Clerical Staff at China Banking, Corp. in 1991. Then he transferred to Urban Bank where he served as a Marketing Associate. In 1996, he joined Philam Savings Bank as a Branch Marketing Officer. Prior to joining MPI in 2000, he was a Management Consultant for Zircon Computers Direct.

In 2003, three years after entering MPI, he was appointed as the Head of Retail Marketing Management. Two years after, he was named the Head of Consumer Sales. From 2008 to 2009, he became the Acting Head of Retail Finance Services. In 2009, he assumed his current position as the Head of the Retail Business Group.

Jose A. Morales, III
SVP and Chief Audit Officer

Jose A. Morales, III joined MPI in 2011.

His experience in banking spans over 20 years, with concentration in branch banking operations, international treasury operations, retail marketing, branch delivery systems, branch sales and marketing, and internal audit.

Mr. Morales started his career as a Staff Auditor in Sycip Gorres Velayo and Company from 1982 to 1984. After which, he worked as an Internal Audit Staff for the Commercial Bank of Manila from 1986 to 1988. From 1988 to 1990, he worked for San Miguel Corp. as a Senior Financial Analyst. From 1990 to 1999, he served as a Senior Manager and Head of Branch Systems in Union Bank of the Philippines. In 1999, he joined United Coconut Planters Bank to head Branch Audit. After six years, he had a one-year stint in PricewaterhouseCoopers Philippines as a director. From 2006 to 2009, he worked for GE Money Bank. Before joining MPI, he had a two year stint at RCBC Savings Bank.

In 2011, he joined MPI as Senior Vice President and the Chief Audit Officer.

Ng Yok Chin
EVP and Chief Risk Officer

Ng Yok Chin joined MPI in 1999 and he has been with the Maybank Group since 1982.

From 1982 to 1999, he has held various positions in Malayan Banking Berhad, the last being as a Credit Manager for Johor and Melaka in Malaysia. In 1999, he was assigned to be the Head of Credit and Marketing in MPI. A year after, he was named the Head of Credit and Risk Management Group. In 2002, he was appointed as the Head of Risk and Remedial Management, now called the Risk Management Group.

Dandy L. Rivera
SVP and Head of Central Operations Group

Dandy L. Rivera joined MPI in 2012. He currently heads the Central Operations Group (COG), which caters support to various business units of the Bank.

Mr. Rivera has over 30 years of experience in the banking industry. He has worked for various local and foreign financial institution. He started his career in BA Finance Corp., an affiliate of Bank of America, where he held various positions in Accounting, Collections and Marketing. In 1991, he transferred to Standard Chartered Bank where he also held different senior positions, the last as Vice President for Consumer Banking Business Finance. He then joined Primus Finance and Leasing, Inc., a subsidiary of Ford Credit International, when Ford Credit acquired the Consumer Finance Business of Standard Chartered Bank. Mr. Rivera also had a five year stint in Australia & New Zealand Bank where he last served as Assistant Head of Operations. In 2002, he moved to Security Bank Corp. to head the Auto Finance division. Two years after, he joined Planters Development bank as the Head of the Consumer Finance Department. Prior to joining Maybank, he was with Premiere Development Bank where he served in different senior capacities, the last as consultant under the Office of the President.

Fides V. Tanay
SVP and Head of Group Human Capital

Fides V. Tanay joined MPI in 2012.

She started her career in Human Resources in 1991 with GlaxoSmithKline. Ms. Tanay held various positions in the company, the last being as a Human Resources Officer. In 2000, she transferred to Analog Devices Philippines where she served as a Human Resources Business Manager from 2000 to 2005.

Edmund A. Reyes
VP and Head of Information Technology

Edmund A. Reyes joined MPI in 2012.

He started his career in Far East Bank and Trust Company where he worked for more than 10 years. After which, he joined Systematics Trainor as a Senior Assistant Cashier from 1995 to 1996. Then he transferred to Equitable PCI Bank where he held various senior posts and left as an Assistant Vice President in 2006. From 2006 to 2011, he worked in Australian IT Software Services, Pte Ltd. As a Senior Service Delivery Manager. Prior to joining Maybank, he was an Applications Architect in RCBC for nearly two years.

Hazli Bin Abu Samah
EVP and Head of Group Finance

Hazli Bin Abu Samah joined MPI in 2013 and has been with the Maybank Group since July 2008.

He started his career as a Supervisor in Ernst & Young Malaysia from 1995 to 1998. Then he joined MSC Technology Centre Sdn Bhd from 1998 to 2009 as a Manager for Strategy and Processes.

When he joined the Maybank Group in 2008, he was named as the Head of Corporate Planning, Strategic Management Office, which he handled until June 2009. After which, he was designated as the Head of Business Planning and Management Reporting from 2009-2011.
After which he became the Head of the Finance Centre of Excellence from 2011 to 2013.

In June 2013, he was appointed as the first Chief Financial Officer of MPI.

PRESIDENT AND CEO
Herminio M. Famatigan, Jr.

- **RISK MANAGEMENT** — Ng Yok Chin
- **INTERNAL AUDIT** — Jose A. Morales III
- **GROUP HUMAN CAPITAL** — Fides V. Tanay
- **LEGAL /OFFICE OF THE CORPORATE SECRETARY** — Atty. Jonathan P. Ong
- **COMPLIANCE** — Atty. Gregorio M. Yaranon, Jr.
- **CORPORATE AFFAIRS** — Eric H. Montelibano
- **SECURITY** — Cesar L. Teng
- **INFORMATION TECHNOLOGY** — Edmund A. Reyes

BUSINESS PILLARS

RETAIL BUSINESS GROUP
Richard C. Lim

- **CONSUMER FINANCE** — Rafael R. Dimalanta
- **BUSINESS ENABLEMENT** — Mary Jen L. Paggabao
- **BUSINESS BANKING** — Anna Christina M. Vicente
- **COMMUNITY DISTRIBUTION** — Joel T. Carranto
- **VIRTUAL BANKING** — Aisha Belle R. Alvaro
- **SME** — Grace D. Osabel
- **CARDS** — Eden Leah V. Estrella

GLOBAL BANKING
Manuel A. Castañeda III

- **TRANSACTION BANKING** — Martin G. Tirol
- **CLIENT COVERAGE** — Manuel G. Bosano III
- **CORPORATE BANKING I** — Jose Mari C. Carlos
- **REAL ESTATE FINANCING** — Jesus C. Salvador, Jr.
- **CORPORATE BANKING II** — Edric B. Fernandez

GLOBAL MARKETS
Atty. Arlene Joan T. Agustin

- **BRANCH BANKING SALES** — Grace M. Yu
- **ASSET & LIQUIDITY MANAGEMENT TRADING** — Arnel S. Roxas
- **AFS TRADING** — Cristina P. Beduya-Casipit
- **FX TRADING** — Omar Byron K. Traje
- **SALES** — Ernee A. Regala
- **HFT TRADING** — Jose Manuel G. Diaz
- **DERIVATIVES** — Mark Timothy C. Go

SUPPORT GROUP

GROUP FINANCE
Hazli Bin Abu Samah

- **CORPORATE PLANNING** — Benedict F. Borlado
- **PHILMAY PROPERTY INC.** — Armando C. Lavandelo
- **ACCOUNTING** — Ma. Caroline B. Santillan
- **RECONCILIATION** — Oliver B. Guinto
- **PROPERTY ADMINISTRATION AND PURCHASING** — Severino M. Manotok IV
- **ASSET RECOVERY AND LITIGATION** — Atty. Ramil M. De Villa

TRANSFORMATION / CENTRAL OPERATIONS GROUP
Dandy L. Rivera

- **TRANSFORMATION & STRATEGY** — Ma. Alicia C. Marasigan
- **GLOBAL MARKETS OPERATIONS & SUPPORT** — Esperanza B. Cabreros
- **LOANS ADMINISTRATION** — Nelson L. Wong
- **CASH AND PAYMENTS** — Stanley F. Chua
- **PROJECT MANAGEMENT** — Grace Roselle D. Sarmiento

Corporate Governance

Maybank Philippines, Inc. (MPI) believes that measures to exercise good corporate governance must be in place and ingrained in the Bank's philosophy to ensure that the business is run responsibly and in turn protect all its stakeholders.

On top of complying to the Bangko Sentral ng Pilipinas' regulatory requirements and its CAMELS (capital, asset quality, management, earnings, liquidity, and sensitivity to market risk) framework, the Bank adheres to the values of integrity, fairness, accountability, and transparency in carrying out its daily operations.

The practice of good corporate governance is vital to keep the checks and balances in the Bank's operations and top officials' decision-making. It is likewise crucial in enhancing shareholders' value, obtaining customers' trust and loyalty as well as strengthening employees' commitment to realize the Bank's aspiration of becoming the country's leading financial services provider for its target market segment.

Principal Officers

as of End-December 2014

PRESIDENT AND CEO

- Famatigan, Herminio Jr. M.

EXECUTIVE VICE PRESIDENTS

- Hazli Bin Abu Samah
- Lim, Richard C.
- Ng Yok Chin

SENIOR VICE PRESIDENTS

- Agustin, Arlene Joan T.
- Bosano III, Manuel G.
- Castañeda, Manuel III A.
- Dimalanta, Rafael R.
- Morales, Jose III A.
- Rivera, Dandy L.
- Tanay, Fides V.

VICE PRESIDENTS

- Albotra, April Katrina V.
- Bautista, Eva O.
- Berdan, Francis Vincent S.
- Borlado, Benedict F.
- Carlos, Jose Mari C.
- Carranto, Joel T.
- Castillo, Conrado Jr. T.
- Chan, Noel G.
- Charvet, Rosalie D.
- Estrella, Eden Leah V.
- Fernandez, Edric B.
- Gonzales, Rhodora A.
- Lavandelo, Armando C.
- Maglonzo, Michael Y.
- Montelibano, Eric H.
- Ong, Jonathan P.
- Paggabao, Mary Jen L.
- Perez, Paul Benedict F.
- Regala, Ernee A.
- Reyes, Edmund A.
- Rodriguez, Jose Rommel S.
- Salvador, Jesus Jr. C.
- Tapiador, Ronel Loreto R.
- Tirol, Martin Roberto G.
- Traje, Omar Byron K.
- Vicente, Anna Christina M.
- Yaranon, Gregorio Jr. M.

SENIOR ASSISTANT VICE PRESIDENTS

- Axalan, Anna Leo O.
- Balallo, Ramon C.
- Caluag, Chester M.
- Casipit, Cristina B.
- Chua, Stanley F.
- Datuin, Ma. Rosario C.
- De Villa, Ramil M.
- Diaz, Jose Manuel D.
- Layug, Maria Luisa C.
- Litonjua, Louie J.
- Manotok, Severino IV M.
- Marasigan, Maria Alicia C.
- Pagkalinawan, Michael B.
- Quiambao, Arselina C.
- Reyes, Ronald P.
- Sadie, Errol Brian B.
- Santillan, Ma. Caroline B.
- Santos, Antonette P.
- Sebastian, Santiago F.
- Tamondong, Rolly G.
- Tan, Rebecca K.
- Teng, Cesar L.
- Tria, Melissa M.
- Uy De Ong, Domingo G.
- Villanueva, John Martin T.
- Villaseñor, Jocelyn DG.
- Yu, Grace M.

ASSISTANT VICE PRESIDENTS

- Abad, Edilberto D.
- Abuel, Gloria B.
- Adriano, Jereven B.
- Alvaro, Aisha Belle R.
- Apostol, Mary Grace R.
- Avila, Alan Jay C.
- Borja, Benjamin Jr. R.
- Cabreros, Esperanza B.
- Carreon, Cezarian S.
- Carrillo, Cecile P.
- Casus, Geraldine A.
- Catajoy, Veronica Joy R.
- Chia, Nelson A.
- Dayrit, Carlos Angelo S.
- De Castro, Amiel Leandro C.
- Deray, Milagros A.
- Domingo, Irvin Jr. B.
- Fernandez, Jake Mario P.
- Figueroa, Maria Charina B.
- Gamboa, Riva Rei C.
- Laconico, Lamberto C.
- Lateo, Jeffrey B.
- Lee, Michael S.
- Lim, Kerwin G.
- Lira, Benjamin Q.
- Martinez, Emmanuel B.
- Medina, Maria Tanya T.
- Milan, Kristine Marie B.
- Montana, Zaldy C.
- Monzon, Manuel Angelo C.
- Obcena, Lina R.
- Oncinian, Aramandito T.
- Ordoña, Maria Lourdes C.
- Patricio, Arnold M.
- Piatos, Annabelle M.
- Polo, Emmanuel F.
- Racadio, Zheryll Katherine C.
- Roxas, Arnel S.
- Salud, Roxanne Beatriz M.
- Santos, Melanie P.
- Sia, John Albert P.
- Sia, Mary Genevieve C.
- Sobrepeña, Nancy V.
- Tanquilut, Ma. Carmen C.
- Tay, Dexter A.
- Tinga, Pat R.
- Treyes, Anthony Y.
- Uyguangco, Jennifer P.
- Wong, Nelson L.
- Yee, Maria Victoria B.

Maybank

BOARD OF DIRECTORS

POSITION IN THE BOARD and TYPE OF DIRECTOR	NAME OF DIRECTOR	NO. OF MEETINGS ATTENDED The Board held six (6) meetings in 2014
CHAIRMAN *Non-independent / Non-executive*	Dato' Mohd Salleh Bin Hj Harun	6 / 6
MEMBER *Non-independent / Non-executive*	Pollie Sim Sio Hoong	6 / 6
MEMBER *Non-independent / Executive*	Herminio M. Famatigan, Jr.	6 / 6
MEMBER *Independent / Non-executive*	Felix Antonio M. Andal	6 / 6
MEMBER *Non-independent / Non-executive*	Atty. Andres G. Gatmaitan	6 / 6
MEMBER *Independent / Non-executive*	Aloysius B. Colayco	6 / 6
MEMBER *Non-independent / Non-executive*	Datuk Lim Hong Tat	4 / 4

Board of Directors

The Board's Duties, Functions and Responsibilities

The Board of Directors is MPI's highest governing body. They are at the helm of the Bank's strategic direction and operations, thus they have oversight and authority over the Bank's properties, interests, businesses, and transactions.

The Board's responsibilities include decision-making on major business strategies; appointment and confirmation of the Bank's leaders; approval on big funding and investment proposals, annual budget, and financial plans; and reviews to ensure MPI's long-term success for the benefit of MPI's stakeholders. The Board will also guarantee that effective policies are in place and sound decisions are made to ensure MPI's smooth operation.

The Board has unlimited access to all levels of management at all times. They are also allowed to seek external professional advice on any issue they deem necessary. To be effective, the Board subscribes to the code of proper practices for directors as proposed by the Institute of Corporate Directors, which is based on the core principles of integrity, fairness, accountability, and transparency.

Roles and Responsibilities

of the Chairman and the Chief Executive Officer

To ensure equitable distribution of responsibilities and accountabilities as well as to provide proper check and balance of power and authority over the Bank's operations, there is a clear separation of roles between the Chairman of the Board and the President and Chief Executive Officer.

The Chairman of the Board is a non-executive member of the Bank. He, along with other members of the Board, is responsible for supervising the Bank's operations and ensuring its compliance with all the tenets of corporate governance.

The President and Chief Executive Officer, on the other hand, is an executive and is primarily responsible for overseeing the Bank's day-to-day operations. His performance is evaluated and rewarded by the Board based on his balance sheet scorecard. He chairs the Board's Management; Asset and Liability; Credit; Staff; Steering; and Audit Exception Review Committees.

Composition of the Board of Directors

In line with MPI's By-laws and amended Articles of Incorporation, the Bank has seven elected Board of Directors, two of whom are independent directors or those who do not hold any executive position or have any relationship with MPI, but are elected to promote the independence of the Board's view from that of the Bank's senior management. The remaining five, meanwhile, are non-independent and executives of the bank. The Board has a clear division of responsibilities to avoid any individual or group from dominating the Board's decision-making.

Qualification to be a Board of Director

Members of the MPI Board are individuals who uphold integrity and are equipped with expertise in running financial institutions.

Selection of Board of Directors

Members of MPI's Board are appointed through the recommendation of the Bank's Nomination/ Corporate Governance Committee. The said committee employs a set of criteria to appoint the members of the Board. Each year, members of the Board of Directors are required, by rotation, to submit themselves for re-election to the Board. Nominees to the Board are confirmed by the Bank's shareholders during the annual stockholders' meeting, which is held every fourth Friday of March after each financial year.

Compensation / Incentive Structure for the Board of Directors

MPI's By-laws state "...[E]ach director shall receive a reasonable per diem allowance for his actual attendance at each meeting of the Board of Directors; should he serve as member of committee or committees of the Bank, he shall be entitled the compensation given a member hereof, subject to limitations set forth by Law...In no case shall the total yearly compensation of directors, as such directors, exceed 10% of the net income before income tax of the corporation during the preceding year."

Remuneration of the Board of Directors and Officers

The directors receive per diem for every Board of Directors meeting or Committee meeting they attend. Non-Filipino members of the Board receive transportation and hotel accommodation allowance, on top of their regular per diems.

Fees paid to the Board of Directors for financial year 2014 amounted to Php9.879 million, up from the Php8.609 million recorded in the year before. For MPI officers, the Bank has adopted a remuneration system that is at par with the local banking industry. In particular, they receive basic compensation and benefits that are based on their respective job band. Moreover, gratuities to officers are performance-based. Officers' bonus depends on their accomplishments or the challenges they were able to hurdle, which are reflected in their balance sheet scorecard. In a bid to attract and retain notable talents in MPI, the Bank has a talent management scheme aimed to compensate high-potential and high performing officers through rewards -- monetary and trainings -- commensurate to the value they deliver to the Bank.

Trainings of the Board of Directors

Members of the Board undergo trainings on corporate governance as mandated by the Bangko Sentral ng Pilipinas.

Board Performance Evaluation

The Board of Directors, upon the endorsement of the Nomination/Corporate Governance Committee, adopted an Annual Performance Evaluation, which is aimed at ensuring that the directors are aware of their responsibilities as individual members and as part of the collegial board. It assists the members of the Board in determining their strengths and weaknesses to enable to formulate steps to resolve concerns.

The evaluation form is comprised of two parts. The first part contains statements on the roles, duties and responsibilities of a director as embodied under the Bangko Sentral ng Pilipinas' Manual of Regulations for Banks and the Corporate Governance Self-Rating Form. The director will be asked to assess the level of his/her fulfilment to each of the statements as either "Exemplary," "Satisfactory," or "Below Expectation." The second part, on the other hand, consists of varying statements on the roles, functions, and responsibilities of the Board. The directors will be asked to assess the performance of the Board on the aspects of: Strategies and Plans; Performance Management; Risk Management; Financial Reporting; Policies; Human Capital Management; Effectiveness; Remuneration; Shareholders' Value; as well as its general assessment on the performance of the Board and Management Committees; and the manner by which meetings are conducted. Assessment is either "Satisfactory," "Could Improve," or "Must Improve in Coming Year."

Accountability and Audit

Financial Reporting and Disclosure

The Board is primarily accountable to MPI's shareholders. The Bank's highest governing body aims to provide its shareholders with a balanced and clear assessment of MPI's performance and prospects when it presents the Bank's audited annual and quarterly financial statements.

Aside from discussing its financial performance in the annual report, MPI also publishes its quarterly financial performance in newspapers of general circulation.

For the financial year ended 31 December 2014, the Bank's financial statements were prepared in full compliance with the Philippine Financial Reporting Standards.

Internal Controls

The Board has an overall responsibility of ensuring that proper and adequate internal controls are in place to safeguard the Bank's assets and protect the interests of its stakeholders. The Board sees to it that internal audit examinations include the evaluation of the adequacy and effectiveness of internal controls covering financial, operational, compliance, and risk management matters.

Compliance Management's principles and functional responsibilities are embodied in the Compliance Management Charter and the Compliance Operations Manual.

Relationship with Auditors

The Board maintains a transparent and professional relationship with MPI's external and internal auditors. Through the Audit Committee, it recommends to shareholders a duly accredited external auditor to undertake an independent audit, which is up for rotation every five (5) years as stipulated in the Bank's manual.

Code of Discipline

MPI has a Code of Discipline to guide all employees in discharging their duties and in dealing with customers, colleagues and public authorities. It also sets out the standards of good banking practice that all employees must observe. Specifically, the Code seeks to:

- ***Uphold the good name of Maybank and to maintain public confidence in Maybank;***
- ***Maintain an impartial relationship between Maybank and its customers;***
- ***Uphold the high standards of personal integrity and professionalism of Maybank employees;***
- ***Maintain independence of judgment and action by consciously disclosing and avoiding any possible conflict of interest;***
- ***Encourage the employees to share in the creation of a more just and humane society.***

The Code, which was updated and reissued in August 2010 in booklet form, is communicated to all MPI employees who signified, through a confirmation form, that they have read and understood the document.

The Board Committees

MPI has five Board-level Committees, which were formed to assist the Board in implementing its duties and responsibilities within the bounds of good corporate governance.

The Executive Committee

The Executive Committee has the power to approve and act upon all matters affecting the Bank in between meetings of the Board.

The Executive Committee exercises all powers of the Board of Directors except on certain matters such as, but not limited to, approval of business plans, which includes the annual operating and capital budgets of the Bank and any matter under the Corporation Code of the Philippines, which requires approval of both the Board of Directors and shareholders of a corporation as conditions precedent for such a matter to become a valid corporate act.

EXECUTIVE COMMITTEE		
POSITION IN THE COMMITTEE	NAME	NO. OF MEETINGS ATTENDED There were no committee meetings held in 2014
Chairman	Datuk Lim Hong Tat	n/a
Member	Herminio M. Famatigan, Jr.	n/a
Member	Aloysius B. Colayco	n/a
Member	Felix Antonio M. Andal	n/a

The Nomination / Corporate Governance Committee

The Nomination/Corporate Governance Committee assesses the Board's performance, directs the process of reviewing and replacing Board Members and manages the general composition of the Board in terms of size, skills and balance. The Committee also ensures that the Bank's remuneration is sufficient and reasonable and linked to corporate and individual performance.

NOMINATION / CORPORATE GOVERNANCE COMMITTEE		
POSITION IN THE COMMITTEE	NAME	NO. OF MEETINGS ATTENDED The committee held three (3) meetings in 2014
Chairman	Aloysius B. Colayco	3 / 3
Member	Dato' Mohd Salleh Bin Hj Harun	3 / 3
Member	Pollie Sim Sio Hoong	3 / 3
Member	Felix Antonio M. Andal	3 / 3
Member	Datuk Lim Hong Tat	2 / 2

The Audit Committee Board

The Audit Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Bank's process for

monitoring compliance with laws and regulations and the code of conduct. The Committee is authorized by the Board to investigate any activity or matter within its sphere of influence; obtain external independent professional advice, legal or otherwise as deemed necessary; and maintain direct communication channels with external and internal auditors and with the Senior Management of the Bank and its affiliates. To execute these functions effectively, the Audit Committee has also been empowered to have the resources, which are required to perform its duties and unlimited access to all information and documents relevant to its activities.

AUDIT COMMITTEE		
POSITION IN THE COMMITTEE	NAME	NO. OF MEETINGS ATTENDED The committee held three (6) meetings in 2014
Chairman	Felix Antonio M. Andal	6 / 6
Member	Pollie Sim Sio Hoong	5 / 6
Member	Aloysius B. Colayco	6 / 6

The Risk Management Committee

The Risk Management Committee provides oversight of the Board's activities in managing the Bank's credit, market, liquidity, operational, legal and other risk exposures.

RISK MANAGEMENT COMMITTEE		
POSITION IN THE COMMITTEE	NAME	NO. OF MEETINGS ATTENDED The committee held three (6) meetings in 2014
Chairman	Pollie Sim Sio Hoong	6 / 6
Member	Herminio M. Famatigan, Jr.	6 / 6
Member	Aloysius B. Colayco	6 / 6
Member	Datuk Lim Hong Tat	4 / 4
Member	Felix Antonio M. Andal	6 / 6

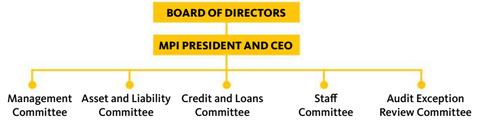
The Trust Committee

The Trust Committee provides oversight of the Bank's activities in managing its trust business. Its responsibilities include, but are not limited to, the acceptance and closing of trust and other fiduciary accounts; the initial review of assets placed under the trustee's fiduciary's custody; the investment, reinvestment, and disposition of funds or property; the review of trust and other fiduciary accounts at least once a year to determine the advisability of retaining and disposing of the trust of fiduciary assets, and/or whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship.

TRUST COMMITTEE		
POSITION IN THE COMMITTEE	NAME	NO. OF MEETINGS ATTENDED The committee held three (6) meetings in 2014
Chairman	Dato' Mohd Salleh Bin Hj Harun	n/a
Member	Datuk Lim Hong Tat	n/a
Member	Herminio M. Famatigan, Jr.	n/a
Member	Atty. Andres G. Gatmaitan	n/a
Member	Alan Jay C. Avila	n/a

Management-Level Committees

MPI also has six (6) Management-level committees tasked to support the Bank's Management. The committees are: the Management Committee, the Asset & Liability Committee, the Credit & Loans Committee, the Staff Committee, the Steering Committee, and the Audit Exception Review Committee.



The Management Committee

The Management Committee directs and reviews the Bank's overall operations to achieve its objectives and targets. It also reviews and recommends the Budget Plan of MPI and evaluates the Bank's performance against budget.

Asset and Liability Committee

The Asset and Liability Committee monitors and reviews the Bank's overall asset and liability management structure to address market risk, liquidity risk, the balance sheet, and capital management.

Credit and Loans Committee

The Credit and Loans Committee approves the credit facilities and credit-related matters and transactions based on a two-level risk-based authority limit, subject to the Board's notation.

Staff Committee

The Staff Committee formulates, plans, and recommends to the Nomination Committee or the Board of Directors policies on all matters relating to the Bank's employees.

Steering Committee

The Steering Committee plans and directs the computerization of the Bank commensurate with its corporate objectives.

Audit Exception Review Committee

The Audit Exception Review Committee deliberates on the findings of MPI's Internal Audit Group and monitors the status of actions taken as recommended by both the Bank's Internal and External Auditors.

Risk Management

Risk is an inherent component in all aspects of MPI's businesses. The management of risk has evolved into an important driver for strategic decisions in support of the Bank's business objectives, balancing the appropriate level of risk taken proportionate to the desired level of reward while maintaining a sound financial position and the capital of the Bank. In 2014, MPI Risk Management Group continued to build on our Risk Transformation journey to further integrate business and work more effectively, creating greater value across the Bank. The Group's approach to the management of risk involves establishment and reinforcement of Integrated Risk Management Framework and strategies within all business units as the core foundation in driving robust and dynamic risk management practices.

The mission of MPI's Risk Management function is to develop measures to ensure that risks inherent to the Bank's activities are properly identified, measured, controlled, monitored, and reported under both business-as-usual conditions and stress events.

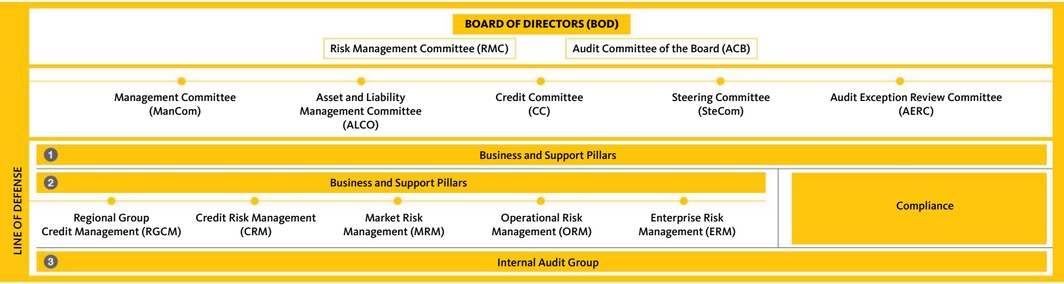
This statement on Risk Management is disclosed pursuant to the Bangko Sentral ng Pilipinas' (BSP) Manual of Regulations for Banks X190.5 Disclosure requirements in the annual report to provide information on the overall risk management philosophy, risk management system, and structure, qualitative and quantitative information on risk exposures (credit, market, liquidity, operational, legal, and other risks).

Risk Governance

MPI continually enhances its integrated risk management approach towards the effective management of enterprise-wide risks. The Bank views the overall risk management process with a structured and disciplined approach to align strategies, policies, processes, people, and technology with the specific purpose of evaluating all risk types in line with enhancing shareholder value.

GOVERNANCE AND OVERSIGHT

Risk Management structure within the Bank consists of three lines of defense: the first is the risk taking units such as business units of the Bank; the second is the risk control units composed of the Risk Management Group and Compliance Department; and the final line of defense is the Internal Audit Group. The Board of Directors (BOD), through the Risk Management Committee (RMC), performs the overall supervision of risk management.



Board of Directors (BOD)

The Board of Directors is the Bank's ultimate governing body, which has overall risk oversight responsibility. It approves the risk management framework, risk appetite, plans and performance targets, the appointment of senior officers, delegation of authorities for credit and other risks, and the establishment of effective control.

Risk Management Committee (RMC)

The RMC is a dedicated Board Committee responsible for the risk oversight function within the Group. It is principally responsible for formulating policies and frameworks for various risks.

Management Committee (ManCom)

The Management Committee is responsible to review and advice the RMC or Board on issues, practices and enhancements of the risk management policies; impact of risk measures on business strategies; and changes in the Bank's risk profile. ManCom is also responsible to review and advice the RMC or Board on the allocation of capital across business units and product lines covering market, credit, operational risk, and other material risks.

Asset and Liability Management Committee (ALCO)

The ALCO is a Management Committee responsible to recommend broad strategies, policies and frameworks to identify, measure, monitor, manage, and control the Market and Liquidity risks to the RMC or Board for approval. It is also responsible for assets and liabilities management.

Credit Committee (CC)

The Credit Committee is responsible for the management of credit risk and asset quality; approval of credit policies, frameworks, tools, and methodologies.

Compliance Department

Compliance implements the compliance policy and ensures that compliance risks and issues are addressed and resolved expeditiously.

Internal Audit

Internal Audit provides independent assurance of the effectiveness of the risk management approach. The Audit Committee of the Board is responsible for the overall supervision of the audit function within the organization.

Risk Management Group

Risk Management is functionally independent of risk-taking units within the Bank. It is responsible for the development of measures to ensure that the risk inherent to the Bank's activities are properly identified, measured, controlled, monitored, and reported.

Risk Management has the following general objectives:

- ***To promote risk management culture and philosophy of risk awareness;***
- ***To assist risk-taking business and operating units in understanding and measuring risk/return profiles;***
- ***To develop risk and control infrastructure;***
- ***To develop, disseminate, and maintain formalized risk policies, frameworks, methodologies, and tools;***
- ***To provide effective means of differentiating the degree of risk in the various business portfolios of the Bank***

The Risk Management Group, composed of the Regional Group Credit Management (RGCM); Credit Risk Management (CRM); Market Risk Management (MRM); Operational Risk Management (ORM); and Enterprise Risk Management (ERM), is headed by the Chief Risk Officer.

- The Regional Group Credit Management (RGCM) is responsible for the conduct of independent pre-approval risk evaluation of credit and credit-related proposals.
- The Credit Risk Management (CRM) is responsible for the formulation of frameworks, methodologies, policies, and tools for the identification, monitoring, reporting and controlling of credit risk. CRM also supports the Credit Committee.
- The Market Risk Management (MRM) is responsible for the formulation of frameworks, methodologies, policies, and tools for the identification, monitoring, reporting and controlling of market risk and liquidity risk. MRM acts as the secretariat for ALCO.
- The Operational Risk Management (ORM) is responsible for the formulation of frameworks, methodologies, policies, and tools for the identification, monitoring, reporting and controlling of operational risk. It also develops the Bank's Business Continuity Plan and conducts monitoring of fraud risks. ORM systems such as the Risk Control Self-Assessment (RCSA), and Incident Management and Data Collection (IMDC) are also being maintained by ORM.
- The Enterprise Risk Management (ERM) is responsible for the formulation of frameworks, methodologies, policies, and tools for the identification, monitoring, reporting, and controlling of all other material risks faced by the Bank. ERM monitors the overall risks of the Bank at an Enterprise-wide level landscape. ERM drives the Bank's Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing exercise.

Integrated Risk Management Framework

The Board has established an organization structure with clearly defined lines of responsibility, authority limits, and accountability aligned to business, and operation requirements, which supports the maintenance of a strong control environment.

The Board has delegated the Risk Management Committee to formulate policies and frameworks to identify, measure, monitor, manage and control the following material risk components:

- Credit Risk (including Credit Concentration and Counterparty Credit Risk)
- Market Risk
- Liquidity Risk
- Operational Risk (including IT Risk)
- Legal Risk
- Interest Rate Risk in the Banking Book
- Reputational Risk
- Business/Strategic Risk
- Compliance Risk

Other Roles and Responsibilities of the Risk Management Committee are:

- To review and approve risk management strategies, risk frameworks, risk policies and risk tolerance, and risk appetite limits of the Bank;
- To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring, and controlling risk and the extent to which these are operating effectively;
- To ensure infrastructure, resources, and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the financial institution's risk taking activities; and
- To review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

The risk governance structure is aligned across all business units and with the Maybank Group. The risk frameworks, policies, and organizational structures are streamlined to embed and enhance risk management and risk culture.

Risk management principles, policies, procedures, and practices are updated regularly to ensure their relevance and compliance with current and applicable laws and regulations, and are made available to all employees.

Seven Broad Principles of Risk Management

The broad overarching framework is underpinned by seven core principles to ensure the integration of risk strategies, governance, culture, processes and infrastructure to the Bank's regional footprint. The seven key principles are:

1. Establishment of a risk appetite and strategy, which articulates the nature, type and level of risk the Group is willing to assume and must be approved by the Board.
2. Capital management driven by the Group's strategy objectives and accounts for the relevant regulatory, economic and commercial environments in which the Group operates.
3. Proper governance and oversight through a clear, effective and robust Group governance structure with well-defined, transparent and consistent lines of responsibility established within the Group.
4. Promote a strong risk culture which supports and provides appropriate standards and incentives for professional and responsible behavior.
5. Implementation of risk frameworks and policies to ensure that risk management practices and processes are effective at all levels.
6. Execution of sound risk management processes to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Group.
7. Ensure sufficient resources and system infrastructure are in place to enable effective risk management.

Risk Management Practices and Processes

The following are the five main stages of the risk management process being carried out by the Bank:

- **Identification** – Identification of entity-level and process-level risks through an established Risk Assessment Process and Risk and Control Self-Assessment exercise. The Bank has also established a process to identify and assess risks for new products and processes.
- **Measurement** – The Bank has established various methodologies, approaches, models, and techniques to measure both Pillars I and II risks. Data management and risk infrastructure is in place to carry out this process.
- **Control** – To control the identified risks, the Bank has established qualitative and quantitative controls, preventive measures, and mitigation actions and active management.
- **Monitoring** – Monitoring of risk exposures vs. limits/triggers are being carried out by the risk control units.
- **Reporting** – Risk management matters are reported to management and RMC/BOD in an ongoing basis through various monitoring tools and reports.

Capital Management

MPI's approach to capital management is driven by its strategic objectives and takes into account all relevant regulatory, economic and commercial environments in which the Bank operates. The Bank regards having a strong capital position as essential to the Bank's business strategy and competitive position. Thus, implications on MPI's capital position are taken into account by the Board and Senior Management prior to implementing major business decisions in order to preserve the Bank's overall capital strength.

Capital Management Framework

The Bank has a Capital Management Framework to ensure that the management of capital is consistent and aligned across MPI.

The Capital Management Framework, which is approved by the Board, provides a comprehensive approach to the management of capital for the Bank. Specifically, the framework aims to:

- Establish a formal capital management framework for MPI within which the capital management policies and procedures will be developed and implemented;
- Formulate the principles and strategies to be adopted by MPI in managing and optimizing its capital;
- Clearly define roles and responsibilities of the MPI Board of Directors, ManCom and the concerned groups/units within the Bank with regard to capital management matters;
- Establish guidelines for managing capital in an integrated basis and to ensure compliance

with all internal and regulatory requirements across the Bank; and
- Promote a high level of corporate governance in the area of capital management within the Bank.

A strong governance and process framework is embedded in MPI's Capital Management Framework. Appropriate policies are in place governing the transfer of capital within the Bank. The purpose is to ensure that capital is remitted as appropriate, subject to local regulatory requirements and overall capital resource is optimized at all levels in MPI. Overall responsibility for the effective management of capital rests with the Board while the Management is responsible for ensuring the effectiveness of the capital management policies in an ongoing basis and for updating the Capital Management Framework to reflect revisions and new developments.

Capital Management Plan

MPI Capital Management Framework is also supplemented by the MPI Capital Management Plan to ensure robust monitoring of the Bank's capital position and to ensure that the Bank has adequate levels of capital and optimal capital mix to support the Bank's business plans and strategic objectives during the financial year.

Capital Structure

The quality and composition of capital are key factors in the Board and Senior Management's evaluation of the Bank's capital adequacy position. MPI places strong emphasis on the quality of its capital, and, accordingly, holds a significant amount of its capital in the form of common equity, which is permanent and has the highest loss absorption capability on a going concern basis.

Based on its audited results for the recently ended fiscal year (FY) 2014 and audited financial statements for the preceding 2 years (FY ended December 2012 and 2013), MPI's qualifying capital has remained above the minimum P2.4 billion required by the Bangko Sentral ng Pilipinas, the Bank's leading regulator, as shown in the 2012 - 2014 MPI Capital Composition Table.

2012-2014 MPI Capital Composition:

CAPITAL COMPOSITION	FY 2012	FY 2013	FY 2014
(In Php M)			
Paid-up Common Stock	6,236.19	10,313.19	10,313.19
Additional Paid-in Capital	262.76	262.76	262.76
Retained Earnings	(1,547.69)	(958.80)	(633.78)
Undivided Profits	690.06	511.42	353.72
Cumulative FX Translations	3.65	13.69	
Other Comprehensive Income			(100.53)
Less: Regulatory Adjustments			28.17
Common Equity Tier 1 Capital			**10,167.19**
Additional Tier 1			
Total Tier 1 Capital	**5,644.97**	**10,142.26**	**10,167.19**
Paid-up Perpetual and Cumulative Preferred Stock	232.31	232.31	232.31
Net Unrealized Gains on AFS Equity Sec. purchased (subject to 55% discount)	5.59	5.89	
General Loan Loss Provision	300.12	342.62	471.54
Total Tier 2 Capital	**538.02**	**580.82**	**703.85**
Total Qualifying Capital	**6,182.99**	**10,723.08**	**10,871.04**
Minimum Required	2,400.00	2,400.00	2,400.00
Excess (Deficiency)	3,782.99	8,323.08	8,471.04
Capital Conservation Buffer			**254.18**

MPI's Tier 1 capital, which consists of the Bank's core capital composed of common shares, retained earnings and current year profit less deductions, has made up the largest chunk of its qualifying capital as this accounted for 95% of regulatory capital as of end-December 2014, up from 86% in December 2013 due to the additional capital infusion of Malayan Banking Berhad, MPI's parent bank. Tier 1 capital has no hybrid tier 1 (HT1) capital component, which pertains to perpetual preferred stock. Tier 2 capital consists mainly of upper tier 2 capital such as paid-up limited life redeemable preferred stock and net unrealized gains on securities purchased. The Bank has not issued any unsecured subordinated debt (UT2) to boost its capital.

Regulatory Capital Ratio Computation

The Capital Adequacy Ratio (CAR) Report is prepared by the Accounting Department on a quarterly basis for submission to BSP and monthly for Senior Management and Board monitoring. Likewise, Capital Adequacy Ratios are monitored monthly in the Enterprise Risk Dashboard (ERD) Report of the Bank.

Risk Appetite

Establish Formal Risk Appetite

The Bank has established Risk Appetite Framework and Statement that provides an overall strategy and facilitates portfolio management pertaining to the assessment and selection of acceptable types and quantities of risk, which MPI is able and willing to take.

The goal of risk management is not to eliminate risk, but to manage it effectively to provide our stakeholders with long term returns that are commensurate with the risk the bank takes. Hence, the Bank's Risk Appetite Statement (RAS) is in essence the Board and Senior Management's statement of intent, and 'posture' on its risk-taking activities as well as the management of it.

Internal Capital Adequacy Assessment Process (ICAAP)

The Bank has a Board-approved ICAAP Framework with areas that cover Capital Management, Pillar 1 and Pillar 2 Risk Measurement, Minimum Internal Capital Requirement Calculation, Use of the ICAAP, Governance Structure and Reporting Framework.

At MPI, the overall capital adequacy in relation to its risk profile is assessed through a process articulated in the ICAAP. The ICAAP Framework has been formalized and approved by the Board, with the latest version revised in April 2015. The ICAAP has been implemented within the Bank to ensure that all material risks are identified, measured, and reported, and adequate capital levels are consistent with the risk profiles.

MPI's ICAAP closely integrates the risk and capital assessment processes. The ICAAP framework is designed to ensure that adequate levels, including capital buffers, are held to support MPI's current and projected demand for capital under existing and stressed conditions. An ICAAP Document is submitted to the Management Committee, Risk Management Committee and Board of Directors for a comprehensive review of all material risks faced by the Bank and assessment of the adequacy of capital to support them.

In line with the BSP's Guidelines on ICAAP, MPI submits annually a Board-approved ICAAP document to the BSP every March 31. The requirements include an overview of ICAAP, composed of the current and projected financial and capital position, ICAAP governance, risk assessment models and processes, risk appetite and capital management, stress testing, and capital planning and the use of ICAAP.

Comprehensive Risk Assessment under ICAAP Framework

The ICAAP Framework shall identify all material risks faced by MPI and measures those risks that can be reliably quantified. The ICAAP, therefore, shall address the following types of risk:

- **Risks captured under Pillar 1** – This covers, credit risk, market risk, operational risk, and any other risk types included under Pillar 1 of the Basel II Framework.
- **Risks not fully captured under Pillar 1** – This covers risks, which are not fully captured under Pillar 1 process. Such risks relate to understatement/uncertainty of risks calculated under Pillar 1 and example includes model risk.
- **Risk types not covered by Pillar 1** – This covers risks, which are not specifically addressed under Pillar 1 and examples include credit concentration risk, interest rate risk in the banking book, and reputational risk.

Material risks are defined risks, which would materially impact the financial performance (profitability), capital adequacy, asset quality and/or reputation of the bank should the risk occur.

A key process called "Material Risk Assessment Process" is emplaced within MPI to identify, assess, quantify, mitigate, and manage material risks. This measurement methodology is being carried out for the purpose of meeting the objectives of ICAAP, which are to:

- Ensure the identification of all material risks;
- Measure the risks reliably;
- Ensure capital is adequate to support all the material risks faced by the Bank

Capital Adequacy Ratios

MPI's Capital Adequacy Ratio (CAR) has remained above the minimum regulatory requirement for the recently concluded financial year and prior 2 financial years. MPI's risk-based CAR, which takes into account Pillar 1 risks consisting of credit, market and operational risk per BSP Circular No. 538, has remained above the 7.5% minimum requirement by the BSP to tier 1 capital ratio and 10% for the total capital ratio, as shown in the table below:

CAPITAL ADEQUACY RATIO	FY 2012	FY 2013	FY 2014
(In Php M)			
Total CET 1 Capital			10,167.19
Total Tier 1 Capital	5,644.97	10,142.26	10,167.19
Total Qualifying Capital	**6,182.99**	**10,723.08**	**10,871.04**
Pillar 1 - Credit RWAs	43,806.36	46,067.71	59,326.69
Pillar 1 - Market RWAs	2,473.36	2,302.86	1,180.80
Pillar 1 - Operational RWAs	3,031.81	3,584.39	4,731.03
Pillar 1 RWAs	**49,311.53**	**51,954.96**	**65,238.52**
CET 1 Ratio			15.58%
Tier 1 Ratio	11.45%	19.52%	15.58%
Capital Adequacy Ratio	12.54%	20.64%	16.66%
Pillar 2 - IRBB	**1,275.62**	**3,480.87**	**2,244.99**
Pillar 2 RWAs	**1,275.62**	**3,480.87**	**2,244.99**
Pillar 1 + Pillar 2 RWAs	**50,587.14**	**55,435.83**	**67,483.51**

Minimum Capital Charge

The "Minimum Capital Charge" (MCC) refers to the minimum amount of capital, which the Bank is required to hold to support all the material risks it is subjected to. These risks include both Pillar 1 and 2 risks, which are either quantified or assessed based on a qualitative capital matrix.

MPI uses the Pillar 1 + Pillar 2 Add-on approach in measuring the capital adequacy for ICAAP. Under this approach, the common risk measure is RWA for Pillar 1 and Pillar 2 risks. Where there is a specific regulatory requirement for Pillar 2 add-on, such requirement is translated into the common measure of RWA to derive the aggregate RWAs for ICAAP purposes.

As at end-December 2014, total capital ratio (risk-weighted CAR) stood at 16.66%. The strong risk-weighted capital ratio against MPI's Total RWA is a testament of the Bank's resilience and strength in meeting its obligations.

Pillar 2 risks

"Pillar 2 risk" is defined as any risk faced by the Bank where capital has not been allocated or inadequately allocated under Pillar 1. Through the Bank's Material Risk Assessment Process, the following risk areas are determined to comprise Pillar 2 risks:

(1) Interest Rate Risk in the Banking Book (IRRBB);
(2) Credit Concentration Risk;
(3) Business/Strategic Risk;
(4) Reputational Risk (includes Business Continuity Management, Customers Feedback Management, Compliance, Corporate Affairs and Communication, Information Technology, Legal, Liquidity and Operations)
(5) Liquidity Risk

In line with the industry's best practices, the Bank exerts effort to quantify material Pillar 2 risks. Quantifiable risks, such as IRRBB, are risks for which the identification and measurement methodologies used have been reasonably tested and deemed accepted in the industry. The measurement outcome of these risks is then linked to capital allocation under ICAAP.

For risks that are not easily quantifiable, the focus of the ICAAP is on the qualitative aspects/ controls in managing these risks through a Scorecard Assessment approach. These would include adequate governance process, systems, procedures and internal controls; effective risk mitigation strategies; and, regular monitoring and reporting to ManCom, RMC and the Board. Any material residual risks after the implementation of the qualitative measures shall be addressed by the Capital Allocation Matrix (CAM) for each of the risk types.

Credit Risk

Credit Risk Definition

Credit risk arises as a result of customers or counterparties failure or unwillingness to fulfill their financial and contractual obligations as and when they arise. These obligations arise from the Bank's direct lending operations, trade finance and its funding, investment, and trading activities undertaken.

Credit Risk Management Framework

The CRM framework includes comprehensive credit risk policies, tools, and methodologies for identification, measurement, monitoring, and control of credit risk on a consistent basis.

Credit Risk Management undertakes the improvement and implementation of Group risk frameworks, tools, and methodologies for the identification, measurement, monitoring, and control of credit risk in accordance to the Bank's risk appetite and lending direction and strategies. Methodologies are implemented in coordination with the Maybank Group to ensure consistency of risk management approach. Where applicable, methodologies and tools are adopted from the Group and customized to the local operating environment.

Credit Risk Management is responsible for setting concentration limits and monitoring exposures against these limits. It also prepares various credit risk reports submitted to Management, RMC, and the BOD. All loan products are coursed through the Regional Group Credit Management and Credit Risk Management for review.

The rest of the Risk Management Units also assists in the development and implementation of various mechanisms to support business generation, capital optimization, portfolio management, and Basel II implementation, i.e., Enterprise Risk Management (ERM) and Regional Group Credit Management (RGCM). Regional Group Credit Management is responsible for the pre-approval independent credit evaluation of credit proposals. It ensures that credit approval structures follow the "four eyes policy" for appropriate check and balance. Under the Internal Audit, the Credit Review Unit undertakes the post-approval review of selected loan accounts.

Risk Measurement and Reporting

To measure the risk of default, the Bank makes use of the International Risk Rating Scorecard (IRRS), which consists of 25 risk grades that are mapped to external ratings as well as risk classification according to BSP guidelines. The IRRS is used as a tool for decision-making as well as in determining appropriate pricing for loan accounts. The key risk indicators for credit measure the Bank's credit risk position against targets, historical performance or industry average in selected areas as of a given period.

In terms of measuring the Bank's ability to withstand the impact of stress conditions, stress-testing methodology is used. Through stress-testing, the impact of exceptional events on the Bank's asset quality, profitability, and capital adequacy is measured.

In terms of reporting, CRM prepares regular loan portfolio reports covering areas such as business growth, asset quality, concentration of exposures and compliance to applicable regulatory and internal guidelines. These reports are submitted to the CC, RMC, BOD and other end-users.

Risk Mitigation

As part of its risk management, the Bank uses derivatives to manage exposures resulting from changes in interest rates.

Where appropriate, the Bank requires a second way out in the form of eligible collaterals or guarantee/surety to mitigate credit risk.

There are various collaterals and securities that are acceptable to the Bank. In evaluating accept- ability of collateral, three factors are considered: control, disposability and margin.

Capital Treatment for Credit Risk

MPI computes the minimum capital requirements against credit risk as per BSP's Risk-Based Capital Adequacy Framework under Standardized Approach.

CREDIT RISK	FY 2012			FY 2013			FY 2014		
	RWA	Total Capital Charge	Adjusted Capital Charge	RWA	Total Capital Charge	Adjusted Capital Charge	RWA	Total Capital Charge	Adjusted Capital Charge
(In Php M)									
On-Balance Sheet Assets	41,363.49	3,309.08	4,136.35	42,638.63	3,411.09	4,263.86	55,506.45	4,440.52	5,550.65
Off-Balance Sheet Assets	2,430.45	194.44	243.05	3,418.43	273.47	341.84	3,670.85	293.67	367.09
Counterparty Risk	12.42	0.99	1.24	10.66	0.85	1.07	149.39	11.95	14.94
TOTAL	43,806.36	3,504.51	4,380.64	46,067.71	3,685.42	4,606.77	59,326.69	4,746.14	5,932.67

The following tables present MPI's Credit Risk Exposures for on-balance sheet and off-balance sheet assets and counterparty risk-weighted assets in the banking book:

FY 2014 TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS	Exposures, Net of Specific Provisions	Exposures Covered by CRM, Gross of Materiality Threshold	Exposures not Covered by CRM	Risk Weighted Asset
(In Php M)				
Cash on Hand	1,703.92		1,703.92	-
Checks and Other Cash Items	5.88		5.88	1.18
Due from Bangko Sentral ng Pilipinas (BSP)	10,276.93		10,276.93	
Due from Other Banks	5,550.21		5,550.21	1,851.25
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-
Available-for-Sale (AFS) Financial Assets	3,301.58	-	3,301.58	1,609.64
Held-to-Maturity (HTM) Financial Assets	4,892.89	-	4,892.89	2,097.68
Unquoted Debt Securities Classified as Loans	30.25	-	30.25	6.05
Loans and Receivables	48,769.24	1,368.48	47,400.76	46,385.78
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions	-	-	-	-
Sales Contract Receivable (SCR)	392.76	-	392.76	430.47
Real and Other Properties Acquired	356.05	-	356.05	534.08
Total Exposures Excluding Other Assets	**75,279.71**	**1,368.48**	**73,911.22**	**52,916.12**
Others	2,460.26	-	2,460.26	2,460.26
Total Exposures Including Other Assets	**77739.963**	**1,368.48**	**76,371.48**	**55,376.38**
Total Risk-weighted On-Balance Sheet Assets not covered by CRM	-	-	-	**55,376.38**
Total Risk-weighted On-Balance Sheet Assets covered by CRM	-	-	-	**130.08**
TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS	-	-	-	55,506.45

FY 2013 TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS	Exposures, Net of Specific Provisions	Exposures Covered by CRM, Gross of Materiality Threshold	Exposures not Covered by CRM	Risk Weighted Asset
(In Php M)				
Cash on Hand	1,469.40	-	1,469.40	-
Checks and Other Cash Items	46.27	-	46.27	9.25
Due from Bangko Sentral ng Pilipinas (BSP)	13,467.08	-	13,467.08	-
Due from Other Banks	848.84	-	848.84	540.90
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-
Available-for-Sale (AFS) Financial Assets	2,829.15	-	2,829.15	1,045.42
Held-to-Maturity (HTM) Financial Assets	4,193.88	-	4,193.88	2,104.71
Unquoted Debt Securities Classified as Loans	37.71	-	37.71	37.71
Loans and Receivables	37,530.73	1,322.17	36,208.56	35,812.22
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions	10,014.58	-	10,014.58	-
Sales Contract Receivable (SCR)	429.49	-	429.49	443.61
Real and Other Properties Acquired	293.65	-	293.65	440.47
Total Exposures Excluding Other Assets	**71,160.78**	**1,322.17**	**69,838.61**	**40,434.29**
Others	2,053.34	-	2,053.34	2,053.34
Total Exposures Including Other Assets	**73,214.12**	**1,322.17**	**71,891.95**	**42,487.63**
Total Risk-weighted On-Balance Sheet Assets not covered by CRM	-	-	-	**42,487.63**
Total Risk-weighted On-Balance Sheet Assets covered by CRM	-	-	-	**151.00**
TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS	-	-	-	42,638.63

FY 2012 TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS	Exposures, Net of Specific Provisions	Exposures Covered by CRM, Gross of Materiality Threshold	Exposures not Covered by CRM	Risk Weighted Asset
(In Php M)				
Cash on Hand	1975.03	-	975.03	-
Checks and Other Cash Items	30.70	-	30.70	6.14
Due from Bangko Sentral ng Pilipinas (BSP)	5,599.46	-	5,599.46	-
Due from Other Banks	1,393.77	-	1,393.77	796.08
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-
Available-for-Sale (AFS) Financial Assets	3,770.13	-	3,770.13	2,104.39
Held-to-Maturity (HTM) Financial Assets	3,939.26	-	3,939.26	3,501.55
Unquoted Debt Securities Classified as Loans	90.40	-	90.40	117.13
Loans and Receivables	31,378.92	796.63	30,582.29	30,415.90
Loans and Receivables Arising from Repurchase Agreements, Certificates of Assignment/Participation with Recourse, and Securities Lending and Borrowing Transactions	-	-	-	-
Sales Contract Receivable (SCR)	227.02	-	227.02	243.91
Real and Other Properties Acquired	383.76	-	383.76	575.64
Total Exposures Excluding Other Assets	**47,788.451**	**796.63**	**46,991.82**	**37,760.72**
Others	3,543.73	-	3,543.73	3,543.73
Total Exposures Including Other Assets	**51,332.18**	**796.63**	**50,535.55**	**41,304.45**
Total Risk-weighted On-Balance Sheet Assets not covered by CRM	**-**	**-**	**-**	**41,304.45**
Total Risk-weighted On-Balance Sheet Assets covered by CRM	**-**	**-**	**-**	**59.04**
TOTAL RISK-WEIGHTED ON-BALANCE SHEET ASSETS	-	-	-	41,363.49

FY 2014 TOTAL RISK-WEIGHTED OFF-BALANCE SHEET ASSETS	Notional Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
(In Php M)			
Direct credit substitutes (e.g. general guarantees of indebtedness and acceptances)	1,282.90	1,282.90	1,111.65
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	2,862.21	1,431.11	1,321.11
Trade-related contingencies arising from movement of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one (1) year	6,324.58	1,264.92	1,238.09
Other commitments which can be unconditionally cancelled at any time by the bank without prior notice and those not involving credit risk	39,433.25	-	-
Total Notional Principal Amount	**49,902.93**	**3,978.92**	
TOTAL			3,670.85

FY 2013 TOTAL RISK-WEIGHTED OFF-BALANCE SHEET ASSETS	Notional Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
(In Php M)			
Direct credit substitutes (e.g. general guarantees of indebtedness and acceptances)	1,359.16	1,359.16	1,198.74
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	2,136.73	1,068.37	998.86
Trade-related contingencies arising from movement of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one (1) year	6,199.33	1,239.87	1,220.83
Other commitments which can be unconditionally cancelled at any time by the bank without prior notice and those not involving credit risk	4,568.82	-	-
Total Notional Principal Amount	14,264.04	3,667.39	
TOTAL			3,418.43

FY 2012 TOTAL RISK-WEIGHTED OFF-BALANCE SHEET ASSETS	Notional Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
(In Php M)			
Direct credit substitutes (e.g. general guarantees of indebtedness and acceptances)	1,232.25	1,232.25	1,122.85
Transaction-related contingencies (e.g., performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions)	723.34	361.67	223.82
Trade-related contingencies arising from movement of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one (1) year	5,469.75	1,093.95	1,083.77
Other commitments which can be unconditionally cancelled at any time by the bank without prior notice and those not involving credit risk	6,228.69	-	-
Total Notional Principal Amount	13,654.03	2,687.87	
TOTAL			2,430.45

FY 2014 TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS IN THE BANKING BOOK	Notional Principal Amount	Credit Equivalent Amount	Credit Equivalent Amount	Risk Weighted Assets
(In Php M)				
Interest Rate Contracts	2,704.320	10.615	11.936	5.968
Exchange Rate Contracts	24,576.046	245.760	268.818	143.418
Equity Contracts	-	-	-	-
Credit Derivatives	-	-	-	-
Total Notional Amount	27,280.366	256.375	280.754	
TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS OF DERIVATIVE TRANSACTIONS				149.386

FY 2013 TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS IN THE BANKING BOOK	Notional Principal Amount	Credit Equivalent Amount	Credit Equivalent Amount	Risk Weighted Assets
(In Php M)				
Interest Rate Contracts	3,374.020	21.310	21.310	10.655
Exchange Rate Contracts	-	-	-	-
Equity Contracts	-	-	-	-
Credit Derivatives	-	-	-	-
Total Notional Amount	3,374.020	21.310	21.310	
TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS OF DERIVATIVE TRANSACTIONS				10.655

FY 2012 TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS IN THE BANKING BOOK	Notional Principal Amount	Credit Equivalent Amount	Credit Equivalent Amount	Risk Weighted Assets
(In Php M)				
Interest Rate Contracts	3,325.050	24.835	24.835	12.418
Exchange Rate Contracts	-	-	-	-
Equity Contracts	-	-	-	-
Credit Derivatives	-	-	-	-
Total Notional Amount	3,325.050	24.835	24.835	
TOTAL COUNTERPARTY RISK-WEIGHTED ASSETS OF DERIVATIVE TRANSACTIONS				12.418

Risk weighted on-balance sheet assets covered by credit risk mitigants were based on exposures with collateralized transactions as well as guarantees by the Philippine National Government.

Third party credit assessments were based on the ratings by Standard & Poor's, Moody's Investors Service, Fitch Ratings, and Philippine Rating Services Corp. on exposures to sovereigns, multilateral development banks, local government units, and government-owned and- controlled corporations.

No MPI exposure has been covered nor protected by credit derivatives. Likewise, MPI has no outstanding investment in Structured Products.

Market Risk

The Bank recognizes market risk as the adverse impact on earnings or capital arising from changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates, commodity prices and equity prices. Market risk arises from the Bank's trading and balance sheet activities. The primary categories of market risk for the Bank are:

i. Interest rate risk: arising from changes in prevailing interest rates and implied volatilities on interest rate options; and
ii. Foreign exchange (FX) rate risk: arising from changes in exchange rates or risk arising from adverse movements/mismatches in currencies.

The Bank's traded market risk exposures are primarily from proprietary trading, client servicing and market making. An Integrated Risk Management Framework is in place to provide a set of general principles to guide the Bank to identify, measure, control and monitor the various risks the Bank is undertaking as well as roles and responsibility in managing these risks. All market risk policies being issued are reviewed at least annually to ensure compliance with regulatory requirements and up to par with international best practices.

The Risk Management Committee is the overall risk oversight body. Management of market and liquidity risks is delegated to the Asset and Liability Committee. ALCO is responsible for the establishment of appropriate risk policies and limits duly approved by the RMC; and the execution of both strategic and tactical actions to maintain the exposure within the set tolerances and meet the risk and reward objectives of the Bank.

The Bank established the Market Risk Management Unit (MRM) to assist the BOD, RMC, ALCO and the risk-taking units to monitor and manage the Bank's market risk exposures independently from the risk-taking units. MRM's roles include the following:

- Ensure that the market and liquidity risk management objectives of the Bank are achieved through the development, implementation, maintenance and enhancement of a comprehensive risk management process that comprises of qualitative and quantitative methodologies to identify, measure, control and monitor, among others, the following:
  - Market risks, which covers the risk of loss of earnings arising from changes in interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities
  - Liquidity risks, which covers liquidity crisis, funding structure, fund raising policies and strategies, diversification of funding sources, gap analysis and management
- Provide support functions to the ALCO to facilitate informed strategic management decision making
- Provide consultative services and support functions to all relevant units within the Bank on matters pertaining to market and liquidity risks management and treasury operations
- Participate, in collaboration with other risk management units within the Bank, to identify and address various risk inherent in new treasury and core banking products prior to product introduction
- Provide revaluation prices of relevant treasury products transacted by various business units within the Bank
- Carry out daily independent oversight of the Treasury operations

Various risk measurement techniques are used by the Bank to monitor and manage market risk, such as Price-Value-of-a-Basis-Point (PV01), FX net open position (NOP), Value-at-Risk (VaR), Stop Loss, Earnings-at-Risk (EaR), Impact on Economic Value (IEV) and Stop loss limits. In addition, a variety of stress testing techniques are performed to complement the reporting to Management.

Risk Measurement and Reporting

1. Interest Rate Risk (IRR)

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the Management to protect total net interest income from changes in market interest rates.

Trading –Price Value of 1 basis point (PV01)

PV01 measures the change in the value of the portfolio with 1 basis point increase in the yield curve and is applicable for the trading portfolio. Limits are set annually to re-assess the Bank's risk appetite and strategy. The PV01 is computed and reported daily to Global Markets and monthly to ALCO.

Non-Trading - PV01

PV01 measures the change in the value of the portfolio with 1 basis point increase in the yield curve and is applicable to the AFS portfolio.

Non-trading –Earnings-at-Risk (EaR) and Impact on Economic Value (IEV)

The Bank emphasizes the importance of managing interest rate risk in the banking book as most of the balance sheet items of the Bank generate interest income and interest expense, which are indexed to interest rates. Volatility of earnings can pose a threat to the Bank's profitability while economic value provides a more comprehensive view of the potential long-term effects on the Bank's overall capital adequacy.

With this, the Bank utilizes EaR to measure the sensitivity of the Bank's Net Interest Income (NII) due to a 100 basis points (bps) change in the underlying interest rates over a period of one year. IEV, on the other hand, shows the sensitivity of economic value on the long term to a 100 bps change in the market yield curve.

EaR and IEV are calculated based on the repricing gaps, or the difference between the amounts of rate sensitive assets and the amounts of rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. Accordingly, during a period of rising interest rates, a bank with a positive gap would be in a position to invest in higher yielding assets earlier than it would need to refinance its interest rate sensitive liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its interest rate sensitive assets repricing earlier than its interest rate sensitive liabilities, which may restrain the growth of its net income or result in a decline in net interest income.

The Bank monitors the exposure of financial assets and financial liabilities to fluctuations in interest rates by measuring the impact of interest rate movements on its interest income. This is done by modeling the impact of various changes in interest rates to the Bank's interest-related income and expenses. The EaR and IEV is computed and reported monthly to ALCO and bi-monthly to RMC.

2. Foreign Exchange Risk

Foreign exchange (FX) rate risk is the risk that the Bank may suffer losses due to adverse exchange rate movements during a period in which it has an open position in a currency. Where the value of asset/inflow exposures in one currency is not equal to the value of liability/outflow exposures in that currency, it is described as an open position. It may be short (liabilities exceed assets) or long (assets exceed liabilities).

The Bank controls its FX exposures by transacting in permissible currencies. Management of FX risk is done via monitoring of FX NOP and PV01 for those FX positions in the trading book. If the level reaches the trigger point, action is required to bring back the level to within the normal range. FX risk is reviewed together with other risks to determine the Bank's overall risk profile.

Foreign currency-denominated liabilities generally consists of: (a) foreign currency-denominated deposits in the Bank's FCDU, (b) accounts maintained in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, and (c) foreign currency-denominated borrowings appearing in the regular books of the Bank.

Foreign currency-denominated deposits are generally used to fund the Bank's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency-denominated liabilities with the foreign currency-denominated assets held under the FCDU books. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency-denominated liabilities held under the FCDU books.

Liquidity Risk

Liquidity risk is the risk that the Bank's financial condition or overall safety and soundness is adversely affected by an inability (or perceived inability) to meet its obligations and may result in the Bank incurring unacceptable losses. The Bank's obligations and the funding sources used to meet them, depend significantly on its business mix, its balance sheet structure and the cash flow profile of its on- and off- balance sheet obligations.

Liquidity policies are reviewed annually and endorsed by ALCO and approved by RMC. The Bank's liquidity risk position is actively discussed and managed at the ALCO and RMC in line with the approved guidelines and policies.

The Bank, in line with the Group, has implemented leading practices as a foundation to manage and measure its liquidity risk exposure. The Bank uses a range of tools to monitor and control liquidity risk exposure such as liquidity gap, early warning signals/liquidity indicators and stress testing. The liquidity positions of the Bank are monitored regularly against the established policies, procedures and limits.

Management of Liquidity Risk

For day to day liquidity management, Global Markets will ensure sufficient funding to meet the Bank's intraday payment and settlement obligations on a timely basis. In addition, the process of managing liquidity risk includes:

- Maintaining an adequate portfolio that can easily be liquidated as protection against any unforeseen interruption in cashflows;
- Daily and monthly monitoring of liquidity ratios against internal and regulatory requirements;
- Monthly monitoring of gaps arising from mismatched maturity of assets and liabilities;
- Monthly monitoring and managing of concentration ratios of deposits;
- Conducting monthly liquidity stress testing under various scenarios as part of prudent liquidity control
- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios; and
- Conducting Contingency Funding Plan (CFP) testing to examine the effectiveness and robustness of the plans.

Stress testing and Contingency Funding Plan

The Bank uses stress testing and scenario analysis to evaluate the impact of sudden stress events on liquidity position. Scenarios are based on hypothetical events that include bank specific crisis and general market crisis scenarios. The stress test result provides an insight of the Bank's funding requirements during different levels of stress environments and is closely linked to the Bank's CFP, which provides a systemic approach in handling any unexpected liquidity disruptions. The plan encompasses strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios.

The Bank also conducts CFP tests to ensure the effectiveness and operational feasibility of the CFP. The key aspects of the testing are to focus on the preparedness of key senior management

and their respective alternate in handling a simulated distress funding situation. It also provides exposure and develops capabilities on how to respond to a liquidity crisis situation and operate effectively with each other under challenging circumstances.

Capital Treatment for Market Risk

MPI computes the minimum capital requirements against market risk as per BSP's Risk-Based Capital Adequacy Framework under the Standardized Approach. This is imperative as capital serves as a financial buffer to withstand any adverse market risk movements.

MARKET RISK	FY 2012			FY 2013			FY 2014		
	RWA	Total Capital Charge	Adjusted Capital Charge	RWA	Total Capital Charge	Adjusted Capital Charge	RWA	Total Capital Charge	Adjusted Capital Charge
(In Php M)									
Interest Rate Exposures	1,851.13	148.09	138.42	1,384.17	110.73	138.42	547.54	43.80	54.75
Equity Exposures	-	-	-	-	-	-	-	-	-
Foreign Exposures	622.23	49.78	91.87	918.68	73.49	91.87	633.27	50.66	63.33
Options	-	-	-	-	-	-	-	-	-
TOTAL	2,473.36	197.87	247.34	2,302.86	184.23	230.29	1,180.80	94.46	118.08

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational Risk Management Framework

The Operational Risk Management (ORM) is responsible for the formulation and implementation of the operational risk framework within MPI, which encompasses the operational risk management strategy and governance structure. Another key function is the development and implementation of operational risk management tools and methodologies to identify, measure, monitor and control operational risks.

Risk taking units (Strategic Business Unit) constitute an integral part of the operational risk management framework and are primarily responsible for the day-to-day management of operational risk.

Operational Risk Officers (ORO) have been appointed within the various Strategic Business Units (SBU) and are responsible for implementing and executing the operational risk management processes and tools. They are also responsible for the investigation of operational losses, monitoring and analysis of risk trends and staff training on operational risk management practices and governance.

Operational Risk Management Methodology and Tools

A variety of methodologies and tools have been implemented to effectively identify, assess, measure and report operational risk exposures on a timely basis, thereby serving as tools to facilitate decision-making and enhance the operational risk management process.

- **Risk & Control Self Assessment (RCSA)**

RCSA is a process of continual assessment of inherent operational risks and controls to identify control gaps and to develop action plans to close the gaps. It is a risk profiling tool, which facilitates effective operational risk management for MPI.

SBU undertakes the RCSA exercise to give due focus in the review of business processes to enhance critical operations and controls, especially those assessed to be in the 'Caution' and 'Alert' categories.

The SBU level risk profiling exercises are compiled to establish MPI's Risk Profile on a quarterly basis. The consolidated Risk Profile is presented to the Management Committee and Risk Management Committee.

- **Key Risk Indicators (KRIs)**

KRIs are embedded into critical processes to provide early warning signals of increasing risk and/or control failures by flagging up given frequencies of events as a mechanism for continuous risk assessment/monitoring.

SBU monitor their risk exposures via KRIs and are required to develop specific and concrete action plans for those indicators that fall under 'Caution' and 'Alert.' ORM assists the SBU to develop and validate the KRIs to ensure appropriate thresholds are set.

- **Incident Management & Data Collection (IMDC)**

IMDC provides a platform of a structured and systematic process for SBU to identify and focus attention on operational 'hotspots'. This facilitates the establishment of a centralized database of consistent and standardized operational risk incident formation readily available for analysis of operational lapses to minimize the risk impact of future operational losses.

Operational Risk Mitigation and Control

Risk Mitigation tools and techniques are used to minimize risk to an acceptable level and are focused on:

- Faster resumption of business in the event of a disaster/incident; and
- Decreasing the impact on the business, should it occur.

The control tools and techniques to mitigate operational risk are as follows:

- **Business Continuity Management (BCM)**

The BCM sub-sector is responsible for the formulation and implementation of a BCM Framework, which outlines a comprehensive and integrated approach to ensure business continuity and mitigate possible disruptions to MPI's critical business operations, and people safety in the event of disruptions and disasters.

In line with the BCM Framework requirements, Business Continuity Plans (BCP) were developed for all critical sectors. The BCP documents and exercises are reviewed on a yearly basis.

MPI also conducts an Enterprise Crisis Simulation Exercise (ECSE), involving main critical business functions, to demonstrate the level of readiness within the Bank to cope with any eventualities.

Capital Treatment for Operational Risk
Operational Risk capital charge is calculated using The Standardized Approach (TSA) wherein business activities are mapped into eight business lines as prescribed by Basel II and BSP Risk-Based Capital Adequacy Framework.

OPERATIONAL RISK	RWA	Total Capital Charge	Adjusted Capital Charge
(In Php M)			
FY 2012	3,031.81	242.54	303.18
FY 2013	3,584.39	286.75	358.44
FY 2014	4,731.03	378.48	473.10

Legal Risk

Legal risk is defined as a "risk of incurring actual or potential loss that arises due to flawed documentation, change in regulations/laws, new judicial decisions, location of counterparties and choice of governing law, that threatens the Bank's capacity to consummate important transactions, enforce contractual agreements or implement specific strategies and activities.

The Bank's Legal Department is committed to support and service the business units of the bank by providing professional legal advisory services in a timely, accurate and efficient manner to facilitate the execution of MPI's business objectives.

Management of legal risks is guided by the Bank's Legal Risk Management Framework.

MPI uses the Scorecard Approach to assess the impact of legal risk to the Bank's reputation. This reputational risk review by Legal Department assesses the following overall level of reputational risk:

- Litigation cases that may create negative impact on the bank, financially and reputation wise.
- Ability of the bank to manage these litigation cases to protect the bank from financial losses and reputational risk.
- Scope of assessment to include overseas branches.

The reputational risk scorecard assessment for legal is being conducted on a quarterly basis to determine the amount of residual risk and capital charge that needs to be allocated if any.

Independent Auditor's Report

The Stockholders and the Board of Directors
Maybank Philippines, Incorporated
Maybank Corporate Center
7th Avenue corner 28th Street
Bonifacio Global City
Taguig City

Report on the Financial Statements

We have audited the accompanying financial statements of Maybank Philippines, Incorporated which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Maybank Philippines, Incorporated as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulation 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation 15-2010 in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Maybank Philippines, Incorporated. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Janet A. Paraiso
Partner
CPA Certificate No. 92305
SEC Accreditation No. 0778-AR-1 (Group A),
February 2, 2012, valid until April 30, 2015
Tax Identification No. 193-975-241
BIR Accreditation No. 08-001998-62-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751252, January 5, 2015, Makati City

March 30, 2015

MAYBANK PHILIPPINES, INCORPORATED

Statement of Financial Position

	2014	DECEMBER 31 2013
ASSETS		
Cash and Other Cash Items	P 1,757,067,616	P 1,515,767,263
Due from Bangko Sentral ng Pilipinas (Note 13)	10,193,845,341	13,449,213,565
Due from Other Banks (Note 29)	5,676,363,906	1,089,098,492
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (Notes 29 and 30)	138,762,671	10,139,162,444
Financial Assets at Fair Value Through Profit or Loss (Note 6)	849,554,536	1,204,725,459
Available-for-Sale Investments (Notes 7 and 13)	3,254,704,492	2,790,719,681
Held-to-Maturity Investments (Notes 8 and 27)	4,809,854,421	4,097,945,044
Loans and Receivables (Notes 9 and 29)	50,016,611,692	38,238,934,948
Property and Equipment (Note 10)	651,290,997	681,508,575
Investment Properties (Note 11)	199,424,074	166,512,249
Deferred Tax Assets (Note 26)	638,837,971	-
Other Assets (Note 12)	418,374,481	362,716,574
TOTAL ASSETS	**P 78,604,692,198**	**P 73,736,304,294**
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities (Notes 13 and 29)		
Demand	P 17,736,176,939	P 17,135,683,607
Savings	14,307,284,039	15,452,935,984
Time	27,626,336,418	24,581,837,204
	P 59,669,797,396	P 57,170,456,795
Financial Liabilities at Fair Value through Profit or Loss (Notes 17 and 29)	150,530,365	218,505,834
Bills Payable (Notes 14 and 29)	4,788,617,600	4,165,168,100
Manager's Checks	578,015,105	501,548,208
Income Tax Payable	57,672,571	111,931,904
Accrued Interest, Taxes and Other Expenses (Note 15)	593,842,573	519,201,193
Outstanding Acceptances	2,858,154	5,617,603
Other Liabilities (Note 16)	1,696,264,506	1,070,092,776
	P 67,537,598,270	**P 63,762,522,413**

(forward)

	2014	DECEMBER 31 2013
EQUITY		
Preferred Stock (Note 19)	P 232,539,724	P 232,539,724
Common Stock (Note 19)	10,313,344,184	10,313,344,184
Cost of Share-based Payments (Note 19)	262,761,718	262,761,718
Surplus Reserve (Note 19)	38,954,294	37,574,483
Surplus (Deficit)	353,853,369	(649,858,825)
Net Unrealized Loss on Available-for-Sale Investments (Note 7)	(55,388,819)	(154,923,966)
Remeasurement Losses on Retirement Plan (Note 21)	(81,511,631)	(82,220,204)
Cumulative Translation Adjustment	2,924,694	14,948,372
Treasury Shares (Note 19)	(383,605)	(383,605)
	11,067,093,928	9,973,781,881
TOTAL LIABILITIES AND EQUITY	P 78,604,692,198	P 73,736,304,294

See accompanying Notes to Financial Statements

MAYBANK PHILIPPINES, INCORPORATED

Statement of Income

	2014	Years Ended DECEMBER 31 2013
INTEREST INCOME ON		
Loans and receivables (Notes 9 and 29)	P 3,582,449,891	P 2,841,685,558
Financial investments (Note 20)	404,070,254	399,013,944
Due from Bangko Sentral ng Pilipinas and other banks (Note 29)	157,589,957	138,222,950
Interbank loans receivable and securities purchased under resale agreements (Note 29)	36,695,540	111,798,284
	4,180,805,642	3,490,720,736
INTEREST EXPENSE ON		
Deposit liabilities (Notes 13 and 29)	633,064,380	789,689,124
Financial liabilities at fair value through profit or loss (Notes 17 and 29)	111,884,865	139,770,065
Bills payable and other borrowings (Notes 14 and 29)	44,699,092	58,342,457
	789,648,337	987,801,646
NET INTEREST INCOME	P 3,391,157,305	P 2,502,919,090

	2014	Years Ended DECEMBER 31 2013
OTHER INCOME AND CHARGES		
Service charges, fees and commissions (Notes 23 and 29)	P 574,504,348	P 591,988,402
Foreign exchange gains – net	94,988,319	102,129,703
Gain on sale of properties	68,274,978	131,127,092
Net trading gains (Note 22)	42,323,063	325,635,883
Loss on foreclosure	(28,428,621)	(16,749,951)
Miscellaneous (Note 24)	46,885,461	12,061,185
TOTAL OPERATING INCOME	P 4,189,704,853	P 3,649,111,404
OTHER EXPENSES AND CHARGES		
Compensation and fringe benefits (Notes 21 and 29)	1,085,645,608	990,363,109
Provision for impairment and credit losses (Notes 9, 11 and 12)	410,683,063	272,128,513
Taxes and licenses	326,823,784	381,071,373
Occupancy (Note 25)	271,829,227	257,312,133
Depreciation and amortization (Notes 10, 11 and 12)	260,810,482	197,778,597
Security, messengerial and janitorial	166,457,765	131,749,603
Insurance	113,705,649	90,176,357
Traveling	86,504,998	82,387,059
Postage, telephone and telegrams	70,929,710	54,111,124
Entertainment, amusement and recreation	56,979,780	50,672,341
Litigation and asset acquired	32,397,564	18,185,063
Stationery and supplies used	31,251,417	40,785,734
Management and other professional fees	17,006,558	18,951,625
Repairs and maintenance	10,900,245	11,150,611
Miscellaneous (Note 24)	487,055,527	382,580,477
TOTAL OPERATING EXPENSES	P 3,428,981,377	P 2,979,403,719
INCOME BEFORE INCOME TAX	760,723,476	669,707,685
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26)	(244,368,529)	260,233,749
NET INCOME	P 1,005,092,005	P 409,473,936

See accompanying Notes to Financial Statements

MAYBANK PHILIPPINES, INCORPORATED

Statement of Comprehensive Income

	Years Ended DECEMBER 31 2014	2013
NET INCOME	P 1,005,092,005	P 409,473,936
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified to profit or loss in subsequent periods:		
Net change in unrealized gain (loss) on available-for-sale investments (Note 7)	99,535,147	(198,994,692)
Cumulative translation adjustment	(12,023,678)	10,037,664
Items that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement losses on retirement plan (Note 21)	(34,224,983)	(154,341,703)
Benefit from income tax	34,933,556	-
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	88,220,042	(343,298,731)
TOTAL COMPREHENSIVE INCOME	P 1,093,312,047	P 66,175,205

See accompanying Notes to Financial Statements

MAYBANK PHILIPPINES, INCORPORATED

Statement of Changes in Equity

	Preferred Stock (Note 19) "A"	"B"	"C"	Common Stock (Note 19)	Cost of Share-Based Payment (Note 19)	Surplus Reserve (Note 19)	Surplus (Deficit)	Cumulative Translation Adjustment	Remeasurement Gains (Losses) on Retirement Plan	Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 7)	Treasury Shares (Note 19)	Total
Balances at January 1, 2014	4,440,000	8,880,000	219,219,724	10,313,344,184	262,761,718	37,574,483	(649,858,825)	14,948,372	(82,220,204)	(154,923,966)	(383,605)	9,973,781,881
Net income	-	-	-	-	-	-	1,005,092,005	-	-	-	-	1,005,092,005
Other comprehensive income	-	-	-	-	-	-	-	(12,023,678)	708,573	99,535,147	-	88,220,042
Total comprehensive income	-	-	-	-	-	-	1,005,092,005	(12,023,678)	708,573	99,535,147	-	1,093,312,047
Transfer to surplus reserve	-	-	-	-	-	1,379,811	**(1,379,811)**	-	-	-	-	-
Balances at December 31, 2014	4,440,000	8,880,000	219,219,724	10,313,344,184	262,761,718	38,954,294	353,853,639	2,924,694	(81,511,631)	(55,388,819)	(383,605)	11,067,093,928
Balances at January 1, 2013	4,440,000	8,880,000	219,219,724	6,236,344,194	262,761,718	36,828,840	(1,058,587,118)	4,910,708	72,121,499	44,070,726	(383,605)	5,830,606,686
Net Income	-	-	-	-	-	-	409,473,936	-	-	-	-	409,473,936
Other comprehensive Income	-	-	-	-	-	-	-	10,037,664	(154,341,703)	(198,994,692)	-	(343,298,731)
Total comprehensive income	-	-	-	-	-	-	409,473,936	10,037,664	(154,341,703)	(198,994,692)	-	66,175,205
Issuance of common stock (Note 19)	-	-	-	4,076,999,990	-	-	-	-	-	-	-	4,076,999,990
Transfer surplus reserve	-	-	-	-	-	745,643	(745,643)	-	-	-	-	-
Balances at December 31, 2013	4,440,000	8,880,000	219,219,724	10,313,344,184	262,761,718	37,574,483	(649,858,825)	14,948,372	(82,220,204)	(154,923,966)	(383,605)	9,973,781,881

MAYBANK PHILIPPINES, INCORPORATED

Statement of Cash Flows

	Years Ended DECEMBER 31 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P 760,723,476	P 669,707,685
Adjustments for:		
Provision for impairment and credit losses (Notes 9, 11 and 12)	410,683,063	272,128,513
Depreciation and amortization (Notes 10, 11 and 12)	260,810,482	197,778,597
Net amortization of premium (Note 20)	97,240,964	85,257,188
Gain on sale of properties	(68,274,978)	(131,127,092)
Net unrealized trading gains (Notes 6 and 22)	(58,688,688)	(175,222,715)
Loss on foreclosure	28,428,621	16,749,951
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Loans and receivables	(12,561,080,430)	(6,054,586,406)
Financial assets at fair value through profit or loss	346,539,636	(121,883,079)
Other assets	(42,627,131)	16,523,094
Increase (decrease) in the amounts of:		
Deposit liabilities	2,499,340,601	20,007,110,835
Financial liabilities at fair value through profit or loss	(655,494)	15,896,757
Outstanding acceptances	(2,759,449)	2,428,248
Accrued interest, taxes and other expenses	74,641,380	229,715,798
Manager's checks	76,466,897	239,239,411
Other liabilities	577,909,501	24,801,740
Net cash provided by (used in) operations	(7,601,301,549)	15,294,518,525
Income taxes paid	(413,795,219)	(292,178,439)
Net cash provided by (used in) operating activities	(P 8,015,096,768)	P 15,002,340,08
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale investments	(859,314,933)	(2,261,891,876)
Property and equipment (Notes 10 and 31)	(141,929,992)	(285,247,850)
Held-to-maturity investments	(2,068,083,266)	(339,865,769)
Software (Note 12)	(5,841,297)	(18,932,441)
Placements in interbank loans receivable (Note 31)	(21,735,600)	(12,221,944)

(forward)

	2014	Years Ended DECEMBER 31 2013
Proceeds from:		
Sale of available-for-sale investments	463,449,822	3,004,886,087
Maturities of held-to-maturity investments	1,290,348,372	29,604,448
Disposals of property and equipment (Note 10)	23,551,753	2,589,609
Sale of investment properties (Note 11)	47,993,744	49,088,938
Disposals of other properties acquired (Note 12)	226,294,513	98,206,340
Maturity of interbank loans receivable and securities purchased under resale agreements (Note 31)	23,221,165	128,068,422
Net cash provided by (used in) investing activities	(P 1,022,045,719)	P 394,283,964
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock (Note 19)	P -	P 4,076,999,990
Settlements of bills payable	(622,990,964,197)	(308,204,124,560)
Availments of bills payable	623,614,413,697	306,620,115,560
Net cash provided by financing activities	623,449,500	2,492,990,990
CUMULATIVE TRANSLATION ADJUSTMENT	(12,023,678)	10,037,664
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(P 8,425,716,665)	P 17,899,652,704
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	1,515,767,263	1,125,070,812
Due from Bangko Sentral ng Pilipinas (BSP)	13,449,213,565	5,645,295,468
Due from other banks	1,089,098,492	1,393,767,152
Interbank loans receivable and securities purchased under resale agreements (SPURA) (Note 31)	10,126,940,501	117,233,685
	26,181,019,821	8,281,367,117
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	1,757,067,616	1,515,767,263
Due from BSP	10,193,845,341	13,449,213,565
Due from other banks	5,676,363,906	1,089,098,492
Interbank loans receivable and SPURA (Note 31)	128,026,293	10,126,940,501
	P 17,755,303,156	P 26,181,019,821
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS		
Interest received	P 4,111,323,620	P 3,589,420,578
Interest paid	796,344,491	984,425,689

See accompanying Notes to Financial Statements.

MAYBANK PHILIPPINES, INCORPORATED

Notes to Financial Statement

1. Corporate Information

Maybank Philippines, Incorporated (the Bank) is a commercial bank incorporated in the Philippines on January 3, 1953 to provide banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services through its 79 branches as of December 31, 2014 and 76 branches as of December 31, 2013.

On October 12, 1999, the Securities and Exchange Commission (SEC) approved the extension of the corporate term of the Bank for another 50 years. The Bank is 99.97% owned by Malayan Banking Berhad (the "Parent Company") incorporated in Malaysia.

The Bank's principal and registered place of business is Maybank Corporate Centre, 7th Avenue corner 28th Street, Bonifacio Global City, Taguig City.

The accompanying financial statements of the Bank were approved and authorized for issue by the Bank's Board of Directors (BOD) on March 30, 2015.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVPL) and available- for-sale (AFS) investments that have been measured at fair value.

The financial statements of the Bank reflect the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU).

The functional currency of RBU and FCDU is Philippine peso (PHP) and United States dollar (US$), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP (Note 2). The financial statements of these units are combined after eliminating inter-unit accounts.

Amounts are presented to the nearest PHP unless otherwise stated.

Statement of Compliance

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery (asset) or settlement (liability) within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 18.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended standards effective January 1, 2014. Unless otherwise indicated, the adoption of the following new and amended standards and interpretations did not have an impact on the Bank's financial statements.

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)

These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements)*

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief.

Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments*)*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

These amendments clarify the meaning of 'currently has a legally enforceable right to offset' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*

The amendment clarifies that short-term receivables and payables with no stated interest rates

can be held at invoice amounts when the effect of discounting is immaterial.

Significant Accounting Policies

Foreign Currency Translation

Transactions and balances

The books of accounts of the RBU are maintained in PHP, while those of the FCDU are maintained in US$. For financial reporting purposes, the foreign currency-denominated accounts in the RBU are translated into their equivalents in PHP based on the Philippine Dealing System (PDS) closing rate prevailing at end of the year (for assets and liabilities) and at the exchange rates prevailing at transaction dates (for income and expenses). Foreign exchange differences arising from foreign currency translation and revaluation of foreign currency-denominated assets and liabilities in the RBU, except for nonmonetary assets, are credited to or charged against operations in the year in which the rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU

As at the reporting date, the assets and liabilities of the FCDU are translated into the Bank's presentation currency at the PDS closing rate prevailing at the reporting date, and its income and expenses are translated at the exchange rates prevailing at transaction dates. Exchange differences arising on translation are taken directly to other comprehensive income (OCI) under 'Cumulative translation adjustment' in the statement of comprehensive income.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- **Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- **Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, foreign currency notes and coins, petty cash fund, due from BSP and other banks, interbank loans receivable and securities purchased under resale agreements (SPURA) with the BSP that are convertible to known amounts of cash with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in value.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Regular way purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank. Any change in fair value of financial asset is recognized in the statement of income for financial assets at FVPL and it is recognized in OCI for assets classified as AFS investments. Deposits, amounts due to banks and customers and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

Derivatives are recognized on trade date basis. Trade date is the date that an entity commits itself to purchase or sell an asset. Trade date accounting refers to (a) the recognition of an asset to be received or the liability to be paid on the trade date, and (b) the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value plus, in the case of financial assets and financial liabilities not at FVPL, any directly attributable cost of acquisition or issue. The Bank classifies its financial assets in the following categories: financial assets at FVPL, AFS investments, held-to-maturity (HTM) investments and loans and receivables. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Financial liabilities are categorized into financial liabilities at FVPL and other financial liabilities carried at amortized cost. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Reclassification of financial assets

The Bank may choose to reclassify a non-derivative trading financial asset out of the held-for-trading (HFT) category if the financial asset is no longer held for purposes of selling it in the near term and only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the HFT or AFS investments categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

The Bank may also reclassify certain AFS investments to HTM investments when there is a change of intention and the Bank has the ability to hold the financial instruments to maturity.

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate (EIR). Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded directly in equity is recycled to the statement of income.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. EIR for financial assets reclassified to loans and receivables and HTM categories is determined at the reclassification date. Further increases in estimates of cash flows adjust EIR prospectively.

'Day 1' difference

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Bank recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statement of income in 'Net trading gains (losses)' unless it qualifies for recognition as some other type of asset. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

HFT investments

HFT investments represent government securities purchased and held principally with the intention of selling them in the near term. These securities are classified under financial assets at FVPL and are carried at fair market value. Realized and unrealized gains and losses on these instruments are recognized as 'Net trading gains (losses)' in the statement of income. Interest earned on HFT investments is reported under 'Interest income on financial investments' in the statement of income. Quoted market prices are used to determine the fair value of these financial instruments.

Derivative instruments

The Bank enters into derivative contracts such as interest rate swaps and currency forwards as means of reducing or managing their respective interest and foreign exchange exposures. Such derivative instruments classified as financial assets at FVPL are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair value on derivative instruments that do not qualify for hedge accounting are taken directly to the statement of income under 'Net trading gains (losses)'. Derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Bank assesses the existence of an embedded derivative on the date it first becomes a party to the contract, and performs re-assessment where there is a change to the contract that significantly modifies the cash flows.

Embedded derivatives are bifurcated from their host contracts and carried at fair value with fair value changes being reported through profit or loss, when the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial instruments designated at FVPL; when their economic risks and characteristics are not clearly and closely related to those of their respective host contracts; and when a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

As of December 31, 2014 and 2013, the Bank has no outstanding embedded derivatives.

Financial instruments designated at FVPL

Financial instruments classified in this category are designated by management on initial recognition when any of the following criteria is met:

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

Financial instruments designated at FVPL are initially recognized in the statement of financial position at fair value. Changes in fair value on financial instruments designated at FVPL are recorded

in 'Net trading gains' in the statement of income. Interest earned or incurred is recognized as 'Interest income' or 'Interest expense', respectively, in the statement of income.

HTM investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Where the Bank sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as 'AFS investments'. The Bank would then be unable to categorize financial instruments as HTM investments for the next two years.

After initial measurement, these investments are subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in the statement of income under 'Interest income on financial investments'. The losses arising from impairment of such investments, if any, and effects of revaluation of foreign currency-denominated HTM investments are recognized in the statement of income.

Loans and receivables
This category includes amounts due from BSP and other banks, interbank loans receivable and SPURA, and loans and receivables. These are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as 'Financial assets at FVPL' or 'AFS investments'.

After initial measurement, 'Loans and receivables', 'Due from BSP', 'Due from other banks', and 'Interbank loans receivable and SPURA' are subsequently measured at amortized cost using the EIR method, less allowance for impairment and credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income on loans and receivables' in the statement of income. The losses arising from impairment are recognized in 'Provision for impairment and credit losses' in the statement of income.

When the estimated cash flows from the financial assets are revised, the carrying amount of the financial asset shall be adjusted to reflect the actual and revised estimated cash flows. The carrying amount shall be computed as the present value of estimated future cash flows at the financial instrument's original EIR or, when applicable, the revised EIR. Any difference shall be recognized in profit or loss as gain or loss on restructuring.

AFS investments
AFS investments are those which are designated as such or do not qualify to be classified as designated as financial assets at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers, government securities and other debt securities.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of revaluation on foreign currency-denominated AFS debt securities, is reported in the statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported income and are reported as 'Net change in unrealized gain (loss) on AFS investments' in the OCI.

When the security is disposed of, the cumulative gain or loss previously recognized in OCI is recycled to the statement of income under 'Net trading gains'. Where the Bank holds more than one investment in the same security, these are deemed to be disposed of on a first-in-first-out basis. Interest earned on holding AFS debt securities are reported as 'Interest income on financial investments' in the statement of income using the EIR method. Dividends earned on holding AFS equity securities are recognized in the statement of income as 'Miscellaneous income' when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as 'Provision for impairment and credit losses' in the statement of income.

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

After initial measurement, deposit liabilities, bills payable and other payables not qualified as and not designated as FVPL, are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Derecognition of Financial Instruments
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred control over the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Repurchase and Reverse Repurchase Agreements
Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as a loan to the Bank, reflecting the economic substance of such transaction. The Bank had no outstanding repurchase agreements as of December 31, 2014 and 2013.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The Bank is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The corresponding cash paid, including accrued interest, is recognized in the statement of financial position as SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the EIR amortization method.

Impairment of Financial Assets
The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets at amortized cost
For loans and receivables, due from BSP, due from other banks and interbank loans receivable and SPURA, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged against the statement of income. Interest income continues to be recognized based on the original EIR of the asset. The financial assets, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral has been realized. Subsequently, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the 'Provision for impairment and credit losses' account.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If the Bank determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective impairment evaluation, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in property prices,

payment status, or other factors that are indicative of incurred losses in the Bank and their magnitude).

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

Restructured loans
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subjected to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for impairment and credit losses' in the statement of income.

AFS investments
For AFS investments, the Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity securities classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from OCI and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in OCI.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income on financial investments' in the statement of income. Subsequently, if the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

HTM investments
For HTM investments, the Bank assesses whether there is objective evidence of impairment at each reporting date. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original EIR of the asset. Subsequently, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amounts formerly charged are credited to 'Provision for impairment and credit losses' account in the statement of income and the allowance account is reduced.

The HTM investments, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral has been realized.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master-netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Financial Guarantees
In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, letters of guarantees, and acceptances. Financial guarantees are initially recognized in the financial statements at fair value under 'Other liabilities'. Subsequent to initial recognition, the Bank's liabilities under such guarantees are each measured at the higher of the initial fair value less, when appropriate, cumulative amortization calculated to recognize the fee in the statement of income in 'Service charges, fees and commissions', over the term of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of income in 'Provision for impairment and credit losses'. Any financial guarantee liability remaining is recognized in the statement of income in 'Service charges, fees and commissions', when the guarantee is discharged, cancelled or has expired.

Property and Equipment
Depreciable properties, including condominium units, furniture, fixtures and equipment and leasehold improvements, are stated at cost less accumulated depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of the equipment if the recognition criteria are met, but excludes repairs and maintenance cost.

The initial cost of property and equipment consists of its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization are computed using the straight-line method over the estimated useful life (EUL) of the assets.

The EUL of property and equipment are as follows:

Condominium units	50 years
Furniture, fixtures and equipment	1-7 years
Leasehold improvements	5 years or term of the lease, whichever is shorter

Construction in progress (CIP) represents furniture, fixtures and equipment and leasehold improvements under construction or purchased by the Bank but not yet used in operations. CIP is not depreciated until such time that the relevant assets become completed and ready for use in operations.

The EUL and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized in the statement of income (see accounting policy on Impairment of Nonfinancial Assets).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under 'Investment properties 'upon:

a. entry of judgment in case of judicial foreclosure;
b. execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
c. notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

The difference between the fair value of the foreclosed properties and the carrying value of the related receivables given up is recognized in 'Gain or loss on foreclosure' account in the statement of income.

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

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over 5-10 years. The EUL and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Nonfinancial Assets).

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

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

Other Properties Acquired
Other properties acquired include chattel mortgage properties acquired in settlement of loan receivables. These are carried at cost, which is the fair value at recognition date, less accumulated depreciation and any impairment in value.

The Bank applies the cost model in accounting for other properties acquired. Depreciation is computed on a straight-line basis over the estimated useful life of three years. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of other properties acquired are reviewed for impairment when events or

changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Nonfinancial Assets).

Intangible Assets
The Bank's intangible assets included under 'Other assets' in the statement of financial position consist of software costs.

Software costs
Costs associated with developing or maintaining computer software programs are recognized as expense as incurred. Costs that are directly associated with identifiable and unique software controlled by the Bank and will generate economic benefits beyond one year, are capitalized. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognized as capital improvements and added to the original cost of the software. Capitalized computer software costs are amortized on a straight-line basis over four years.

Impairment of Nonfinancial Assets
Property and Equipment, Investment Properties, Other Properties Acquired and Software Costs
At each reporting date, the Bank assesses whether there is any indication that its property and equipment, investment properties, other properties acquired and software may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of recoverable amount. Recoverable amount is the greater of its fair value less costs to sell and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Income Taxes
Income tax on profit or loss for the year comprises current and deferred tax. Income tax is determined in accordance with Philippine Tax Law. Income tax is recognized in the statement of income, except to the extent that it relates to items directly in OCI.

Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is provided using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carry forward of unused MCIT over RCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized directly in OCI is also recognized in OCI and not in the statement of income.

Share-Based Payment Transactions
Employees of the Bank receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

Equity-settled transactions
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuation expert using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Parent Company.

The cost of equity-settled transactions is recognized in the statement of income together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the vesting date. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

Treasury Shares
Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the statement of income on the purchase and sale of the Bank's own equity instruments.

Borrowing Costs
Borrowing costs are recognized as expense in the year in which these costs are incurred using the EIR method.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The Bank assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Bank has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as AFS investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the EIR, the Bank estimates cash flows from the financial instrument (for example, prepayment options), and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income' in the statement of income.

Unearned discounts on loans are recognized as income over the terms of the loans using the EIR. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Gain (loss) on sale of properties
Gains or losses arising from the disposal of property and equipment, investment properties and other properties acquired shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss in the period of the disposal.

Service charges
Service charges are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectibility.

Fees and commissions
Fees earned for the provision of services over a period of time are accrued over that period. Loan commitment fees are recognized as earned over the term of the credit lines granted to each borrower. However, loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Bank retains no part of the loans for itself or retains part at the same EIR as for the other participants.

Net trading gains (losses)
Net trading gain (loss) represents results arising from trading activities including all gains and losses from changes in fair value of financial assets and liabilities at FVPL and gains and losses from disposal of financial assets at FVPL and AFS investments.

Rental income
Rental income arising on leased premises is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Miscellaneous income'.

Dividend Income
Dividend income is recognized when the Bank's right to receive payment is established.

Other income
Credit-related income due to late payments and other loan-related fees are recognized in the period they are earned.

Expenses
Expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Bank. Expenses are recognized when incurred.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Bank as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense under 'Occupancy' in the statement of income on a straight-line basis over the lease term.

Bank as lessor
Leases where the Bank does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating lease. Lease payments received are recognized as an income in the statement of income on a straight-line basis over the lease term.

Retirement Cost
Defined benefit plan
The Bank has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The Bank's retirement cost is determined using the projected unit credit method. The retirement cost is generally funded through payments to a trustee-administered fund, determined by periodic actuarial calculations.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in the other comprehensive income account 'Remeasurement gains (losses) on retirement plan' are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Bank, nor can they be paid directly to the Bank. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Bank's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Defined contribution plan
The Bank also contributes to its contributory, defined-contribution type staff provident plan based on a fixed percentage of the employees' salaries as defined in the plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'Compensation and fringe benefits' in the statement of income. Unpaid contributions, if any, are recorded as a liability.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes the related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlement to annual leave are recognized as a liability when the employees render the services that increases their annual leave entitlement. The cost of accumulating annual leave are measured as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Provisions
Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an 'Interest expense'.

Contingent Liabilities and Contingent Assets
Contingent liabilities are not recognized but are disclosed in the financial statements unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Events after the Reporting Date
Post-year-end events that provide additional information about the Bank's position at the reporting date (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

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

Equity
Capital stock (preferred stock and common stock) is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Capital Paid in Excess of Par Value' account.

Deposit for stock subscription represents payment made on subscription of shares which cannot be directly credited to capital stock pending approval of the SEC of the increase in the authorized capital stock of the Bank.

'Surplus (Deficit)' represents accumulated earnings and losses of the Bank.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD. Dividends for the period that are approved after the reporting date are dealt with as an event after the reporting date.

Future Changes in Accounting Policies
The Bank will adopt the new and amended standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Bank does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, Financial Instruments: Recognition and Measurement. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative

separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Bank

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

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

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

PFRS 2, *Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition

If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, Financial Instruments: Recognition and Measurement (or PFRS 9, Financial Instruments, if early adopted). The Bank shall consider this amendment for future business combinations.

PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:

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

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

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

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

PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

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

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

PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, Accounting for Government Grants and Disclosure of Government Assistance, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

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

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

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

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

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

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new

plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

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

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

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

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

Effective January 1, 2018
PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39* (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

The adoption of PFRS 9 will have an effect on the classification and measurement of the Bank's financial assets but will have no impact on the classification and measurement of the Bank's financial liabilities. The Bank is currently assessing the impact of adopting this standard.

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

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

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

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

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Bank 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 they become reasonably determinable.

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

Judgments
A. HTM investments
The Bank classifies quoted non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM investments. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for specific circumstances (such as selling an insignificant amount close to maturity), it will be required to reclassify the entire class as 'AFS investments'. The investments would therefore be remeasured at fair value and not at amortized cost.

B. Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

C. Functional currency
PAS 21, Effects of Changes in Foreign Exchange Rates, requires management to use its judgment to determine the Bank's FCDU functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the Bank. In making this judgment, the Bank considers the following:

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

D. Operating leases

Bank as lessee
The Bank has entered into leases on premises it uses for its operations. The Bank has determined based on the evaluation of terms and conditions of the arrangements (i.e., the lease does not transfer the ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that the lessor has retained all the significant risks and rewards of ownership of these properties which are leased out as operating leases.

Bank as lessor
Leases where the Bank retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease payments received are recognized as 'Rental income' under 'Miscellaneous income' in the statement of income on a straight-line basis over the lease term.

E. Financial assets not quoted in an active market
The Bank classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

F. Contingencies
The Bank is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Bank's defense in these matters and is based upon an analysis of potential results. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 28).

Estimates
A. Fair values of derivatives
The fair values of derivatives that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them.

To the extent practical, valuation models use only market observable data, however areas such as credit risk (both own and counterparty) require management to make estimates. Changes in assumptions about these factors could affect reported fair value of derivative instruments.

As of December 31, 2014 and 2013, the fair value of the Bank's derivative assets amounted to P24.4 million and P33.8 million, respectively (see Notes 6 and 17). As of December 31, 2014 and 2013, the fair value of the Bank's derivative liabilities amounted to P150.5 million and P218.5 million, respectively (see Note 17).

B. Impairment of AFS debt securities
The Bank reviews its debt securities classified as AFS investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and receivables.

As of December 31, 2014 and 2013, the Bank's AFS debt securities amounted to P3.2 billion and P2.8 billion, respectively. No allowance for impairment losses was recognized on AFS debt securities (see Note 7).

C. Credit losses on loans and receivables
The Bank reviews its loan portfolio to assess impairment at each reporting date. In determining whether an impairment loss should be recorded in the statements of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Bank also makes a collective impairment assessment on exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on historical loss experience for assets with similar credit risk characteristics.

The carrying amount of the Bank's loans and receivables as of December 31, 2014 and 2013 amounted to P50.0 billion and P38.2 billion, respectively (see Note 9).

D. Impairment of property and equipment, investment properties, other properties acquired and software costs
The Bank assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

- significant under performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is determined based on the asset's fair value and are estimated for individual assets.

As of December 31, 2014 and 2013, the carrying amount of the Bank's property and equipment, investment properties, other properties acquired and software costs follow:

		2014		2013
Property and equipment (Note 10)	P	651,290,997	P	681,508,575
Investment properties (Note 11)		199,424,074		166,512,249
Other properties acquired (Note 12)		215,167,621		153,845,655
Software cost (Note 12)		25,009,466		27,945,140

E. Recognition of deferred tax assets
Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that taxable income will be available against which losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. As the Bank has been in a taxable position for the last three years and which the Bank expects to continue based on its forecast of future taxable income, the Bank assessed that certain temporary differences will be realized in the future and accordingly recognized previously unrecognized deferred tax assets in 2014.

As of December 31, 2014, the Bank recognized deferred tax assets amounting to P638.8 million. As of December 31, 2013, the Bank recognized deferred tax assets only to the extent of the deferred tax liabilities (see Note 26).

F. Estimated useful lives of property and equipment, investment properties, other properties acquired and software costs
The Bank reviews on an annual basis the EUL of property and equipment, investment properties, other properties acquired and software costs based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the EUL of property and equipment, investment properties, other properties acquired and software costs would decrease their respective balances and increase the recorded depreciation and amortization expense.

The EUL of property and equipment, investment properties, other properties acquired and software costs are discussed in Note 2.

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

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

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases are based on expected future inflation rates. The details of the assumptions used in the actuarial valuation are provided in Note 21.

The Bank's net retirement obligation as of December 31, 2014 and 2013 amounted to P343.1 million and P264.9 million, respectively (see Note 21).

4. Financial Risk Management Objectives and Policies

General Risk Management Structure
Risk Management structure within the Bank consists of three lines of defense consisting of risk taking units, risk control units, and Internal Audit. The Board of Directors (BOD), through the Risk Management Committee (RMC) performs overall supervision of risk management. Loan proposals and other transactions beyond the approval level of the management committees, particularly those involving directors, officers, stockholders and related interests (DOSRI), are elevated to the BOD, which is the highest authority within the Bank. The RMC is a Board-level Committee that is responsible for setting the Bank's corporate risk policy and strategies. It ensures the adequacy of the risk management infrastructure of the Bank to address the risks it faces in its banking activities including credit, market and liquidity risks.

Senior Management also plays an integral role in ensuring proper implementation of risk policies and strategies. The Bank has the following committees that manage the Bank's key risk areas:

- Credit Committee (CC) is responsible for the approval of credit facilities as well as policies, frameworks and methodologies pertaining to credit risk.

  The CC has a maximum approving limit of P250.0 million for secured and P100.0 million for unsecured loans. Proposals beyond this level have to be escalated to Parent Bank's Group Management's Credit Committee (GMCC) for endorsement to BOD for approval.

- Asset and Liability Committee (ALCO) is responsible for the Bank's asset and liability management policies and strategies that address market risk, liquidity risk, balance sheet structure, and capital management.

- Management Committee is responsible for directing and reviewing the Bank's overall operations to achieve its objectives and targets.

Risk Management is functionally independent of risk-taking units within the Bank. It is composed of Regional Group Credit Management (RGCM), Credit Risk Management (CRM), Market Risk Management (MRM), Operational Risk Management (ORM) and Enterprise Risk Management (ERM). It is responsible for the development of measures to ensure that the risk inherent in the Bank's activities are properly identified, measured, controlled and reported.

Risk Management has the following general objectives:

- To promote risk management culture and philosophy of risk awareness.
- To assist risk-taking business and operating units in understanding and measuring risk/return profiles.
- To develop risk and control infrastructure.
- To develop, disseminate, and maintain formalized risk policies, frameworks, methodologies and tools.
- To provide effective means of differentiating the degree of risk in the various business portfolio of the Bank.

Internal Audit provides independent assurance of the effectiveness of the risk management approach. The Audit Committee, which is a Board-level committee, is responsible for the overall supervision of the audit function within the organization.

Risk Measurement and Reporting
To measure risk of default for corporate and commercial loans, the Bank makes use of the International Risk Rating System (IRRS) which consists of 25 risk grades that are mapped to external ratings, as well as risk classification according to BSP guidelines. The IRRS is used as a tool for decision making as well as in determining appropriate pricing for loan accounts. The key risk indicators for credit measures the Bank's credit risk position against targets, historical performance or industry average in selected areas as of a given period.

In terms of measuring the Bank's ability to withstand the impact of stress conditions, stress testing methodology is used. Through the stress testing, the impact of exceptional events on the Bank's asset quality, profitability, and capital adequacy is measured.

In terms of reporting, CRM prepares regular loan portfolio reports covering areas such as business growth, asset quality, concentration of exposures and compliance to applicable regulatory and internal guidelines. These reports are submitted to the CC, RMC, BOD and other end-users.

Risk Mitigation
As part of its risk management, the Bank uses derivatives to manage exposures resulting from changes in interest rates.

Where appropriate, the Bank requires a second way out in the form of eligible collaterals or guarantee/surety to mitigate credit risk.

Credit Risk

Credit risk comprises bulk of the Bank's risk capital. Credit risk is managed through a two-pronged approach: the credit risk management and credit portfolio management.

Credit risk management undertakes the improvement and implementation of Group risk frameworks, tools, and methodologies for the identification, measurement, monitoring, control and pricing of credit risk in accordance to the Bank's risk appetite and lending direction and strategies. Methodologies are implemented in coordination with the Parent Company to ensure consistency of risk management approach across the Maybank Group. Where applicable, methodologies and tools are adopted from the Parent Company and customized to the local operating environment.

Credit risk management is responsible for setting concentration limits and monitoring exposures against these limits. It also prepares various credit risk reports submitted to Management, RMC, and the BOD. All loan products, policy and framework are coursed through the Regional Group Credit Management and Credit Risk Management for review.

Credit risk management also assists in the development and implementation of various mechanisms to support business generation, capital optimization, portfolio management, and Basel III implementation i.e., Enterprise Risk Management (ERM) and Regional Group Credit Management (RGCM). It ensures that credit approval structures follow the "four eyes policy" for appropriate check and balance. Under the Internal Audit, the Credit Review Unit undertakes the post-approval review of selected loan accounts.

Collateral and other credit enhancements

There are various collaterals and securities that are acceptable to the Bank. In evaluating acceptability of collateral, three factors are considered: control, disposability and margin.

The Account Officer is primarily responsible in ensuring the acceptability of collaterals/security obtained to secure the loan based on established minimum acceptance criteria and maximum margin of financing.

The Account Officer is responsible in ensuring that the collaterals are duly and regularly inspected and appraised; adequately insured where necessary; and payment of applicable taxes are updated.

The Account Officer also ensures that the approved margin of financing is maintained throughout the life of the loan.

Loans or portions thereof that are covered by collateral/security including but not limited to the following are considered secured:

- Registered First Real Estate Mortgage over eligible real estate properties with road right of way
- Peso or US Dollar-denominated deposits that are maintained with the Bank
- Government securities
- Motor vehicles
- Machinery and equipment
- Publicly-traded shares of stocks

Direct and indirect borrowings of the Philippine government is treated as non-risk and considered as secured.

Borrowings secured by guarantees/collateral issued by the Parent Company, Maybank Branches and subsidiaries are considered secured.

Maintenance, marketing and disposal of the Bank's acquired assets are being undertaken by its affiliate, Philmay Properties, Inc. (PPI). Pending disposal of acquired assets, PPI arranges for the properties to be leased on a short-term basis by interested parties.

Credit risk exposures

The table below shows the Bank's maximum exposure to credit risk on loans and receivable as of December 31, 2014 and 2013:

	December 31, 2014 Maximum Exposure		December 31, 2013 Maximum Exposure	
	Before Collateral	After Financial Effect of Collateral or Credit Enhancement	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
LOANS AND RECEIVABLES:				
Loans:				
Corporate	P 14,382,133,086	P 12,056,588,613	P 9,430,735,802	P 9,251,123,482
Commercial	12,303,843,769	8,358,750,477	12,115,299,075	10,682,929,877
Consumer:				
Auto loans	15,777,519,111	957,143,112	11,161,097,042	143,235,056
Housing loans	3,478,196,534	-	1,921,251,123	-
Others	2,402,888,059	2,144,095,581	1,975,352,427	1,961,903,459
	48,344,580,559	23,516,577,783	36,603,735,469	22,039,281,874
UNQUOTED DEBT SECURITIES:				
Private	30,000,000	30,000,000	37,342,701	37,342,701
Government	-	-	112,639	112,639
	30,000,000	30,000,000	37,455,340	37,455,340
ACCOUNTS RECEIVABLE:				
Corporate	692,365,080	137,448,601	684,291,901	140,128,336
Individual	47,735,854	47,735,854	51,129,902	51,129,902
	740,100,934	185,184,455	735,421,803	191,258,238
ACCRUED INTEREST RECEIVABLE	478,998,086	442,597,410	434,469,303	372,638,665
SALES CONTRACT RECEIVABLE:				
Individual	136,159,688	-	186,816,900	-
Corporate	247,001,106	-	233,554,242	-
	383,160,794	-	420,371,142	-
RCOCI	39,771,319	39,771,319	7,481,891	7,481,891
	P 50,016,611,692	P 24,214,130,967	P 38,238,934,948	P 22,648,116,008

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2014 and 2013.

Credit risk management has set concentration limits according to various categories such as individual/group borrower, banks, countries, collateral, economic sectors, and product types to ensure optimal portfolio diversification.

Risk Concentration

Concentration of credit arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographic location. Concentration limits are set by Credit Risk Management, endorsed by RMC, and approved by the BOD. These include limits by business segments, credit facility/portfolio, collateral/security, economic sector, loan size and obligor type. These limits are established to ensure diversification, capital optimization and appropriate management of concentration risk.

The tables below show the distribution of maximum credit exposure by industry sector of financial assets and off-balance sheet items before taking into account the fair value of the loan collateral or other credit enhancements (amounts in thousands):

	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Loans and Receivables				
Construction and real estate	P 10,692,977	21.93	P 8,307,134	21.75
Wholesale and retail, repair of motor vehicles, motorcycles and personal household goods	6,934,096	14.22	5,092,704	13.33
Trading and manufacturing	3,097,279	6.35	3,754,846	9.83
Power, electricity and water distribution	2,483,938	5.09	800,007	2.09
Financial intermediaries	1,854,007	3.80	1,039,843	2.72
Transportation, storage and communication	1,828,027	3.75	1,215,557	3.18
Agriculture	954,632	1.96	820,172	2.15
Government	23,962	0.05	36,492	0.10
Other	20,894,195	42.85	17,134,725	44.85
	P 48,763,113	100.00	P 38,201,480	100.00
Unquoted debt securities				
Manufacturing	30,000	100.00	30,000	80.09
Transportation, storage and communication	-	-	7,343	19.60
Government	-	-	113	0.31
	P 30,000	100.00	P 37,456	100.00

	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Loans and Advances to Banks*				
Government	P 10,193,845	63.68	P 23,449,214	95.02
Financial intermediaries	5,815,127	36.32	1,228,261	4.98
	16,008,972	100.00	24,677,475	100.00
Trading and Financial Investment Securities**				
Government	5,653,724	63.42	6,814,394	84.20
Financial intermediaries	2,818,289	31.62	33,818	0.42
Construction and real estate	246,055	2.76	195,734	2.42
Transportation, storage and communication	110,626	1.24	602,385	7.44
Trading and manufacturing	3,570	0.04	443,903	5.48
Others	81,849	0.92	3,156	0.04
	8,914,113	100.00	8,093,390	100.00
Other***				
Power, electricity and water distribution	784,836	48.63	840,098	52.64
Wholesale and retail, repair of motor vehicles, motorcycles and personal household goods	406,767	25.20	435,189	27.27
Trading and manufacturing	225,452	13.97	175,806	11.02
Construction and real estate	85,651	5.31	2,306	0.14
Agriculture	8,220	0.51	17,209	1.08
Transportation, storage and communication	2,350	0.15	18,119	1.14
Others	100,636	6.23	107,327	6.72
	1,613,912	100.00	1,596,054	100.00
	P 75,330,110		P 72,605,855	

* Consists of Due from BSP, Due from other banks and Interbank loans receivables and SPURA

** Consists of Financial assets at FVPL, AFS investments and HTM investments

*** Consists of Miscellaneous COCI and Contingent liabilities relating to outstanding letters of credit

Credit quality per class of financial assets

The Bank does not subject its investments to risk rating. It relies on acceptable third party issuer or issue ratings, international or local, as applicable. Any exposure, whether direct or indirect, to the sovereign entity - Republic of the Philippines (ROP) and BSP, is considered non-risk or high grade. Issuances by ROP and BSP are considered as high grade since the chance of default is virtually nil.

Private entities, such as financial institutions or corporations, issuing debt securities, with risk rating similar to ROP/BSP are likewise classified as high grade. Such entities are generally held as top-tier. Companies with third party ratings lower than ROP are classified as standard grade. These are companies that exhibit moderate credit risk with acceptable capacity to meet its financial commitments.

Companies without third party ratings are classified unrated.

For loans and receivables, the following are subject to risk rating.

- Corporate and commercial loans (except those fully secured by hold-out on deposits)
- Contract-to-sell financing (risk rating on the developer)

Accounts which are not subjected to risk rating, such as consumer loans, are considered unrated.

Loan Grades

- Performing Grade is from Grade 1 to 21. - Grade 1 (i.e. lowest probability of default) is the best grade while Grade 21 (i.e. highest probability of default) is the worst grade.

a.) High grade (accounts with risk grade of 1 to 10)
Accounts falling within this classification have good to highly exceptional capacity to meet its financial commitments with very low to low credit risk.

b.) Standard grade (accounts with risk grade of 11 to 15)
Accounts falling within this classification have fairly good to fairly acceptable capacity to meet their financial commitments with moderate credit risk.

c.) Substandard grade (accounts with risk grade of 16 to 21)
Accounts under this category exhibit high credit or default risk with impairment characteristics that are neither classified under 'past due but not impaired' nor 'individually impaired'.

- Non-Performing Grade is from Grade 22 to 25 which is under past due or impaired.

a.) Grade 22 is a non-performing grade assigned to borrowers classified as Loans Especially Mentioned/Special Mention accounts. These are loans which have potential weaknesses that deserve Management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase credit risk to the Bank.

b.) Grade 23 is a non-performing grade assigned to borrowers classified as Substandard accounts. These are loans or portions thereof which appear to involve substantial and unreasonable degree or risk to the institution because of unfavorable record or unsatisfactory characteristics. There exists in such loan the possibility of future loss to the institution unless given closer supervision. These loans classified as "substandard" must have a well-defined weaknesses that jeopardize their liquidation. Such well-defined weaknesses may include adverse trends of development or development of financial, managerial, economic or political nature or a significant weakness in collateral. Their basic characteristics are:

- Current loans to borrowers whose audited financial statements show impaired or negative net worth except start-up firms which should be evaluated on case to case basis.
- Current loan of borrowers with unfavorable results of operations for 2 consecutive years or with impaired/negative net worth except start-up firms which should be evaluated on case to case basis.
- Loans past due for more than 90 days.
- Loans without latest audited financial statement to determine repayment capacity.

c.) Grade 24 is a non-performing grade assigned to borrowers classified as Doubtful accounts. These are loans or proportions thereof which have weaknesses inherent in those classified as "substandard" with the added characteristics that existing facts, conditions and values make collections or liquidation in full highly improbable and in which substantial loss is probable. Example, past due loans wherein the possibility of loss is extremely high but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of asset, its classification as an estimated loss is deferred until a more exact status is determined.

d.) Grade 25 is a non-performing grade assigned to borrowers classified as Loss.
These are loans or portions thereof which are considered uncollectible or worthless.

- Start-up companies, regardless of the strength of their percentage have default grade cap of 19.

The tables below show the credit quality by class of financial assets (gross of allowance for credit losses and unearned interest and discounts and other deferred income) of the Bank (in thousands):

	Neither Past Due nor Impaired					December 31, 2014
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due of Impaired	Total
Due from BSP	P 10,193,845	P -	P -	P -	P -	P 10,193,845
Due from other banks	5,676,364	-	-	-	-	5,676,364
Interbank loans receivable and SPURA	138,763	-	-	-	-	138,763
	16,008,972	-	-	-	-	16,008,972
Financial assets at FVPL:						
HFT investments:						
Government securities	825,176	-	-	-	-	825,176
Derivative Assets	24,379	-	-	-	-	24,379
	849,555	-	-	-	-	849,555
AFS investments:						
Government securities	2,029,597	-	-	-	-	2,029,597
Private debt securities	-	412,153	-	795,227	-	1,207,380
Quoted equity securities	-	-	-	14,241	-	14,241
Unquoted equity securities	-	-	-	3,486	-	3,486
	2,029,597	412,153	-	812,954	-	3,254,704
HTM investments:					-	
Government securities	2,797,894	-	-	-	-	2,797,894
Private debt securities	-	-	-	2,011,960	-	2,011,960
	2,797,894	-	-	2,011,960	-	4,809,854
Loans and receivables:						
Corporate	4,517,638	8,219,775	1,677,295	62,076	308,602	14,785,386
Commercial	2,539,207	7,009,574	1,776,966	740,957	631,673	12,698,377
Consumer:						
Auto loans	-	-	-	13,938,344	1,963,302	15,901,646
Housing loans	-	-	-	2,744,806	748,987	3,493,793
Others	-	-	-	2,243,907	319,900	2,563,807
	7,056,845	15,229,349	3,454,261	19,730,090	3,972,464	49,443,009
Unquoted debt securities:						
Government	-	-	-	-	189,167	189,167
Private	-	-	-	30,000	-	30,000
	-	-		30,000	189,167	219,167
Accounts receivables:						
Corporate	659,602	-	-	32,763	81,400	773,765
Individual	3,500	-	-	80,032	30,672	114,204
	663,102	-	-	112,795	112,072	887,969
Accrued interest receivable	166,839	67,688	21,766	211,437	36,221	503,951
Sales contracts receivable:						
Corporate	-	-	-	237,681	9,320	247,001
Individual	-	-	-	79,672	72,064	151,736
	-	-	-	317,353	81,383	398,737
RCOCI	-	-	-	49,623	-	49,623
Miscellaneous	-	-	-	-	325,944	325,944
	-	-	-	49,623	325,944	375,567
	P 29,572,804	P 15,709,190	P 3,476,027	P 23,276,212	P 4,717,252	P 76,751,485

	Neither Past Due nor Impaired					December 31, 2013
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due of Impaired	Total
Due from BSP	P 13,449,214	P -	P -	P -	P -	P 13,449,214
Due from other banks	1,089,098	-	-	-	-	1,089,098
Interbank loans receivable and SPURA	10,139,162	-	-	-	-	10,139,162
	24,677,474	-	-	-	-	24,677,474
Financial assets at FVPL:						
HFT investments:						
Government securities	1,170,908	-	-	-	-	1,170,908
Derivative Assets	33,817	-	-	-	-	33,817
	1,204,725	-	-	-	-	1,204,725
AFS investments:						
Government securities	2,139,444	-	-	-	-	2,139,444
Private debt securities	634,715	-	-	-	-	634,715
Quoted equity securities	-	-	-	13,075	-	13,075
Unquoted equity securities	-	-	-	3,486	-	3,486
	2,774,159	-	-	16,561	-	2,790,720
HTM investments:					-	
Government securities	3,504,042	-	-	-	-	3,504,042
Private debt securities	-	593,903	-	-	-	593,903
	3,504,042	593,903	-	-	-	4,097,945
Loans and receivables:						
Corporate	244,340	3,009,377	2,277,730	3,973,716	289,641	9,794,804
Commercial	1,001,091	7,246,958	2,030,276	1,622,914	523,557	12,424,796
Consumer:						
Auto loans	-	-	-	11,040,278	235,031	11,275,309
Housing loans	-	-	-	1,912,793	16,958	1,929,751
Others	-	858	-	1,975,183	108,971	2,085,012
	1,245,431	10,257,193	4,308,006	20,524,884	1,174,158	37,509,672
Unquoted debt securities:						
Government	112	-	-	-	189,167	189,279
Private	7,343	-	-	30,000	-	37,343
	7,455	-	-	30,000	189,167	226,622
Accounts receivables:						
Corporate	10,069	319	243	673,406	90,773	774,880
Individual	13	5	-	24,362	51,453	75,833
	10,082	324	243	697,768	142,226	850,643
Accrued interest receivable	168,313	81,474	25,787	126,346	32,549	434,469
Sales contracts receivable:						
Corporate	-	-	1,779	-	185,038	186,817
Individual	-	-	13,147	-	235,498	248,645
	-	-	14,926	-	420,536	435,462
RCOCI	-	-	-	7,482	-	7,482
Miscellaneous	-	-	-	-	325,944	325,944
	-	-	-	7,482	325,944	333,426
	P 33,591,681	P 10,932,894	P 4,348,962	P 21,403,041	P 2,284,580	P 72,561,158

As of December 31, 2014 and 2013, allowance on individually impaired receivables of the Bank amounted to P1.1 billion and P1.0 billion, respectively (see Note 9).

Aging analysis of past due but not impaired per class of financial assets
The tables below show the aging analysis of past due but not impaired loans receivables per class of the Bank as of December 31, 2014 and 2013. Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

	December 31, 2014			
	Less than 30 days	30 to 59 days	60 to 89 days	Total
Consumer:				
Auto loans	P 801,046,729	P 759,821,642	P 65,116,430	P 1,625,984,801
Housing loans	254,100,323	428,046,602	21,787,571	703,934,496
Others	32,383,916	45,337,383	26,108,928	103,830,227
	1,087,530,968	1,233,205,627	113,012,929	2,433,749,524
Commercial	24,481,248	10,499,136	-	34,980,384
	P 1,112,012,216	P 1,243,704,763	P 113,012,929	P 2,468,729,908

	December 31, 2013			
	Less than 30 days	30 to 59 days	60 to 89 days	Total
Consumer:				
Auto loans	P 420,392,448	P 384,319,004	P 260,798,055	P 1,065,509,507
Housing loans	358,204,357	58,476,112	30,973,306	447,653,775
Others	13,064,383	21,953,345	164,151,169	199,168,897
	791,661,188	464,748,461	455,922,530	1,712,332,179
Commercial	3,350,426	7,695,066	-	11,045,492
	P 795,011,614	P 472,443,527	P 455,922,530	P 1,723,377,671

Impairment assessment
The Bank recognizes impairment losses based on the results of its specific (individual) and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, a significant credit rating downgrade takes place, infringement of the original terms of the contract has happened, or when there is an inability to pay the principal or the interest beyond a certain threshold. These and other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

Market Risk
The Bank recognizes market risk as the adverse impact on earnings or capital arising from changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates, commodity prices and equity prices. Market risk arises through the Bank's trading and balance sheet activities. The primary categories of market risk for the Bank are:

i. Interest rate risk: arising from changes in prevailing interest rates and implied volatilities on interest rate options; and
ii. Foreign exchange (FX) rate risk: arising from changes in exchange rates or risk arising from adverse movements/mismatches in currencies.

The Bank's traded market risk exposures are primarily from proprietary trading, client servicing and market making. An Integrated Risk Management Framework is in place to provide a set of general principles to guide the Bank to identify, measure, control and monitor the various risks the Bank is undertaking as well as roles and responsibility in managing these risks. All market risk policies being issued are reviewed at least annually to ensure compliance with regulatory requirements and up to par with international best practices.

The Risk Management Committee is the overall risk oversight body. Management of market and liquidity risks is delegated to the Asset and Liability Committee. ALCO is responsible for the establishment of appropriate risk policies and limits, duly approved by the RMC; and execution of both strategic and tactical actions to maintain the exposure within the set tolerances and meet the risk and reward objectives of the Bank.

The Bank established the Market Risk Management Unit (MRM) to assist the BOD, RMC, ALCO and the risk-taking units to monitor and manage the Bank's market risk exposures independently from the risk-taking units. MRM's roles include the following:

- Ensure that the market and liquidity risk management objectives of the Bank are achieved through the development, implementation, maintenance and enhancement of a comprehensive risk management process that comprises of qualitative and quantitative methodologies to identify, measure, control and monitor, among others, the following:
  - Market risks, which covers the risk of loss of earnings arising from changes in interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities
  - Liquidity risks, which covers liquidity crisis, funding structure, fund raising policies and strategies, diversification of funding sources, gap analysis and management
- Provide support functions to the ALCO to facilitate informed strategic management decision making
- Provide consultative services and support functions to all relevant units within the Bank on matters pertaining to market and liquidity risks management and treasury operations
- Participate, in collaboration with other risk management units within the Bank, to identify and address various risk inherent in new treasury and core banking products prior to product introduction
- Provide revaluation prices of relevant treasury products transacted by various business units

within the Bank
- Carry out daily independent oversight of the Treasury operations

Various risk measurement techniques are used by the Bank to monitor and manage market risk, such as Price-Value-of-a-Basis-Point (PV01), FX net open position (NOP), Value-at-Risk (VaR), Stop Loss, Earnings-at-Risk (EaR), Impact on Economic Value (IEV) and Stop loss limits. In addition, a variety of stress testing techniques are performed to complement the reporting to Management.

Interest rate risk
The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the Management to protect total net interest income from changes in market interest rates.

Trading: PV01
PV01 measures the change in the value of the portfolio with 1 basis point increase in the yield curve and is applicable for the trading portfolio. Limits are set annually to re-assess the Bank's risk appetite and strategy. The PV01 is computed and reported daily to Global Markets and monthly to ALCO.

Shown in the table below is the Interest Rate Sensitivities (PV01) Report - By Portfolio as at December 31, 2014 and 2013 (amounts expressed in USD equivalents).

	Rates Trading	
DESK	2014	2013
PHP	(2,047)	(16,140)
USD	1.26	0.91
NET	**(2,046)**	**(16,139)**

	Interest Rate Derivatives	
DESK	2014	2013*
PHP	650	-
USD	(0.001)	-
NET	**650**	**-**

**The Bank obtained its Type II Derivatives License from BSP last August 20, 2014*

Non-Trading: PV01
PV01 measures the change in the value of the portfolio with 1 basis point increase in the yield curve and is applicable to the AFS portfolio.

Shown in the table below is the Interest Rate Sensitivities (PV01) Report of GM's Rates Banking Book Investments as at December 31, 2014 and 2013 (amounts expressed in USD equivalents).

	Rates Banking	
DESK	2014	2013
PHP	(38,660)	(19,188)
USD	(39,298)	(33,211)
NET	**(77,958)**	**(52,399)**

Non-trading: EaR and IEV
The Bank emphasizes the importance of managing interest rate risk in the banking book as most of the balance sheet items of the Bank generate interest income and interest expense, which are indexed to interest rates. Volatility of earnings can pose a threat to the Bank's profitability while economic value provides a more comprehensive view of the potential long-term effects on the Bank's overall capital adequacy.

With this, the Bank utilizes EaR to measure the sensitivity of the Bank's Net Interest Income (NII) due to a 100 basis points (bps) change in the underlying interest rates over a period of one year. IEV, on the other hand, shows the sensitivity of economic value on the long term to a 100 bps change in the market yield curve.

EaR and IEV are calculated based on the repricing gaps, or the difference between the amounts of rate sensitive assets and the amounts of rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. Accordingly, during a period of rising interest rates, a bank with a positive gap would be in a position to invest in higher yielding assets earlier than it would need to refinance its interest rate sensitive liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its interest rate sensitive assets repricing earlier than its interest rate sensitive liabilities, which may restrain the growth of its net income or result in a decline in net interest income.

The Bank monitors the exposure of financial assets and financial liabilities to fluctuations in interest rates by measuring the impact of interest rate movements on its interest income. This is done by modeling the impact of various changes in interest rates to the Bank's interest-related income and expenses. The EaR and IEV is computed and reported monthly to ALCO and bi-monthly to RMC.

The following tables provide additional information on the statistical impact on NII and Equity as of December 31, 2014 and 2013 (amounts in thousands):

	December 31, 2014			
CURRENCY	**PHP**		**US$**	
Changes in interest rates (in basis points)	+100	-100	+100	-100
Change in net income	(P 107,436)	P 107,436	(P 57,080)	P 57,080
Change in equity	(49,381)	49,381	(130,218)	130,218

	December 31, 2013			
CURRENCY	**PHP**		**US$**	
Changes in interest rates (in basis points)	+200	-200	+200	-200
Change in net income	(P 48,494)	P 48,494	(P 17,089)	P 17,089
Change in equity	(41,353)	41,353	(237,263)	237,263

**The impact on net interest income and equity was measured based on a 200 bps shock in 2013.*

The impact on the Bank's equity already excludes the impact on transactions affecting the income statement.

The sensitivity in the statement of income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at the reporting date. The sensitivity of equity is calculated by revaluing fixed-rate AFS investments at reporting date for the effects of the assumed changes in interest rates. The impact on the equity as stated above already excludes the impact on transactions affecting profit and loss.

Foreign exchange rate risk
Foreign exchange (FX) rate risk is the risk that the Bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position in a currency. Where the value of asset/inflow exposures in one currency is not equal to the value of liability/outflow exposures in that currency, it is described as an open position. It may be short (liabilities exceed assets) or long (assets exceed liabilities).

The Bank controls its FX exposures by transacting in permissible currencies. Management of FX risk is done via monitoring of FX NOP and PV01 for those FX positions in the trading book. If the level reaches the trigger point, action is required to bring back the level to within the normal range. FX risk is reviewed together with other risks to determine the Bank's overall risk profile.

Foreign currency-denominated liabilities generally consist of: (a) foreign currency-denominated deposits in the Bank's FCDU, (b) accounts maintained in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, and (c) foreign currency-denominated borrowings appearing in the regular books of the Bank.

Foreign currency-denominated deposits are generally used to fund the Bank's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency-denominated liabilities with the foreign currency-denominated assets held under the FCDU books. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency-denominated liabilities held under the FCDU books.

The Bank has significant exposure to US$ monetary assets and liabilities as of December 31, 2014 and 2013.

The tables below summarize the reasonable possible movement of the currency rate against each significant foreign currency with all other variables held constant on the statement of income (US$ against PHP).

Bankwide FX Position

	December 31, 2014	
Changes in foreign currency exchange rate	**+5.0%**	**-5.0%**
Effect on profit before tax	P 31,663,230	(P 3 1,663,230)

	December 31, 2013	
Changes in foreign currency exchange rate	**+5.0%**	**-5.0%**
Effect on profit before tax	P 30,948,498	(P 30,948,498)

Trading FX USD Position (in USD equivalents)

	2014		2013	
	Spot	**Forwards**	Spot	Forwards
PV01	**0.62**	**(396)**	1.30	(144)

Liquidity Risk
Liquidity risk management overview
Liquidity risk is the risk that the Bank's financial condition or overall safety and soundness is adversely affected by an inability (or perceived inability) to meet its obligations and may result in the Bank incurring unacceptable losses. The Bank's obligations and the funding sources used to meet them, depend significantly on its business mix, its balance sheet structure and the cash flow profile of its on- and off-balance sheet obligations.

Liquidity policies are reviewed annually and endorsed by ALCO and approved by RMC. The Bank's liquidity risk position is actively discussed and managed at the ALCO and RMC in line with the approved guidelines and policies.

The Bank, in line with the Group, has implemented leading practices as a foundation to manage and measure its liquidity risk exposure. The Bank uses a range of tools to monitor and control liquidity risk exposure such as liquidity gap, early warning signals/liquidity indicators and stress testing. The liquidity positions of the Bank are monitored regularly against the established policies, procedures and limits.

Management of liquidity risk

For day to day liquidity management, Global Markets will ensure sufficient funding to meet the Bank's intraday payment and settlement obligations on a timely basis. In addition, the process of managing liquidity risk includes:

- Maintaining an adequate portfolio that can easily be liquidated as protection against any unforeseen interruption in cashflows;
- Daily and monthly monitoring of liquidity ratios against internal and regulatory requirements;
- Monthly monitoring of gaps arising from mismatched maturity of assets and liabilities;
- Monthly monitoring and managing of concentration ratios of deposits;
- Conducting monthly liquidity stress testing under various scenarios as part of prudent liquidity control;
- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios; and
- Conducting Contingency Funding Plan (CFP) testing to examine the effectiveness and robustness of the plans.

Stress testing and Contingency Funding Plan

The Bank uses stress testing and scenario analysis to evaluate the impact of sudden stress events on liquidity position. Scenarios are based on hypothetical events that include bank specific crisis and general market crisis scenarios. The stress test result provides an insight of the Bank's funding requirements during different levels of stress environments and is closely linked to the Bank's CFP, which provides a systemic approach in handling any unexpected liquidity disruptions. The plan encompasses strategies, decision-making authorities, internal and external communication and courses of action to be taken under different liquidity crisis scenarios.

The Bank also conducts CFP tests to ensure the effectiveness and operational feasibility of the CFP. The key aspects of the testing are to focus on the preparedness of key senior management and their respective alternate in handling a simulated distress funding situation. It also provides exposure and develops capabilities on how to respond to a liquidity crisis situation and operate effectively with each other under challenging circumstances.

Analysis of financial assets and financial liabilities by remaining contractual maturities

The tables below show the maturity profile of the Bank's financial assets and financial liabilities based on contractual undiscounted cash flows:

Financial Assets

Analysis of equity and debt securities at FVPL into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier the expected date the assets will be realized (in thousands).

	December 31, 2014					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Assets						
Cash and other cash items	P 1,757,068	P -	P -	P -	P -	P 1,757,068
Due from BSP	10,193,845	-	-	-	-	10,193,845
Due from other banks	5,676,364	-	-	-	-	5,676,364
Interbank loans receivable and SPURA	138,763	-	-	-	-	138,763
Financial assets at FVPL:						
HFT investments:						
Government securities	825,176	-	-	-	-	825,176
Derivative assets	4,315	17,288	1,455	-	1,321	24,379
	829,491	17,288	1,455	-	1,321	849,555
AFS investments:						
Government	-	-	-	-	2,029,597	2,029,597
Private debt securities	-	-	-	-	1,207,380	1,207,380
Quoted equity	-	-	-	-	14,241	14,241
Unquoted	-	-	-	-	3,486	3,486
HTM investments:						
Government	-	632,407	25,102	20,293	2,120,092	2,797,894
Private	-	-	-	-	2,011,960	2,011,960

	December 31, 2014					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Loans and receivables:						
Loans:						
Corporate	2,633,723	2,478,034	465,272	531,251	8,677,106	14,785,386
Commercial	6,443,092	1,924,208	1,585,749	317,788	2,427,540	12,698,377
Consumer:						
Auto loans	59,748	61,400	165,359	683,891	14,931,248	15,901,646
Housing loans	787	–	1,019	3,391	3,488,596	3,493,793
Others	1,345,734	13,863	89,246	206,189	908,775	2,563,807
	P 10,483,084	P 4,477,505	P 2,306,645	P 1,742,510	P 30,433,265	P 49,443,009
Unquoted debt securities:						
Private	P -	P -	-	-	P 30,000	P 30,000
Government	189,167	-	-	-	-	189,167
	189,167	-	-	-	30,000	219,167
Sales contract receivable:						
Individual	1,463	24	301	611	149,337	151,736
Corporate	232,993	-	-	-	14,008	247,001
	234,456	24	301	611	163,345	398,737
Accounts receivable:						
Corporate	218,848	-	10,000	10,000	534,917	773,765
Individual	114,204	-	-	-	-	114,204
	333,052	-	10,000	10,000	534,917	887,969
Accrued interest receivable	397,353	43,920	25,566	26	37,086	503,951
RCOCI	49,623	-	-	-	-	49,623
	P 30,282,266	P 5,171,144	P 2,369,069	P 1,773,440	P 38,586,690	P 78,182,609
Financial Liabilities						
Deposit liabilities:						
Demand	P 17,736,177	P -	P -	P -	P -	P 17,736,177
Savings	13,540,243	716,260	48,040	2,741	-	14,307,284
Time	16,478,877	3,127,145	2,086,653	1,445,572	4,488,089	27,626,336
	47,755,297	3,843,405	2,134,693	1,448,313	4,488,089	59,669,797
Financial liabilities at FVPL:						
Interest rate swaps	4,146	8,685	-	-	113,545	126,376
Forwards	22,712	90	1,352	-	-	24,154
Bills payable	3,801,200	987,418	-	-	-	4,788,618
Manager's checks	578,015	-	-	-	-	578,015
Accrued interest payable	27,207	18,204	34,051	7,160	16,877	103,499
Accounts payable	579,574	-	-	-	-	579,574
Due to Treasurer of the Philippines	-	-	-	-	11,734	11,734
	52,768,151	4,857,802	2,170,096	1,455,473	4,630,245	65,881,767
Contingent liabilities	431,501	58,752	134,158	989,500	-	1,613,911
	P 53,199,652	P 4,916,554	P 2,304,254	P 2,444,973	P 4,630,245	P 67,495,678

	December 31, 2013					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Assets						
Cash and other cash items	P 1,515,767	P -	P -	P -	P -	P 1,515,767
Due from BSP	13,449,214	-	-	-	-	13,449,214
Due from other banks	1,089,098	-	-	-	-	1,089,098
Interbank loans receivable and SPURA	10,000,000	139,162	-	-	-	10,139,162
Financial assets at FVPL:						
HFT investments:						
Government securities	1,170,908	-	-	-	-	1,170,908
Derivative assets	24,593	9,224	-	-	-	33,817
	1,195,501	9,224	-	-	-	1,204,725
AFS investments:						
Government	-	-	-	-	2,139,444	2,139,444
Private debt securities	-	-	-	-	634,715	634,715
Quoted equity	13,075	-	-	-	-	13,075
Unquoted	3,486	-	-	-	-	3,486
HTM investments:						
Government	135,179	29,977	-	55,027	3,283,859	3,504,042
Private	-	-	150,000	-	443,903	593,903
Loans and receivables:						
Loans:						
Corporate	587,587	922,220	917,709	1,478,468	6,337,188	10,243,172
Commercial	858,153	1,296,689	1,898,762	1,502,012	15,263,403	20,819,019
Consumer:						
Auto loans	46,337	55,351	163,040	693,352	15,610,871	16,568,951
Housing loans	109	43	672	2,914	3,750,049	3,753,787
Others	693,122	25,554	201,202	181,135	1,425,129	2,526,142
	2,185,308	2,299,857	3,181,385	3,857,881	42,386,640	53,911,071
Unquoted debt securities:						
Private	-	-	-	7,343	30,000	37,343
Government	189,279	-	-	-	-	189,279
	189,279	-	-	7,343	30,000	226,622
Sales contract receivable:						
Individual	1,660	14	1,831	5,016	178,295	186,816
Corporate	7,993	-	-	225,000	15,653	248,646
	9,653	14	1,831	230,016	193,948	435,462
Accounts receivable:						
Corporate	232,732	-	10,000	10,000	522,078	774,810
Individual	75,833	-	-	-	-	75,833
	308,565	-	10,000	10,000	522,078	850,643
Accrued interest receivable	239,995	20,214	24,491	11,995	137,774	434,469
RCOCI	7,482	-	-	-	-	7,482
	P 30,341,601	P 2,498,449	P 3,367,707	P 4,172,262	P 49,772,361	P 90,152,380

(forward)

	December 31, 2013					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Liabilities						
Deposit liabilities:						
Demand	P 17,138,701	P -	P -	P -	P -	P 17,138,701
Savings	7,930,676	6,395,321	892,029	82,694	744	15,301,464
Time	2,319,277	10,712,425	956,198	1,884,497	8,703,172	24,575,569
	27,388,654	17,107,746	1,848,227	1,967,191	8,703,916	57,015,734
Financial liabilities at FVPL:						
Interest rate swaps	1,200	-	-	7,613	198,602	207,415
Forwards	10,928	163	-	-	-	11,091
Bills payable	665,925	192,704	-	3,306,540	-	4,165,169
Manager's checks	501,548	-	-	-	-	501,548
Accrued interest payable	35,879	12,551	15,468	10,830	35,467	110,195
Accounts payable	410,441	-	-	-	-	410,441
Due to Treasurer of the Philippines	-	-	-	-	11,831	11,831
	29,014,575	17,313,164	1,863,695	5,292,174	8,949,816	62,433,424
Contingent liabilities	22,810	278,126	104,660	1,190,457	-	1,596,053
	P 29,037,385	P 17,591,290	P 1,968,355	P 6,482,631	P 8,949,816	P 64,029,477

5. Fair Value Measurement

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

2014			Fair Value		
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
HFT investments:					
Government securities	P 825,176,307	P 825,176,307	P 253,774,856	P 571,401,451	P -
Derivative Assets	24,378,229	24,378,229	-	24,378,229	-
AFS investments:					
Government securities	2,029,597,039	2,029,597,039	1,722,754,716	306,842,323	-
Private debt securities	1,207,380,020	1,207,380,020	1,207,380,020	-	-
Quoted equity securities	14,241,216	14,241,216	14,241,216	-	-
Unquoted equity securities	3,486,217	3,486,217	-	-	3,486,217
	3,254,704,492	3,254,704,492	2,944,375,952	306,842,323	3,486,217
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	2,797,893,988	2,436,540,211	2,360,642,744	75,897,467	-
Private debt securities	2,011,960,433	1,975,650,862	1,975,650,862	-	-
	P 4,809,854,421	P 4,412,191,073	P 4,336,293,606	P 75,897,467	P -

(forward)

2014	Carrying Value	Total	Fair Value: Quoted Prices in active market (Level 1)	Fair Value: Significant observable inputs (Level 2)	Fair Value: Significant unobservable inputs (Level 3)
Loans and receivables					
Receivable from customers:					
Corporate lending	P 14,382,133,086	P 17,572,449,765	P -	P -	P 17,572,449,765
Commercial lending	12,303,843,769	13,460,265,870	-	-	13,460,265,870
Consumer lending	21,658,603,704	31,937,644,411	-	-	31,937,644,411
	48,344,580,559	62,970,360,046	-	-	62,970,360,046
Unquoted debt securities	30,000,000	30,070,536	-	-	30,070,536
Non-financial assets					
Investment properties	199,424,074	358,469,879	-	-	358,469,879
TOTAL ASSETS	P 57,488,118,082	P 71,875,350,562	P 7,534,444,414	P 978,519,470	P 63,362,386,678
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	150,530,365	150,530,365	-	150,530,365	-
Liabilities for which fair values are disclosed					
Financial liabilities					
Time deposits	27,626,336,418	27,750,781,304	-	-	27,750,781,304
Bills payable	4,788,617,600	4,789,985,313	-	-	4,789,985,313
TOTAL LIABILITIES	P 32,565,484,383	P 32,691,296,982	P -	P 150,530,365	P 32,540,766,617

2013	Carrying Value	Total	Fair Value: Quoted Prices in active market (Level 1)	Fair Value: Significant observable inputs (Level 2)	Fair Value: Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
HFT investments:					
Government securities	P 1,170,907,719	P 1,170,907,719	P 1,170,907,719	P -	P -
Derivative Assets	33,817,740	33,817,740	-	33,817,740	-
AFS investments:					
Government securities	2,139,444,085	2,139,444,085	2,139,444,085	-	-
Private debt securities	634,715,315	634,715,315	634,715,315	-	-
Quoted equity securities	13,074,064	13,074,064	13,074,064	-	-
Unquoted equity securities	3,486,217	3,486,217	-	-	3,486,217
	2,790,719,681	2,790,719,681	2,787,233,464	-	3,486,217
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	3,504,041,839	3,755,477,400	3,755,477,400	-	-
Private debt securities	593,903,205	612,959,622	612,959,622	-	-
	P 4,097,945,044	P 4,368,437,022	P 4,368,437,022	P -	P -

(forward)

2013	Carrying Value	Total	Fair Value: Quoted Prices in active market (Level 1)	Fair Value: Significant observable inputs (Level 2)	Fair Value: Significant unobservable inputs (Level 3)
Loans and receivables					
Receivable from customers:					
Corporate lending	P 11,066,179,202	P 9,613,151,771	P -	P -	P 9,613,151,771
Commercial lending	12,131,106,103	9,586,644,713	-	-	9,586,644,713
Consumer lending	15,004,194,303	18,244,641,322	-	-	18,244,641,322
	38,201,479,608	37,444,437,806	-	-	37,444,437,806
Unquoted debt securities	37,455,340	36,512,946	-	-	36,512,946
Non-financial assets					
Investment properties	166,512,249	314,636,564	-	-	314,636,564
TOTAL ASSETS	P 46,498,837,381	P 46,159,469,478	P 8,326,578,205	P 33,817,740	P 37,799,073,533
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	218,505,834	218,505,834	-	218,505,834	-
Liabilities for which fair values are disclosed					
Financial liabilities					
Time deposits	24,581,837,204	24,744,228,415	-	-	24,744,228,415
Bills payable	4,165,168,100	4,166,486,016	-	-	4,166,486,016
TOTAL LIABILITIES	P 28,965,511,138	P 29,129,220,265	P -	P 218,505,834	P 28,910,714,431

In 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The inputs used in the fair value measurement based on Level 2 and 3 are as follows:

Government securities
Fair value of government securities under this level is determined in reference to interpolated PDST-R2 rates provided by the Philippine Dealing and Exchange Corporation (PDEx).

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.

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.

Inputs used in estimating fair values of financial instruments categorized under Level 3 include risk-free rates and applicable risk premium.

The fair values of Bank's investment properties have been determined by the appraisal method by independent external and in-house appraisers based on highest and best use of property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

The table below summarizes the valuation techniques used and the significant unobservable inputs in the valuation for each type of investment properties held by the Bank:

	Valuation Techniques	Significant Unobservable Inputs
Land	Market data approach	Price per square meter, size, location, shape, time element and corner influence
Land and building	Market data approach for building	Reproduce cost new and condominium for sale/lease and cost approach method for land improvements

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Bank's investment properties are as follows:

<u>Valuation Techniques</u>

- Market data approach — A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.

- Cost approach — It is an estimate of the investment required to duplicate the property in its present condition. It is reached by estimating the value of the building "as if new" and then deducting the depreciated cost. Fundamental to the cost approach is the estimate of reproduction cost new of the improvements.

Significant Unobservable Inputs

- Reproduction cost new — The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
- Size — Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
- Shape — Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
- Location — Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
- Time Element — An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time. In which case, the current data is superior to historic data.
- Discount — Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
- Corner influence — Bounded by two (2) roads.

6. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	2014	2013
HFT government securities	P 825,176,307	P 1,170,907,719
Derivative assets (Note 17)	24,378,229	33,817,740
	P 849,554,536	P 1,204,725,459

As of December 31, 2014 and 2013, financial assets at FVPL include net unrealized loss of P0.5 million and P16.2 million, respectively.

7. Available-for-Sale Investments

This account consists of investments in:

	2014	2013
Debt instruments:		
Government securities (Note 13)	P 2,029,597,039	P 2,139,444,085
Private	1,207,380,020	634,715,315
	3,236,977,059	2,774,159,400
Equity:		
Quoted	14,241,216	13,074,064
Unquoted	3,486,217	3,486,217
	17,727,433	16,560,281
	P 3,254,704,492	P 2,790,719,681

The movements in net unrealized gains (losses) on AFS investments are as follows:

	2014	2013
Balance at the beginning of the year	(P 154,923,966)	P 44,070,726
Changes in fair value taken to profit and loss (Note 22)	6,131,034	103,078,810
Changes in fair value recognized in equity	94,633,161	(299,357,647)
	(54,159,771)	(152,208,111)
Unamortized unrealized losses on reclassified AFS investments to HTM investments (Note 8)	(1,229,048)	(2,715,855)
	(P 55,388,819)	(P 154,923,966)

8. Held-to-Maturity Investments

This account consists of investments in:

	2014	2013
Government securities (Note 27)	P 2,797,893,988	P 3,504,041,839
Private debt securities	2,011,960,433	593,903,205
	P 4,809,854,421	P 4,097,945,044

Reclassification of Financial Assets

In 2008, the global market experienced a substantial deterioration in market condition which includes credit crunch and liquidity shortage. Thus, to mitigate the impact of the global financial crisis, the BSP issued Circular Nos. 626 and 628 which allowed banks to reclassify their non derivative financial assets from HFT and AFS to HTM investments. Also, amendments to PAS 39 and PFRS 7 provide guidance on the proper accounting treatment and disclosure requirement on the allowed reclassification.

HTM investments amounting to US$6.0 million that were reclassified from AFS investments have the following PHP balances as of the relevant reporting period:

	December 31, 2014						
	Face Value	Cost as at reclassification date	Carrying Value	Fair Value	Net Unrealized Loss	Ammortization of Premium	EIR
Government securities	P 268,320,000	P 317,919,827	P 271,352,630	P 283,223,387	P 1,229,048	P 4,404,238	6.69% - 6.92%

Had these securities not been reclassified to HTM investments as of December 31, 2014, the investments carrying value would have increased by P11.9 million and net unrealized loss would have decreased by P13.7 million.

	December 31, 2013						
	Face Value	Cost as at reclassification date	Carrying Value	Fair Value	Net Unrealized Loss	Ammortization of Premium	EIR
Government securities	P 266,370,000	P 317,919,827	P 273,752,821	P 298,970,580	P 2,715,855	P 4,091,452	6.69% - 6.92%

Had these securities not been reclassified to HTM investments as of December 31, 2013, the investments carrying value would have increased by P25.2 million and net unrealized gain would have increased by P29.9 million.

9. Loans and Receivables

This account consists of:

	2014	2013
Loans:		
Corporate (Note 29)	P 14,785,386,311	P 9,794,804,010
Commercial (Note 29)	12,698,377,565	12,424,795,537
Consumer:		
Auto loans	15,901,645,919	11,275,308,735
Housing	3,493,792,844	1,929,751,015
Others	2,563,806,819	2,085,012,261
	49,443,009,458	37,509,671,558
Less unearned discounts and other deferred income	35,407,216	23,403,976
	P 49,407,602,242	P 37,486,267,582
Unquoted debt securities:		
Government	189,167,130	189,279,769
Private	30,000,000	37,342,701
	219,167,130	226,622,470
Accounts receivable:		
Corporate (Note 29)	773,764,654	774,809,523
Individual	114,204,047	75,833,361
	887,968,701	850,642,884
Accrued interest receivable (Note 29)	503,951,325	434,468,973
Sales contract receivable:		
Individual	151,735,938	186,816,900
Corporate	247,001,106	248,645,580
	398,737,044	435,462,480
RCOCI	49,622,863	7,481,891
Miscellaneous	325,943,536	325,943,536
Less unearned discounts and other deferred income	9,851,544	9,851,544
	P 365,714,855	P 323,573,883

(forward)

	2014	2013
	P 51,783,141,297	P 39,575,083,272
Less allowance for credit losses	1,766,529,605	1,518,103,324
	P 50,016,611,692	P 38,238,934,948

Loans consist of:

	2014	2013
Loans and discounts	P 45,556,177,986	P 34,888,697,111
Customers' liabilities and other loans	2,892,170,433	2,175,848,085
Bills purchased (Note 16)	634,349,036	166,699,738
Restructured loans	330,778,759	204,319,862
Agrarian and other agricultural credit loans	29,533,244	74,106,762
	P 49,443,009,458	P 37,509,671,558

Movements in the allowance for credit losses follow:

	December 31, 2014								
	Corporate Loans	Commercial Loans	Housing Loans	Auto Loans	Accounts Receivable	Sales Contract Receivable	Unquoted Debt Securities	Miscellaneous*	Total
Balances at beginning of period	P 348,924,810	P 293,689,434	P 7,519,222	P 114,211,693	P 115,220,752	P 15,091,338	P 189,167,130	P 434,278,945	P 1,518,103,324
Provision for impairment and credit losses	43,385,259	91,463,332	7,096,419	35,511,752	38,917,820	484,912	-	206,560,911	423,420,405
Accounts written off	-	-	-	(25,596,637)	(6,270,805)	-	-	(143,126,682)	(174,994,124)
Balances at end of period	**P 392,310,069**	**P 385,152,766**	**P 14,615,641**	**P 124,126,808**	**P 147,867,767**	**P 15,576,250**	**P 189,167,130**	**P 497,713,174**	**P 1,766,529,605**
Individual impairment	321,699,597	198,609,860	-	-	-	15,576,250	189,167,130	348,007,191	1,073,060,028
Collective impairment	70,610,472	186,542,906	14,615,641	124,126,808	147,867,767	-	-	149,705,983	693,469,577
	P 392,310,069	**P 385,152,766**	**P 14,615,641**	**P 124,126,808**	**P 147,867,767**	**P 15,576,250**	**P 189,167,130**	**P 497,713,174**	**P 1,766,529,605**
Gross amount of loans and receivables individually determined to be impaired before deducting any individually assessed impairment allowance	P 393,408,652	P 385,778,009	P -	P -	P -	P 60,943,022	P 189,167,130	P 348,007,191	P 1,377,304,004

	December 31, 2013								
	Corporate Loans	Commercial Loans	Housing Loans	Auto Loans	Accounts Receivable	Sales Contract Receivable	Unquoted Debt Securities	Miscellaneous*	Total
Balances at beginning of period	P 290,328,698	P 282,237,782	P 4,694,695	P 56,517,088	P 99,393,077	P 5,973,686	P 140,166,123	P 402,823,990	P 1,282,135,139
Provision for impairment and credit losses	58,596,112	30,372,315	2,824,527	71,221,466	16,999,165	9,117,652	49,001,007	33,867,869	272,000,113
Accounts written off	-	(18,920,663)	-	(13,526,861)	(1,171,490)	-	-	(2,412,914)	(36,031,928)
Balances at end of period	**P 348,924,810**	**P 293,689,434**	**P 7,519,222**	**P 114,211,693**	**P 115,220,752**	**P 15,091,338**	**P 189,167,130**	**P 434,278,945**	**P 1,518,103,324**
Individual impairment	275,614,954	162,631,693	-	-	-	15,091,338	189,167,130	351,343,922	993,849,037
Collective impairment	73,309,856	131,057,741	7,519,222	114,211,693	115,220,752	-	-	82,935,023	524,254,287
	P 348,924,810	**P 293,689,434**	**P 7,519,222**	**P 114,211,693**	**P 115,220,752**	**P 15,091,338**	**P 189,167,130**	**P 434,278,945**	**P 1,518,103,324**
Gross amount of loans and receivables individually determined to be impaired before deducting any individually assessed impairment allowance	P 293,842,437	P 377,525,214	P -	P _	P -	P 34,213,963	P 189,167,130	P 351,343,922	P 1,246,092,666

** Allowance for credit losses - miscellaneous includes allowance for accrued interest receivable, consumer loan - others and miscellaneous receivables.*

The fair value of the collateral that the Bank holds relating to loans determined to be impaired as of December 31, 2014 and 2013 amounted to P523.7 million and P100.2 million, respectively.

Interest income on loans and receivables consists of:

	2014	2013
Loans and discounts	P 3,407,982,594	P 2,684,500,180
Customers' liabilities and other loans	121,529,394	99,173,603
Accounts receivable - PPI (Note 29)	31,756,651	32,433,322
Sales contract receivable	8,914,161	9,411,422
Restructured loans	6,569,653	8,447,055
Agrarian and other agricultural credit loans	3,032,579	4,926,336
Unquoted debt securities	2,664,859	2,793,640
	P 3,582,449,891	P 2,841,685,558

Of the total peso-denominated loans of the Bank as of December 31, 2014 and 2013, 62.65% and 46.46%, respectively, are subject to periodic interest repricing. Remaining peso-denominated loans earned annual EIR ranging from 7.66% to 35.24% and from 0.50% to 41.34% for the years ended December 31, 2014 and 2013, respectively. All foreign currency-denominated loans of the Bank as of December 31, 2014 and 2013 are subject to periodic interest repricing and earned annual EIR ranging from 3.85% to 5.75% and from 2.00% to 5.97% for the years ended December 31, 2014 and 2013, respectively.

All sales contract receivable as of December 31, 2014 and 2013 are subject to periodic interest repricing.

Regulatory Reporting

BSP Circular No. 772 requires banks to compute their net NPLs by deducting the specific allowance for credit losses on the total loan portfolio from the gross NPLs. The specific allowance for credit losses shall not be deducted from the total loan portfolio in computing the NPL ratio.

As of December 31, 2014 and 2013, NPLs of the Bank as reported to the BSP follow:

	2014	2013
Gross NPLs	P 1,482,039,354	P 1,036,927,723
Less: Deductions as required by the BSP	530,087,367	499,857,802
Net NPL	**P 951,951,987**	P 537,069,921

Under current BSP regulations, NPLs shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total out- standing balance thereof shall be considered nonperforming.

In the case of loans that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears or when the total amount of arrearages reaches twenty percent (20.00%) of the total receivable balance.

In the case of loans that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the loan shall be considered as past due when the total amount of arrearages reaches ten percent (10.00%) of the total receivable balance.

Restructured loans which do not meet the requirements to be treated as performing loans shall also be considered as NPLs.

As of December 31, 2014 and 2013, secured and unsecured NPLs of the Bank as reported to the BSP follow:

	2014	2013
Secured	P 599,889,324	P 201,861,339
Unsecured	882,150,030	835,066,384
	P 1,482,039,354	P 1,036,927,723

The following table shows the breakdown of loans as to secured and unsecured and the breakdown of secured loans as to type of security (amounts in thousands):

	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Secured by:				
Chattel	P 15,901,646	32.16	P 10,725,131	28.59
Deposits hold-out	10,334,476	20.90	4,763,658	12.70
Real estate	7,245,516	14.65	2,097,284	5.59
	33,481,638	67.72	17,586,073	46.88
Unsecured	15,961,371	32.28	19,923,599	53.12
	P 49,443,009	100.00	P 37,509,672	100.00

Information on the concentration of credit as to industry on loans follows (amounts in thousands):

	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Consumer	P 21,636,884	43.76	P 10,862,718	28.96
Real estate, renting and business services	7,842,921	15.86	8,140,766	21.70
Wholesale and retail trade	6,947,883	14.05	6,135,932	16.36
Manufacturing (various industries)	3,094,046	6.26	3,940,314	10.50
Electric, gas and water	2,473,882	5.00	942,848	2.51
Financial intermediaries	1,834,411	3.71	1,318,805	3.52
Transportation, storage and communication	1,822,800	3.69	2,169,158	5.78
Mining and quarrying	975,552	1.97	940,119	2.51
Hotel and restaurant	954,841	1.93	935,989	2.50
Agriculture, hunting and forestry	886,193	1.79	384,110	1.02
Construction	351,794	0.71	356,711	0.95
Other community, social and personal activities	305,749	0.62	781,898	2.08
Education	272,772	0.55	400,395	1.07
Public administration and defense	23,577	0.05	75,998	0.20
Health and social work	19,704	0.04	81,473	0.22
Fishing	-	0.00	42,438	0.11
	P 49,443,009	100.00	P 37,509,672	100.00

The BSP considers that concentration of credit exists when total loan exposure to a particular in-

dustry or economic sector exceeds 30.00% of total loan portfolio.

Receivable from PPI (AR - PPI)
As of December 31, 2014 and 2013, receivable from PPI (included under Accounts Receivable - Corporate) had a carrying value of P554.9 million and P544.1 million, respectively. The receivable bears an interest rate based on the one month PDSTF plus 1.00%, repriceable every month. Under the Memorandum of Agreement dated September 15, 2009 between the Bank and PPI, PPI undertakes to settle the receivable within 10 years beginning October 1, 2009 until September 30, 2019.

The receivable from PPI is secured by deposit hold-out agreement, executed by the Parent Company, amounting to $20.0 million. In the event that PPI fails to perform its obligation under the Agreement, and that the same is not cured or corrected within a period of thirty (30) days from notice by the Bank, the Bank is authorized by the Parent Company to immediately offset and apply the deposit as partial or full payment of the obligation without need of demand.

10. Property and Equipment

The composition of and movements in this account follow:

	December 31, 2014				
	Condominium Units	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction-in-Progress	Total
Cost					
Balances at beginning of year	P 294,032,193	P 658,812,748	P 443,898,645	P 1,672,918	P 1,398,416,504
Additions	-	87,055,295	68,911,943	-	155,967,238
Disposals/write-off	(31,479,000)	(19,853,157)	-	-	(51,332,157)
Reclassification	-	-	1,672,918	(1,672,918)	-
Balances at end of year	**P 262,553,193**	**P 726,014,886**	**P 514,483,506**	**P -**	**P 1,503,051,585**
Accumulated Depreciation and Amortization					
Balances at beginning of year	99,690,691	426,603,963	190,613,275	-	716,907,929
Depreciation and amortization	18,850,413	72,705,054	75,694,805	-	167,250,272
Disposals/write-off	(14,053,126)	(18,344,487)	-	-	(32,397,613)
Balances at end of year	**P 104,487,978**	**P 480,964,530**	**266,308,080**	**-**	**851,760,588**
NET BOOK VALUE AT END OF YEAR	**P 158,065,215**	**P 245,050,356**	**P 248,175,426**	**P -**	**P 651,290,997**

	December 31, 2013				
	Condominium Units	Furniture, Fixtures and Equipment	Leasehold Improvements	Construction-in-Progress	Total
Cost					
Balances at beginning of year	P 294,032,193	P 515,085,565	P 291,915,518	P 17,543,972	P 1,118,577,248
Additions	-	147,771,661	135,803,271	1,672,918	285,247,850
Disposals/write-off	-	(4,044,478)	(1,364,116)	-	(5,408,594)
Reclassification	-	-	17,543,972	(17,543,972)	-
Balances at end of year	P 294,032,193	P 658,812,748	P 443,898,645	P 1,672,918	P 1,398,416,504
Accumulated Depreciation and Amortization					
Balances at beginning of year	80,840,279	378,502,972	126,496,703	-	585,839,954
Depreciation and amortization	18,850,412	50,919,976	64,116,572	-	133,886,960
Disposals/write-off	-	(2,818,985)	-	-	(2,818,985)
Balances at end of year	P 99,690,691	P 426,603,963	P 190,613,275	-	P 716,907,929
NET BOOK VALUE AT END OF YEAR	P 194,341,502	P 232,208,785	P 253,285,370	P 1,672,918	P 681,508,575

Depreciation and amortization consist of:

	2014	2013
Property and equipment	**P 167,250,272**	P 133,886,960
Other properties acquired (Note 12)	**80,074,709**	54,936,114
Software costs (Note 12)	**8,776,971**	5,114,953
Investment properties (Note 11)	**4,708,530**	3,840,570
	P 260,810,482	P 197,778,597

As of December 31, 2014 and 2013, the cost of fully depreciated property and equipment still in use by the Bank amounted to P434.6 million and P459.3 million, respectively.

The Bank transferred an amount of P1.7 million and P17.5 million from its construction-in-progress account to leasehold improvements in 2014 and 2013, respectively.

11. Investment Properties

The composition of and movements in this account follow:

	December 31, 2014		
	Land	Building	Total
Cost			
Balances at beginning of year	P 180,437,966	P 87,230,549	P 267,668,515
Additions (Note 31)	22,417,424	33,413,472	55,830,896
Disposals	(28,471,728)	(13,846,192)	(42,317,920)
Balances at end of year	**P 174,383,662**	**P 106,797,829**	**P 281,181,491**
Accumulated Depreciation			
Balances at beginning of year	-	65,629,433	65,629,433
Depreciation	-	4,708,530	4,708,530
Disposals	-	(10,150,557)	(10,150,557)
Balances at end of year	**P -**	**P 60,187,406**	**P 60,187,406**
Accumulated Impairment Loss			
Balances at beginning of year	30,928,136	4,598,697	35,526,833
Disposals	(1,279,480)	-	(1,279,480)
Reversal	(12,605,302)	(72,040)	(12,677,342)
Balances at end of year	**P 17,043,354**	**P 4,526,657**	**P 21,570,011**
NET BOOK VALUE AT END OF YEAR	**P 157,340,308**	**P 42,083,766**	**P 199,424,074**

	December 31, 2013		
	Land	Building	Total
Cost			
Balances at beginning of year	P 364,251,136	P 86,277,349	P 450,528,485
Additions (Note 31)	1,236,800	4,524,720	5,761,520
Disposals	(185,049,970)	(3,571,520)	(188,621,490)
Balances at end of year	**P 180,437,966**	**P 87,230,549**	**P 267,668,515**
Accumulated Depreciation			
Balances at beginning of year	-	63,399,223	63,399,223
Depreciation	-	3,840,570	3,840,570
Disposals	-	(1,610,360)	(1,610,360)
Balances at end of year	**P -**	**P 65,629,433**	**P 65,629,433**
Accumulated Impairment Loss			
Balances at beginning of year	33,227,469	4,670,737	37,898,206
Disposals	(2,299,333)	-	(2,299,333)
Reversal	-	(72,040)	(72,040)
Balances at end of year	**P 30,928,136**	**P 4,598,697**	**P 35,526,833**
NET BOOK VALUE AT END OF YEAR	**P 149,509,830**	**P 17,002,419**	**P 166,512,249**

Annually, the management reviews the recoverable amount of investment properties. Several factors are considered such as real estate prices and physical condition of properties. The fair value of the investment properties as of December 31, 2014 and 2013 amounted to P0.4 billion and P0.3 billion, respectively, as determined by independent and/or in-house appraisers. Valuations were derived on the basis of recent sales of similar properties in the same areas as the investment properties taking into account the economic conditions prevailing at the time the valuations were made.

The Bank recognized rental income from investment properties, which are leased out under operating leases, amounting to P19.7 million and P0.3 million and for the years ended December 31, 2014 and 2013, respectively. Direct operating expenses, included in the 'Litigation and asset acquired expenses' in the statements of income arising from investment properties amounted to P32.0 million and P15.0 million for the years ended December 31, 2014 and 2013, respectively.

In 2014 and 2013, the Bank reversed allowance for impairment losses amounting to P12.7 million and P0.07 million, respectively.

12. Other Assets

The account consists of:

	2014	2013
Chattel properties acquired	**P 215,167,621**	P 153,845,655
Security deposits	**65,157,361**	61,106,530
Prepaid expenses	**48,098,889**	48,293,084
Software costs	**25,009,466**	27,945,140
Sundry debits	**20,403,744**	3,078,290
Documentary stamps	**20,045,744**	31,488,170
Prepaid interest	**5,824,696**	18,768,472
Miscellaneous	**18,666,960**	18,191,233
	P 418,374,481	P 362,716,574

Prepaid interest as of December 31, 2014 and 2013 represents advance interest payments on certain time deposit product.

Movements in chattel properties acquired follow:

	2014	2013
Cost		
Balances at beginning of year	**P 202,137,390**	P 110,705,789
Additions (Note 31)	**321,079,280**	189,637,941
Disposals	**(218,147,947)**	(98,206,340)
Balances at end of year	**P 305,068,723**	P 202,137,390
Accumulated Depreciation		
Balances at beginning of year	**47,959,463**	15,696,645
Depreciation	**80,074,709**	54,936,114
Disposals	**(38,133,070)**	(22,673,296)
Balances at end of year	**P 89,901,102**	P 47,959,463

(forward)

	2014	2013
Accumulated Impairment Loss		
Balances at beginning of year	332,272	451,139
Disposals	(272,272)	(319,307)
Provision (reversal)	(60,000)	200,440
Balances at end of year	P -	P 332,272
NET BOOK VALUE, END OF YEAR	P 215,167,621	P 153,845,655

Movement in software costs follow:

	2014	2013
Cost		
Balances at beginning of year	P 81,111,576	P 62,179,135
Additions	5,841,297	18,932,441
Balances at end of period	P 86,952,873	P 81,111,576
Accumulated Amortization		
Balances at beginning of period	53,166,436	48,051,483
Amortization	8,776,971	5,114,953
Balances at end of period	P 61,943,407	P 53,166,436
NET BOOK VALUE AT END OF YEAR	P 25,009,466	P 27,945,140

As of December 31, 2014 and 2013, the cost of fully depreciated software still in use by the Bank amounted to P40.4 million and P34.7 million, respectively.

13. Deposit Liabilities

BSP Circular No. 753, which took effect April 6, 2012, promulgated the unification of the statutory/legal and liquidity reserve requirement effective on non-FCDU deposit liabilities from 8.00% to 6.00%. With the new regulations, only demand deposit accounts maintained by banks with the BSP are eligible for compliance with reserve requirements. This was tantamount to the exclusion of government securities and cash in vault as eligible reserves. On April 11, 2014, BSP Circular 830 took effect which increased the reserve requirements on non-FCDU deposit liabilities by 1-percentage-point to 7.00%. BSP Circular 832 further increased the reserve requirements of non-FCDU deposit liabilities to 8.00% starting on the reserve week of May 30, 2014.

The following assets have been considered as part of available reserves:

	2014	2013
Due from BSP	P 10,193,845,341	P 13,449,213,565
AFS investments	135,390,989	26,681,716
HTM investments	-	99,746,919
	P 10,329,236,330	P 13,575,642,200

Interest expense on deposit liabilities consists of:

	2014	2013
Time	P 458,570,508	P 482,489,021
Demand	114,461,078	155,755,526
Savings	60,032,794	151,444,577
	P 633,064,380	P 789,689,124

Peso-denominated deposit liabilities earn annual fixed interest rates ranging from 0.25% to 6.50% and 0.25% to 5.00% for the years ended December 31, 2014 and 2013, respectively, while foreign currency-denominated deposit liabilities earned annual fixed interest rates ranging from 0.25% to 1.75% and from 0.25% to 1.50% for the years ended December 31, 2014 and 2013, respectively.

14. Bills Payable

This account consists of borrowings from foreign banks including related parties amounting to P4.8 billion and P4.2 billion as of December 31, 2014 and 2013, respectively. These are unsecured borrowings by the Bank.

Dollar-denominated borrowings are subject to annual EIR ranging from 0.15% to 1.43% and from 0.20% to 1.52% for the years ended December 31, 2014 and 2013, respectively.

As of December 31, 2014 and 2013, the terms of the borrowings range from 1 to 186 days.

The Bank has unused borrowing facility from related parties amounting to US$177.9 million and US$154.2 million as of December 31, 2014 and 2013.

Interest expense on bills payable and other borrowings consists of:

	2014	2013
Bills payable	P 44,625,457	P 58,222,790
Others	73,635	119,667
	P 44,699,092	P 58,342,457

15. Accrued Interest, Taxes and Other Expenses

This account consists of:

	2014	2013
Accrued employee benefits	P 241,611,036	P 210,225,635
Accrued interest payable (Note 29)	103,498,881	110,195,035
Accrued rent	92,912,753	61,230,050
Accrued taxes and licenses	25,536,453	52,006,993
Accrued other expenses	130,283,450	85,543,480
	P 593,842,573	P 519,201,193

Accrued other expenses includes accrual for various administrative expenses, professional fees and information technology expenses.

16. Other Liabilities

This account consists of:

	2014	2013
Sundry credits	P 584,127,124	P 234,513,507
Accounts payable	579,573,515	410,471,038
Net pension liability (Note 21)	343,060,956	264,863,594
Other credits dormant	69,975,986	51,182,743
Other deferred credits	65,993,733	66,782,325
Withholding taxes payable	26,386,831	18,919,877
Due to the Treasurer of the Philippines	11,734,191	11,831,462
Miscellaneous	15,412,170	11,528,230
	P 1,696,264,506	P 1,070,092,776

Sundry credits represent the contra account of the bills purchased classified as loans granted by the Bank to its depositors.

17. Derivative Financial Instruments

As of December 31, 2014 and 2013, the Bank's derivative instruments represent interest rate swaps and currency forwards used by the Bank to manage exposures arising from changes in interest rates and foreign exchange rates.

The table sets out the information about the Bank's derivative financial instruments and their related fair values, together with the notional amounts:

	December 31, 2014			December 31, 2013		
	Notional Amount	Derivative Asset	Derivative Liability	Notional Amount	Derivative Asset	Derivative Liability
Interest rate swaps	US$56,000,000	P -	P 126,376,081	US$76,000,000	P -	P 207,415,284
	200,000,000	1,320,537	-	-	-	-
Forward contracts	P 12,296,631,835	23,057,692	24,154,284	P 6,357,691,022	33,817,740	11,090,550
		P 24,378,229	P 150,530,365		P 33,817,740	P 218,505,834

For foreign currency-denominated interest rate swaps, the Bank pays fixed semi-annual interests ranging from 6.00% to 9.875% and from 6.00% to 11.38% for the years ended December 31, 2014 and 2013, respectively, and receives semi-annual interests based on 6-month LIBOR.

The movements in the Bank's derivative financial instruments follow:

	2014	2013
Derivative Liabilities		P 435,519,107
Balance at beginning of period	P 218,505,834	(201,116,516)
Changes in fair value (Note 22)	(68,630,963)	(15,896,757)
Net settlement	655,494	P 218,505,834
	P 150,530,365	
Derivative Assets		
Balance at beginning of period	33,817,740	43,550,410
Changes in fair value (Note 22)	(9,439,511)	(9,732,670)
BALANCE AT END OF PERIOD	P 24,378,229	P 33,817,740

18. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled:

	December 31, 2014			December 31, 2013		
	Up to 1 Year	Over 1 Year	Total	Up to 1 Year	Over 1 Year	Total
Financial Assets						
Cash and other cash items	P 1,757,067,616	P -	P 1,757,067,616	P 1,515,767,263	P -	P 1,515,767,263
Due from BSP	10,193,845,341	-	10,193,845,341	13,449,213,565	-	13,449,213,565
Due from other banks	5,676,363,906	-	5,676,363,906	1,089,098,492	-	1,089,098,492
Interbank loans receivable and SPURA	138,762,671	-	138,762,671	10,139,162,444	-	10,139,162,444
Financial assets at FVPL:						
HFT investments:						
Government securities	825,176,307	-	825,176,307	1,170,907,719	-	1,170,907,719
Derivative assets	23,057,692	1,320,537	24,378,229	33,817,740	-	33,817,740
	P 848,233,999	P 1,320,537	P 849,554,536	P 1,204,725,459	P -	P 1,204,725,459
AFS investments:						
Private debt securities	-	1,207,380,020	1,207,380,020	-	634,715,315	634,715,315
Government debt securities	-	2,029,597,039	2,029,597,039	-	2,139,444,085	2,139,444,085
Private equity securities:						
Quoted	-	14,241,216	14,241,216	13,074,064	-	13,074,064
Unquoted	-	3,486,217	3,486,217	3,486,217	-	3,486,217
	P -	P 3,254,704,492	P 3,254,704,492	P 16,560,281	P 2,774,159,400	P 2,790,719,681
HTM investments:						
Government debt securities	677,801,755	2,120,092,233	2,797,893,988	684,160,813	2,819,881,026	3,504,041,839
Private debt securities	-	2,011,960,433	2,011,960,433	593,903,205	-	593,903,205
	P 677,801,755	P 4,132,052,666	P 4,809,854,421	P 1,278,064,018	P 2,819,881,026	P 4,097,945,044
Loans and receivables:						
Loans:						
Corporate	6,108,280,763	8,677,105,548	14,785,386,311	3,320,742,439	6,474,061,571	9,794,804,010
Commercial	10,270,836,684	2,427,540,881	12,698,377,565	5,242,125,594	7,182,669,943	12,424,795,537
Consumer:						
Auto loans	970,398,291	14,931,247,628	15,901,645,919	55,686,657	11,219,622,078	11,275,308,735
Housing	5,196,469	3,488,596,375	3,493,792,844	109,227	1,929,641,788	1,929,751,015
Others	1,655,032,335	908,774,484	2,563,806,819	712,184,818	1,372,827,443	2,085,012,261
	P 19,009,744,542	P 30,433,264,916	P 49,443,009,458	P 9,330,848,735	P 28,178,822,823	P 37,509,671,558
Unquoted debt instruments:						
Government	189,167,130	-	189,167,130	189,279,769	-	189,279,769
Private	-	30,000,000	30,000,000	7,342,701	30,000,000	37,342,701
	P 189,167,130	P 30,000,000	P 219,167,130	P 196,622,470	P 30,000,000	P 226,622,470
Sales contract receivable:						
Corporate	232,992,948	14,008,158	247,001,106	8,521,567	178,295,333	186,816,900
Individual	2,399,303	149,336,635	151,735,938	232,992,948	15,652,632	248,645,580
	P 235,392,251	P 163,344,793	P 398,737,044	P 241,514,515	P 193,947,965	P 435,462,480
Accounts receivable:						
Corporate	238,848,175	534,916,479	773,764,654	252,731,026	522,078,497	774,809,523
Individual	114,204,047	-	114,204,047	75,833,361	-	75,833,361
	P 353,052,222	P 534,916,479	P 887,968,701	P 328,564,387	P 522,078,497	P 850,642,884

(forward)

	December 31, 2014			December 31, 2013		
	Up to 1 Year	Over 1 Year	Total	Up to 1 Year	Over 1 Year	Total
Accrued interest receivable	P 466,865,721	P 37,085,604	P 503,951,325	P 434,468,973	P -	P 434,468,973
RCOCI	49,622,863	-	49,622,863	7,481,891	-	7,481,891
Miscellaneous	325,943,536	-	325,943,536	325,943,536	-	325,943,536
	P 20,629,788,265	P 31,198,611,792	P 51,828,400,057	P 10,865,444,507	P 28,924,849,285	P 39,790,293,792
	P 39,921,863,553	P 38,586,689,487	P 78,508,553,040	P 39,558,036,029	P 34,518,889,711	P 74,076,925,740
Nonfinancial Assets						
Property and equipment	-	651,290,997	651,290,997	-	681,508,575	681,508,575
Investment properties	-	199,424,074	199,424,074	-	166,512,249	166,512,249
Deferred tax asset	-	638,837,971	638,837,971	-	-	-
Other assets	-	418,374,481	418,374,481	-	362,716,574	362,716,574
	P -	P 1,907,927,523	P 1,907,927,523	P -	P 1,210,737,398	P 1,210,737,398
Less: Allowance for credit losses	-	-	1,766,529,605	-	-	1,518,103,324
Unearned discounts and other deferred income	-	-	45,258,760	-	-	33,255,520
TOTAL ASSETS	**P 39,921,863,553**	**P 40,494,617,010**	**P 78,604,692,198**	**P 39,558,036,029**	**P 35,729,627,106**	**P 73,736,304,291**

	December 31, 2014			December 31, 2013		
	Up to 1 Year	Over 1 Year	Total	Up to 1 Year	Over 1 Year	Total
Financial Liabilities						
Deposit liabilities:						
Demand	P 17,736,176,939	P -	P 17,736,176,939	P 17,135,683,607	P -	P 17,135,683,607
Savings	14,307,284,039	-	14,307,284,039	15,452,191,740	744,244	15,452,935,984
Time	23,138,247,641	4,488,088,777	27,626,336,418	15,878,664,980	8,703,172,224	24,581,837,204
	P 55,181,708,619	P 4,488,088,777	P 59,669,797,396	P 48,466,540,327	P 8,703,916,468	P 57,170,456,795
Financial liabilities at FVPL:						
Derivative liabilities	36,985,656	113,544,709	150,530,365	19,903,782	198,602,052	218,505,834
Bills payable	4,788,617,600	-	4,788,617,600	4,165,168,100	-	4,165,168,100
Manager's checks	578,015,105	-	578,015,105	501,548,208	-	501,548,208
Accrued interest payable	86,621,753	16,877,128	103,498,881	44,388,564	65,806,471	110,195,035
Outstanding acceptances	2,858,154	-	2,858,154	5,617,603	-	5,617,603
Accounts payable	579,573,515	-	579,573,515	410,471,038	-	410,471,038
Due to Treasurer of the Philippines	-	11,734,191	11,734,191	-	11,831,462	11,831,462
	P 6,072,671,783	P 142,156,028	P 6,214,827,811	P 5,147,097,295	276,239,985	P 5,423,337,280
Nonfinancial Liabilities						
Income tax payable	57,672,571	-	57,672,571	111,931,904	-	111,931,904
Accrued taxes and other expenses	490,343,692	-	490,343,692	409,006,158	-	409,006,158
Other liabilities	1,104,956,800	-	1,104,956,800	647,790,276	-	647,790,276
	P 1,652,973,063	-	P 1,652,973,063	P 1,168,728,338	-	P 1,168,728,338
Total Liabilities	**P 62,907,353,465**	**P 4,630,244,805**	**P 67,537,598,270**	**P 54,782,365,960**	**P 8,980,156,453**	**P 63,762,522,413**

19. Capital Funds

The Bank's capital stock as of December 31, 2014 and December 31, 2013 consists of:

Preferred stock - P3.7 par value		
"A" - Authorized and issued - 1,200,000 shares	P	4,440,000
"B" - Authorized and issued - 2,400,000 shares		8,880,000
"C" - Authorized - 291,400,000 shares		
Issued - 59,208,574 shares		219,071,724
Subscribed - 1,602,500 shares - net of subscriptions receivable of P5,781,250		148,000
	P	232,539,724
Common stock - P35.0 par value		
Authorized - 473,366,128 shares		
Issued and outstanding - 294,661,846 shares		10,313,164,634
Subscribed shares - net of subscriptions receivable of P218,750		179,550
	P	10,313,344,184
	P	10,545,883,908

Preferred shares of stock are cumulative with a guaranteed quarterly dividend of 2.50%, non-participating, nonvoting and with preference in asset distribution and payable in full at par plus accumulated dividends in case of dissolution or liquidation. Dividends are declared at the discretion of the BOD.

Preferred Series "A" and "B" shares of stock are redeemable at the option of the Bank at par value plus unpaid accumulated dividends after 15 years from date of issue. Where the Bank exercises the option to redeem the shares, the holder will have an option to convert to new preferred shares or certificate of indebtedness in lieu of redemption. Preferred Series "B" shares of stock embraced in the increase in capitalization authorized under the resolution passed by stockholders on October 20, 1962, are redeemable after ten (10) years from date of issue and convertible, at the option of the holder, into voting common shares of stock in lieu of redemption. Both Preferred Series "A" and "B" shares of stock were issued on October 1, 1961.

Preferred Series "C" shares of stock have preference in payment of dividends over other preferred or common shares which have unpaid accumulated and accrued dividends, and are convertible into voting common stock at the option of the holder thereof, provided that such conversion be made only after 7-1/2 years from date of issue. Preferred Series "C" shares of stock were issued on September 14, 1974.

As of December 31, 2014 and 2013, dividends in arrears on cumulative preferred shares amounted to P938.5 and P915.2 million, respectively.

The rollforward analysis of common stock as of December 31, 2014 and 2013 follows:

	December 31, 2014		December 31, 2013	
	Shares	Amount	Shares	Amount
Common - P35 par value				
Authorized	P 473,366,128	P 16,567,814,480	P 473,366,128	P 16,567,814,480
Issued and outstanding				
Balance at beginning of period	294,661,846	10,313,164,634	178,176,132	6,236,164,644
Additional issuance	-	-	116,485,714	4,076,999,990
Total issued and outstanding	P 294,661,846	P 10,313,164,634	P 294,661,846	P 10,313,164,634
Add: Subscribed shares, net of subscription receivable of P218,750	11,380	179,550	11,380	179,550
ENDING BALANCE	P 294,673,226	P 10,313,344,184	P 294,673,226	P 10,313,344,184

On October 25, 2012, the Parent Company's BOD approved the Bank's request for additional capital amounting to US$100.0 million. The additional capital will be used to support the Bank's new medium-term business plan, which includes upgrading its distribution and IT infrastructure as well as building up its consumer assets. The additional capital infusion was remitted to the Bank in January 2013.

On March 15, 2013, the BOD and the stockholders approved the amendment of the Bank's Articles of Incorporation to increase its authorized common stock from 250,000,000 shares to 473,366,128 shares. The Bank secured the SEC approval for this increase on authorized capital stock on October 11, 2013. The Parent Company's additional capital infusion amounting to P4.1 billion (US$100.0 million) was then applied to the issuance of the Bank's 116,485,714 common shares to the Parent Company.

Treasury shares consist of 5,130 common shares, 38,000 Preferred Series "A" shares of stock and 17,150 Preferred Series "B" shares of stock, which are carried at cost.

On July 23, 1997, the Monetary Board (MB) in its Resolution No. 924 approved the quasi-reorganization of the Bank subject to certain conditions which include, among others, restriction on declaration of dividends until such time that the amount of capital stock differential arising from the reduction in the par value closed to deficit is recovered through earnings.

Employee Stock Option Scheme (ESOS)

Prior to August 25, 2009, all employees of the Bank are entitled to a grant of stock options from the Parent Company once they have been in service for two years. Options awarded to an employee that are made available immediately, with no vesting period, are expensed outright. Options which are exercisable based on the schedule in ESOS over a period of five years from the date of grant are expensed over the vesting period. The exercise price of the options is equal to the weighted average market price of the shares subject to a discount within the limit allowed by the relevant authorities but shall, in no event, be less than the par value of the shares. The option has a maximum contractual life of five years and has no cash settlement alternatives. The stock option plan has expired on August 25, 2009.

The cost of the share-based payments arising from this stock option plan from the Parent Company was recognized as an equity-settled award in the Bank's financial statements and was recognized in equity.

Capital Management

The Bank manages its capital to ensure it complies with externally imposed capital requirements and maintains healthy capital ratios to support business growth and maximize shareholder value.

Regulatory Qualifying Capital

BSP, as the Bank's lead regulator, sets and monitors capital requirements. Under current banking regulations, the Bank's compliance with regulatory requirements and ratios is based on the "unimpaired capital" (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies, which differ from PFRS in some respects. Moreover, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than ten percent (10.00%). Qualifying capital and risk-weighted assets are computed based on BSP regulations. The Bank is also required to meet the minimum capital of P2.4 billion.

Effective January 1, 2014, the Bank complied with BSP issued Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.0% and Tier 1 capital ratio of 7.5%. It also introduces a capital conservation buffer of 2.5% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

The BSP prescribes certain sanctions for non-compliance with the minimum capital requirements depending on the degree of capital deficiency incurred by the Bank such as suspension of authority to invest in allied undertakings, branching privileges and declaration of dividends, among others.

On June 27, 2014, the BSP issued Circular No. 839, REST Limit for Real Estate Exposures which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Bank should maintain CET1 and CAR levels at the regulatory prescribed minimums, on a solo and consolidated basis, even after the simulated results of a 25% write-off to the Bank's real estate exposures. These shall be complied with at all times.

Prior to January 1, 2014, the risk-based capital ratio of the Bank is computed in accordance with the capital adequacy requirements of the New Capital Accord or Basel II, as contained in the implementation guidelines of BSP Circular No. 538.

The table below summarizes the Capital Adequacy Ratio (CAR) of the Bank as reported to the BSP as of December 31, 2014 and 2013 (amounts in thousands):

		2014		2013
Tier 1 capital	P	10,167,187	P	10,142,261
Tier 2 capital		703,854		580,825
Total Qualifying Capital	P	10,871,041	P	10,723,086
RISK-WEIGHTED ASSETS	P	65,238,522	P	51,954,956
Tier 1 capital ratio		15.58%		19.52%
Total capital ratio		16.66%		20.64%

Presented below are the composition of qualifying capital and the related deductions as reported to the BSP (amounts in millions):

		2014		2013
Tier 1 Capital:				
Paid up common stock	P	10,313	P	10,313
Additional paid-in capital		263		263
Retained earnings		(634)		(959)
Undivided profits		354		511
Other Comprehensive Income		(101)		17
Core Tier 1 Capital	P	10,195	P	10,145
Deductions from Tier 1 capital:				
Goodwill and other intangible assets		25		-
Other equity investments in non-financial allied undertakings		3		-
Total Deductions		28		-
TOTAL TIER 1 CAPITAL	P	10,167	P	10,145
Tier 2 Capital:				
General loan loss provision		472		343
Instruments issued by the bank		232		6
TOTAL TIER 2 CAPITAL	P	704	P	349
Qualifying Capital:				
Net Tier 1 capital		10,167		10,142
Net Tier 2 capital		704		349
Total Qualifying Capital	P	10,871	P	10,491
Capital requirements:				
Credit risk		59,327		46,068
Market risk		1,181		2,303
Operational risk		4,731		3,584
TOTAL CAPITAL REQUIREMENTS	P	65,239	P	51,955
Common equity Tier 1 ratio		15.58%		-
Tier 1 capital ratio		15.58%		19.52%
Total capital ratio		16.66%		20.64%

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations.
Under Basel III, the regulatory Gross Qualifying Capital of the Bank consists of Tier 1 (core), composed of Common Equity Tier 1 and Additional Tier 1, and Tier 2 (supplementary) capital. Tier 1 capital comprises share capital, retained earnings (including current year profit) and non-controlling interest less required deductions such as deferred income tax and unsecured credit accommodations to DOSRI. Tier 2 capital includes unsecured subordinated debts, revaluation reserves and general loan loss provision. Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to equity investments in unconsolidated subsidiary banks and other financial allied undertakings, but excluding investments in debt capital instruments of unconsolidated subsidiary banks and equity investments in subsidiary and non-financial allied undertakings.

Risk-weighted assets are determined by assigning defined risk weights to the statement of financial position exposure and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors. Below is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type*
0.00%	Cash on hand; claims collateralized by securities issued by the national government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20.00%	COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation
50.00%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75.00%	Direct loans of defined Small Medium Enterprise (SME) and microfinance loans portfolio; non-performing housing loans fully secured by first mortgage
100.00%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred income tax)
150.00%	All non-performing loans (except non-performing housing loans fully secured by first mortgage) and all non-performing debt securities

**Not all inclusive*

With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.00% to 100.00%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.00%, while items not involving credit risk has a CCF of 0.00%.

In the case of derivatives, the credit equivalent amount (against which the risk weight factor is multiplied to arrive at the risk-weighted exposure) is generally the sum of the current credit exposure or replacement cost (the positive fair value or zero if the fair value is negative or zero) and an estimate of the potential future credit exposure or add-on. The add-on ranges from 0.00% to 1.50% (interest rate-related) and from 1.00% to 7.50% (exchange rate-related), depending on the residual maturity of the contract. For credit-linked notes and similar instruments, the risk-weighted exposure is the higher of the exposure based on the risk weight of the issuer's collateral or the reference entity or entities.

The risk-weighted CAR is calculated by dividing the sum of its Tier 1 and Tier 2 capital, as defined under BSP regulations, by its risk-weighted assets. The risk-weighted assets, as defined by the BSP regulations, consist of all of the assets on the balance sheet at their respective book values, together with certain other off-balance sheet items, weighted by certain percentages depending on the risks associated with the type of assets. The determination of compliance with regulatory requirements and ratios is based on the amount of the Bank's 'unimpaired capital' (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting practices which differ from PFRS in some respects.

As of December 31, 2014 and 2013, the Bank has complied with the CAR requirement of the BSP.

Internal Capital Adequacy Assessment Process (ICAAP)
In 2009, the BSP issued Circular No. 639 covering the ICAAP which supplements the BSP's risk- based capital adequacy framework under the BSP Circular No. 538. The Bank has a Board-approved ICAAP Framework with areas that cover Capital Management, Pillar 1 and Pillar 2 Risk Measurement, Minimum Internal Capital Requirement Calculation, Use of the ICAAP, Governance Structure, and Reporting Framework. The Bank complies with the required annual submission of updated ICAAP.

Surplus reserves of the Bank consist of reserve for:

		2014		2013
Self-insurance	P	25,070,000	P	25,070,000
Trust business		10,384,294		9,004,483
Contingencies		3,500,000		3,500,000
	P	38,954,294	P	37,574,483

In compliance with existing BSP regulations, 10.00% of the net profits realized by the Bank from its trust business are appropriated to surplus reserve. The yearly appropriation is required until the surplus reserve for trust business equals 20.00% of the Bank's regulatory capital.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Bank's personnel or third parties.

Financial Performance
The following basic ratios measure the financial performance of the Bank:

	2014	2013
Return on average equity	9.55%	4.20%
Return on average assets	1.32%	0.66%
Net interest margin	5.01%	4.93%

20. Interest Income on Financial Investments

This account consists of interest income on:

		2014		2013
Financial assets at FVPL	P	53,751,027	P	69,205,676
AFS investments		112,693,498		89,421,839
HTM investments		237,625,729		240,386,429
	P	404,070,254	P	399,013,944

Peso-denominated HFT investments bear nominal interest rates ranging from 1.63% to 12.38% and 2.25% to 10.13% for the years ended December 31, 2014 and 2013, respectively.

Peso-denominated AFS investments bear nominal interest rates ranging from 5.75% to 7.38% and 3.88% to 12.38% for the years ended December 31, 2014 and 2013, respectively. Foreign currency-denominated AFS investments bear nominal interest rates ranging from 4.38% to 7.75% and from 0.76% to 7.38% for the years ended December 31, 2014 and 2013, respectively.

Peso-denominated HTM investments bear nominal interest rates ranging from 5.20% to 12.38% and from 5.88% to 12.38% for the years ended December 31, 2014 and 2013, respectively. Foreign currency-denominated HTM investments bear nominal interest rates ranging from 5.25% to 9.875% and from 6.00% to 11.38% for the years ended December 31, 2014 and 2013.

Interest income on AFS debt securities is net of premium amortization amounting to P31.4 million and P22.9 million for the years ended December 31, 2014 and 2013, respectively.

Interest income on HTM investments is net of premium amortization amounting to P65.8 million and P62.4 million for the years ended December 31, 2014 and 2013, respectively.

21. Retirement Plan

The Bank has a funded noncontributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits (equivalent to 120% and 110%, respectively, of the final monthly salary for every year of service) after satisfying certain age and service requirements. The Bank's retirement plan is in the form of a trust administered by the Bank's Trust Division under the supervision of the Staff Committee.

Under the existing regulatory framework, Republic Act 7641 requires companies with at least ten (10) employees to pay retirement benefits to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The net retirement obligation included in 'Other liabilities' in the statements of financial position are as follows:

	2014	2013
Present value of the defined benefit obligation	P 430,683,283	P 369,960,700
Fair value of plan assets	(87,622,327)	(105,097,106)
NET RETIREMENT OBLIGATION	**P 343,060,956**	**P 264,863,594**

Changes in the present value of the defined benefit obligation as of December 31, 2014 and 2013 recognized in the statements of financial position follow:

	2014	2013
Balance at beginning of year	P 369,960,700	P 216,441,600
Current service cost	56,400,939	28,305,900
Interest cost	16,082,650	12,229,874
Remeasurement losses:		
Actuarial losses arising from changes in financial assumptions	86,996	130,199,183
Actuarial losses arising from experience adjustment	28,948,406	21,616,552
Benefits paid	(40,796,408)	(38,832,409)
BALANCE AT END OF YEAR	**P 430,683,283**	**P 369,960,700**

Changes in fair value of plan assets are as follows:

	2014	2013
Balance at beginning of year	P 105,097,106	P 115,065,890
Contributions	24,124,900	24,124,900
Interest income	4,386,310	7,264,693
Remeasurements	(5,189,581)	(2,525,968)
Benefits paid	(40,796,408)	(38,832,409)
BALANCE AT END OF YEAR	**P 87,622,327**	**P 105,097,106**

The fair value of plan assets by each class is as follows:

	2014	2013
Cash and cash equivalents	P 49,926,293	P 14,702,876
Accrued interest and other receivables	7,825,095	1,017,965
Debt instruments		
Government securities	6,213,451	62,205,265
Private securities	4,643,288	7,300,000
Equity instruments		
Manufacturing	13,924,200	14,421,000
Wholesale and Retail	5,090,000	5,450,000
FAIR VALUE OF PLAN ASSETS	**P 87,622,327**	**P 105,097,106**

The Bank's plan assets are carried at fair value. All equity and debt instruments held have quoted prices in active market. The fair value of cash and cash equivalent, accrued interest and other receivables approximates carrying amount due to the short-term nature of these accounts.

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. The portfolio mix of the Bank's plan assets as of December 31, 2014 and 2013 were approved by the Staff Committee.

The Bank expects to contribute P74.0 million to the plan in 2015.

The cost of defined benefit retirement plans as well as the present value of the benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used are shown below:

	2014	2013
Discount rate		
At January 1	4.68%	5.76%
At December 31	4.68%	4.68%
Future salary increase rate	6.50%	6.50%
Average remaining working life	14	14

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2014 and 2013, assuming all other assumptions were held constant.

	2014	2013
Increase in discount rate by 1%	(P 2,947,250)	(P 45,884,452)
Decrease in discount rate by 1%	67,246,553	55,716,479
Increase in salary increase rate by 1%	62,999,215	52,241,478
Decrease in salary increase rate by 1%	(53,263,107)	(44,129,961)

The amounts included in 'Compensation and fringe benefits' expense in the statements of income are as follows:

	2014	2013
Current service cost	P 56,400,939	P 28,305,900
Net interest income	11,696,340	4,965,181
EXPENSE RECOGNIZED DURING THE YEAR	**P 68,097,279**	**P 33,271,081**

The Bank also has a defined contribution plan for certain employees. The pension expense recognized under this plan amounting to P17.17 million and P14.85 million for the years ended December 31, 2014 and 2013 respectively, is included in 'Compensation and fringe benefits' in the statements of income.

22. Net Trading Gains

This account consists of:

	2014	2013
Financial instruments at FVPL:		
Derivatives (Note 17)	P 59,191,452	P 191,383,846
HFT investments (Note 6)	(22,999,423)	31,173,227
AFS investments (Note 7)	6,131,034	103,078,810
	P 42,323,063	**P 325,635,883**

23. Service Charges, Fees and Commissions

This account consists of:

	2014	2013
Credit-related (Note 29)	P 482,246,854	P 506,669,759
Deposit-related	78,908,056	73,689,615
Others	13,349,438	11,629,028
	P 574,504,348	**P 591,988,402**

24. Miscellaneous Income and Expense

Miscellaneous income consists of:

	2014	2013
Trust fees (Note 29)	P 13,798,113	P 7,456,429
Others	33,087,348	4,604,756
	P 46,885,461	**P 12,061,185**

Others include miscellaneous income from various fees for loan transactions, inspection and appraisal and recovery on charged off assets and rental income.

Miscellaneous expense consists of:

	2014	2013
Cards-related expenses	P 101,602,312	P 42,166,767
Commissions and service charges	90,742,819	103,612,421
Information and technology	60,888,865	35,801,126
Fines and penalties	80,882,161	21,864,655
Advertising and publications	20,791,534	30,415,400
Membership fees and dues	19,604,411	17,163,143
Banking fees	17,911,333	16,536,696
Freight	13,454,414	11,837,128
Minor tools and equipment	8,879,564	17,316,116
Philippine Clearing House Corporation fees	4,048,298	2,945,724
Fuel and lubricants	3,751,433	3,807,637
SEC filing fees	-	15,792,495
Others	64,498,383	63,321,169
	P 487,055,527	**P 382,580,477**

Cards-related expenses include costs relating to cards acquiring business of the Bank, settlement expenses and credit investigation expenses.

Others include periodicals, various office supplies, registration fee for various seminars, donations and charitable contribution.

25. Long-term Leases

The Bank leases the premises occupied by its head office and branches for periods ranging from 4 to 5 years and are renewable upon mutual agreement of both parties under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 10.00%. Rent expense charged against current operations (included under 'Occupancy' in the statement of income) amounted to P220.8 million and P213.8 million for the years ended December 31, 2014 and 2013, respectively.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2014	2013
Within one year	P 157,797,829	P 148,625,654
After one year but not more than five years	422,406,764	360,475,239
More than five years	1,948,767,713	2,133,706,117
	P 2,528,972,306	P 2,642,807,010

26. Income and Other Taxes

Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statement of income) as well as income taxes. Percentage and other taxes paid consist principally of documentary stamp tax and gross receipts tax (GRT).

Income taxes include corporate income taxes and FCDU final taxes, as discussed below, and final tax paid at the rate of 20.00%, which represents final withholding tax on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits, are presented as 'Provision for income tax' in the statement of income.

Republic Act (RA) No. 9337, An Act Amending National Internal Revenue Code, provides that the RCIT rate shall be 30.00%. Interest expense allowed as a deductible expense shall be reduced by 33.00% of interest income subject to final tax.

The MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over the RCIT can be used as a tax credit against future income tax liability for the next three years. In addition, the NOLCO is allowed as a deduction from taxable income in the next three years from the year of inception. Current tax regulations also set a limit on the amount of entertainment, amusement and recreation (EAR) expenses that can be deducted for income tax purposes. EAR expenses are limited to 1.00% of net revenue for sellers of services. EAR charged against current operations amounted to P57.0 million and P50.7 million for the years ended December 31, 2014 and 2013, respectively. These expenses are presented as 'Entertainment, amusement and recreation' in the statement of income.

RA No. 9294, An Act Restoring the Tax Exemption of Offshore Banking Units and Foreign Currency Deposit Units, which became effective in May 2004, provides that the income derived by the FCDU from foreign currency transactions with non-residents, offshore banking units (OBUs), local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency denominated loans from residents other than OBUs or other depository banks under the expanded system is subject to 10% income tax.

The Bureau of Internal Revenue issued RR No. 4-2011 on March 15, 2011 which sets out the rules on the allocation of costs and expenses between the RBU or FCDU. The rules mainly provide that the costs and expenses should be allocated using specific identification of expenses to a particular unit and by allocation of common expenses based on percentage share of gross income earnings of a unit to the total gross income earnings subject to RCIT and final tax including those exempt from income tax.

Provision for (benefit from) income tax consists of:

	2014	2013
Current:		
RCIT	P 277,974,442	P 192,315,466
Final	81,561,444	67,918,283
	359,535,886	260,233,749
Deferred	(603,904,415)	-
	(P 244,368,529)	P 260,233,749

The provision for income tax in 2014 includes additional payment for current income tax of 2008 amounting to P18.5 million.

The details of net deferred tax assets follow:

	2014	2013
Deferred tax asset on:		
Allowance for impairment and credit losses	P 436,073,638	P -
Provisions and accruals	115,458,634	89,707,581
Retirement liability and unamortized pension trust contribution	106,433,030	-
Fair value loss on financial assets	45,460,085	12,870,502
Accumulated depreciation on investment and chattel properties	34,360,057	-
Fair value loss on derivatives	87,129	-
	P 737,872,573	P 102,578,083

(follow)

	2014	2013
Deferred tax asset on:		
Unrealized profit on assets sold	(88,894,008)	(92,000,926)
Fair value of investment properties	(10,140,594)	(8,625,211)
Fair value gain on derivatives	-	(1,951,946)
	P (99,034,602)	P (102,578,083)
	P 638,837,971	P -

In 2014, the Bank recognized deferred tax assets amounting to P638.8 million since based on management's assessment, sufficient taxable income will be available in the future that will allow the deferred tax asset to be recovered. In 2013, the Bank recognized deferred tax assets only to the extent of the deferred tax liabilities.

In 2014, deferred income tax recognized directly against OCI amounted to P34.9 million.

The Bank did not recognize deferred tax assets on the following temporary differences since the management believes that the related tax benefits will not be realized in the future:

	2014	2013
Allowance for impairment and credit losses	P 334,520,823	P 1,553,962,429
Retirement liability and unamortized pension trust contribution	-	287,498,228
Fair value loss on financial assets	-	140,388,596
Accumulated depreciation on investment and chattel properties	-	92,394,509
	P 334,520,823	P 2,074,243,762

Reconciliation between the statutory income tax rate and the effective income tax rate follows:

	2014	2013
Statutory income tax rate	30.00%	30.00%
Tax effects of:		
Nondeductible expenses	5.27	12.39
Tax-exempt income and income subjected to final tax	(2.46)	(13.80)
FCDU income before income tax	(0.92)	(7.57)
Movements in unrecognized deferred tax assets	(68.61)	17.84
EFFECTIVE INCOME TAX RATE	(36.72%)	38.86%

27. Trust Operations

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for clients and beneficiaries are not included in the accompanying statement of financial position since these are not assets of the Bank (Note 28).

In connection with the trust business of the Bank, government securities (under 'HTM investments') with total face value of P40.0 million and P60.0 million as of December 31, 2014 and 2013, respectively, are deposited with the BSP in compliance with the requirements of the General Banking Law.

28. Commitments and Contingent Liabilities

In the normal course of the Bank's operations, there are outstanding commitments and other contingent liabilities and tax assessments which are not reflected in the accompanying financial statements. The Bank does not anticipate material losses from these commitments and contingent liabilities.

Regulatory Reporting

The following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2014	2013
Forward exchange sold	P 12,290,668,335	P 6,300,959,840
Forward exchange bought	12,285,377,285	6,349,004,450
Interest rate swap payable	2,704,320,000	802,134,409
Interest rate swap receivable	2,704,320,000	-
Spot exchange bought	2,146,875,000	2,021,923,147
Spot exchange sold	2,146,750,000	2,021,986,325
Unused commercial letters of credit	1,613,911,030	1,596,054,378
Trust department accounts (Note 27)	832,229,385	2,603,190,439
Export letters of credit-confirmed	819,355,230	131,638,695
Inward bills for collection	522,515,450	780,916,092
Outstanding guarantees	496,580,545	566,677,513
Deficiency claims receivable	336,804,531	311,468,034
Late deposits and payments received	43,391,143	21,217,833
Outward bills for collection	23,596,343	1,782,167
Items held for safekeeping	25,119	123,911
Items held as collateral	8,548	6,678
Others	86	86

29. 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 or if they are subject to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities.

The Bank 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.

Transactions with retirement plans
The retirement fund of the Bank's employees with a fair value amounting to P87.6 million and P105.1 million as of December 31, 2014 and 2013, respectively, is being managed by the Bank's Trust Department. The transaction was made substantially on the same terms as with other individuals and businesses of comparable risks. Other than deposits with the Bank and trust fees, there were no other material transactions between the retirement fund and the Bank in 2014 and 2013. The Bank earned P1.4 million and P1.2 million as trust fees for the years ended December 31, 2014 and 2013, respectively.

Refer to Note 21 for the details of the assets and investments of the retirement fund. The retirement fund of the Bank does not have investments in the shares of stock of the Bank.

Remunerations of Directors and other Key Management Personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the Executive Committee to constitute key management personnel for purposes of PAS 24.

Compensation of key management personnel included under 'Compensation and fringe benefits' in the statements of income follows:

	2014	2013
Salaries and other short-term benefits	P 109,275,415	P 86,618,837
Post-employment benefits	36,201,606	8,082,659
	P 145,477,021	P 94,701,496

Regulatory Reporting
In the ordinary course of business, the Bank enters into loans and other transactions with its affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks and are settled in cash.

The amount of individual loans to DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and their respective investments in the Bank. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations. In the aggregate, loans to DOSRI generally should not exceed the lower of the Bank's total regulatory capital or 15.00% of the total loan portfolio. As of December 31, 2014 and 2013, the Bank is in compliance with these regulatory requirements.

BSP Circular No. 423, dated March 15, 2004, amended the definition of DOSRI accounts. Further, the BSP issued BSP Circular No. 464, dated January 4, 2005, clarifying the definition of stockholders.

The following table shows information relating to DOSRI loans of the Bank:

	2014	2013
Total outstanding DOSRI loans (in thousands)	P 589,594	P 582,395
Percent of DOSRI loans granted prior to effectivity of BSP Circular No. 423 to total loans	0.34%	0.45%
Percent of DOSRI loans granted after effectivity of BSP Circular No. 423 to total loans	0.86%	1.13%
Percent of DOSRI loans to total loans	0.04%	0.05%
Percent of unsecured DOSRI loans to total DOSRI loans	0.00%	0.00%
Percent of past due DOSRI loans to total DOSRI loans	0.00%	0.00%
Percent of nonperforming DOSRI loans to total DOSRI loans	0.00%	0.00%

Total outstanding DOSRI loans include portion of loans covered by hold-outs on deposit and which are excluded in determining compliance with the aggregate ceiling.

Section X327 of the MORB states that transactions covered for loans to be classified as loans to DOSRI, shall refer to transactions of the Bank which involve the grant of any loan, advance or other credit accommodation in any form whatsoever, whether renewal, extension or increase. Thus, a non-DOSRI loan which, during its term, becomes subject to an event that results to any of the positions/relationships enumerated under Section X326.1 of the MORB shall remain a non-DOSRI loan unless the same is renewed, extended or increased at any time.

Total interest income on the DOSRI loans and receivable amounted to P52.48 million and P47.40 million for the years ended December 31, 2014 and 2013, respectively.

For the years ended December 31, 2014 and 2013, interest rates on DOSRI loans ranged from 5.65% to 6.19% with an average term of 2 years.

Other Related Party Transactions
Other related party transactions entered in the normal course of business were primarily regular banking transactions.
The significant year-end account balances with respect to related parties included in the financial statements follow:

	Outstanding Balance / Volume 2014	2013	Nature, Terms and Conditions
Parent Company			
Due from other banks	P 20,465,709	P 17,804,827	Foreign currency demand deposit accounts, non-interest bearing
Deposits	37,410,428	338,640,104	
Withdrawals	34,749,546	326,321,228	
Interbank loans receivables	–	–	Foreign currency lending which earn annual fixed interest rate of 0.02% with maturity terms ranging from 1 day to 182 days, unsecured
Availments	–	9,167,567,500	
Settlements	–	9,167,567,500	
Accounts receivable	11,231,729	10,069,353	Receivables for various administrative expenses, due on demand, non-interest bearing and unsecured
Advances	16,808,482	49,861,176	
Repayments	15,646,106	46,562,044	
Interest income	32,683,684	36,770,538	Interest income from interbank loans receivable, Interest rate swaps and due from other banks
Bills payable	2,329,017,600	3,009,093,100	Short-term foreign currency borrowings subject to annual fixed interest rate ranging from 0.15% to 1.43% with maturity terms from 5 to 186 days, unsecured
Availments	160,396,776,800	105,195,732,789	
Settlements	161,076,852,300	105,412,759,189	
Deposit liabilities	1,415,502,622	1,946,240,936	With various terms and annual interest rates ranging from 0.25% to 3.50%
Deposits	2,379,566,119	1,166,258,162	
Withdrawals	2,910,304,433	782,702,659	
Financial liabilities at FVPL	42,457,627	51,775,220	Interest rate swaps where the Bank pays fixed semi-annual interest ranging from 6.000% to 8.375% and receives semi-annual interests based on 6-month LIBOR, unsecured with a maturity of 60 to 110 months, unsecured.
Accrued interest payable	2,204,631	6,258,060	Accrued interest expense on bills payable and interest rate swaps
Interest expense	111,540,720	99,250,504	Interest expense on interest rate swaps, bills payable and deposit liabilities

(forward)

	Outstanding Balance / Volume 2014	2013	Nature, Terms and Conditions
Other related parties			
Due from other banks	**54,976,846**	29,320,793	Various foreign currency demand deposit accounts, non-interest bearing
Deposits	**14,269,466,577**	122,060,616,912	
Withdrawals	**14,243,810,524**	122,047,816,177	
Loans and receivables	**18,500,000**	19,187,980	Revolving credit line with maturity of two-years bearing 4.5% interest rate, fully secured by hold-out amounting to US$20 million
Availments	**39,500,000**	19,187,980	
Settlements	**40,187,980**	39,892,006	
Interbank loans receivable	**10,736,378**	12,221,943	Foreign currency lending which earn annual fixed interest rate of 0.60% with maturity terms ranging from 1 to 361 days, unsecured
Availments	**21,735,600**	290,815,520	
Settlements	**23,221,165**	289,499,577	
Accounts receivable	**559,862,397**	544,163,565	Receivable subject to interest rate based on one-month PDST-F plus 1%, with a maturity of 10 years secured by deposit hold-out. Also includes various administrative expenses
Advances	**66,315,281**	50,406,805	
Repayments	**50,616,449**	66,927,300	
Accrued interest receivable	**35,306,310**	51,203,946	Accrued interest income on accounts receivables
Interest income	**94,228,160**	47,405,199	Net interest income from interbank loans receivable, loans and receivables, interest rate swaps and due from other banks
Bills payable	**2,459,600,000**	1,109,875,000	Short-term foreign currency borrowings subject to annual fixed interest rates ranging from 0.15% to 1.43% with maturity terms from 5 to 186 days
Availments	**461,845,800,000**	200,792,382,772	
Settlements	**460,496,075,000**	201,940,257,772	
Deposit liabilities	**449,246,769**	690,054,773	Various terms and minimum annual interest rates ranging from 0.25% to 3.50%. With maturities of 1 to 63 days
Deposits	**152,960,399,936**	15,408,259,536	
Withdrawals	**153,201,207,940**	15,858,285,006	
Financial liabilities at FVPL	**84,118,454**	207,415,284	Interest rate swaps where the Bank pays fixed semi-annual interest ranging from 2.25% to 9.88% and receives semi-annual interests based on 6-month LIBOR, unsecured with a maturity of 74 to 105 months.
Accrued interest payable	**29,626,674**	42,991,404	Accrued interest expense on bills payable and interest rate swaps
Interest expense			
Service charges, fees and commissions	**196,058,424**	123,282,066	Interest expense on interest rate swaps, bills payable and deposit liabilities
	77,455,689	188,633,360	Transaction fees from various services rendered. Amounts includes arrangement fees from MILL amounting to P58.9 million and P188.3 million in 2014 and 2013, respectively.
Retirement fund of the Bank			
Deposit with the Bank	**49,926,293**	14,702,876	
Interest income	**186,094**	198,754	This deposit earns annual fixed interest rates ranging from 0.25% to 3.25%.

As of December 31, 2014 and 2013, the Banks outstanding loans to related parties are not impaired.

Other related parties are other companies owned and controlled by the Bank's Parent Company.

For the years ended December 31, 2014 and 2013, the Bank entered into foreign currency denominated interest rate swaps with the Parent Company and Maybank Singapore where the Bank pays fixed semi-annual interest ranging from 2.25% to 9.88% and from 6.00% to 11.38%, respectively, and receives semi-annual interests based on 6-month LIBOR.

On December 15, 2010, the Bank entered into an agreement with Maybank International Labuan Limited (MILL) whereby the Bank shall perform account management in its favor. This will include the conduct of annual review on the account and collection. The Bank shall charge MILL a service fee of 0.3% of the average US$ value of loans and investments booked by MILL per annum beginning July 1, 2010 until such time that the agreement shall be terminated. Service fees earned from MILL amounted to P18.5 million and P33.2 million for the years ended December 31, 2014 and 2013, respectively.

On April 12, 2013, the Bank, together with MILL and other banks, participated into a fully underwritten syndicated US$1.3 billion revolving term loan facility with a Philippine client. On October 25, 2013, MILL also entered into a bilateral US$170.0 million revolving term loan facility with this client. The Bank acted as the arranger for these loan facilities on behalf of MILL. The services provided by the Bank to MILL include, but not limited to, the conduct of the necessary due diligence for the loan application and provide the appropriate recommendation. The Bank received a total of P188.3 million (US$4.4 million) of fees from MILL, as consideration for arranging the loan.

On September 2014, MILL entered into a syndicated term loan facility agreement with a Philippine client. The Bank acted as the arranger for this loan facility on behalf of MILL. The services provided by the Bank to MILL include, but not limited to, the conduct of the necessary due diligence for the loan application and provide the appropriate recommendation. The Bank received a total of P58.9 million (US$1.3 million) of fees from MILL, as consideration for arranging the loan.

30. Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7, which is effective January 1, 2013, require the Bank to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Financial Assets **December 31, 2014**

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets (Note 17)	P 24,378	P -	P 24,378	P -	P -	P 24,378
Total	P 24,378	P -	P 24,378	P -	P -	P 24,378

December 31, 2013

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets (Note 17)	P 33,818	P -	P -	P -	P -	P 33,818
Interbank loans receivable and SPURA	P 10,139,162	P -	P -	P -	P 10,000,000	P 139,162
Total	P 10,172,980	P -	P -	P -	P 10,000,000	P 172,980

December 31, 2014

Financial Liabilities						
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities (Note 17)	P 150,530	P -	P 150,530	P -	P -	P 150,530
Total	P 150,530	P -	P 150,530	P -	P -	P 150,530

December 31, 2013

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities (Note 17)	P 218,506	P -	P 218,506	P -	P -	P 218,506
Total	P 218,506	P -	P 218,506	P -	P -	P 218,506

31. Notes to Statements of Cash Flows

As of December 31, 2014 and 2013, interbank loans receivable which has original maturity of more than three months amounted to P10.7 million and P12.2 million, respectively.

Additions to property and equipment still unpaid as of December 31, 2014 amounted to P14.04 million.

Non-cash additions to investment properties and other properties acquired in settlement of loans amounted to P55.8 million and P321.1 million, and P5.8 million and P189.6 million, respectively, for the years ended December 31, 2014 and 2013, respectively.

In December 2013, the Bank sold certain investment properties with a net book value of P156.5 which resulted to a gain on disposal of P93.5 million. As of December 31, 2013, P225.0 million of the selling price remains unpaid and included under loans and receivables.

32. Supplementary Information Required Under Revenue Regulation 15-2010

The BIR issued RR 15-2010, to amend certain provisions of RR 21-2002. The Regulation provides that the notes to the financial statements will include information on taxes and licenses paid or accrued during the taxable year.

To comply with the requirements set forth in RR 15-2010, the Company reported and/or paid the following types of taxes during the period:

Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the 'Taxes and Licenses' account in the Bank's statement of income.

As of December 31, 2014, other taxes and licenses consist of the following:

Gross receipts tax	P 191,888,301
Settlement of tax assessment	27,769,310
License and permit fees	10,564,812
Real estate taxes	7,475,717
Registration fees	101,547
Documentary stamp tax	12,700
	P 237,812,387

Withholding Taxes

Details of withholding taxes for the year ended December 31, 2014 are as follows:

	Total Amount Remitted	Balance as at December 31
Withholding taxes on compensation	P 163,502,498	P 11,150,693
and benefits	69,397,849	6,787,488
Final withholding taxes	67,364,977	8,448,650
Expanded withholding taxes		
	P 300,265,324	P 26,386,831

On May 30, 2014, the Bank paid the amount of P100.39 million to the Bureau of Internal Revenue (BIR) as full and final settlement for the tax assessment covering fiscal year ending June 30, 2008.

The Bank has no outstanding assessments from the BIR as of December 31, 2014.

Maybank

Products and Services

With a commitment to serve, Maybank Philippines, Inc. continuously revolutionizes its product offerings for its expansive client base. Maybank is passionate in bringing in relevant and improved products and services designed to meet the needs of the market.

MPI's products and services can be availed by clients through the Bank's extensive branch network nationwide.

Deposit Products

VALUE
Simple and easy banking solutions
- Savings and Checking Accounts with low maintaining balance

CLASSIC
Uncomplicated effortless banking
- Traditional Savings, Checking, and Time Deposit Accounts

SAVE N' PROTECT SAVINGS ACCOUNT
Peace of mind to a higher level
- Comes with a passbook and a regional ATM card
- Free Life Insurance Coverage* equal to 2x the account's previous average daily balance up to a maximum of Php1 million per account or Php3 million for depositor with multiple accounts
  **for a minimum ADB of Php50,000*

PREMIER 1 CHECKING ACCOUNT
All you need in a Checking Account
- A specialized checking account with tier-based interest provision depending on the number of withdrawals
- Comes with a record book for itemized posting of inward checks
- Free initial regional ATM card
- Free Personal Accident Insurance equivalent to 5x the account's previous average daily balance or up to a maximum of Php1 million for individual accounts

YIPPIE SAVINGS ACCOUNT
Teach children the value of saving
- A savings account for ages 1 to 12 years old
- Comes with a passbook
- Free initial regional ATM card
- Free personal accident Insurance with medical reimbursement benefit

ImTeen SAVINGS ACCOUNT
I'm the teen in charge of my Finance
- A savings account for ages 13 to 17 years old
- Comes with a passbook
- Free initial inter-country ATM card
- Free personal accident Insurance with medical reimbursement benefit

US DOLLAR SAVINGS ACCOUNT
Save in US, Earn interest in US
- A regular interest-earning dollar passbook account

ADDvantage FLEX TIME DEPOSIT
Time well spent
- Guaranteed base rate for 1 or 2-year term
- Waived documentary stamp tax

ADDvantage 5-YEAR TIME DEPOSIT
Time well spent
- A fixed-interest and tax-free time deposit account for 5 years
- Waived documentary stamp tax

ADDvantage ADVANCE TIME DEPOSIT
Get interest instantly upon deposit
- Credit your interest earnings to a savings or checking account instantly
- Waived documentary stamp tax

SPECIAL SAVINGS ACCOUNT
Enjoy higher interest rates for your savings account
- Comes with a passbook
- Waived documentary stamp tax

FlexiRate DEPOSIT
More flexibility for your money
- Earns additional interest rate depending on the linked savings or checking account
- Waived documentary stamp tax

ADD LINK
- Transfer funds regularly from one account to another or transfer according to minimum daily ending balance
- Easy and one time enrollment process
- No need to go to the bank every time to make fund transfers

Consumer Loans

MaxiHome LOANS
Enjoy big advantage in building your dream home
Available for purchase of residential house and lots, vacant lots, townhouses or condominium units, for building your dream home, or for refinance an existing housing loan. Borrow as much as 80% of the property's appraised value at flexible terms and longer repayment period of up to 20 years.

AUTO LOANS
Owning made easy
Designed for the acquisition of brand new and pre-owned vehicles with a swift 1-day approval and repayment of terms up to 60 months.

TRUCK LOANS
Purchase brand-new, used or reconditioned trucks and borrow up to 70%, of the vehicles cash price or appraised value. Repayment terms are up to 48 months.

AUTO REFINANCING
Quick loans using owned motor vehicles. Repayment of loan can extend up to 24 months.

FLOOR STOCK FINANCING
A revolving facility providing finance for auto dealer's working capital requirements to support purchase of inventory of new vehicles for a short-term period.

enAble PERSONAL LOAN
Now you can!
A no-collateral loan which can be used to pay-off credit card bills, medical expenses, tuition fees, travel/vacation, home furnishings or purchase of high-end appliances and electronic products. Enjoy competitive rates and terms up to 36 months, at attractive and affordable rates.

SALARY LOAN
A salary-deductible consumer loan available to qualified employees of companies accredited by Maybank. A partnership between Maybank and a company wherein they provide the loan benefit to their employees and we provide the financing.

RSME
Simple. Fast. Efficient.
Retail SME or "RSME" is a light touch model with simple features and is parameter driven. RSME's key strategic initiative is to capture clients in the Small and Medium business sectors with loan requirements between Php1.0M to Php30.0M range.

Available credit facilities for RSME shall be as follows:
- Secured Term Loan
- Secured Revolving Credit Line

Electronic Banking

M2U

Feel secured with your M2U Internet Banking transactions with the bank's double-layered security or Transaction Authorization Code (TAC)

- Inquire your deposit, loan, and credit card accounts
- Transfer funds from your Maybank accounts, third party and Interbank fund transfer among BancNet member banks
- Pay your bills
- Reload your prepaid mobile phone
- Exchange your dollar to peso
- Place your money to time deposit
- Request for checkbook
- Perform stop payment order

MONEY2U REMITTANCE

Before you take over the world, let us first take care of you

- Same day crediting to your Maybank account and within 24 hours to other bank
- Receive remittances worldwide
- First 2 monthly withdrawal charges are waived

MAYBANK MONEY EXPRESS (MME)

Send your remittances from Malaysia via MME

- One of the fastest ways of sending money
- No bank account required
- Real-time transaction
- Can remit via-online
- No back-end charge
- Funds can be claimed at 2,200 outlets

MAYBANK ATM

Your other passport

- Access your account at any Maybank ATMs in Malaysia, Singapore, Brunei, Vietnam, Papua New Guinea, and Cambodia
- Use your card in BancNet, Megalink or Expressnet ATMs in the Philippines
- Pay your bills anytime via ATM or M2U Internet Banking
- Shop at any POS-enabled merchant establishments nationwide
- Transfer funds real time from your Maybank account to accounts in other BancNet banks
- Get access to your account anytime, anywhere via M2U Internet

MY CASH CARD

It's Cash in a Card

- No maintaining balance
- No expiration
- No dormancy charges
- Easy application process

MAYBANK CREDIT CARD

- Available in MasterCard or Visa (Standard/Classic, Gold and Platinum)
- Also available the Maybank – Manchester United Credit Card, the first and only credit card co-branded with an international sports team in the Philippines
- Financial flexibility through Maybank EzyPlans (EzyPay, EzyTransfer, EzyConvert and EzyCash)
- EMV-complaint chip card to help prevent fraudulent transactions
- Maybank Secure Online Shopping (MSOS) makes online shopping at 3D secure sites by receiving a One-Time-Password via SMS before completing the transaction.
- Receive SMS instantaneously for every retail transaction (Php100 and above)
- Cross-border treats in Malaysia, Singapore, and Indonesia
- Worldwide acceptance

Business Solutions

CASH MANAGEMENT SERVICES

COLLECTION SOLUTIONS

EXPRESS COLLECT

Unique deposit-taking service which provides a flexible and safe solution for transporting check collections from the client's office for deposit into their Maybank account via the bank's accredited motorized collector.

CASH COLLECT

Nationwide cash pick-up service, which ensures a secure, efficient and convenient solution for transferring cash and check collections from the customer's office into their Maybank account.

BILLS PAYMENT

Automated receivables solution that allows corporate customers to collect from their clients via Maybank's branches.

CHECK WAREHOUSING

Outsource the management and handling of Post Dated Checks (PDC) and generating reports for easy reconciliation.

NIGHT DEPOSITORY BOX

Secure and safe deposit solution for businesses operating beyond banking hours, weekends and holidays. Deposits are kept safe until they can be counted and verified the next banking day.

DISBURSEMENT SOLUTIONS

CHECK CUTTING

Allows corporate customers to outsource the check making and releasing activities to the bank and gives an *option to use* either Corporate Checks or Maybank Manager's Checks.

CHECK MASTER

Stand-alone check writing solution for the *automated preparation* of checks, vouchers and reports.

PAYROLL SOLUTIONS

PAYROLL MANAGER

Hassle free payroll solution that provides convenience of paying the periodic salaries of employees into their Maybank ATM accounts.

PAYROLL MANAGER PLUS

An outsourcing payroll solution that combines functionalities of a traditional payroll service coupled with up-to-date software to ensure security, efficiency and cost-saving during payroll activities.

PAYROLL MASTER

Stand-alone payroll system that automates the computation of the distribution of salaries and other benefits directly into the employees' ATM accounts.

Remittance

LOCAL AND INTERNATIONAL FUND TRANSFER

Send and receive remittances from your relatives, friends or business partners.

Maybank has various EFTS (Electronic Fund Transfer System) to facilitate fund transfer anywhere in the Philippines and abroad.

A. Domestic

- PDDTS-RTGS – Philippine USD fund transfer
- Electronic Peso Clearing System (EPCS) – Peso fund transfer
- SSS Local Pension Remittance – monthly auto credit of SSS pension; "2 banking days earlier"

B. International

- SWIFT
- Money2U (from Malaysia to any Philippine local banks or MPI depository)
- Regional Switch-OTC Payment (from Maybank KL, Brunei, Singapore)
- MME (Maybank KL Money Express)- payout center for Manila
- I-REMIT- payout counter
- U.S. Veterans Affairs&Social Security (USVA-SSA)Direct Deposit Remittance

C. Other Payment Services

- **Outward Bills for Collection (OBC)**
  Deposit your international checks for credit to your account after the 45-day clearing period.

Trust & Fiduciary Accounts

INVESTMENT MANAGEMENT ACCOUNT (IMA)

Maximize returns on your investment and make Maybank your Investment Manager for a minimum placement of Php1,000,000. IMA allows you flexibility and involvement in deciding where to invest your funds.

PERSONAL LIVING TRUST

Create a trust portfolio out of your cash and other properties that Maybank will manage for you or your loved ones and also for the future benefit of your intended beneficiaries.

ESCROW ACCOUNT

Meet your future obligations as well as protect the interests of the contracting parties by letting Maybank facilitate the delivery or exchange of money, securities or property between buyers and sellers upon fulfillment of your stipulated conditions.

RETIREMENT FUND ACCOUNT (GRATUITY & PROVIDENT)

Maybank acts as a keeper and investment manager of entrusted accumulated funds for companies, their employees, or both, for use as payments for retirement or separation benefits to employees. This arrangement provides for a systematic retirement plan scheme while enjoying certain tax benefits both for the company and its employees.

LIFE INSURANCE TRUST

Make your life insurance policies payable to Maybank, and we will handle and distribute the proceeds thereof in accordance with your intended dispositions.

LOAN AGENCY

Let Maybank act as an intermediate between your corporation and creditors to ensure the payment of your loan obligations in a timely and organized manner. We can monitor the interest rates, handle the administrative duties, and coordinate remittance of funds as required.

RECEIVING, TRANSFER AND PAYING AGENCY

Maybank can act as the receiving, transfer, and paying agent, which can assist your company in issuing and keeping track of bonds or notes issued to various holders. As an agent, Maybank will take care of collecting subscription proceeds, recording changes in ownership and submitting required reports.

CUSTODIAN

As your custodian, let Maybank safekeep and preserve important documents and valuables. Maybank can also do certain administrative duties in accordance with your orders or instructions.

PRE-NEED TRUST ACCOUNT

Let Maybank manage your funds for the protection of the plan holders.

Business Loans

REVOLVING CREDIT LINE (RCL)

Loan granted for purpose of working capital, where the amount paid is made continuously available provided it does not exceed the approved credit line.

SHORT TERM LOAN (STL)

Term loans are granted for the purposes of project financing, capital assets acquisition, or business expansion.

LONG TERM LOAN (STL)

Term loans are granted for the purposes of project financing, capital assets acquisition, or business expansion.

DOMESTIC BILLS PURCHASE LINE (DBPL)

Granted to augment the working capital of the borrower through advances made by the Bank against current-dated checks.

DISCOUNTING LINE (DL)

Credit facility granted to augment the working capital of the borrower through the discounting of its trade-related, third-party, post-dated checks (PDCs).

PESO LOANS VS. HOLD-OUT ON DEPOSITS (LAHOD)

Peso-denominated loans which may be for business or personal consumption secured by hold-out on Peso or USD deposits.

USD LOANS VS. HOLD-OUT ON USD DEPOSITS (LAHOD)

USD-denominated loans which may be for business or personal consumption secured by hold-out on USD deposits.

LETTERS OF CREDIT VS. HOLD-OUT ON DEPOSITS

LETTERS OF CREDIT/TRUST RECEIPTS (LC/TR)

(i) LC – This is issued by the bank on behalf of the importer-customer for the benefit of the supplier (exporter). It is issued to cover the purchases of goods for the final use of the buyer or for resale.

(ii) TR – TR Financing allows the applicant (importer) to take possession of the goods and to convert the same into cash within maximum allowable period. Trade transactions that require TR financing may or may not be covered by LC.

EXPORT ADVANCE LINE

This is a pre-shipment loan granted to exporters to enable them to purchase or prepare the goods for shipment against the assignment to MPI of their export proceeds covered by Letter of Credit, Confirmed Purchase Order, or Sales Contract. The loan may be peso-denominated or US dollar-denominated.

EXPORT BILLS PURCHASED LINE (EBPL)

Facility granted that allows the outright purchase of export proceeds upon presentation of client's export bills.

STAND-BY LC (SBLC) / BANK GUARANTEE

A letter of credit used to guarantee payment in case of non-performance of the applicant/customer or payment to a beneficiary under a contractual obligation between the applicant and the beneficiary. It is issued as a form of protection to cover performance under contract. It assures the beneficiary that the applicant will fulfill the contractual obligation or if not, the beneficiary may draw funds that are available as set forth in the L/C.

AGRICULTURAL SUGAR CROP LOAN (ASCL)

A non-revolving loan facility intended to finance the sugar production requirements of sugar planters.

FACTORING OF RECEIVABLES
Purchase of Supplier's receivables from an accredited Corporate Buyer at discount. In MPI, this product is "With Recourse", i.e., in case of non-collection from the corporate buyers, the Bank can enforce settlement from the supplier.

CTS FINANCING (WHOLESALE)
A credit facility available to real estate developers for purpose of providing liquidity through purchase of receivables from buyers with live Contract-to-Sell on residual lots and housing units and condominiums.

TRADE LOAN (IMPORTS/PURCHASES); (EXPORT/SALES)
A financing facility for local and international purchases/sales under Open Account, Advanced Payment and Direct Remittance.

RECEIVABLE FINANCING WITHOUT RECOURSE
A facility whereby the seller is advanced a portion of the funds and upon due date, the bank acts as a collection agent for the debt.

LC DISCOUNTING
A financing facility available for clients (exporter) with Usance LC.

SHIPPING GUARANTEE
A document issued by the bank to the shipping company that allows the importer to collect the goods in the absence of the Bill of Lading.

LC TRANSFER
The transfer of LC by the bank to one or more second beneficiaries following the instruction of original or first beneficiary.

ADVISING OF INWARD DOCUMENTARY CREDIT
The process of verifying the authenticity of a Letter of Credit that has been issued by a buyer's bank to the Advising Bank's customer (seller).

ONLINE PAYMENT OF CUSTOMS DUTIES
Convenient payment of duties and taxes via Bureau of Customs' Payment Application Secure System version 5.0 (PASS5).

TRADECONNEX
A fully functional web based trade finance banking service available via Maybank2e.net.

BUYER CENTRIC SUPPLIER FINANCING (BCSF)
It is a financial solution whereby clients will be able to extend payment terms with suppliers and negotiate for discounts and where suppliers may access financing at a lower cost without collateral.

RECEIVABLES FINANCING (RF) WITHOUT RECOURSE
A facility for financing local sales and exportation in the form of post-shipment financing.

Treasury Products & Services

GOVERNMENT SECURITIES
Also known as sovereign notes or bonds, these are certificates of indebtedness that are unconditionally guaranteed and backed by the fully taxing power of the Philippine Government. These are issued by the Bureau of the Treasury.

Treasury Bills
Available in 91-, 182-, and 364-days tenors

Retail Treasury Bonds
Available in 3-, 5-, 7-, 10-, 15-, 20-, and 25-years tenors

Fixed Rate Treasury Notes
Available in 3-, 5-, 7-, 10-, 15-, 20-, and 25-years tenors

ROPs
Foreign currency denominated bonds issued by the Philippine government.

OTHER TYPES OF BONDS
Local & Foreign currency denominated:
a) Other sovereign government such as Malaysia or Indonesia
b) Philippine Government-Owned & controlled companies (GOCC's) such as PSALM Bonds; or
c) Private companies that is based in the Philippines or offshore.

DERIVATIVES
A financial instrument whose value is derived from the value of underlying assets such as commodities, equities and currencies. We offer selected derivative instruments to assist our clients in hedging both their Peso or US dollar foreign exchange risk.

Available hedging tools:
a) Foreign Exchange Forwards
b) Foreign Exchange Swaps
c) Interest Rate Swaps
d) Cross-Currency Swaps
e) Interest Rate Options

Branch Network

MAIN OFFICE BRANCH

G/F Maybank Corporate Centre,
7th Ave. corner 28th St.,
Bonifacio High Street Central,
Bonifacio Global City,
Taguig City
Tel No.: (02) 720 9578
(02) 588 1630
Fax No.: (02) 519 6325

NORTH METRO MANILA

BINONDO
G/F Co Chen Building,
567-569 Quintin Paredes St.,
Binondo, Manila, 1006
Tel No.: (02) 247 4576
(02) 243 9735
Fax No.: (02) 243 9735

CAINTA
Felix Ave., Cainta Rizal 1900
Tel No.: (02) 875 7906

CALOOCAN
Rizal Ave., corner 10th Ave.,
Caloocan City, 1400
Muntinlupa City
Tel No.: (02) 364 5545
(02) 364 5526

CUBAO
178 P. Tuazon Blvd.,
corner 8th Avenue,
Cubao, Quezon City 1109
Telefax: (02) 911 6770

DEL MONTE
No. 483 Del Monte Ave.,
Quezon City
Tel No.: (02) 365 0855
Fax No.: (02) 365 0955

GREENHILLS
G/F Unit 2 Greenhills Mansions,
37 Annapolis St., Greenhills,
San Juan, 1500
Tel No.: (02) 721 3194

KATIPUNAN
#333 G/F Golan Plaza,
Katipunan Ave., Quezon City
Tel No.: (02) 426 0199
Fax No.: (02) 738 6031

MABINI
G/F Metropolitan Towers
Condominium, 1746 A. Mabini St.,
Malate, Manila, 1004
Tel No.: (02) 728 1076
Fax No.: (02) 526 0667

MALABON
155-C Gov Pascual Ave.,
Acacia, Malabon, City
Telefax: (02) 990 4058

MARIKINA
#54 Bayan-Bayanan Ave.,
Concepcion Uno, Marikina City
Telefax: (02) 571 7104

ORTIGAS
G/F Unit 101, Pacific Center Building,
San Miguel Avenue, Ortigas Center,
Pasig City, 1605
Tel No.: (02) 706 5270
Fax No.: (02) 638 7646

SAN JUAN
G/F LM Building, 157 F. Blumentritt St.,
San Juan City, 1500
Tel No.: (02) 724 3247

TOMAS MORATO
G/F MJB Building,
220 Tomas Morato Avenue,
corner Scout Lascano St.,
Barangay Sacred Heart,
Quezon City, 1103
Tel No.: (02) 929 8816
Fax No.: (02) 920 9262

VALENZUELA
209-211 McArthur Highway,
Karuhatan, Valenzuela City
Taguig City 1634
Tel No.: (02) 443 2014
Fax No.: (02) 293 6483

SOUTH METRO MANILA

ALABANG ZAPOTE
G/F NT Center, Alabang-Zapote Rd.
Tierra Nueva, Village, Cupang 1771
Muntinlupa City Metro Manila
Telefax: (02) 843 3031

AYALA ALABANG
G/F Mapfre Insular Corporate Center,
Acacia Avenue, Madrigal Business Park,
Ayala Alabang, Muntinlupa City, 1770
Telefax: (02) 842 9473

BELAIR
G/F 357 New Solid Building,
Senator Gil Puyat Ave., Makati City, 1200
Tel No.: (02) 890 4839
Fax No.: (02) 890 4824

GLOBAL CITY – BURGOS CIRCLE
G/F ACCRALAW Tower, 2nd Ave.
corner 30th St., Bonifacio Global City,
Taguig City 1634
Tel No.: (02) 556 9831
Fax No.: (02) 501 8691

GLOBAL CITY – SOUTH OF MARKET
Commercial 10 North Tower,
South of Market,
26th St. corner 11th Avenue,
Fort Bonifacio Global City, Taguig City
Tel No.: (02) 403 8763
Fax No.: (02) 403 8765

GLOBAL CITY - 32nd STREET
G/F Unit 6, Trade and Financial Tower,
7th Ave. corner 32nd St.,
Fort Bonifacio Global City,
Taguig City, 1634
Tel No.: (02) 478 7961
Fax No.: (02) 478 9499

LAS PIÑAS
Alabang-Zapote Road,
Pamplona Tres,
Las Piñas City
Tel No.: (02) 8726649
Fax No.: (02) 808 8384

LEGASPI TOWERS CENTER
G/F Legaspi Towers 300,
Roxas Boulevard corner
Pablo Ocampo St.,
Malate, Manila 1004
Tel No.: (02) 521 0803
Fax No.: (02) 521 0545

MAKATI AVENUE
St. Giles Hotel corner
Makati Ave. and Kalayaan Ave.,
Poblacion, Makati City
Tel No.: (02) 400 8207

MCKINLEY HILL
G/F Commerce and Industry Plaza,
1030 Campus Ave., Bonifacio,
Taguig City, 1634
Tel No.: (02) 822 0063
(02) 846 2452
Fax No.: (02) 822 0063

NEWPORT CITY
Unit R4 Ground Floor,
Star Cruises Bldg.,
110 Andrews Ave., Newport City,
Cybertourism Zone,
Pasay City 1309
Tel No.: (02) 804 0691

RESORTS WORLD
G/F Events Place, Maxims Hotel,
Newport City, 1309 Pasay City
Tel No.: (02) 239 5649
Fax No.: (02) 831 3267

RUFINO
G/F Plaza 100 Building,
V.A. Rufino corner
Dela Rosa Streets,
Legaspi Village,
Makati City, 1229
Tel No.: (02) 856 5972
Fax No.: (02) 856 5973

SUCAT PARAÑAQUE
8212 Dr. A. Santos Ave.,
Brgy. San Isidro,
Parañaque City, 1700
Tel No.: (02) 826 7633
Fax No.: (02) 825 2840

VILLAMOR
New Concessionaries Area,
Villamor Air Base,
Pasay City, 1309
Telefax: (02) 852 1449

NORTH CENTRAL LUZON

ALAMINOS
G/F Apostol Building,
Quezon Ave.,
Alaminos City,
Pangasinan, 2404
Tel No.: (075) 551 3368
Fax No.: (075) 552 7049

ANGELES
McArthur Highway,
Balibago, Angeles City
Tel No.: (045) 405 0182

BAGUIO
143 EDY Building,
Kisad Road, Baguio City, 2600
Tel No.: (074) 423 3571
Fax No.: (074) 446 7244

CABANATUAN
114 Maharlika Highway,
Cabanatuan City, Nueva Ecija
Tel No.: (044) 463 3828
Fax No.: (044) 463 0726

CLARK
Pavilion 8 Berthaphil III,
Clark Center,
Jose Abad Santos Ave.,
Clark Freeport Zone,
Clark, Pampanga
Telefax: (045) 499 2125

DAGUPAN
290 A.B. Fernandez Ave.,
Dagupan City, Pangasinan, 2400
Tel No.: (075) 523 1194
Fax No.: (075) 515 7381

GUAGUA
Sto. Cristo, Guagua,
Pampanga, 2001
Tel No.: (045) 900 4107
Fax No.: (045) 900 0265

HAGONOY
G/F Puso Niño Mall Building,
Poblacion, Sto. Niño,
Hagonoy, Bulacan, 3002
Tel No.: (044) 793 0007
Fax No.: (044) 793 3044

LAOAG
Barangay 16, Villanueva St.,
Laoag City, 2900
Tel No.: (077) 772 0050
Fax No.: (077) 770 3643

LA UNION
Quezon Ave., Brgy. Sevilla,
San Fernando, La Union
Tel No.: (072) 607 3558
Fax No.: (072) 607 3523

MEYCAUAYAN
Mc Arthur Highway cor. Malhacan Road,
Meycauayan, Bulacan, 3020
Tel No.: (044) 228 5736
Fax No.: (044) 769 9680

OLONGAPO
1255 Rizal Ave., West Tapinac,
Olongapo City, 2200
Tel No.: (047) 222 2110
Fax No.: (047) 223 5746

SANTIAGO ISABELA
Camacam Street, City Road,
Santiago City, Isabela
Tel No.: (078) 305 3093
Fax No.: (078) 305 3097

SAN FERNANDO
G/F Odette Grace Building,
MacArthur Highway, Dolores,
San Fernando, Pampanga, 2000
Tel No.: (045) 961 5013 loc. 102

TARLAC
Unit 105 & 106 A Benry Square,
No. 1 F. Tanedo St., Tarlac City
Telefax: (045) 491 2062

URDANETA
MacArthur Highway,
Urdaneta City, Pangasinan, 2428
Tel No.: (075) 656 2401
(075) 568 6811

VIGAN
G/F GSP Building,
Leona Florentino corner Plaridel Sts.,
Vigan City, Ilocos Sur 2700
Tel No.: (077) 722 2836
Telefax: (077) 632 0747

SOUTH LUZON

BATANGAS
P. Burgos Street, Batangas City
Tel No.: (043) 980 1032

BIÑAN
Km 35 National Highway,
Brgy. San Antonio,
Biñan City, Laguna, 4024
Tel No.: (02) 806 9526
(049) 511 3032
Fax No.: (049) 511 3005

CALAPAN
J.P. Rizal St., San Vicente,
Calapan City, Oriental Mindoro
Tel No.: (043) 288 1633
(043) 288 1640

DASMARIÑAS
Brgy. Zone 1-A,
Aguinaldo Hi-Way,
Dasmariñas, Cavite
Tel No.: (046) 416 2391

IMUS
550 Aguinaldo Highway,
Tanzang Luma, Imus, Cavite
Tel No.: (046) 502 1806

LEGAZPI
G/F Pacific Mall,
Landco Business Park,
4500 Legazpi City
Tel No.: (052) 481 3130

LIPA
C.M. Recto Avenue
corner Rizal St.,
Lipa City, Batangas
Tel No.: (043) 702 1695
(043) 702 1599

LUCENA
Quezon Ave., corner
Lakandula St.
Lucena City 4301
Tel No.: (042) 797 1649
Fax No.: (02) 250 8252

NAGA
G/F Bicol Diamond Property Holdings,
Panganiban corner Peñafrancia Ave.,
Naga City, Camarines Sur
Tel No.: (054) 881 2011
(054) 472 2011

PUERTO PRINCESA
Centro de Benito Y Aliva Complex,
Rizal Avenue, Puerto Princesa City
Tel No.: (048) 433 0420
Fax No.: (048) 433-0037

STA. ROSA
JP Rizal Boulevard corner
Gov. F. Gomez St.,
Sta. Rosa City, Laguna, 4026
Tel No.: (049) 534 1019
(02) 520 8686

SANTA ROSA ESTATES
Block 5 Lot 2 Santa Rosa Estates,
Commercial Property, Brgy. Sto. Domingo,
Sta. Rosa City, Laguna
Tel No.: (049) 508 1517
Telefax: (049) 508 2315

VISAYAS - MINDANAO

BACOLOD
G/F R&B Building corner
Hilado and Narra Sts.,
Capitol Shopping Center,
Bacolod City, 6100
Tel No.: (034) 435 0050
(034) 434 5541
Telefax: (034) 435 1443

BAGO
Gonzaga St., Barangay 1,
Poblacion, Bago City,
Negros Occidental, 6101
Tel No.: (034) 461 0358
(034) 461 1158

BUTUAN
Jose C. Aquino Ave.,
Butuan City, 8600,
Agusan Del Norte
Tel No.: (085) 341 0224

CDO BUSINESS CENTER
Pioneer House CDO
corner A. Velez & Mabini Sts.,
Cagayan De Oro City
Tel. No.: (088) 880 0021

CDO LAPASAN
Lapasan Highway,
Cagayan de Oro City
Tel No.: (088) 850 1478

CEBU BUSINESS CENTER
Zenith Central,
Lot 2 Blk 19, Luzon Ave.,
Cebu Business Park,
Cebu City, 6000
Tel No.: (032) 520 5031 to 37
Fax No.: (032) 520 5425

CEBU DOWNTOWN
137 Plaridel St. Cebu City
Tel No.: (032) 239 4859
Fax No.: (032) 253 0393

CEBU LAHUG
JY Square Annex, Gorordo Ave.
corner Sanson Road,
Lahug, Cebu
Tel No.: (032) 239 6216

CEBU MANDAUE
Lopez Jaena Street,
National Highway,
Subangdaku, Mandaue City
Telefax: (032) 268 0832

DAVAO BUSINESS CENTER
G/F HAI Building Pryce Business Park,
JP Laurel Ave., Davao City
Tel No.: (082) 321 7600
Fax No.: (082) 222 0295

DAVAO LANANG
Nova Tierra Square, Bo. Pampanga,
Lanang, 8000 Davao City
Tel No.: (082) 233 1357
Fax No.: (082) 321 6899

DAVAO MONTEVERDE
Units A and B,
G/F Veterans Building,
Monteverde Street,
8000 Davao City
Tel No.: (082) 227 8904
(082) 300 9374
Fax No.: (082) 226 4667

DAVAO SAN PEDRO
San Pedro Street,
Poblacion,
4023 Davao City
Tel No.: (082) 285 8131
Fax No.: (082) 305 2870

DUMAGUETE
Real Street corner Surban Street,
Dumaguete City,
Negros Oriental
Tel No.: (035) 522 1259
(035) 522 1409
Fax No.: (035) 522 1259

ILOILO
G/F J&B Bldg. II,
corner Ledesma and Mabini Sts.,
Iloilo City, 5000
Telefax: (033) 337 1707

JARO, ILOILO
No. 12 Lopez Jaena St.,
Jaro, Iloilo City
Tel No.: (033) 321 2207
Fax No.: (033) 320 6241

ROXAS
1068 Roxas Ave.,
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