14 May 2014

JANET A. ENCARNACION
HEAD, DISCLOSURE DEPARTMENT
3F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1226

Dear Madam:

We would like to submit the attached SEC 17-Q report of Philippine Savings Bank (PSBank) for the period ended March 31, 2014.

Thank you very much.

Very truly yours,

Perfecto Ramon Z. Dimayuga Jr.
SVP and Chief Finance Officer

COVER SHEET

15552

SEC Registration Number

PHILIPPINE SAVINGS BANK

(Company's Full Name)

PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City

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

Perfecto Ramon Z. Dimayuga Jr.

(Contact Person)

885-8208

(Company Telephone Number)

12 31

Month *Day*

(Fiscal Year)

17-Q

(Form Type)

1st Quarter 2014

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

SEC-Corporation Finance

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1,573

Total No. of Stockholders
As of March 31, 2014

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF
THE SECURITIES REGULATION CODE

1. For the quarterly period ended : **March 31, 2014**

2. Commission identification number : **15552**

3. BIR tax identification number : **000-663-983-000**

4. Exact name of registrant as specified in its charter:

   o PHILIPPINE SAVINGS BANK

5. Province, country or other jurisdiction of incorporation or organization:

   o City of Manila, Philippines

6. Industry classification code : [ ] (SEC Use Only)

7. Address of registrant's principal office:

   o PSBank Center, 777 Paseo de Roxas cor. Sedeño St., Makati City

8. Registrant's telephone number, including area code

   o (632) 885-8208

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

   o Not applicable

10. Securities registered pursuant to Sections 4 and 8 of the RSA:

o Title of each class	**Common Shares**
o Number of shares of common stock outstanding	**240,252,491**
o Amount of debt outstanding	**₱2,973,032,019**
	(Tier II Subordinated Notes)

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

    o Yes

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).
    Yes **[x]** No [ ]

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

    Yes **[x]** No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Management Discussion and Analysis of Financial Condition and Results of Operations

Item 2. Financial Statements

Attached are the following:

Interim Statements of Condition	Annex 1
Interim Statements of Income	Annex 2
Interim Statements of Changes in Equity	Annex 3
Interim Statements of Comprehensive Income	Annex 4
Interim Statements of Cash Flows	Annex 5
Aging of Receivables	Annex 6
Business Segment	Annex 7
Schedule of Financial Performance Indicators	Annex 8

PART II – OTHER INFORMATION

1. Control of Registrant

The following stockholders own more than 5% of the total outstanding number of shares issued as of March 31, 2014:

Name of Stockholder	Outstanding Number of Shares	Percent to Total No. of Shares
Metropolitan Bank and Trust Co.	182,535,895	75.98%
PCD Nominee Corp. (Filipino)	18,146,931	7.55%
Danilo L. Dolor	12,610,891	5.25%

As of March 31, 2014, there is no person who holds more than 5% of the Bank's securities lodged with PCD Nominee Corporation.

2. Legal Proceedings

The Bank in the course of its operations and in running its business, has several legal cases that are filed in its behalf and against it. However, these cases will not give any material effect to its financial status nor would have any material impact in continuing its operations. These cases are part of its daily business activities and consequence of its collection efforts and business dealings with the public.

3. Board Resolutions

All material disclosures of the Bank had been made under SEC 17-C.

Item 1. Management Discussion and Analysis

A. Analysis of Statements of Condition

<u>March 31, 2014 (Unaudited) and December 31, 2013 (Audited)</u>

The Bank's Total Assets as of March 31, 2014 stood at ₱141.06 billion, ₱11.03 billion higher than the December 2013 level of ₱130.03 billion. Loan growth continued its upward momentum.

Loans and Receivables, net of allowance and unearned interest and discounts, representing 61.38% of total assets were posted at ₱86.59 billion, higher by ₱3.67 billion from December 2013 level of ₱82.92 billion. Mortgage Loans and Commercial Loans grew by 5.74% and 5.32%, respectively.

Interbank Loans Receivable and Securities Purchased under Resale Agreements went up by 65.87% to ₱24.10 billion compared to December 2013 level of ₱14.53 billion due to the increase in overnight and term placements with BSP and other banks as of March 31, 2014.

Available-for-Sale Investments increased to ₱7.66 billion in March 2014, 35.57% or ₱2.01 billion higher than the year-end level of ₱5.65 billion. Financial Assets at Fair Value through Profit or Loss (FVPL) increased by 246.05% or ₱454.22 million to ₱638.82 million from ₱184.61 million last December 2013.

Due from Other Banks as of March 2014 was at ₱5.33 billion, 37.22% or ₱3.16 billion lower than the December 2013 level of ₱8.49 billion. Likewise, Due from Bangko Sentral ng Pilipinas decreased by 5.56% or ₱411.20 million to ₱6.99 billion versus ₱7.40 billion as of December 2013. Cash and Other Cash Items also declined to ₱1.87 billion versus ₱3.16 billion in December 2013.

Deferred Tax Asset was higher at ₱339.03 million from ₱243.12 million while Goodwill and Other Intangibles slightly decreased to ₱292.23 million from ₱292.83 million. Other Assets also increased by 16.62% or ₱138.96 million to ₱975.26 million from ₱836.30 million as of December 2013 mainly due to the increase in prepaid expenses and foreclosed chattel mortgage.

The Bank's deposit level, comprising 90.43% of total liabilities reached ₱112.67 billion as of March 2014, 5.77% higher than the ₱106.52 billion as of December 2013. As of March 31, 2014, Bills payable representing interbank borrowing amounted to ₱4.50 billion. Income Tax Payable in March 2013 was ₱104.40 million. The amount includes accrual for current quarter and previous quarter's income tax liability which is due for remittance on April 15, 2014. Other Liabilities was posted at ₱2.19 billion from ₱2.06 billion as of December 2013.

Total Capital stood at ₱16.46 billion, a 1.23% increase from the ₱16.26 billion posted as of December 2013. The Bank reflected a Net Unrealized Loss of Available-for-Sale Investments amounting ₱67.70 million from net unrealized gain of ₱22.29 million in December 2013.

Return on Average Equity (ROAE) slid to 11.46% in March 2014 versus 18.72% in December 2013. Return on Average Assets (ROAA) decreased to 1.38% in 2014 from 2.38% in 2013.

B. Discussion of Results of Operations

March 31, 2014 (Unaudited) and March 31, 2013 (Unaudited)

For the first quarter ended March 2014, the Bank recorded a Net Income after Tax of ₱468.67 million or 77.01% lower than the ₱2.04 billion posted during the same period last year. The Bank reflected higher other operating income in 2013 due to the significant gains on its securities trading activities.

Total Interest Income increased by 9.84% or ₱218.06 million better than the ₱2.22 billion recorded last year.

Interest income on Loans and Receivables was 12.07% higher at ₱2.16 billion from ₱1.92 billion. Interest earned from Interbank Loans Receivable and SPURA increased to ₱185.53 million or 357.82% better than the ₱40.52 million in 2013. On the other hand, Interest income on Investment Securities slid to ₱72.58 million from ₱230.61 million due to the sale of various government securities during the first quarter of 2013. Interest earned from deposits with BSP decreased by 9.77% to ₱18.16 million while interest income from other banks went up by 39.72% to ₱2.91 million.

Interest Expense on the Bank's deposit liabilities declined by 20.58% to ₱507.96 million due to lower cost of funds. Interest Expense on Subordinated Notes increased to ₱46.44 million from ₱43.77 million due to the amortization of debt issuance cost related to the issuance of Unsecured Subordinated Notes (Tier II).

As of March 2014, Net interest Income improved to ₱1.88 billion from ₱1.53 billion in 2013.

Net Service Fees and Commission Income increased to ₱259.30 million, 9.86% better than the ₱236.02 million recorded last year.

Meanwhile, Other Operating Income decreased by 87.19% or ₱2.70 billion to ₱397.18 million due to lower trading gains recorded during the first quarter of 2014. The Bank reflected a ₱104.09 million trading gain, ₱2.92 billion lower than the ₱3.03 billion trading gain in 2013.

The Bank registered a net gain on foreclosure and sale of chattel mortgage amounting to ₱107.93 million from ₱50.00 million loss in 2013. As of March 2014, the Bank posted a ₱78.66 million gains on foreclosure and sale of investment properties versus ₱85.68 million a year-ago. Gain on sale of property and equipment increased by ₱36.87 million due to the sale of the Bank's property located at Phil Axa Tower. Miscellaneous Income improved by ₱27.23 million to ₱65.04 million mainly due to higher recovery from loan accounts previously written-off.

Meanwhile, Foreign Exchange gain was posted at ₱3.51 million from ₱0.18 million recorded a year ago.

Other Operating Expenses, excluding provision for impairment and credit losses, decreased by 17.35% to ₱2.51 billion from ₱3.04 billion in 2013. Taxes and Licenses went down by ₱131.48 million or 33.86% to ₱256.79 million from ₱388.27 million. The Bank paid lower gross receipt taxes on account of the significant decline in trading gains during the first quarter of 2014. Depreciation and amortization of Bank's properties and leasehold improvements increased from ₱119.36 million to ₱131.34 million. Meanwhile, amortization of software costs was recorded at ₱18.39 million. Compensation and Fringe Benefits amounted to ₱610.59 million while security, messengerial and janitorial services was at ₱68.05 million. Miscellaneous Expenses was registered at ₱388.97 million versus ₱467.24 million during the same period last year.

As of March 2014, the Bank set aside ₱446.08 million in provision for impairment and credit losses.

The Bank also reported share in net income from its investment in Toyota Financial Services (TFS) and Sumisho Motor Finance Corporation (SMFC) amounting to ₱14.52 million from ₱17.30 million as of March 2013.

Analysis of Key Performance Indicators

The following ratios measure the financial performance of the Bank:

		March 31		December 31
		2014	**2013**	**2013**
		(Unaudited)		(Audited)
Return on Average Equity	ROAE	**11.46%**	14.24%*	18.72%
Return on Average Assets	ROAA	**1.38%**	2.06%*	2.38%
Net Interest Margin on Average Earning Assets	NIM	**5.97%**	5.70%	5.88%
Earnings per share	EPS	**₱1.95**	₱8.48	₱12.19
Capital-to-Risk Assets Ratio	CAR	**16.38%**	18.60%	16.92%
Liquidity Ratio	LR	**51.24%**	54.58%	51.68%
Debt-Equity Ratio	DER	**7.57:1**	5.27:1	7.00:1
Asset-to-Equity Ratio	AER	**8.57:1**	6.27:1	8.00:1
Interest Rate Coverage Ratio	IRCR	**1.88:1**	4.60:1	2.76:1

** computed based on annualized/normalized net income*

<u>March 2014 vs. March 2013 Comparative highlights on key performance indicators</u>

1. Return on Average Equity (ROAE) decreased to 11.46% in March 31, 2014 from 14.24% in the same period last year. ROAE measures how well the Bank is using common shareholders' invested money. It is calculated by dividing the annualized/normalized net income by the year-on-year average of the outstanding shareholders' equity.

2. Return on Average Assets (ROAA) as of March 31, 2014 also decreased to 1.38% from 2.06% last year. ROAA is calculated by dividing the annualized/normalized net income by the year-on-year average of the outstanding total assets.

3. Net Interest Margin on Average Earning Assets (NIM) rose to 5.97% in March 31, 2014 from 5.70% the same period last year. NIM is calculated by dividing the net interest income by the average earning assets.

4. Earnings per Share (EPS) was lower at ₱1.95 as of March 2014 compared to ₱8.48 reported during the same period last year. EPS is the net profit the Bank has generated per common share. It is computed by dividing the year to date net income by the weighted average number of outstanding common shares.

5. Capital-to-Risk Assets Ratio (CAR) was at 16.38% in March 2014 from 18.60% in March 2013. CAR is the measure of the Bank's capital strength. It is calculated by dividing the qualified capital by risk-weighted assets as defined by the Bangko Sentral ng Pilipinas (BSP).

6. Liquidity Ratio (LR) was lower from 54.58% in March 2013 to 51.24% this year. LR measures the Bank's ability to meet its short-term liabilities. It is derived from dividing the current assets by current liabilities.

7. Debt-to-Equity Ratio (DER) was higher at 7.57:1 from 5.27:1 in March 2013. DER indicates the extent to which the Bank's leveraged, or financed by credit. This is computed by dividing total liabilities by total stockholder's equity.

8. Asset-to-Equity Ratio (AER) increased to 8.57:1 from 6.27:1 last year. AER is computed by dividing the total assets by total shareholder's equity.

9. Interest Rate Coverage Ratio (IRCR) decreased to 1.88:1 this year from 4.60:1 in March 2013. IRCR is a measure of the Bank's ability to meet its interest payments on outstanding debt. It is calculated by dividing the total earnings before interest and taxes over interest expense.

C. Key Variables and Other Qualitative and Quantitative Factors

Liquidity

PSBank manages its liquidity position to ensure that it has more than adequate funds to meet its obligations at any given time. The Bank monitors its daily liquidity and reserve position by determining inflows and outflows, short-term and long-term obligations, holdings and repayments. Short-term liquidity management identifies obligations and repayments in the next 12-months, aids in the determination of the securities trading strategy, and influences the Bank's pricing mechanism. On the other hand, long-term liquidity management covers maturing obligations and repayments of loans and investments beyond the next 12-months.

The level of liquid assets remained strong, exhibiting healthy growth in both placements with BSP/other banks and securities investments.

With the Bank's high capitalization, current liquidity position, strong deposit growth trend, continuing development of retail and corporate accounts, and prudent liquidity management, PSBank does not anticipate encountering any cash flow or liquidity problems in the next 12 months. It remains confident of its ability to meet its obligations and is committed to providing the necessary funding to support the projected loan growth, investment activities and expenditures.

The Bank also performs liquidity stress testing under various stress scenarios to ensure its ability to meet its funding obligations. The Bank has a Liquidity Contingency Funding Plan to anticipate and manage any funding crisis that may occur.

Events that will Trigger Direct or Contingent Financial Obligation

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees and commitments to extend credit, which are part of its lending and related businesses but due to their nature, may not be reflected in the accompanying financial statements. The Bank, however, does not anticipate significant losses as a result of these transactions.

Also, several suit and claims, in behalf or against the Bank in relation to its operations, including labor-related cases are pending before the courts and quasi-judicial bodies. In the opinion of management, these suits and claims, if decided adversely, will not involve an amount having a material effect on the financial statements.

Material Off-Balance Sheet Transactions, Arrangements and Obligations

The following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts:

	31-Mar-14	31-Mar-13	31-Dec-13
Trust Department	**₱ 1,364,046,665**	₱3,324,256,843	₱1,183,684,353
Stand-by credit line	**73,540,509**	76,262,933	73,413,399
Late deposits/payments received	**54,102,685**	48,096,088	63,998,571
Items held for safekeeping	**175,661**	284,585	260,102
Others	**105,850**	18,404	26,095

None of these off-balance sheet transactions, arising in the ordinary course, either individually or in the aggregate, are expected to have a material adverse effect on the Bank's financial condition.

Material Commitments for Capital Expenditures

The Bank's Capital Expenditure target in 2014 includes projected expenses for new branches, on-site and off-site ATMs, upgrade of bank premises including infrastructure, furniture, fixtures and equipment, IT-related activities on systems, infrastructure, and licenses.

As of March 31, 2014, the Bank had a total of 224 branches. The Bank has a total of 558 ATMs which consist of 237 onsite ATMs and 321 offsite ATMs nationwide.

Causes for Any Material Changes from Period to Period of Financial Statements

See previous discussion on Analysis of Statement of Condition and Discussion of Results of Operations.

Known Trends, Events or Uncertainties or Seasonal Aspects

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year. The issuance of and the amendments to the following standards and interpretations which became effective January 1, 2014 were assessed to either be applicable or not applicable to the Bank.

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. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Bank's financial position or performance.

Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
These amendments provide an exception to the consolidation requirements 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. It is not expected that this amendment would be relevant to the Bank as it does not have any subsidiaries.

Philippine Interpretation 21, *Levies*
Philippine Interpretation 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. The Bank does not expect that Philippine Interpretation 21 will have material financial impact in future financial statements.

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. The Bank has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

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

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments only affect presentation only and have no impact on the Bank’s financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Except for the foregoing, there are no known trends, events and uncertainties or seasonal aspects that may effect liquidity or reverse the generally profitable results of operation of the Bank.

Significant Accounting Policies - Financial Instruments

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>
Date of recognition
Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Deposits, amounts due to banks and loans are recognized when cash is received by the Bank or advanced to the borrowers.

Initial recognition of financial instruments
All financial instruments, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for FVPL investments and liabilities, the initial measurement of financial instruments includes transaction costs. The Bank classifies its financial assets in the following categories: FVPL investments, AFS investments, held-to-maturity (HTM) investments, and loans and receivables. Financial liabilities are classified into liabilities at FVPL and other financial liabilities at amortized cost. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management’s intention in acquiring them. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every statement of condition date.

‘Day 1’ profit or loss
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Bank recognizes the difference between the transaction price and fair value (a ‘Day 1 difference’) in the statement of income under ‘Trading and securities gains - net’, unless it qualifies for recognition as some other type of asset. In cases where the fair value 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.

Derivatives recorded at FVPL
Derivative financial instruments 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 values of derivatives (except those accounted for as cash flow hedges) are taken directly to the statement of income and are included in ‘Trading and securities gain - net’. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

For purposes of hedge accounting, hedges, if any, are classified primarily as either: a) a hedge of the fair value of an asset, liability or a firm commitment (fair value hedge); or b) a hedge of the exposure to variability in cash flows attributable to an asset or a liability or a forecasted transaction (cash flow hedge). Hedge accounting is applied to derivatives designated as hedging instruments in a fair value, cash flow, or net investment hedge provided certain criteria are met.

At the inception of a hedge relationship, the Bank formally designates and documents the hedge relationship to which the Bank wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Bank will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedge
The effective portion of the gain or loss on the hedging instrument is recognized directly as 'Cash flow hedge reserve' in the statement of comprehensive income. Any gain or loss in fair value relating to an ineffective portion is recognized immediately in the statement of income.

Amounts recognized as other comprehensive income are transferred to the statement of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in the statement of comprehensive income are transferred to the statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss. If the related transaction is no longer expected to occur, the amount is recognized in the statement of income.

Hedge effectiveness testing
To qualify for hedge accounting, the Bank requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness), and demonstrate actual effectiveness (retrospective effectiveness) on an ongoing basis. The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method that the Bank adopts for assessing hedge effectiveness will depend on its risk management strategy.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated.

The Bank's associate has designated its cross currency interest rate swaps as cash flow hedges of the foreign currency and interest rate risks arising from floating interest rate foreign currency-denominated liabilities.

Financial assets or financial liabilities held-for-trading (HFT)
Other financial assets or financial liabilities held for trading (classified as FVPL investments) are recorded in the statement of condition at fair value. Changes in fair value relating to the HFT positions are recognized in 'Trading and securities gains - net'. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded in other 'Miscellaneous' when the right to receive payment has been established.

Included in this classification are debt securities which have been acquired principally for the purpose of selling in the near term.

Designated financial assets or financial liabilities at FVPL
Designated financial assets or financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at FVPL upon recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- the financial instrument contains one or more embedded derivatives which significantly modify the cash flow that would otherwise be required by the contract.

Designated financial assets and financial liabilities at FVPL are recorded in the statement of condition at fair value. Changes in fair value are recorded in 'Trading and securities gains - net'. Interest earned or incurred is recorded in interest income or interest expense using the effective interest rate (EIR), while any dividend income is recorded in 'Miscellaneous' according to the terms of the contract, or when the right of the payment has been established.

Embedded derivatives
An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized at fair value through profit or loss.

The Bank assesses whether embedded derivatives are required to be separated from host contracts when the Bank first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Bank determines whether a modification to the cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative and the host contract has changed, and whether the change is significant relative to the previously expected cash flow on the contract.

AFS investments
AFS investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as HFT nor designated at FVPL. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in market conditions. The Bank has not designated any loans and receivables as AFS.

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 restatement on foreign currency-denominated AFS debt securities, is reported in other operating 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 'Changes in fair values of AFS investments' in OCI.

When the security is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Trading and securities gains - net' in the statement of income. Where the Bank holds more than one investment in the same security, these are deemed to be disposed on a weighted average basis. Interest earned on holding AFS debt investments are reported as interest income using the EIR. Dividends earned on holding AFS equity investments are recognized in the statement of income as 'Miscellaneous' when the right of the payment has been established. The losses arising from impairment of such investments are recognized as 'Provision for credit and impairment losses' in the statement of income and removed from 'Changes in fair values of AFS investments' in OCI.

HTM investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Bank's management has the positive intention and ability to hold until maturity. After initial measurement, HTM investments are subsequently measured at amortized cost using the EIR amortization method, less 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 'Interest income on investment securities' in the statement of income. The losses arising from impairment of such investments are recognized in the statement of income under 'Provision for credit and impairment losses'. The effects of restatement on foreign currency-denominated HTM investments are recognized in the statement of income.

If the Bank were to sell or reclassify more than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would be reclassified as AFS investments. Furthermore, the Bank would be prohibited from classifying any financial asset as HTM investments during the following two years.

Amounts due from Bangko Sentral ng Pilipinas (BSP) and other banks, interbank loans receivable and securities purchased under resale agreements (SPURA), loans and receivables
These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market, other than:

- those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at FVPL;
- those that the Bank, upon initial recognition, designates as AFS; and
- those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and SPURA' and 'Loans and receivables' are subsequently measured at amortized cost using the EIR amortization method, less allowance for 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' in the statement of income. The losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the statement of income.

Other financial liabilities carried at amortized cost
This category represents issued financial instruments or their components, which are not designated at FVPL and comprises 'Deposit liabilities', 'Subordinated notes', 'Treasurer's, cashier's and manager's checks', 'Accrued taxes, interest and other expenses', 'Accounts payable', 'Bills purchased-contra', 'Other credits', 'Due to BSP', 'Dividends payable', 'Due to Treasurer of the Philippines' and 'Deposits for keys-Safety deposit boxes (SDB)', 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.

After initial measurement, financial liabilities not qualified as and not designated as FVPL, are subsequently measured at amortized cost using the EIR. 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.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on quoted market prices for similar debt instruments). The equity component being assigned the residual amount after deducting from the fair value of the instrument, as a whole, the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

Where 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. In this case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

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 liabilities

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

Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of condition as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received, including accrued interest, is recognized in the statement of condition as a loan to the Bank, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of condition. The consideration paid, including accrued interest, is recognized in the statement of condition 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 effective interest amortization method.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of condition if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Reclassification of Financial Assets

A financial asset is reclassified out of the FVPL category when the following conditions are met:

- the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and
- there is a rare circumstance.

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statement of comprehensive income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it shall be reclassified as available for sale and remeasured at fair value on the date of reclassification, and the difference between its carrying amount and fair value shall be recognized in other comprehensive income.

Impairment of Financial Assets

The Bank assesses at each statement of condition date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or 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 have 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 a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, which includes loans and receivables, due from banks and HTM investments, the Bank first assesses individually at each statement of condition date whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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. Assets individually assessed for impairment for which no impairment loss was measured are also collectively assessed for impairment.

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 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 to the statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral have been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Provision for credit and impairment losses' in the statement of income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan 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.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry and age of receivables.

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 group. 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 in 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 unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group 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 on new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and 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 if the original loan has a fixed interest rate and the current repriced rate if the original loan is repriceable. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the applicable interest rate, is recognized in 'Provision for credit and impairment losses' in the statement of income.

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

In the case of debt instruments classified as AFS investments, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded as impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income. Future interest income is based on the reduced carrying amount and is accrued using 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' in the statement of income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of income.

In the case of equity investments classified as AFS investments, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investments below its cost. The Bank treats 'significant' generally as 20.00% and 'prolonged' generally as greater than twelve (12) months. Where 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 equity 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 in the statement of comprehensive income.

Collateral valuation
The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letter of credits/guarantees, real estate, receivables and other non-financial assets and credit enhancements. The fair value of collateral is generally assessed, at a minimum, at inception. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate and chattel, is valued based on data provided by third parties such as independent appraisers.

Foreclosed collateral
The Bank's policy is to determine whether a foreclosed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of the foreclosed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the foreclosure date in line with the Bank's policy.

Standards Issued but not yet Effective

Standards issued but not yet effective up to the date the Bank's financial statements are listed below. This listing consists of standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt these standards when they become effective. Except as otherwise indicated, the Bank does not expect the adoption of these new and amended PAS, PFRS and Philippine Interpretations to have significant impact on its financial statements.

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

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 2, *Share-based Payment – Definition of Vesting Condition*
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Bank as it has no share-based payments.

PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. 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 require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments

that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the financial position or performance.The Bank does not expect that PFRS 8 will have material impact on its segment disclosures.

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

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

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

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Bank's financial position or performance.

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

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

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

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Bank's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

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

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

PFRS 13, *Fair Value Measurement – Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Bank's financial position or performance.

PAS 40, *Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Bank's financial position or performance.

PFRS 9, *Financial Instruments*
PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model hedge accounting is still ongoing, with a view to replace PAS 39 in its entirety. 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 OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities designated as at FVPL using the fair value option, 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 relating to the entity's own credit risk 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 to PFRS 9, including the embedded derivative bifurcation 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.

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

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Bank will not adopt the standard before the completion of the limited amendments and the second phase of the project.

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

Fair Value Measurement

The following describes the methodologies and assumptions used to determine the fair values of financial instruments:

Cash and other cash items, due from BSP, due from other banks, interbank loans receivable and SPURA, accounts receivable, accrued interest receivable, bills purchased, returned checks and other cash items (RCOCI), shortages, and petty cash fund - Carrying amounts approximate fair values due to the relatively short-term maturities of these assets.

Debt investments - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services, or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology, using rates currently available for debt on similar terms, credit risk and remaining maturities.

Quoted AFS equity investments - Fair values are based on quoted prices published in markets.

Derivative instruments (included under FVPL) - Fair values are estimated based on quoted market prices, prices provided by independent parties, or prices derived using acceptable valuation models.

Unquoted AFS equity investments - Fair values could not be reliably determineddue to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value. Hence, these investments are carried at cost less allowance for impairment losses.

Currently, there is no available market to sell these unquoted AFS equity investments. The Bank will hold onto these investments until management decides to sell them when there will be offers to buy out such investments or the appearance of an available market where the investments can be sold.

Receivable from customers and other receivables except accounts receivable, accrued interest receivable, bills purchased and security deposits - Fair values are estimated using the discounted cash flow methodology, using the Bank's current incremental lending rates for similar types of loans.

Subordinated notes and time deposits- Fair values are estimated using the discounted cash flow methodology using the Bank's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The Bank's nonperformancerisk as at December 31, 2013 was assessed to be insignificant.

Demand deposits, savings deposits, treasurer's, cashier's and manager's checks, accrued interest payable, accounts payable, bills purchased-contra, other credits, due to Treasurer of the Philippines, deposits for keys-SDB, payment orders payable and overages - Carrying amounts approximate fair values due to either the demand nature or the relatively short-term maturities of these liabilities.

Investment Properties - Fair values of the investment properties have been derived on the basis of recent sales of similar properties in the same areas where the investment properties are located, and taking into account the economic conditions prevailing at the time the valuations were made.

The following tables summarize the carrying amount and fair values of the financial assets and liabilities, analyzed based on the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Quoted in market prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	March 31, 2014 (Unaudited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVPL investments					
HFT - government securities	**₱638,825**	**₱638,825**	**₱–**	**₱–**	**638,825**
AFS investments					
Government debt securities	**5,878,289**	**4,635,772**	**1,242,517**	**–**	**5,878,289**
Private debt securities	**1,775,677**	**1,775,677**	**–**	**–**	**1,775,677**
Quoted equity securities	**2,925**	**2,925**	**–**	**–**	**2,925**
	₱8,295,716	**₱7,053,199**	**₱1,242,517**	**₱–**	**₱8,295,716**
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Receivables from customers					
Consumption loans	**₱39,455,334**	**₱–**	**₱43,381,128**	**₱–**	**₱43,381,128**
Real estate loans	**29,621,517**	**–**	**29,212,998**	**–**	**29,212,998**
Commercial loans	**13,077,777**	**–**	**13,914,238**	**–**	**13,914,238**
Personal loans	**3,246,490**	**–**	**3,679,895**	**–**	**3,679,895**
Other receivables					
Sales contract receivable	**295,076**	**–**	**307,747**	**–**	**307,747**
Unquoted debt securities	**198,000**	**–**	**200,196**	**–**	**200,196**
Other assets					
Security deposits	**100,557**	**–**	**103,464**	**–**	**103,464**
Non-Financial Assets					
Investment properties	**2,572,828**	**–**	**2,980,854**	**–**	**2,980,854**
	₱88,567,579	**₱–**	**₱93,780,520**	**₱–**	**₱93,780,520**
Financial Liabilities:					
Deposit liabilities					
Time	**₱85,992,723**	**₱–**	**₱89,595,033**	**₱–**	**₱89,595,033**
Subordinated notes	**2,973,032**	**–**	**3,415,349**	**–**	**3,415,349**
	₱88,965,755	**₱–**	**₱93,010,382**	**₱–**	**₱93,010,382**

	December 31, 2013 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVPL investments					
HFT - government securities	**₱184,607**	**₱184,607**	**₱–**	**₱–**	**₱184,607**
AFS investments					
Government debt securities	**5,562,123**	**4,205,436**	**1,356,687**	**–**	**5,562,123**
Private debt securities	**81,627**	**81,627**	**–**	**–**	**81,627**
Quoted equity securities	**3,895**	**3,895**	**–**	**–**	**3,895**
	₱5,832,252	**₱4,475,565**	**₱1,356,687**	**₱–**	**₱5,832,252**
Assets for which fair values are disclosed:					
Financial Assets					
Loans and receivables					
Receivables from customers					
Consumption loans	**₱37,963,039**	**₱–**	**₱41,855,955**	**₱–**	**₱41,855,955**
Real estate loans	**28,013,908**	**–**	**28,072,874**	**–**	**28,072,874**
Commercial loans	**12,418,050**	**–**	**13,235,241**	**–**	**13,235,241**
Personal loans	**3,329,976**	**–**	**3,949,190**	**–**	**3,949,190**
Other receivables					
Sales contract receivable	**257,155**	**–**	**276,879**	**–**	**276,879**
Unquoted debt securities	**198,000**	**–**	**204,499**	**–**	**204,499**
Other assets		**–**		**–**	
Security deposits	**97,034**	**–**	**104,499**	**–**	**104,499**
Non-Financial Assets					
Investment properties	**2,589,408**	**–**	**2,985,199**	**–**	**2,985,199**
	₱84,866,570	**₱–**	**₱90,684,336**	**₱–**	**₱90,684,336**
Financial Liabilities					
Deposit liabilities					
Time	**₱81,286,387**	**₱–**	**₱87,724,257**	**₱–**	**₱87,724,257**
Subordinated notes	**2,972,366**	**–**	**3,504,468**	**–**	**3,504,468**
	₱84,258,753	**₱–**	**₱91,228,725**	**₱–**	**₱91,228,725**

There have been no transfers between Level 1 and Level 2 in March 31, 2014 and December 31, 2013.

As of December 31, 2013, the fair value of the Bank's ROP warrants is classified as Level 3. Due to the unavailability of quoted market prices, evidence of an active market and the sale of the Bank's ROP Global Paired Bonds, the Bank wrote down the carrying value of its warrants to zero.

A reconciliation of the opening and closing balance of financial instruments classified as Level 3 are as follows:

Fair value measurement using significant unobservable inputs (Level 3)

Opening balance	₱–
Transfers into Level 3[a,b]	63,363,959
Total losses for the period included in profit or loss	(63,363,959)
Closing balance	₱–
Change in unrealized losses for the period included in profit or loss for assets held at the end of the reporting period	(₱63,363,959)

(a) Transferred from Level 2 to Level 3 due to lack of observable market data, resulting from a decrease in market activity to the instruments.
(b) The Bank's policy is to recognize transfers into and out of Level 3 as of the date of the event or change in circumstances that caused the transfer.

Other than these factors mentioned, there are no significant unobservable inputs used by the Bank to arrive at the carrying value of the ROP warrants.

Financial Risk Management

Compared with December 31, 2013, there have been no significant changes in the financial risk exposures that materially affect the financial statements of the Bank as of March 31, 2014. The Bank has exposures to credit, market, and liquidity risks from its use of financial instruments. The following discussions should be read in conjunction with the Notes to the Bank's 2013 audited financial statements.

Risk Management Framework
Organization risk management structure continues to be a top-down organization, with the Board of Directors ("BOD") at the helm of all major initiatives. The Risk Oversight Committee ("ROC") was constituted by the BOD to be responsible for the development and oversight of the Risk Management Program of the Bank. The BOD approves broad risk management strategies and policies and ensures that risk management initiatives and activities are consistent with the Bank's overall objectives. The Board is also supported by other Board and management-level committees such as the Corporate Governance, Audit, Executive, Credit, Assets and Liabilities Committees, to name a few.

Credit Risk
Credit risk is the risk that counterparty will not settle its obligations in accordance with the agreed terms. The Bank's lending business follows credit policy guidelines set by the BOD and ROC. The people engaged in the credit process are required to understand and adhere to these policies. Product manuals are in place and define the product, business plan, parameters, associated risks and mitigating controls. The system of checks includes multiple approval system, ROC review, Internal Audit, and the BOD - through the ExCom, CreCom and ROC, for sound credit policies and practices.

Credit risk control and management tools include product limits, credit scoring models, unique customer and group identification for aggregation of exposures, automated loan grading, 10-point credit rating systems, stress testing models, and external ratings. Aggregate exposures of at least P0.1 billion are placed on a special monitoring. Concentration of risk, by borrower, group of borrowers, geographical region and industry sector are monitored on a regular basis. The Bank also performs impairment analyses on loans and receivables, on individual and collective basis in accordance with PFRS.

Liquidity Risk
Liquidity risk is the current and prospective risk to earnings or capital arising from the Bank's inability to meet its obligations when they become due. Liquidity management emphasizes cashflow management, ability to raise funds, and maintenance of a stock of high quality liquid assets. The Bank's objective in liquidity management is to ensure that the Bank has sufficient liquidity to meet obligations under normal and adverse circumstances and is able to take advantage of lending and investment opportunities as they arise.

The main tool that the Bank uses for monitoring liquidity is the Maximum Cumulative Outflow report. It shows the projected cash flows of assets and liabilities, representing estimated funding sources and requirements, under normal conditions. The Bank also projects liquidity positions under different stress scenarios and has in place a Liquidity Contingency Funding Plan, to help evaluate funding needs and response strategies under various conditions.

Market Risk
Market risk is the possibility of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, equity prices and other market factors. The Bank utilizes various measurement and monitoring tools to ensure that risk-taking activities are managed within instituted market risk parameters. The Bank's risk policies and implementing guidelines are regularly reviewed by the Assets and Liabilities Committee, ROC and BOD to ensure that these are up-to-date and in line with changes in the economy, environment and regulations. The ROC and the BOD set the comprehensive market risk limit structure and define the parameters of market activities that the Bank can engage in.

Market Risk - Trading Book
The Bank's trading portfolios are mainly composed of peso and dollar-denominated sovereign debt securities that are marked-to-market daily. Market risk exposures arising from these portfolios are measured daily. The Bank has established stop loss, loss trigger, and Value-at-Risk ("VaR") limits for its trading portfolios. VaR is a statistical measure that estimates the maximum potential loss from a portfolio, under normal conditions, for a given confidence level, over a specified holding period. The Bank's current VaR model uses historical simulation for Peso and USD HFT portfolios with confidence level at 99% and a 1 day holding period. It utilizes a 260-day rolling window of the most recently observed daily data for each asset class. Reports are prepared on a daily basis and are also reported to the ROC and BOD on a monthly basis. Stress testing is also conducted, based on historical and ad-hoc rate shocks to estimate potential losses in extreme or crisis situations.

Market Risk - Banking Book (interest rate risk)
The Bank follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. One method by which the Bank measures the sensitivity of its assets and liabilities to interest rate fluctuations is by way of gap analysis. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or repricing dates, whichever is earlier. The difference in the amount of assets and liabilities maturing or being repriced in any time period category would then give the Bank an indication of the extent to which it is exposed to the risk of potential changes in net interest income. From the repricing gap, the Bank measures interest rate risk based on earnings perspective through Earnings-at-Risk ("EaR"). EaR is an interest rate risk measure of the Bank's earnings decline either immediately or over time as a result of a change in the volatility of interest rates. It is a management tool that evaluates the sensitivity of the accrual portfolio to expected change in interest rates over the next 12 months. The Bank also performs stress-testing analysis to estimate the impact of extreme interest rate movements.

Market Risk - Foreign currency risk
Foreign currency risk is the risk of an investment's value changing due to adverse movements in currency exchange rates. It arises due to mismatches in the Bank's foreign currency assets and liabilities. The Bank's policy is to maintain foreign currency exposure within the approved position, VaR and loss limits and within existing regulatory guidelines.

Related Party Transactions

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

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family member,
- significant investor or parent company,
- joint venture, associate and post-employment benefit plan for the benefit of the Bank's employees, and
- affiliates or other related parties, which are associates, subsidiaries, and joint ventures of the parent company.

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 collectibility or present other unfavorable conditions.

Transactions with the Retirement Plan

On December 20, 2012, the SEC issued Memorandum Circular No. 12 providing for guidelines on the disclosure of transactions with retirement benefit funds. Under said circular, a reporting entity shall disclose information about any transaction with a related party (retirement fund, in this case) and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements.

Under PFRS, certain post-employment benefit plans are considered as related parties. The Bank has business relationships with its retirement plan pursuant to which it provides trust and management services to the said plan. The retirement plan of the employees of the Bank is being managed and maintained by the Trust and Investment Division of the Bank. The total carrying amount and fair value of the retirement fund as of March 31, 2014 and December 31, 2013 amounted to ₱1.2 billion and ₱1.1 billion, respectively.

The following table shows the amount of outstanding balances of related party transactions of the Bank and SMFC with the retirement plan of the employees of the Bank as of March 31, 2014 and December 31, 2013:

		March 31, 2014 (Unaudited)	
		Elements of Transaction	
Related Party	**Nature of Transaction**	**Statement of Condition**	**Statement of Income**
Philippine Savings Bank	Equity investment*	**649,511,833**	
	Time deposits**	**412,314**	
	Dividends earned		**3,514,685**
	Gain on sale of equity securities		**3,110,557**
	Interest income		**4,654**
Sumisho Motor Finance Corporation	Equity investment	**200,000,000**	

*Includes fair value gains of ₱435.8 million
**Represent 3 day time deposit and bear interest of 1.00%

		December 31, 2013 (Audited)	
		Elements of Transaction	
Related Party	Nature of Transaction	Statement of Condition	Statement of Income
Philippine Savings Bank	Equity investment*	₱636,360,070	
	Time deposits**	25,537,612	
	Accrued interest income	2,840	
	Dividends earned		₱33,387,572
	Gain on sale of equity securities		50,095,400
	Interest income		65,513
Sumisho Motor Finance Corporation	Equity investment	200,000,000	

*Includes fair value gains of ₱421.1 million
**Represent 6 to 7 day time deposits and bear interest of 1.00%

Transactions relating to the Bank's retirement plan are approved by its Retirement Committee. The voting right over the investments in the Bank's capital stocks is exercised by a member of the Retirement Committee as approved by all members of the Retirement Committee, whom are senior officers of the Bank.

The Trust Division did not provide any allowance for impairment losses on investments managed for the Bank's retirement fund in March 31, 2014 and December 31, 2013.

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 Management Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures.*

Total remunerations of key management personnel (covering assistant vice presidents and up) included under 'Compensation and fringe benefits' in the statements of income are as follows:

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Short-term employee benefits	₱64,470,708	₱197,100,931
Post-employment pension benefits	1,067,575	41,273,818
	₱65,538,283	₱238,374,749

Short-term employee benefits include salaries and other non-monetary benefits.

Remunerations given to directors, as approved by the Board Remuneration Committee, amounted to ₱3.0 million and ₱13.0 million in March 31, 2014 and December 31, 2013, respectively.

The Bank also provides banking services to Directors and other key management personnel and persons connected to them.

Other Related Party Transactions

Other related party transactions of the Bank by category of related party are presented below. The following tables show the amount and outstanding balances included in the financial statements (in thousands):

March 31, 2014 (Unaudited)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investor			
Interbank loans receivable		₱-	Peso denominated lending with 2.00% fixed interest rates and maturities ranging from 1 to 3 days
Deposits/placements	₱39,900,000		
Withdrawals/maturities	39,900,000		
Due from other banks	(221,802)	800,051	Secured - P800,051 Short-term peso and foreign currency-denominated deposits with fixed rates ranging from 0.00% to 2.50%
Accounts receivables	(2,898)	4,127	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets		710	Security deposits on lease contracts
Bills Payable		-	Peso-denominated borrowing with fixed interest rates ranging of 2.00% and maturities ranging from 1 and 3 days
Deposits/placements	5,150,000		
Withdrawals/maturities	5,150,000		
Accounts payable		1,731	Unpaid association dues and lease contract payable
Miscellaneous liabilities		6,100	Advance payments of security deposits from various tenants
Accrued other expense payable		71,450	Outstanding information technology expense payable, charges on current and savings accounts
Guarantees and commitments	6,200		Letter of guarantee for various loan take-out
Available-for-sale investments		50,000	Pledge for security of payroll account with MBTC
Interest income	3,636		Income from deposits and interbank loans receivables
Trading loss	(41,766)		Loss from securities transactions
Rental income	5,540		Income from leasing agreements with various lease terms ranging from 2 to 5 years
Information technology expense	28,656		Payment of information technology transactions
Interest expense	363.889		Interest expense on deposit liabilities
Securities transactions			
Outright purchases	825,312		Outright purchase of FVPL and AFS investments
Outright sales	500,000		Outright sale of FVPL and AFS investments
Associate			
Investment in an associate		695,847	Outstanding balance of capital investment in TFSPC
Deposit liabilities	302	2,477	Demand deposits with annual fixed rate of 1.25%

March 31, 2014 (Unaudited)			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Share in net earnings of an associate	14,450		25.00% Share in net income of TFSPC
Interest expense	7		Interest on deposit liabilities
Joint Venture			
Investment in a joint venture		664,818	Outstanding balance of capital investment in SMFC
Accounts receivable		555	Outstanding rental and utility receivables, non-interest bearing
Deposit Liabilities	(19,712)	234,750	Demand and short term peso time-deposits with annual fixed rates ranging from 0.75% to 1.50%
Miscellaneous liabilities		2,610	Advance payment of security deposits
Rental income	2,401		Income from leasing agreements
Share in net earnings of a joint venture	72		40.00% share in net income of SMFC
Interest expense	701		Interest on deposit liabilities
Other Related Parties			
Interbank loans receivable		-	Peso denominated lending which earn 2.00% fixed daily interest rates with maturity terms from 1 to 3 days
Deposits/placements	7,659,000		
Withdrawals/maturities	7,659,000		
Receivable from Customers		453,070	Loans granted bearing an interest ranging from 6.00% to 11.74% with maturities ranging from 1 to 5 years; no impairment
Deposits/placements	-		
Withdrawals/maturities	273		
			Secured - P368,574,373; Unsecured - P84,495,704; impaired - P365,393,100
Miscellaneous assets		925	3 months advance security deposits
Accounts receivable	(91)	1,151	Outstanding rental and utility receivables, non-interest bearing
Prepaid expense		3,455	Payment of various motor car vehicles, fire, money, security, payroll and robbery insurance
Deposit Liabilities	4,747,879	8,341,334	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 3.68%
Accrued other expense payable		4,365	Outstanding group life insurance payable
Accounts payable		240	Various personal and car insurance payable
Miscellaneous liabilities		1,020	Advance payment of security deposits from various tenants
Bills Payable		3,060,000	Peso denominated borrowing which earn 2.00% fixed daily interest rates with maturity terms from 1 to 3 days
Deposits/placements	18,760,000		
Withdrawals/maturities	15,700,000		
Interest income	697		Income on receivables from customers and interbank loans receivables
Trading Income	2,577		Income from securities transactions
Rental income	1,107		Income from leasing agreements with various lease terms
Bank commission	2,897		Commission income on ATM service fees
Interest expense	23,129		Interest on deposit liabilities and interbank borrowings
Rent expense	809		Payment of rent to various lessors
Insurance expense	10,620		Payment of insurance premium
Securities transactions			
Outright purchases	250,000		Outright purchase of FVPL and AFS investments
Outright sales	1,094,815		Outright sale of FVPL and AFS investments
Key Personnel			
Receivables from customers		11,529	Unsecured, no impairment, with annual fixed interest rates of 6.00% and maturities ranging from 2 to 10 years
Deposits/placements	275		
Withdrawals/maturities	3,098		
Interest income	250		Interest income from loans

December 31, 2013 (Audited)			
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investor			
Interbank loans receivable		₱-	Peso-denominated lending with fixed interest rates ranging from 2.00% to 3.25% and maturities ranging from 4 to 6 days
Deposits/placements	₱74,880,000		
Withdrawals/maturities	74,880,000		
Due from other banks	187,608	1,021,853	Secured - ₱1,021,853 Short-term peso and foreign currency-denominated deposits with fixed rates ranging from 0.00% to 2.50%
Accounts receivables	4,080	7,025	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Prepaid Expense		235	Payment for acquisition of SCA-2 device (HP) with 3 smart cards
Miscellaneous assets		710	Security deposits on lease contracts
Accounts payable		2,261	Unpaid association dues and lease contract payable
Miscellaneous liabilities		6,100	Advance payments of security deposits from various tenants
Accrued other expense payable		71,883	Outstanding information technology expense payable, charges on current and savings accounts processing
Guarantees and commitments	10,005		Letter of guarantee for various loan take-out
Available-for-sale investments		50,000	Pledge for security of payroll account with MBTC
Interest income	10,301		Income from deposits and interbank loans receivables
Rental income	23,052		Income from leasing agreements with various lease terms ranging from 2 to 5 years
Information technology expense	148,103		Payment of information technology transactions
Trading gain	50,841		Income from securities transactions
Interest expense	2,156		Interest expense on deposit liabilities
Securities transactions			
Outright purchases	1,500,000		Outright purchase of FVPL and AFS investments
Outright sales	3,048,120		Outright sale of FVPL and AFS investments
Associate			
Investment in an associate		681,397	Outstanding balance of capital investment in TFSPC
Deposit liabilities	(134)	2,175	Demand deposits with annual fixed rate of 1.25%
Share in net earnings of an associate	109,202		25.00% Share in net income of TFSPC
Interest expense	33		Interest on deposit liabilities
Joint Venture			
Investment in a joint venture		664,746	Outstanding balance of capital investment in SMFC
Accounts receivable	(127)	1,051	Outstanding rental and utility receivables, non-interest bearing
Deposit Liabilities	(457,771)	254,462	Demand and short term peso time-deposits with annual fixed rates ranging from 1.00% to 3.65%
Miscellaneous liabilities		2,610	Advance payment of security deposits
Rental income	9,605		Income from leasing agreements
Share in net earnings of a joint venture	367		40.00% share in net income of SMFC
Interest expense	15,142		Interest on deposit liabilities
Other Related Parties			
Interbank loans receivable			Peso-denominated lending with fixed interest rates ranging from 2.00% to 3.63% with maturities ranging from 1 to 3 days
Deposits/placements	28,085,000		
Withdrawals/maturities	28,085,000		
Receivable from Customers		453,343	Loans granted bearing an interest ranging from 9.00% to 11.70% with maturities ranging from 1 to 8 years; no impairment Secured -₱368,847; Unsecured -₱84,496; impaired -₱268,273
Deposits/placements	6,295		
Withdrawals/maturities	54,280		
Miscellaneous assets		925	3 months advance security deposits

December 31, 2013 (Audited)			
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Accounts receivable	(47)	1,242	Outstanding rental and utility receivables, non-interest bearing
Prepaid expense		7,219	Payment of various motor car vehicles, fire, money, security, payroll and robbery insurance
Deposit Liabilities	2,365,121	3,593,455	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 3.68%
Accrued other expense payable		3,579	Outstanding group life insurance payable
Accounts payable		207	Various personal and car insurance payable
Miscellaneous liabilities		1,020	Advance payment of security deposits from various tenants
Interest income	55,970		Income on receivables from customers and interbank loans receivables
Rental income	6,245		Income from leasing agreements with various lease terms
Gain on sale of property and equipment	33,798		Gain on sale of Bank-owned properties
Bank commission	6,139		Commission income on ATM service fees
Insurance expense	37,659		Payment of insurance premium
Interest expense	91,888		Interest on deposit liabilities
Securities transactions			
Outright purchases	480,000		Outright purchase of FVPL and AFS investments
Outright sales	600,000		Outright sale of FVPL and AFS investments
Key Personnel			
Receivables from customers		14,352	Unsecured, no impairment, with annual fixed interest rates of 6.00% and maturities ranging from 2 to 10 years
Deposits/placements	4,373		
Withdrawals/maturities	6,248		
Interest income	1,170		Interest income from loans

Regulatory Reporting

As required by the BSP, the Bank discloses loan transactions with investees 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. Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Bank. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said circular and new DOSRI loans and other credit accommodations granted under said circular as of March 31, 2014 and December 31, 2013:

	March 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Total outstanding DOSRI accounts	**₱1,602,450,094**	₱1,709,337,946
Percent of DOSRI accounts granted under regulations existing prior to BSP Circular No. 423 to total loans	**1.76%**	1.95%
Percent of new DOSRI accounts granted under BSP Circular No. 423 to total loans	**–**	–
Percent of unsecured DOSRI accounts to total DOSRI accounts	**16.83%**	15.90%
Percent of past due DOSRI accounts to total DOSRI accounts	**28.08%**	26.32%
Percent of nonperforming DOSRI accounts to total DOSRI accounts	**28.08%**	26.32%

As of March 31, 2014 and December 31, 2013, the Bank has no loans, other credit accommodations and guarantees, as well as availments of previously approved loans and committed credit lines not considered DOSRI accounts prior to the issuance of said circular but are allowed a transition period of two years from the effectivity of the said circular until said circular or said loan, other credit accommodations and guarantees become past due, or are extended, renewed or restructured, whichever comes later.

BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding exposures to each of the bank's subsidiaries and affiliates shall not exceed 10.00% of bank's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank to loans of banks to their subsidiaries and affiliates engaged in energy and power generation.

As of March 31, 2014 and December 31, 2013, the Bank is in compliance with these requirements.

Total interest income from DOSRI loans amounted to ₱1.28 million, ₱53.2 million in March 31, 2014 and December 31, 2013, respectively.

Other Disclosures

a) There are no unusual items of asset, liability, equity, net income or cash flow.

b) No material items of changes were noted in the comparison of actual results with estimated amounts.

c) Details of the Bank's dividend distributions as approved by the Bank's BOD and the BSP follow:

Date of Declaration	Cash Dividends		Date of BSP Approval	Record Date	Payment Date
	Per Share	Total Amount			
October 27, 2011	0.15	36,037,874	November 23, 2011	December 20, 2011	January 5, 2012
January 24, 2012	0.15	36,037,874	February 09, 2012	March 8, 2012	March 23, 2012
April 27, 2012	0.75	180,189,368	May 15, 2012	June 7, 2012	June 25, 2012
July 23, 2012	0.75	180,189,368	August 13, 2012	September 11, 2012	September 26, 2012
October 23, 2012	0.75	180,189,368	November 21, 2012	December 27, 2012	January 14, 2013
January 22, 2013	0.75	180,189,368	February 8, 2013	March 5, 2013	March 20, 2013
April 19, 2013	0.75	180,189,368	May 28, 2013	June 18, 2013	July 3, 2013
July 18, 2013	0.75	180,189,368	August 8, 2013	September 4, 2013	September 19, 2013
October 22, 2013	0.75	180,189,368	November 12, 2013	November 29, 2013	December 16, 2013
October 22, 2013	3.00	720,757,473	November 12, 2013	November 29, 2013	December 16, 2013
January 24, 2014	0.75	180,189,368	February 12, 2014	March 5, 2014	March 20, 2014

PSBank stock price closed at ₱137.00 per share as of April 30, 2014.

d) No unregistered securities were sold or offered for sale by the Bank as of March 31, 2014.

e) Segment revenue and result of business segments are found in Annexes 7 and 7A.

f) The Bank was not engaged in any business combinations, acquisitions or disposal of subsidiaries and long-term investments.

Subsequent Events

1.) The Bank's Board of Directors approved on April 28, 2014, the declaration of 7.5% Regular Cash Dividend for the first quarter of 2014 amounting to ₱180.19 million or ₱0.75 per share, payable to all common stockholders as of a Record Date to be fixed by the President after approval by the BSP.

2.) The stockholders of PSBank approved on April 28, 2014 a resolution to amend the principal address of the Bank in its Articles of Incorporation, in compliance with the SEC Circular 6-2014. With the amendment, the principal address of the Bank will be changed from Metro Manila to PSBank Center 777 Paseo de Roxas corner Sedeno St., Makati City. Since the approval of stockholders representing at least 2/3 of the outstanding capital stock has been obtained, PSBank will submit the amendment to the BSP and SEC for approval.

3.) Philippine Savings Bank (PSBank) is set to offer up to Php 3 billion in Tier 2 Notes to the public, after obtaining necessary regulatory approvals.

PSBank has been given the issuer rating of PRS Aaa by Philippine Ratings Corporation (Philratings). It also obtained a separate issue rating of PRS Aaa for its Tier 2 Notes from Philratings.

The offer period is expected to run from 9 May 2014 to 16 May 2014.

The Tier 2 Notes will have a maturity of 10.25 years, with a call option after 5.25 years. The issuance has a loss absorption provision in compliance with Bangko Sentral ng Pilipinas guidelines on regulatory capital.

Proceeds from the Tier 2 Notes will be used to strengthen the Bank's capital base and allow it to expand its banking operations.

Parties to this transaction are ING Bank as Arranger and Selling Agent, Multinational Investment Bancorporation as Selling Agent and Market Maker, Philippine Savings Bank and First Metro Investment Corporation as Limited Selling Agents, Philippine Depository and Trust Corporation as Registrar and Paying Agent, and Development Bank of the Philippines as Trustee.

SIGNATURES

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

PHILIPPINE SAVINGS BANK

By:

VICENTE R. CUNA, JR.
President

PERFECTO RAMON Z. DIMAYUGA, JR.
Chief Finance Officer

May 13, 2014

PHILIPPINE SAVINGS BANK

Interim Financial Statements

As of March 31, 2014 (Unaudited) and December 31, 2013 (Audited)
and for the three months ended March 31, 2014 and 2013 (Unaudited)

PHILIPPINE SAVINGS BANK

Annex 1

STATEMENTS OF CONDITION

	Unaudited March 31 2014	Audited December 31 2013
ASSETS		
Cash and Other Cash Items	1,867,188,174	3,157,499,370
Due from Bangko Sentral ng Pilipinas	6,990,457,833	7,401,657,444
Due From Other Banks	5,331,224,111	8,491,340,954
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	24,096,281,895	14,527,000,000
Financial Assets at FVPL	638,824,856	184,607,411
Available-for-Sale Investments	7,658,308,567	5,649,063,231
Loans and Receivables	86,586,224,689	82,917,120,994
Investments in an Associate and a Joint Venture	1,360,664,818	1,346,142,412
Property and Equipment	2,346,598,392	2,389,780,404
Investment Properties	2,572,827,663	2,589,408,311
Deferred Tax Asset	339,025,030	243,119,247
Goodwill and Other Intangible Assets	292,233,880	292,832,054
Other Assets	975,264,983	836,302,917
	141,055,124,891	**130,025,874,749**
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities		
Demand	9,898,522,570	9,050,826,107
Savings	16,777,116,736	16,181,291,134
Time	85,992,723,115	81,286,386,669
	112,668,362,421	106,518,503,910
Subordinated Notes	2,973,032,019	2,972,366,024
Bills Payable	4,500,000,000	0
Treasurer's, Cashier's and Manager's Checks	1,071,363,942	1,110,517,230
Accrued Taxes, Interest and Other Expenses	1,082,298,534	1,099,730,994
Income Tax Payable	104,399,573	132,339
Other Liabilities	2,192,657,562	2,061,548,773
	124,592,114,051	**113,762,799,270**
Equity		
Common Stock	2,402,524,910	2,402,524,910
Capital Paid in Excess of Par Value	2,818,083,506	2,818,083,506
Surplus Reserves	1,035,275,317	1,035,275,317
Surplus	10,495,121,994	10,205,364,827
Net Unrealized Gain/(Loss) on Available-for-Sale Investments	(67,703,919)	22,289,515
Equity in Net Unrealized Gain on Available-For-Sale Investment of an Associate	25,000	25,000
Remeasurement Losses on Retirement Plan	(178,577,793)	(178,577,793)
Equity In Remeasurement Losses on Retirement Plan of a Joint Venture	(479,690)	(479,690)
Equity in Cash Flow Hedge Reserve of an Associates	(335,158)	(335,158)
Cumulative Translation Adjustment	(40,923,327)	(41,094,955)
	16,463,010,840	**16,263,075,479**
	141,055,124,891	**130,025,874,749**

PHILIPPINE SAVINGS BANK

Annex 2

STATEMENTS OF INCOME

	Unaudited	
	For the quarter ended Mar 31	
	2014	2013
INTEREST INCOME ON		
Loans and receivables	2,155,670,123	1,923,453,883
Investment securities	72,584,184	230,607,810
Due from BSP	18,156,204	20,122,370
Due from other banks	2,905,654	2,079,699
Interbank loans receivable and securities purchased under resale agreements	185,530,612	40,524,489
	2,434,846,778	2,216,788,252
INTEREST EXPENSE ON		
Deposit liabilities	507,960,897	639,577,021
Subordinated notes	46,436,620	43,771,152
Bills payable	-	-
	554,397,517	683,348,174
NET INTEREST INCOME	1,880,449,262	1,533,440,079
Service fees and commission income	277,763,756	253,194,874
Service fees and commission expense	18,466,111	17,176,108
NET SERVICE FEES AND COMMISSION INCOME	259,297,645	236,018,766
OTHER OPERATING INCOME		
Trading and securities gains - net	104,093,645	3,026,804,011
Foreign exchange gain (loss)	3,505,905	181,986
Gain from sale of property and equipment	37,951,522	1,079,362
Loss (gain) on foreclosure and sale of:		
Investment properties	78,662,804	85,681,018
Chattel Mortgage Properties	107,928,908	(49,998,621)
Miscellaneous	65,040,814	37,815,170
	397,183,596	3,101,562,925
OTHER OPERATING EXPENSES		
Compensation and fringe benefits	610,585,576	633,012,479
Taxes and licenses	256,790,964	388,268,336
Provision for impairment and credit losses	446,079,432	609,377,591
Occupancy and equipment-related costs	146,059,278	139,357,586
Depreciation and amortization	131,335,099	119,358,161
Security, messengerial and janitorial services	68,051,453	58,932,856
Amortization of software costs	18,393,375	14,854,878
Miscellaneous	388,966,457	467,242,242
	2,066,261,634	2,430,404,128
INCOME BEFORE SHARE IN NET EARNINGS OF AN ASSOCIATE AND INCOME TAX	470,668,869	2,440,617,642
SHARE IN NET EARNINGS OF AN ASSOCIATE AND JOINT VENTURE	14,522,407	17,304,790
INCOME BEFORE INCOME TAX	485,191,277	2,457,922,431
PROVISION FOR (BENEFIT FROM) INCOME TAX	16,518,231	419,653,194
NET INCOME	**468,673,046**	**2,038,269,238**
EARNINGS PER SHARE		
Net income	468,673,046	2,038,269,238
Weighted average number of outstanding common shares	240,252,491	240,252,491
Earnings per share	**1.95**	**8.48**

PHILIPPINE SAVINGS BANK Annex 3

STATEMENTS OF CHANGES IN EQUITY

	Common Stock	Capital Paid in Excess of Par Value	Surplus Reserves	Surplus	Net Unrealized Gain (Loss) on Available-for-Sale Investments	Net unrealized gain/(loss) on remeasurement of retirement liability.	Net unrealized gain/(loss) on cash flow hedge of associate and joint venture	Cumulative Translation Adjustment	Total
Balance at January 1, 2014	2,402,524,910	2,818,083,506	1,035,275,317	10,205,364,822	22,314,514	(179,057,483)	(335,158)	(41,094,955)	16,263,075,473
Total other comprehensive income				468,673,046	(90,018,433)	(310,158)	335,158	171,628	378,851,241
Appropriation of surplus for trust									-
Cash dividends				(180,189,368)					(180,189,368)
Other Adjustments				1,273,498					1,273,498
Balance at March 31, 2014	2,402,524,910	2,818,083,506	1,035,275,317	10,495,121,997	(67,703,919)	(179,367,641)	-	(40,923,327)	16,463,010,843
Balance at January 1, 2013	2,402,524,910	2,818,083,506	1,035,275,317	8,719,721,542	206,153,207			(67,411,008)	15,114,347,474
Total other comprehensive income				2,038,269,239	1,691,530,979			1,018,550	3,730,818,768
Appropriation of surplus for trust									-
Cash dividends				(180,189,368)					(180,189,368)
Other Adjustments									-
Balance at March 31, 2013	2,402,524,910	2,818,083,506	1,035,275,317	10,577,801,413	1,897,684,187	-	-	(66,392,458)	18,664,976,874
Balance at January 1, 2013	2,402,524,910	2,818,083,506	1,035,275,317	8,718,390,963	206,153,207	(179,057,483)	(335,158)	(67,411,008)	14,933,624,254
Total other comprehensive income				2,928,488,805	(183,838,693)			26,316,053	2,770,966,165
Appropriation of surplus for trust									-
Cash dividends				(1,441,514,946)					(1,441,514,946)
Other Adjustments				-					-
Balance at December 31, 2013	2,402,524,910	2,818,083,506	1,035,275,317	10,205,364,822	22,314,514	(179,057,483)	(335,158)	(41,094,955)	16,263,075,473

PHILIPPINE SAVINGS BANK

Annex 4

STATEMENTS OF COMPREHENSIVE INCOME

	Quarter Ended March 31	
	2014	2013
NET INCOME	**468,673,046**	2,038,269,238
Other Comprehensive Income		
Gain from sale of AFS investment taken to profit or loss	**27,516,944**	(2,567,326,154)
Changes in fair values of AFS investments	**61,882,264**	4,258,857,134
Net unrealized gain/(loss) on remeasurement of retirement liability.	**(179,057,483)**	-
Net unrealized gain/(loss) on cash flow hedge of associate and joint venture	**(335,158)**	-
Cumulative translation adjustment	**171,628**	1,018,550
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**378,851,241**	3,730,818,768

PHILIPPINE SAVINGS BANK		Annex 5
STATEMENTS OF CASH FLOWS		
	Unaudited	
	Quarter Ended March 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	485,191,277	2,457,922,432
Adjustments for:		
Provision for impairment and credit losses	446,079,432	609,377,591
Depreciation and amortization of bank premises	131,335,099	119,358,161
Amortization of software costs	18,393,375	14,854,878
Amortization of debt issuance costs	665,995	628,150
Unrealized trading (gain)/loss on fair value through profit or loss investments	7,970,282	(427,817,224)
Accretion of premium (discount) on available-for-sale investments	(13,895,586)	(13,684,894)
Share in net income of an associate and a joint venture	(14,522,407)	(17,304,790)
Gain from sale of property and equipment	(37,951,522)	(1,079,362)
Loss (gain) on foreclosure and sale of:		
Investment properties	(78,662,804)	(85,681,018)
Chattel Mortgage Properties	(107,928,908)	49,998,621
Realized gain on sale of AFS investments	27,516,944	(2,567,326,154)
Changes in operating assets and liabilities:		
Decrease (Increase) in amounts of:		
Fair value through Profit or Loss investments	(462,187,727)	485,514,096
Loans & Receivables	(4,441,807,272)	(4,288,064,679)
Other Assets	19,495,509	2,490,067
Increase (decrease) in amounts of:		
Deposit liabilities	6,149,956,848	(3,665,682,440)
Treasurer's, cashier's and manager's checks	(39,153,288)	439,188,216
Accrued taxes, interest and other expenses	(121,699,018)	140,248,142
Financial Liabilities at Fair Value Through Profit or Loss	-	582,001
Other liabilities	134,738,416	152,386,797
Cash generated from operations	2,103,534,647	(6,594,091,409)
Income taxes paid	(8,156,780)	(395,550,629)
Net cash provided by (used in) operating activities	2,095,377,867	(6,989,642,038)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of:		
Other Intangible assets	(17,795,201)	(31,811,060)
Property and equipment	(63,897,747)	(79,128,752)
Available for sale investments	(2,913,873,195)	(14,014,283,740)
Proceeds from sale of:		
Available for sale investments	801,000,010	14,856,314,439
Proceeda from redemption of held to maturity investment at maturity date	-	13,562,925,624
Investment properties	196,876,442	155,653,185
Property and equipment	57,133,655	3,590,959
Chattel mortgage	235,291,297	245,581,549
Net cash provided by (used in) investing activities	(1,705,264,738)	14,698,842,205
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends declared/paid	(182,520,035)	(180,189,368)
Availments of bills payable	4,500,000,000	-
Net cash provided by (used in) financing activities	4,317,479,965	(180,189,369)
Effect of exchage rate differences	61,151	249,357
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,707,654,244	7,529,260,155
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	3,157,499,371	2,811,064,294
Due from Bangko Sentral ng Pilipinas	7,401,657,444	5,514,832,823
Due from other banks	8,491,340,954	6,002,439,122
Interbank loans and receivables and securities purchased under resale agreements	14,527,000,000	6,100,000,000
	33,577,497,769	20,428,336,239
CASH & CASH EQUIVALENTS AT END OF 1ST QUARTER		
Cash and other cash items	1,867,188,174	1,997,648,011
Due from Bangko Sentral ng Pilipinas	6,990,457,833	6,761,184,342
Due from other banks	5,331,224,111	6,565,937,380
Interbank loans and receivables and securities purchased under resale agreements	24,096,281,895	12,632,826,662
	38,285,152,013	27,957,596,395
	4,707,654,244	7,529,260,156
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS		
	March 31, 2014	March 31, 2013
Interest paid	557,552,762	707,016,998
Interest received	1,984,143,255	1,154,903,500

Annex 6

PHILIPPINE SAVINGS BANK

AGING OF RECEIVABLES

March 31, 2014

(in natural currency)

ACCOUNT TITLE	TOTAL LOAN PORTFOLIO	TOTAL CURRENT LOANS	TOTAL PAST DUE & ITEMS IN LIT.	PAST DUE				ITEMS IN LITIGATION
				90 days or less	91-180 DAYS	181 DAYS TO 1 YEAR	MORE THAN 1 YEAR	
1 -TRADE RECEIVABLES								
A. LOANS AND DISCOUNTS	89,586,763,584.12	86,263,025,075.01	3,323,738,509.11	743,096,254.97	395,775,857.45	390,027,247.36	401,025,191.85	1,393,813,957.48
B. AGRARIAN REFORM/OACL	588,409,608.23	569,463,362.29	18,946,245.94	1,454,526.24	1,355,915.07	44,302.00	14,166,246.64	1,925,255.99
C. BILLS PURCHASED	65,810,155.21	65,810,155.21	-	-	-	-	-	-
D. BD-DEV'T INCENTIVE LOANS	-	-	-	-	-	-	-	-
E. CUSTOMERS LIABILITY ON DRAFTSUNDER LC/TR	-	-	-	-	-	-	-	-
F. CUSTOMERS LIABILITY ON BANK ACCEPTANCES O/S	-	-	-	-	-	-	-	-
G. RESTRUCTURED LOANS	807,274,080.72	272,114,102.90	535,159,977.82	54,623,939.41	998,943.03	-	452,225,819.11	27,311,276.27
H. SPURA	24,096,281,894.90	24,096,281,894.90	-	-	-	-	-	-
Total Trade Receivables	115,144,539,323.18	111,266,694,590.31	3,877,844,732.87	799,174,720.62	398,130,715.55	390,071,549.36	867,417,257.60	1,423,050,489.74
LESS: ALLOWANCE FOR PROBABLE LOSSES	4,054,696,094.91							
UNEARNED DISCOUNT	1,592,028,039.65							
OTHER DEFERRED CREDITS	414,363.95							
NET TRADE RECEIVABLE	109,497,400,824.67							
2 -NON-TRADE RECEIVABLES								
ACCOUNTS RECEIVABLES	507,942,907.07	44,951,463.03	462,991,444.04	3,334,670.65	3,100,292.51	3,787,162.15	448,033,844.93	4,735,473.80
ACCRUED INTEREST RECEIVABLES	975,989,818.50	717,755,528.61	258,234,289.89	8,259,993.86	397,513.28	769,601.42	231,571,799.39	17,235,381.93
Total Non-Trade Receivables	1,483,932,725.57	762,706,991.64	721,225,733.93	11,594,664.51	3,497,805.79	4,556,763.57	679,605,644.33	21,970,855.74
LESS: ALLOWANCE FOR PROBABLE LOSSES	791,902,933.37							
NET NON-TRADE RECEIVABLE	692,029,792.20							
NET RECEIVABLES	110,189,430,616.87							

Annex 7

Philippine Savings Bank
Business Segment Information
As of March 31, 2014 (Unaudited)

	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating Income					
Interest income	**₱529,451**	**₱137,630**	**₱1,608,320**	**₱159,446**	**₱2,434,847**
Service fees and commissions	**59,689**	**13,367**	**204,708**		**277,764**
Other operating income	**97,296**	**42,139**	**150,149**	**107,600**	**397,184**
Total operating income	**686,436**	**193,136**	**1,963,177**	**267,046**	**3,109,795**
Non-cash expenses					
Depreciation and amortization	**15,829**	**1,303**	**113,982**	**220**	**131,335**
Provision for credit and impairment losses	**332,585**	**(28,185)**	**185,500**	**(43,822)**	**446,079**
Amortization of other intangible assets	**6,005**	**793**	**11,468**	**127**	**18,393**
Total non-cash expenses	**354,419**	**(26,089)**	**310,950**	**(43,475)**	**595,807**
Interest expense			**382,113**	**172,284**	**554,398**
Service fees and commissions expense	**3,968**	**889**	**13,609**		**18,466**
Subtotal	**3,968**	**889**	**395,722**	**172,284**	**572,864**
Compensation and fringe benefits	**112,747**	**23,506**	**471,146**	**3,186**	**610,586**
Taxes and licenses	**61,143**	**5,276**	**154,491**	**35,882**	**256,791**
Occupancy and equipment - related costs	**9,812**	**1,214**	**135,024**	**10**	**146,059**
Security, messengerial and janitorial services	**8,131**	**817**	**58,950**	**154**	**68,051**
Miscellaneous	**74,983**	**11,195**	**301,214**	**1,574**	**388,966**
Subtotal	**266,816**	**42,008**	**1,120,825**	**40,806**	**1,470,453**
Income before share in net income of an associate and a joint venture and income tax	**61,232**	**176,329**	**135,678**	**97,430**	**470,669**
Share in net income of an associate and a joint venture	**–**	**14,522**	**–**	**–**	**14,522**
Income before income tax	**61,232**	**190,851**	**135,678**	**97,430**	**485,191**
Provision from income tax	**–**	**–**	**–**	**–**	**16,518**
Net income					**468,673**
Segment assets	**51,775,238**	**10,897,279**	**34,130,049**	**42,552,869**	**139,355,435**
Investments in an associate and a joint venture					**1,360,665**
Deferred tax asset					**339,025**
Total assets					**141,055,125**
Segment liabilities	**820,031**	**105,617**	**88,406,131**	**35,260,336**	**124,592,114**

Annex 7A

Philippine Savings Bank
Business Segment Information
As of December 31, 2013 (Audited)

	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	**₱1,798,034**	**₱492,637**	**₱6,128,314**	**₱608,251**	**₱9,027,236**
Service fees and commission	**220,196**	**49,405**	**770,794**	**–**	**1,040,395**
Other operating income	**46,827**	**157,687**	**254,046**	**4,067,022**	**4,525,582**
Total operating income	**2,065,057**	**699,729**	**7,153,154**	**4,675,273**	**14,593,213**
Non-cash expenses					
Depreciation and amortization	**106,655**	**11,038**	**364,415**	**1,153**	**483,261**
Provision for credit and impairment losses	**748,974**	**91,839**	**1,298,749**	**–**	**2,139,562**
Amortization of other intangible assets	**26,650**	**4,793**	**36,451**	**560**	**68,454**
Total non-cash expenses	**882,279**	**107,670**	**1,699,615**	**1,713**	**2,691,277**
Interest expense	**–**	**–**	**1,703,983**	**636,432**	**2,340,415**
Service fees and commission expense	**16,474**	**3,696**	**57,667**	**–**	**77,837**
Subtotal	**16,474**	**3,696**	**1,761,650**	**636,432**	**2,418,252**
Compensation and fringe benefits	**₱395,481**	**₱89,349**	**₱1,664,982**	**₱9,883**	**₱2,159,695**
Taxes and licenses	**210,690**	**28,738**	**462,779**	**351,634**	**1,053,841**
Occupancy and equipment-related costs	**48,048**	**8,216**	**503,494**	**5**	**559,763**
Security, messengerial and janitorial services	**46,550**	**5,455**	**199,554**	**824**	**252,383**
Miscellaneous	**463,682**	**77,420**	**905,158**	**12,648**	**1,458,908**
Subtotal	**1,164,451**	**209,178**	**3,735,967**	**374,994**	**5,484,590**
Income (loss) before share in net income of an associate and a joint venture and income tax	**1,853**	**379,185**	**(44,078)**	**3,662,134**	**3,999,094**
Share in net income of an associate and a joint venture	**–**	**109,569**	**–**	**–**	**109,569**
Income (loss) before income tax	**1,853**	**488,754**	**(44,078)**	**3,662,134**	**4,108,663**
Provision for income tax					**1,180,174**
Net income					**₱2,928,489**
Segment assets	**₱49,098,520**	**₱10,296,750**	**₱33,326,752**	**₱35,714,592**	**₱128,436,614**
Investments in an associate and a joint venture					**1,346,142**
Deferred tax assets					**243,119**
Total assets					**₱130,025,875**
Segment liabilities	**₱455,304**	**₱99,653**	**₱85,968,305**	**₱27,239,537**	**₱113,762,799**

PHILIPPINE SAVINGS BANK
Performance Indicators **Annex 8**

	Formula	March 31, 2014	March 31, 2013
Return on Assets	Net Income / Average Total Resources	1.38%	2.06%
Return on Equity	Net Income / Average Stockholders' Equity	11.46%	14.24%
Book Value per Share	Total Stockholders' Equity / Weighted Average Number of Outstanding Common Shares	68.52	77.69
Earnings per Share (Not Annualized)	Net Income / Weighted Average Number of Outstanding Common Shares	1.95	8.48
Earnings per Share (Annualized)	Net Income / Weighted Average Number of Outstanding Common Shares	7.80	9.99
Net Interest Margin	Net Interest Income / Average Earning Assets	5.97%	5.70%
Non-performing Loans (NPL) Ratio	Non-performing Loans (NPL), Net / Gross Loans including Interbank and TAS Loans	0.24%	0.36%
Cost to Income Ratio	Operating Expenses Excluding Provision for Probable Losses and Income Taxes / Net Interest Income + Operating Income	63.76%	37.47%
Debt to Equity Ratio	Total Liabilities / Total Stockholders' Equity	756.80%	526.85%
Asset-to-Equity Ratio	Total Assets / Total Stockholders' Equity	856.80%	626.85%
Interest Rate Coverage Ratio	Earnings Before Interest and Taxes / Interest Expense	187.52%	459.69%
Liquidity Ratio	Current Assets / Current Liabilities	51.24%	54.58%
Loans to Deposit Ratio	Gross Loans / Total Deposits	79.62%	84.76%