Maybank
ATR Kim Eng

Profit
from us in Asia

"The Maybank Group results for the year ended 31 December 2012 highlights profit after tax and minority interest (PATAMI) of RM5.74 billion (approximately US$ 1.88 billion) and an ROE achievement of 16%, surpassing our ROE target of 15.6%. Maybank Kim Eng as a whole has performed well, ending the financial year with a PBT of RM423.3 million (approximately US$ 138.7 million) which was 23.5% above budget. The Philippines has done well; performing on target and also being recognised as the Best Broker 2012 by FinanceAsia, in a year when we had a lot going on with business as usual and the integration. Maybank Kim Eng has not only proven to the industry that we are a force to be reckoned with, but we should be proud of the fact that we achieved a lot last year."

– **Tengku Dato Zafrul**, Maybank Kim Eng Group Chief Executive

A Year in Review

Maybank ATR Kim Eng

EQUITY CAPITAL MARKETS VOLUMES

RECENT MAJOR IPOS

₱35.2B

D&L INDUSTRIES

₱5.3B

ECM TRANSACTIONS

COMPLETED IN 2012

BDO UNIBANK CORPORATION

₱14.2B

₱94.7 Billion TOTAL IN 2012

SAN MIGUEL PUREFOODS

₱14.2B

RIGHTS & PLACEMENT

FILINVEST DEVELOPMENT CO.

₱14.2B

RIGHTS & PLACEMENT

TRANS-ASIA OIL & ENERGY DEVELOPMENT

₱2.6 Billion

RIGHTS & PLACEMENT

Maybank ATR Kim Eng

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Corporate and Financial Highlights

Maybank ATR Kim Eng Financial Corporation (Consolidated)			
(Audited) **For the 12 months ending December 31**	**2012**	**2011**	**% Change**
Gross Revenues	**P 2,750,887,469**	P 2,845,778,795	3%
Total Expenses	**2,266,846,147**	2,385,245,905	-5%
Net Income Before Tax	**484,041,322**	460,532,890	5%
Net Income After Tax	**340,485,431**	337,423,793	1%
Attributable to:			
Equity holders of Maybank ATR Kim Eng Financial Corporation	**324,468,688**	323,875,314	0%
Minority Interest	**16,016,745**	13,548,479	18%
Earnings Per Share	**0.3037**	0.3073	-1%

As of December 31	**2012**	**2011**	**% Change**
Total Assets	**P 6,540,575,860**	P 6,845,450,810	-4%
Total Liabilities	**2,980,030,115**	3,550,519,067	-16%
Stockholders' Equity			
Equityholders of Maybank ATR Kim Eng Financial Corporation	**3,500,948,491**	3,149,063,070	11%
Non-Controlling Interest	**59,597,254**	145,868,673	-59%

2012 Highlights

- Company changed its name to Maybank ATR Kim Eng Financial Corporation (the "Company" or MATRKE Financial") in 2012 following approval by Securities and Exchange Commission on 15 February 2012
- AsianLife Financial Assurance Corporation ("ALFA") sold on 31 May 2012
- Maybank ATR Kim Eng Capital Partners, Inc. ("MATRKE Capital") was underwriter for the IPO of D & L Industries, Inc., the country's leading manufacturer of customized food additives
- Maybank ATR Kim Eng Securities, Inc. ("MATRKE Securities") reaffirms it position among the top five trading participants in the local bourse over the past three years.
- Combined total assets under management of both ATR Kim Eng Asset Management, Inc. ("ATRKE Asset Management") and the Trust Department of MATRKE Capital reaches P36 billion.
- AsianLife & General Assurance Corporation ("ALGA") is the group insurance provider for over 800 multinational and local companies covering more than 350,000 insured individuals
- ATR KimEng Land Inc.'s ("ATRKE Land") TRIbeca Private Residences inaugurated its 3-hectare Central Park, opened the Chelsea Football Club Soccer School, and broke ground for the construction of the first Hudson Tower (tower 5) all in 2012.

MATRKE Financial, together with its subsidiaries (collectively, "Maybank ATR Kim Eng Group", or the "Group", or "Maybank ATRKE"), adopt the Maybank Group's Standard of Business Conduct and aligns it resources to achieve its Corporate Vision and Mission, which are in line with Maybank's Corporate Vision and Mission.

Corporate Vision

United in spirit, we carry out a worthy mission in pursuit of a shared vision to:

- Become one of the top players in any specific field that we are in, considering, in particular, Maybank Kim Eng's 2 pillars and Corporate Vision;
- Provide our shareholders with a fair return on their investments, both in terms of dividends and increased share values;
- Maintain our short-term and long-term profitability;
- Hire people with distinct competence and leadership and develop them for higher management positions;
- Reward employees in a manner commensurate to their contributions and to maintain a reputation as a fair employer who is interested at all times in the well-being of its employees;
- Consistently respond to the needs of the Asean Region and the Philippines, particularly within the communities in which the Company and our subsidiaries and affiliates operate, whether or not financial gain is directly or indirectly involved; and
- To contribute to the attainment of Maybank Kim Eng's vision to be a regional powerhouse in 2015.

Corporate Mission

As a diversified conglomerate focused on financial services, it is our mission to provide clients with high quality and value-added products and services, while giving our best efforts to enhance shareholder value. As a company with global outlook and competencies, we promise diverse and challenging opportunities for our employees while contributing to the socio-economic welfare of the nation and the communities in which Maybank Kim Eng, the Company, and our subsidiaries and affiliates operate. The Maybank ATR Kim Eng Group is steadfast in our commitment to the country and the region.

Core Values

Guiding Principles

All directors are required to maintain the highest standards of transparency, integrity and honesty. This standard on transparency, integrity and accountability serves as the basis for the principles that govern the directors' conduct and their relationship with the stakeholders.

Ethics

The Board of Directors observes the Board Manual and Manual of Corporate Governance, which is principally based on the SEC's Revised Code of Corporate Governance of 2009 (Revised Code of 2009). Also considered are the Fit and Proper Rule of the Bangko Sentral ng Pilipinas (BSP), Securities Regulation Code, Insurance Code of the Philippines, Corporation Code of the Philippines, Investment Company Act, Investment Houses Law, Manual of Regulation for Non-Bank Financial Institutions, Anti-Money Laundering Law, Tax Reform Act of 1997 (National Internal Revenue Code as amended), and The Securitization Act of 2004, where applicable.

Maybank Group also has a Code of Ethics and Conduct that sets out the sound principles and standards of good practice in the financial services industry,

The Board as well as the Group's employees are required to uphold the highest standard of integrity in discharging their duties and in dealings with customers, fellow employees and regulators. This is in line with the Group's Core Values which give emphasis on behavioral ethics when dealing with third party and fellow employees.

Maybank Group's Core Values' acronym is **"T.I.G.E.R."** which entails the following:

T eamwork	We work together as a team based on mutual respect and dignity.
I ntegrity	We are honest, professional and ethical in all our dealings.
G rowth	We are passionate about constant improvement and innovation.
E xcellence & Efficiency	We are committed to delivering outstanding performance and superior service.
R elationship Building	We continuously build long-term and mutually beneficial partnerships.

Company Background

In January 2011, Maybank IB Holdings Sdn. Bhd. (“MIBH”; then known as Aseam Credit Sdn. Bhd.) had entered into separate and conditional share purchase agreement with each of Mr. Ronald Anthony Ooi Thean Yat and Yuanta Securities Asia Financial Services for the acquisition of total 44.6% stakes in Maybank Kim Eng Holdings Limited (“Maybank KE”) (“Acquisitions”). Additionally, on 7 and 10 January 2011, MIBH purchased an aggregate of 5.6% of Maybank KE shares from the market.

The Acquisitions were completed on 10 May 2011. A mandatory general offer (“Singapore MGO”) was made to acquire all the remaining Maybank KE shares for S$3.10 per share in cash. The Singapore MGO closed on 4 July 2011 and on 29 July 2011, MIBH exercised its right of compulsory acquisition to acquire all the Maybank KE shares held by the dissenting shareholders and now owns 100% of Maybank KE, which was delisted in August 2011.

In addition, Maybank KE had in June 2011 contracted to purchase 32.2% stakes in MATRKE Financial from ATR Holdings, Inc. (“ATR Holdings”). Along with the 42.4% originally owned shareholdings, this brought up Maybank KE’s ownership in MATRKE Financial to 74.6%, triggering a mandatory tender offer to acquire all the remaining MATRKE Financial shares that it did not own, at an offer price of P4.38 per share. Subsequently, the mandatory tender offer (“MTO”) closed on 29 November 2011. Maybank KE’s ownership in the Company rose to 99.1% upon crossing the tendered shares on 9 December 2011.

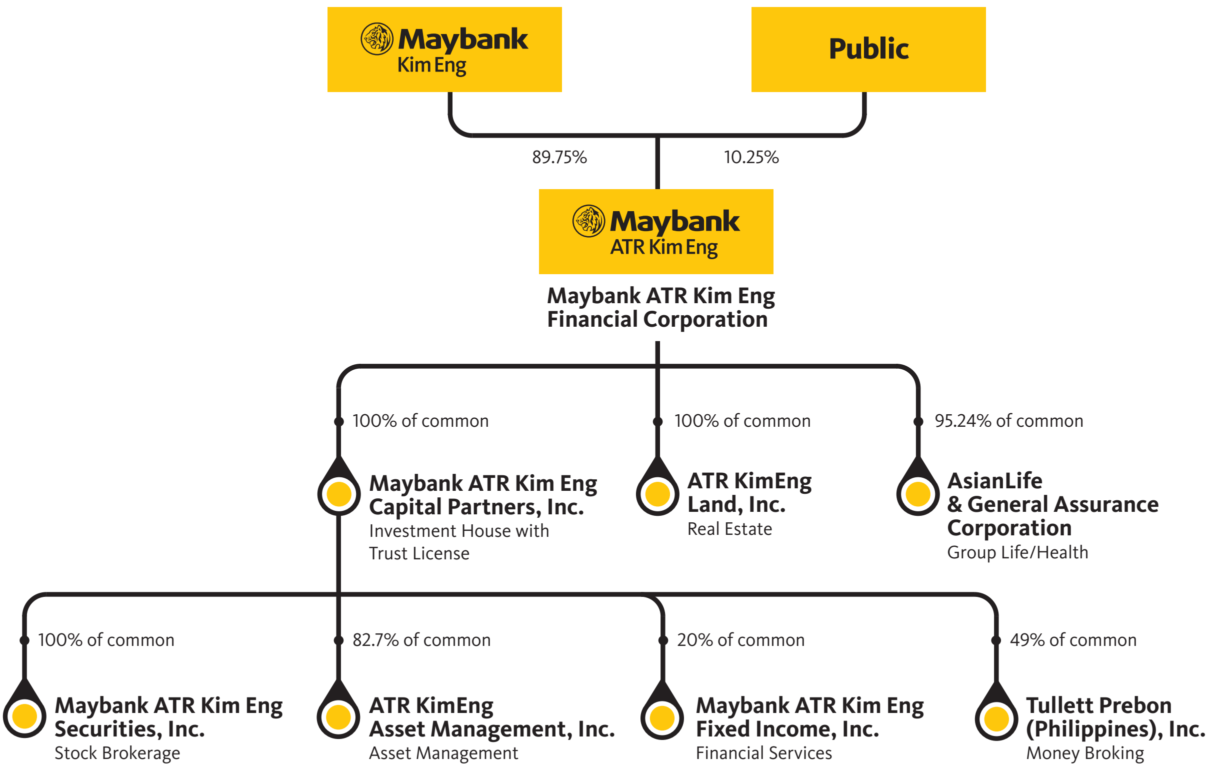
The Company’s shares are listed and traded on the Philippine Stock Exchange (“PSE”) under the trading symbol MAKE (for Maybank ATR Kim Eng) and, therefore, MATRKE Financial is subject to the Minimum Public Ownership (“MPO”) requirement of 10% by 31 December 2012, as mandated by the Securities and Exchange Commission (“SEC”) and the PSE. Thus, on 27 December 2012, the Company’s principal shareholder, Maybank KE, sold 50 million issued and outstanding common shares in the Company to Wah Hong Investment Limited, a Hong Kong company, and another 50 million issued and outstanding common shares in the Company to Lotus Asset Management (BVI) Limited, a British Virgin Island registered firm, both at Php4.38 per share, which is equivalent to the price Maybank KE paid to the shareholders of MATRKE Financial in the MTO, which closed on 29 November 2011. 50 million shares is equivalent to 4.68% of the Company’s issued and outstanding common stock. Hence, with the sale, the Company is now fully compliant to the MPO requirement, with 10.25% of MATRKE Financial owned by the public.

As a result of these changes, the Maybank KE Group has been reorganized into two business pillars, namely:

1. Investment Banking and Advisory; and
2. Equities,

Maybank KE continues to work through its extensive network of offices in Malaysia, Singapore, Hong Kong, Thailand, Indonesia, Philippines, India, Vietnam, Saudi Arabia, United Kingdom and United States. In the Philippines, via MATRKE Financial and its operating subsidiaries and affiliates, there are three business segments: the Capital Markets wherein the business pillars are domiciled, insurance and real estate.

Corporate Structure



A Message from the Board and Management

Continuing to Lead in the Region's Best Performing Market

Dear Shareholders,

In light of the Philippine economy's performance throughout 2012 our company has performed exceptionally well, having taken advantage of the improving economy to boost our core businesses.

2012 proved itself a 'dragon year' for the Philippine economy with the Philippine Stock Exchange Index (PSEi) hitting no less than 38 record highs throughout the year, posting a record amount of equity raised, and closing at 5,812.7 points on the Composite Index. Value turnover hit an all-time high at P 1.77 trillion, up 24% from end-2011. Five companies conducted initial public offerings in 2012, raising P23.99 billion from the market. Capital proceeds from private placement, stock-rights offerings, and follow-on offerings amounted to P50.38 billion, P52.07 billion, and P92.64 billion respectively.

Philippine economic growth at year's end hit 6.6%, above the high end of the government's target range of 5 to 6%, while the nation's Gross Domestic Product (GDP) was pegged at 6.8%.The continued improvement of the Philippine economy is remarkable in that it growth rate remains steady and positive despite the slow growth and decline of markets in North America, Europe, and several other Asian countries. The economy's continued growth is expected as investor confidence becomes stronger, domestic spending continues to grow, while further progress and expansion are anticipated in the fields of infrastructure, mining, and tourism.

At end-2012, our company registered a net income of over P 324.5 million, just slightly higher than the P 323.9 million posted at end-2011. Our revenues were drawn primarily from our stock-broking business, followed by investment banking, insurance, and real estate.

Our subsidiaries did well during the year. Advisory and underwriting fees for our investment house hit P 95 million, an increase of 9% from end-2011, mostly due to underwriting fees from two major transactions in 2012. Our stock brokerage continues to rank among the top brokers in the equities market; consolidated commissions were pegged at P 633 million, up 6% from 2011. Management, administration and distribution fees from ATRKE Asset Management were also up 57% from the previous year. Together with the Trust Department of MATRKE Capital, total assets under management increased to P36 billion.

Likewise, ALGA's net income hit P 281 million, the highest in the company's history. Gross real estate revenues from the sale of units owned by ATRKE Land at TRIbeca Private Residences amounted to P71 million in 2012 while P 260 million in capital expenditures has been allotted for the construction of Hudson Tower I, its next phase of development.

It is our hope that, as the national economy continues to gain strength and stability, we be able to surge to even greater heights in both growth and profitability as we enter yet another year.

RAMON B. ARNAIZ
Chairman

MANUEL N. TORDESILLAS
President

Management's Discussion and Analysis

On a consolidated basis, the Company reported a Net Income Attributable to Shareholders of P324 million for 2012, a slight increase from last year's P323.9 million. Prior to attribution, net income was at P340 million, up 1% or P3 million from the previous year's P337 million. Although there was a slight 3% decrease in total income to P2.751 billion from P2.846 billion, prudent control of costs that saw total expenses decrease 5% to P2.267 billion from P2.385 billion afforded the Company the slight increase in net income attributable to shareholders.

The decrease in total income was due to significant decreases in premium incomes, interest, and gains on sale of loans receivables following the sale of ALFA to third parties. The decrease also came despite significant increases in income from advisory and underwriting fees and commissions as well as a one-time gain from the ALFA disposal.

Net insurance premiums decreased 7% or P104 million to P1.391 billion from P1.495 billion in 2011. With its sale to unrelated parties at the end of May, only five months' worth of premiums were consolidated from ALFA and only ALGA's premium income were consolidated for the full year. Despite the decrease, net insurance premiums continued to account for more than half of consolidated revenues at 51% of total.

Commissions, coming largely from brokerage house business increased 6% or P35 million to P633 million for the year 2012, compared to P598 million for the year 2011. The increase came from a strong, though highly competitive market, with the PSE composite index breaching new highs throughout the year and came despite an immaterial 2% decrease in our trading value turnover to P259 billion from P265 billion. Market share also dipped from 9.32% to P7.32%. Commissions are the Company's second largest source of consolidated revenue, accounting for 23% or just about a fourth of total.

Interest income decreased 22% or P53 million to P184 million from P237 million in 2011. As was the case in premium income, the sale of ALFA resulted in consolidation of only five months' worth of interest income from the DepEd salary loans business of the former subsidiary.

Combined, Advisory fees and Underwriting fees increased 9% or about P8 million to P95 million in 2012 compared to P88 million in 2011. The increase was due to higher underwriting fees coming mostly from the IPO of D & L Industries, Inc. in the fourth quarter and a secondary offer earlier in the year.

Income from the sale of real estate inventories, coming from TRIbeca Private Residences, our joint venture condominium and lifestyle development together with Landco Pacific Corporation, decreased 32% or P34 million to P71 million in 2012 from P105 million in 2011. The decrease came about because construction of TRIbeca's Tower 5 has not reached the required percentage of completion to allow for recognition of income from it.

Management, administration, and distribution fees of ATRKE Asset Management saw a significant increase of 57% or P17 million to P46 million from P29 million previously. The increase is due to the improved mutual fund management business, which saw a 93% increase in net asset values to P3.024 billion because of increased investments into the managed funds and increases in asset prices.

Fair value gain on financial assets at fair value through profit or loss (FVPL) increased 30% or P4 million to P17 million in 2012 compared to P13 million in 2011. The amounts over the past two years reflect net gains in fair values of financial assets held for trading by subsidiaries.

Equity in net earnings of associates was nearly halved to P12 million from P23 million, a decrease of 49% or P11 million, due to lower incomes from Tullett Prebon Philippines and Maybank ATR Kim Eng Fixed Income, Inc.

There was a P108 million one-off income in 2012 coming from the disposal of ALFA while gain on sale of available for sale securities, at P14 million, and gain on sale of loans and receivables, at P11 million, both decreased. The decrease in gain on sale of AFS securities was an immaterial 3%. However, the decrease in gain on sale of loans and receivables was by P47 million, equivalent to 81%.

Service fees, network fees, and other income, all taken together, decreased immaterially from P178 million to P168 million.

The disposal of ALFA was also felt in the balance sheet, particularly loans and receivables, which decreased 56% to P1.127 billion due to the 91% decrease in the DepEd salary loans portfolio to P81 million, 82% decrease in policy loans to P17 million.

Unrelated to the sale of ALFA but also quite tangible in the loans and receivables account, is the 41% decrease to P726 million of amounts due from customers and brokers coming from the stock brokerage business. These were settled within the trading cycle.

Cash and cash equivalents increased, due to higher reserves of the brokerage house for settlement of client transactions.

Other major movements in the asset side of the balance sheet also involved reclassifications among certain financial assets. Financial assets at fair value through profit or loss increased quite significantly to P806 million from P29 million, as certain investments of ALGA were reclassified from Available-for-Sale into this account. There was, also, a significant portion of the proceeds from the sale of ALFA invested under this account, which contributed to its increase. A reclassification from Available-for-Sale account to Held-to-Maturity account was also effected which saw the latter increasing to P206 million from nil previously.

Real estate inventories decreased immaterially to P684 million. The inventories are reduced upon recognition of the sale of units in TRibeca, which happens when the required percentage of collection of the total contract price is met and the corresponding gross profit is recognized upon reaching required percentage of completion.

Total assets amounted to P6.541 billion, a 4% decrease from P6.845 billion in 2011.

On the liability side, accounts payable and accrued expenses increased 15% or P712 million to P1.962 billion, largely due to trade obligations of the brokerage business.

Loans payable decreased 72% from P383 million to P106 million as certain loans secured by salary loans receivables of ALFA were settled prior to its sale to unrelated parties. Insurance contract liabilities also showed a significant decline of 51% to P477 million as legal policy reserves, claims payable, and policyholders dividends of ALFA are no longer included in the account.

Due to related companies increased significantly to P79 million as of end 2012 coming mostly from the amount due to a subsidiary of shareholder for it's fee from an underwriting transaction in the fourth quarter.

Income tax payable, previously reported as part of accounts payable, accrued expenses, and other liabilities, amounted to P35 million, a decrease of 31% or P16 million from P51 million previously due in part to lower tax payables of the brokerage house as of the end of 2012.

Deferred tax liabilities changed immaterially over the last three years

Other liabilities decreased 42% or P103 million to P143 million at the end of 2012 from P247million at the end of 2011 due largely to the sale of ALFA, which reduced premium deposits, life insurance deposits, and miscellaneous liabilities.

As a result of the movements described above, total liabilities stood at P2.980, down 16% from P3.551 billion.

Total equity attributable to shareholders of the Company increased 11% or P352 million to P3.501 billion at the close of 2012 compared to P3.149 billion at the close of 2011. The increase is attributable to a 34% or P324 million increase in retained earnings to P1.279 billion plus a P27 million reversal of an unrealized loss of AFS securities. With the sale of ALFA to unrelated parties in 2012, non-controlling interest decreased 59% to P60 million as of 31 December 2012 from P146 million as of 31 December 2011. Total equity increased 8% or P266 million to P3.561 billion.

CAPITAL MARKETS

Maybank ATR Kim Eng Capital Partners, Inc.
Maybank ATR Kim Eng Securities, Inc.
ATR KimEng Asset Management, Inc.
Tullett Prebon (Philippines), Inc.

Maybank ATR Kim Eng Capital Partners, Inc.

The Capital Partners in 2012: Driven by a Stronger Economy

"Our core businesses of stock brokerage and investment banking have grown given the rise in the stock market," is **Maybank ATR Kim Eng Capital Partners, Inc. President and CEO Manuel N. Tordesillas**' confident statement on the company's performance in 2012. Indeed, the continued growth of the Philippine economy has proven, yet again, Tordesillas' long-held belief that Maybank ATR Kim Eng does exceptionally well whenever the national economy is riding high.

With its focus on capital raising, financial advisory, mergers and acquisitions, and debt financing/restructuring, MATRKE Capital has proven itself time and again as a leader in the field of corporate finance. In 2012, the company was the sole underwriter in one of the largest initial public offerings (IPOs) of the year: D&L, the Philippines' leading manufacturer of customized food additives, sold 1.07 billion common shares, representing 30% of the firm's post-IPO outstanding capital. The investment house also served as one of the underwriters for San Miguel Pure Foods Corporation's follow-on offer wherein P 7.5 billion worth of shares was sold in compliance with the PSE's regulations for minimum public ownership.

Advisory and underwriting fees from MATRKE Capital hit P95 million, posting an increase of 9% from end-2011, and company's net income registered positive growth in 2012.

Tordesillas continues to view his company's future optimistically given the advantages it has from being a consistent leader in the Philippine corporate world as well as part of one of Southeast Asia's largest investment banking corporations. Keeping this in mind, MATRKE Capital is yet another step closer towards becoming the region's investment bank of choice.

"Our core businesses of stock brokerage and investment banking have grown given the rise in the stock market," - Manuel N. Tordesillas

Maybank ATR Kim Eng Capital Partners, Inc.
(Audited)
For the 12 months ending December 31

	Gross Revenue	Total Expenses	Net Income Before Tax	Net Income After Tax
2012	**425,532,071**	**308,591,245**	**116,940,826**	**113,134,279**
2011	183,445,027	262,696,684	(79,251,657)	(58,689,629)
% Change	132%	17%	-248%	

	Total Assets	Total Liabilities	Stockholders' Equity
2012	**1,498,868,892**	**553,992,589**	**944,876,303**
2011	1,287,933,752	482,521,234	805,412,518
% Change	16%	15%	17%

Maybank ATR Kim Eng Securities, Inc.

Strength and Resilience in an Increasingly Competitive Field

Turnover at the Philippine Stock Exchange (PSE) was much healthier than it was in 2011 and the extended trading hours implemented in 2012 enabled the even greater participation of foreign funds and thus contributing to a more competitive trading environment. In light of the tight competition that now characterized the Philippine securities arena, **Maybank ATR Kim Eng Securities, Inc.** stayed competitive and finished the year with a 7.32% share of the market.

According to MATRKE Securities Chairman and President **Lorenzo Andres T. Roxas**, "I think in spite of the heightened competition, we were able to stay very competitive vis-à-vis the bigger foreign houses. Our commissions are up by 5% compared to our performance at the end of 2011." Revenues earned from commissions hit a total of P 618 million at the end of 2012.

MATRKE Securities performed exceptionally, finishing the year ranked #4 overall. As further proof of the company's longstanding commitment to deliver exceptional service to its clients, it was again hailed as the Philippines' Best Broker by FinanceAsia and Best Retail Broker by Alpha Southeast Asia in 2012.

MATRKE Securities' net income for 2012 was pegged at P 151 million, lower than its 2011 total and this has been attributed to the company's considerable investment into the next phase of its growth and development: its participation in the PSE's online trading platform which is set to be launched in 2013. The platform is expected to enable the company to take a more active, vigorous approach to its core businesses on an even wider playing field. From a staff of less than five people, MATRKE Securities' web team has grown to seventeen at the end of 2012. It is hoped that the company's participation in online transactions will help prepare it for the development of a virtual retail investment hub that directly opens ASEAN markets to investors in any part of the world.

Keeping all these developments in mind, it can be expected that MATRKE Securities is setting itself up to broaden its horizons as it strengthens its core competencies in order to meet the challenges of a more competitive field in 2013.

"I think in spite of the heightened competition, we were able to stay very competitive than the bigger foreign houses." - Lorenzo Andres T. Roxas

Maybank ATR Kim Eng Securities, Inc.
(Audited)

For the 12 months ending December 31

	Gross Revenue	Total Expenses	Net Income Before Tax	Net Income After Tax
2012	**671,398,273**	**454,431,806**	**216,966,467**	**151,439,160**
2011	632,938,763	373,143,813	259,794,950	182,543,795
% Change	6%	22%	-16%	-17%

As of December 31

	Total Assets	Total Liabilities	Stockholders' Equity
2012	**2,687,582,603**	**1,944,784,234**	**742,798,369**
2011	2,314,517,800	1,585,066,491	729,451,309
% Change	16%	23%	2%

ATR KimEng Asset Management, Inc.

Moving Forward with a Strong Economy

"What we are facing is a structural uptrend in the domestic economy," is how **ATR KimEng Asset Management, Inc. President Michael V. Ferrer** describes the market environment his company dealt with in 2012. "It was a good year for the Philippines, given its strong economic growth, low inflation, and a bullish market in stocks and bonds."

The Philippine economy is on a structurally higher growth path fueled by economic and demographic forces and may be bolstered further by growing foreign investor interest in the country.

The country continues to thrive despite the continuing uncertainty of both the debt crisis in the European Union and the economic recovery of the United States. Elsewhere in the world, various measures to support liquidity were implemented with quantitative easing (QE) in the US, the European Central Bank's purchase of bonds in the EU, China's interest rate cut, and Japan's own QE.

Because of volatility elsewhere, investors saw strength in Asia, especially in the emerging markets. After credit rating upgrades to Ba1 by Moody's Investors Service and to BB+ by Standard and Poor's during the year, the Philippines ended the year rated only one notch below investment grade by all three major international rating agencies. The Philippine Stock Exchange Index (PSEi) performed well, setting one record high after another rewarding its investors with a return of almost 33%.

In 2012, ATRKE Asset Management almost doubled its assets under management (AUM) as it rose by 92.8% to P 3.03 billion. ATRKE Asset Management's sales and business development efforts remained strong, and, to further improve its sales channels, the company partnered with one of the country's top fund distributors.

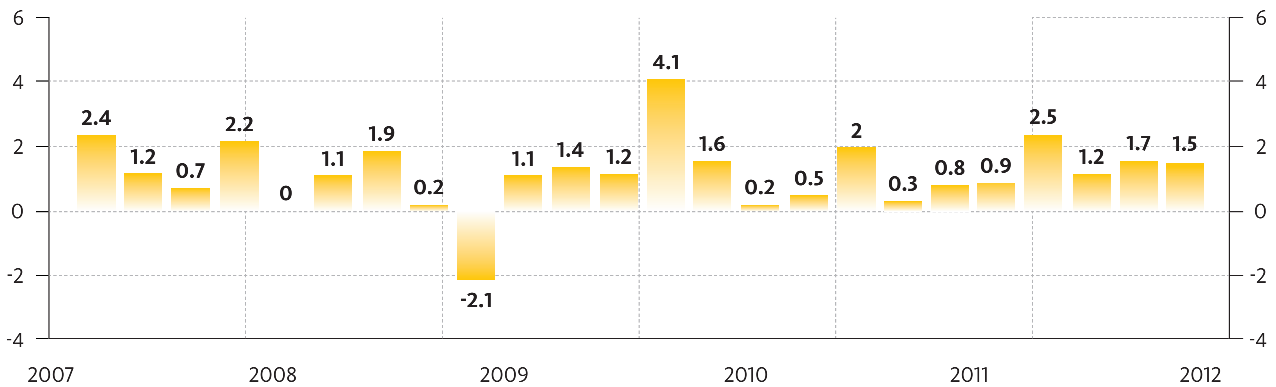
With the addition of key new institutional accounts, the group's trust business still managed to top the exceptional growth from last year. For the year, the group's trust AUM rose by approximately 257% to close at P 33 billion. Aside from the inflows from new and current accounts, the growth was supported by positive investment returns in the strong capital markets.

"What we are facing is a structural uptrend in the domestic economy," - Michael V. Ferrer

For 2013, there are plans to strengthen the organization by adding key members to the existing core team. ATRKE Asset Management plans to introduce new products to its current range to allow institutional clients to diversify both geographically and in terms of asset class.

Maybank ATR KE's asset management arm operates through ATRKE Asset Management and the Trust Department of MATRKE Capital.

Philippines GDP Growth Rate
Percent Change in Gross Domestic Product



Tullett Prebon (Philippines), Inc.

Continuing Stability

Tullett Prebon (Philippines), Inc. has had a good year. While there have been no major changes to its organizational structure, president **Engelbert Wee** is of the opinion that his company continued to perform well as the Philippine economy rallied despite financial turbulence elsewhere in the world.

While the company did not win any accolades during the year, Tullett Prebon posted gross revenues of P 195,873,920 and a net profit of P 34,875,046, marginally higher than what it earned in 2011. The company has also retained its position as a leading spot-broker and takes pride in being one of the country's more profitable brokerage firms.

The company continues to rally, banking on the principle that its people continue to be its best asset. "We attract and retain talent," Wee says confidently. "Our brokers have had more experience in the field and their skills have improved over time." His 2011 goal of becoming more cost-conscious has led to better hiring and his team at Tullett Prebon continues to enjoy the respect and patronage of its clients and it is a path the company will continue to follow throughout 2013.

49% of Tullett Prebon is owned by MATRKE Capital and the balance by Tullett Prebon plc in London. The firm provides intermediary broking services to trading professionals in the Philippine wholesale finance market. As such, it is part of a global network of interdealer brokers, enhancing liquidity and efficiency in wholesale financial markets.

"Our growth was tempered by the volatility of the global environment," - Engelbert Wee

Tullett Prebon (Philippines), Inc.
(Audited)

For the 12 months ending December 31

	Gross Revenue	Total Expenses	Net Income Before Tax	Net Income After Tax
2012	**195,873,920**	**160,994,873**	**34,879,047**	**22,822,517**
2011	192,307,321	147,965,174	44,342,147	29,137,376
% Change	2%	9%	-21%	-22%

As of December 31

	Total Assets	Total Liabilities	Stockholders' Equity
2012	**156,327,715**	**44,772,340**	**111,555,375**
2011	158,291,226	39,558,367	118,732,858
% Change	-1%	-13%	-6%

INSURANCE

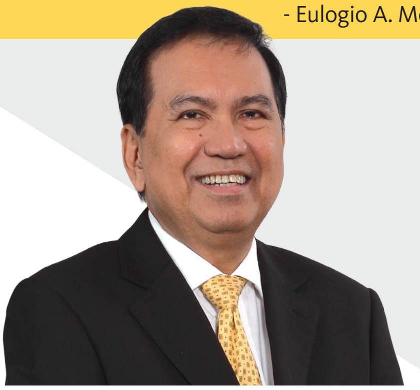
AsianLife & General Assurance Corporation

AsianLife & General Assurance Corporation

ALGA: Breaking New Ground Through Personalized Service

"...our company has embodied the advocacy of 'Help the teachers and you help the nation because the teachers make the nation."

\- Eulogio A. Mendoza



2012 was a very good year for **AsianLife & General Assurance Corporation** as the company posted vigorous growth with regard to its total revenues and net income. At P 1.6 billion, the company's total revenue was up 19% compared to 2011's P 1.4 billion. Likewise, net income was registered at P 281 million, a 127% increase compared to the previous year's, and is the highest in the company's history.

According to ALGA President and CEO **Eulogio A. Mendoza**, this growth was partly achieved thanks to the sale of its subsidiary AsianLife Financial Assurance (ALFA) in mid-2012. The company also exceeded its plan on several key financial indicators, namely: cost to income ratio, return on human capital costs, and return on equity.

Mendoza says, "One of the main reasons why ALGA has become a popular choice in providing companies' employee benefits is our continuing commitment to deliver high-quality service driven by our promise to give service beyond through personal touch." As a result of its personalized services to its clients, ALGA stands as the group insurance provider for over 800 multinational and local companies, its services covering more than 350,000 insured individuals. In 2012, its service network expanded to include 401 accredited hospitals, 485 accredited clinics, and 21,000 physicians.

Highly visible goal setting through the implementation of its **1188-3** program is another key factor for ALGA's continued success. In the next three years, ALGA aims to become #1 in the field of medical insurance, the #1 provider of employee benefits, #8 overall in terms of traditional insurance, and #8 in terms of overall net income.

Along with its corporate initiatives, ALGA will expand its program of salary loans for public school teachers. "As part of our social responsibility and, as a way of helping the teachers," Mendoza opines, "our company has embodied the advocacy of *'Help the teachers and you help the nation because the teachers make the nation.'*" To date, ALGA has eight Department of Education (DepEd)-accredited regional offices in Luzon and the Visayas and has also distributed free health cards entitling public school teachers to free consultations at three of the country's largest clinic chains. Microinsurance, fixed-rate educational plans, and bancassure in partnership with Maybank Philippines are also currently on the drawing board for ALGA as it supports the advocacy of different government agency to provide insurance coverage for the Filipino people.

With its continued emphasis on delivering quality service with a personal touch as well as its concern for the welfare of the Filipino people, ALGA looks toward 2013 with optimism for its many initiatives.

AsianLife & General Assurance Corporation
(Audited)

For the 12 months ending December 31

	Net Premium Income	Interest & Other Income	Total Income	Underwriting Expenses	Other Expenses	Total Expenses	Income Before Tax	Net Income After Tax
2012	**1,275,588,800**	**370,592,757**	**1,646,181,557**	**1,020,424,325**	**280,972,737**	**1,301,397,062**	**344,784,495**	**280,509,867**
2011	1,252,114,996	128,715,042	1,380,830,038	1,039,113,682	171,019,059	1,210,132,741	170,697,297	123,582,350
% Change	2%	188%	19%	-2%	64%	8%	102%	127%

As of December 31

	Total Assets	Total Liabilities	Stockholders' Equity
2012	**1,772,445,852**	**851,181,862**	**921,263,990**
2011	1,415,268,367	635,406,504	779,861,863
% Change	25%	34%	18%

REAL ESTATE

ATR KimEng Land, Inc.

ATR KimEng Land, Inc.

ATRKE Land: Enlightened Living South of Manila

TRIbeca Private Residences, **ATR KimEng Land, Inc.** and Landco Pacific Corporation's successful joint venture, remains a major player in the residential condominium market, particularly in the field of resort-inspired real estate development.

This success has been highly attributed to the way TRIbeca's development has set it apart from its competitors. TRIbeca's brand promise is *Life at Your Leisure* at its spacious 9.7 hectares location, which has been developed for gracious living, differentiated by its 1,800 sqm Aqua Park and a three-hectare Central Park, complete with a new football field.

Whereas other developers have simply banked on promises to their customers, TRIbeca has actually delivered: as of end-2012, four towers stand on the premises, together with the aforementioned amenities. By the end of 2012, 655 units have been turned over and owners have moved into 494 of them.

2012 was an eventful year for ATRKE Land: TRIbeca's Central Park was formally inaugurated in February while ground was broken for the construction of the first Hudson Tower in December. Likewise, pre-selling for the second Hudson Tower was formally launched in October 2012 and is currently underway.

Sports development has also entered the equation for TRIbeca's success and continued market leadership. The opening of the Chelsea Football Club (Chelsea FC) Soccer School in the summer of 2012 solidified the development's reputation for offering innovative lifestyle solutions rather than run-of-the-mill amenities, thus making good on its promise to deliver refined and elegant living south of Manila.

"Its brand promise of Life at Your Leisure is fulfilled by 1,800 sqm Aqua Park, three-hectare Central Park, and – the latest addition to TRIbeca's amenities – a new football field."

- Renato L. Leveriza, Jr.

Given the number of real estate, condo-style developments that have risen in Manila's southern suburbs, joint venture partners ATRKE Land and Landco Pacific are aware that competition has become much tougher and that there is a greater need to stand out to maintain TRibeca's position as one of the best condominium communities in the country. .

2013 will also see TRIbeca facing the competition head-on. The joint venture partners are optimistic about maintaining their share of the Philippine real estate market through aggressive marketing locally and abroad.

ATR KimEng Land, Inc.
(Audited)
For the 12 months ending December 31

	Sale of Real Estate	Cost of Real Estate Sold	Gross Profit	Operating Expenses	Income From Operations	Other Income (expenses)	Net Income (Loss) Before Tax	Net Income / Total Comprehensive Income
2012	**71,246,162**	**44,682,980**	**26,563,182**	**24,020,721**	**2,542,461**	**9,775,938**	**12,318,399**	**9,562,359**
2011	105,194,155	63,797,256	41,396,899	20,726,469	20,670,430	(4,718,782)	15,951,648	10,977,986
% Change	-32%	-30%	-36%	16%	-88%	-307%	-23%	-13%

As of December 31

	Total Assets	Total Liabilities	Stockholders' Equity
2012	**1,099,898,157**	**368,258,191**	**731,639,966**
2011	1,140,878,906	418,801,299	722,077,607
% Change	-4%	-12%	1%

Corporate Governance

The Company believes that a responsible organization is one that lives the principles of good corporate governance. Therefore, your Company, its Board of Directors, management and staff are committed to the principles and best practices of good Corporate Governance. The Board has primary responsibility for setting over-all policy and strategy for the Company and ensuring that such are pursued while observing these principles and best practices.

A Manual of Corporate Governance, revised following a revision in the Code of Corporate Governance in 2009, guides the Company in its actions. In addition, a Board Manual adhering to the best practices and good governance principles followed by the Maybank Group has been adopted, but adjusted to account for differences in local practices, laws, and regulations.

To assist the Board in its broad functions, Board Committees were set up, composed of the various directors and independent directors. Three Board Committees allow for a narrower yet specialized focus on their respective areas. Members of the Board are chosen to be part of a particular committee where their professional background, experience, and education shall lend most to its effectiveness and success.

The Company also submits annually the Corporate Governance Guidelines for Listed Companies Disclosure Template to the Philippine Stock Exchange. The disclosure details the Company's level of adoption of the recommendations stated in the guidelines. For the year 2012, the Company complied with virtually all recommendations covering the 10 guidelines. The only exceptions were the Company's 10.25% public ownership level versus the recommended 30% and the two independent directors against a recommended three. It should be emphasized, however, that despite non-compliance with recommendations in these two areas, the Company is in compliance with the statutory requirement for a 10% minimum public ownership level as well as with the rule to have two or 20% of its board composition, whichever is lower, to be independent directors.

The **Nominations Committee** pre-screens and shortlists all candidates nominated to become directors and independent directors. Selection is done with an eye towards eliminating – potential conflicts of interest between a director and the Company while bringing together a diverse set of perspectives to the Board. This enables the Board to decide on issues brought up for consideration while considering the broadest ramifications of its actions. To further strengthen the Company's adherence to best practices in good governance, the By-Laws were amended in 2005 to adopt Rule 38.1 of the Implementing Rules and Regulations of the Securities Regulation Code on nomination and election of independent directors. Shareholders elect directors and independent directors at the annual stockholders' meeting.

Nominations Committee (as of 31 December 2012)	
Ramon B. Arnaiz	Chairman
Manuel N. Tordesillas	Member
Udaishankar Raman	Member
Renato L. Leveriza, Jr.	Member
Ernest L. Cu	Member, Independent Director

The **Compensation and Remuneration Committee** reviews and recommends director and officer compensation. Its basic policy is for the Company to offer fair and competitive remuneration in order to attract and retain high caliber individuals as directors and officers. This policy extends beyond first–time appointees but also to those already in the organization. In 2008, the Company amended its by-laws to allowing directors to receive per diem allowance for attendance at meetings and/or compensation in such amount as may be determined by resolution of the Board of Directors on the basis of recommendation of the Compensation and Remuneration Committee, in accordance with law, provided, that in no case shall the total yearly compensation of directors exceed ten percent (10%) of the income before taxes of the Company during the preceding fiscal year.

Compensation & Remuneration Committee (as of 31 December 2012)	
Ramon B. Arnaiz	Chairman
Manuel N. Tordesillas	Member
Udaishankar Raman	Member
Ernest L. Cu	Member, Independent Director

The **Audit Committee** of the Board assists in the performance of the Board's oversight responsibility for the integrity of the Group's financial statements and reporting and compliance with laws and regulations. The Committee reviews with management and external auditors the audited financial statements of the Company prior to submission to and approval by the Board to ensure these are up to Philippine and international reporting standards.

The Audit Committee of the Board likewise assists the board in its oversight responsibility for the management of risk. An independent director chairs the Audit Committee while another is also a member. Part of the committee's function is the review of financial statements prior to submission and approval by the Board, ensuring these are up to Philippine and international reporting standards. It works closely with management and auditors in the exercise of its function.

Audit Committee (as of 31 December 2012)	
Ma. Victoria C. Viñas	Chairman, Independent Director
Ernest L. Cu	Member, Independent Director
Lorenzo Andres T. Roxas	Member
Herminio M. Famatigan, Jr.	Member
Udaishankar Raman	Member

The Chairman
Board of Directors
Maybank ATR Kim Eng Financial Corporation

Annual Report of the Audit Committee of the Board For the Financial Year Ended 31 December 2012

The Audit Committee of the Board's roles and responsibilities are defined in the Audit Committee of the Board Charter approved by the Board of Directors. The Audit Committee was created by the Board to (a) assist the Board in the performance of its oversight responsibility for (i) the integrity of the Maybank ATR KE Group's (Group) financial statements and reporting process, (ii) compliance with applicable laws, rules, and regulations, (iii) the Group's internal control system and (iv) the Group's audit process and the performance of the Group's internal audit organization and External Auditor, including the External Auditor's qualifications and independence; and (b) provide oversight in the management and control of risks inherent in the Group's businesses.

In compliance with the Audit Committee of the Board (ACB) Charter, we confirm that:

- An independent director chairs the ACB.
- The ACB consists of five (5) members, two (2) of which are independent directors.
- No committee member has simultaneously served on the audit committees of more than two other public companies.
- We had four (4) regular meetings and three (3) special meetings during the year.
- We have reviewed and discussed the quarterly unaudited consolidated financial statements and the annual audited consolidated financial statements of Maybank ATR Kim Eng Financial Corporation and Subsidiaries to ensure that the financial reporting and disclosure requirements are in compliance with accounting standards, with special focus placed on changes in accounting policy, as well as significant and unusual events/transactions. We have likewise performed a review of the Management's Discussion and Analysis of Financial Condition and Results of Operations, with the management, internal auditors, and SGV & Co. (member practice of Ernst & Young), the independent auditor of Maybank ATR Kim Eng Financial Corporation and Subsidiaries. The reviews were performed in the following context:
- That management has the primary responsibility for the financial statements and the financial reporting process; and
- That SGV & Co.'s responsibility is to express an opinion on the conformity of the audited consolidated financial statements of Maybank ATR Kim Eng Financial Corporation with Philippine Financial Reporting Standards.
- We have reviewed and approved the overall scope and audit plan of the external auditors and subsequently endorsed to and approved by the Board.
- We have reviewed and approved all audit related services provided by SGV & Co. to Maybank ATR Kim Eng Financial Corporation and Subsidiaries and the related fees for such services. No non-audit related services were rendered during 2012 by SGV & Co. to Maybank ATR Kim Eng Financial Corporation and Subsidiaries.
- We have hired the Chief Audit Executive to head the internal audit function of the Group in support to the mandate of Maybank Banking Berhad to separate internal audit function from the compliance function.
- We have reviewed and approved the following relative to the setting-up of the internal audit function for the Group and in alignment with the Internal Audit Structure and Methodology of Maybank Banking Berhad:
- Internal Audit Organization and Structure;
- Internal Audit Charter;
- Internal Audit Manual;
- Internal Audit Job Descriptions;
- Internal Audit Methodology and Rating;
- Internal Audit Annual Audit Plan; and
- Internal Audit AIMS (Audit Issues Management System)
- We have reviewed the reports of the internal auditors ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues. All the activities performed by Internal Audit were conducted in accordance with The Institute of Internal Auditors' (The IIA) International Standards for the Professional Practice of Internal Auditing (ISPPIA).

- We have monitored and reviewed the effectiveness of the internal audit function of the Group and assessed the performance of the Chief Audit Executive and staff.
- We have discussed and approved the results of the audits conducted by internal auditors and external auditors and their assessment of the Company's internal controls and the overall quality of the financial reporting process including their management letter of comments.
- We have been apprised by the Chief Risk Officer of the risk activities of the Group. The Group's risk management framework is under review for alignment with Maybank Investment Bank Berhad.
- We have discussed with the Chief Compliance Officer together with the Legal Counsel the Group's compliance framework, its compliance with applicable laws and updates on significant legal matters.
- We have reviewed and revised the ACB Charter to comply with SEC Circular Memo No. 4 Series of 2012. The proposed revisions in the ACB Charter were endorsed to and approved by the Board.
- We have conducted an assessment of our performance and shared the results with the Board. The findings from the assessment will help ensure that the Board is satisfied that the ACB is operating effectively, and is meeting all applicable legal and regulatory requirements.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors that the audited consolidated financial statements be included in the Annual Report for the year ended December 31, 2012, for filing with the Securities and Exchange Commission and the Philippine Stock Exchange.

On behalf of the Audit Committee of the Board,

Ma. Victoria C. Viñas
Chairman

Makati City
8 February 2013

Internal Audit

Continuing to Ensure a Company's Integrity

In 2011, with Maybank's acquisition, the internal audit department was formally separated from the compliance department in order to strengthen Maybank ATR Kim Eng's network of risk management, control and governance processes.

Its responsibilities include:

- Adding value by providing independent assurance;
- Evaluating the adequacy of the risk management processes;
- Examining and evaluating the adequacy, effectiveness and efficiency of financial and operating controls;
- Determining that the company's assets and resources are properly safeguarded;
- Ensuring that strategic, financial, operational and management information are all accurate, reliable, timely, and cost-effective;
- Reviewing new systems, products, systems updates and modifications before, during and after implementation; and
- Determining whether employee's actions are in compliance with policies, standards, procedures, applicable laws and regulations.

The 2012 audit covered Maybank ATR Kim Eng Capital Partners Inc., Maybank ATR Kim Eng Securities Inc., and ATR KimEng Land Inc. while that for Maybank ATR Kim Eng Financial Corporation concluded in 2013. The said audit followed the Maybank Risk-Based Approach (M-RBA) methodology, which aligns Internal Audit's processes with best practice and ensure compliance with the IIA's International Standards for the Professional Practice of Internal Audit.

Compliance

Safeguarding Corporate Governance

Maybank ATR Kim Eng's Compliance Team is focused on preserving the integrity and reputation of Maybank Group via compliance with applicable laws, regulations and ethical standards in all markets and jurisdictions in which it operates; improving the Group's image as a respectable organization with regard to compliance & anti-money laundering and terrorist financing risks; and cooperating fully with local and international competent authorities and law enforcement agencies.

The Compliance Team evaluates complaints and reports requiring detailed investigations and may be requested to conduct the investigation itself other than Internal Audit. Over time, it has been actively involved in the alignment as well as monitoring of policies especially involving regulatory matters and ethical conduct of employees.

The Maybank Group's compliance policy aims to ensure adherence to laws, rules, regulations, code and standards of the lands and preventing, where necessary, non-compliance. The framework is based on the following:

Pillars	Elements
Structrual	Commitment policy, structure and accountability, scope, standard, authority and roles and responsibilities of compliance.
Operational	Identification, implementation and reporting requirements.
Maintenance	Education, repository of compliance information, regular review and continual improvement; and assessment of the effectiveness of the existing processes.

The operationalization of this framework is complemented by joint consultative effort between Compliance and Audit, Risk Management and External Legal.

As of end-2012, there is substantial compliance on all areas of governance within the Maybank ATR Kim Eng Group.

Risk Management

Keeping in mind that good corporate governance means steering the Company towards sound business practice, the Board is committed to an enterprise-wide risk management policy that encompasses the whole Maybank ATR Kim Eng Group. Identifying, measuring, and managing risk is especially necessary for the Company's operating subsidiaries in capital markets, insurance, and real estate and the importance of coming up with timely and effective risk mitigation cannot be understated.

The Company formed a Management Risk Committee ("MRC"), which is supervised by the Audit Committee of the Board. The MRC is composed of five members including the regional head of risk management for Maybank Kim Eng. In addition, the heads of all the business units are permanent invitees to the MRC meetings.

Board of Directors and Officers

Ramon B. Arnaiz
Chairman of the Board

Manuel N. Tordesillas
President & Director

Lorenzo Andres T. Roxas
Director

Renato L. Leveriza, Jr.
Director & Executive Vice President

Nilaida S. Enriquez
Director, Treasurer &
Group Chief Financial Officer

Gemma M. Santos
Corporate Secretary

Tan Pei-San
Director

Udaishankar Raman
Director

Herminio M. Famatigan, Jr.
Director

Eulogio A. Mendoza
Director

Ernest L. Cu
Independent Director

Ma. Victoria C. Viñas
Independent Director

Board of Directors and Officers

Ramon B. Arnaiz, 67 years old, Filipino, has been a director of MATRKE Financial since 12 November 2001 and Chairman of the Board since 2003. Mr. Arnaiz is also the Chairman of the Board of MATRKE Capital, ALGA, ATRKE Asset Management, MATRKE Fixed Income, and ATR Holdings. He is Vice Chairman of Tullett Prebon and is a director of ATRKE Land. He also serves as director and/or Chairman in other unlisted companies. He has over 30 years of experience in securities brokerage in the Philippines and abroad, having worked in the Madrid and London offices of Merrill Lynch, Pierce Fenner and Smith International and was a past Governor of the Makati Stock Exchange. Mr. Arnaiz is a graduate of De La Salle University and earned his MBA from the University of Santa Clara in California. He also completed the Harvard Graduate School of Business Owner/President Management Program. Mr. Arnaiz is not a director of any other publicly listed company.

Manuel N. Tordesillas, 60 years old, Filipino, has been a director of the Company since 12 November 2001 and President of the Company since 2003. He is also Deputy Chairman of the Maybank Kim Eng Group Executive Committee. He has over 35 years of international and local investment banking experience, spending 11 years in Hong Kong where he served as Executive Director of Citicorp International Limited and Peregrine Capital Limited just prior to returning to the Philippines in 1995. He is also the President and CEO of MATRKE Capital, ATR Kim Eng AMG Holdings, Inc., ATRKE Land, and ATR Holdings where he also sits in their respective Boards as a Director. He also serves as Chairman of ATRKE Land and MATRKE Fixed Income, and Vice Chairman of ALGA. Mr. Tordesillas is likewise an Independent Director of Rockwell Land Corporation, a publicly listed company. He is currently the President of MET Holdings, Inc., President of the Investment House Association of the Philippines, member of the Capital Markets Development Council, and member of the Board of Advisors of De La Salle University College of Business and Economics. He obtained his MBA from Harvard University and his BS in Industrial Management Engineering from De La Salle University. In 2008, Mr. Tordesillas was nominated to the Roll of Honor at the 7th CNBC Asian Business Leaders Awards in Bangkok, Thailand.

Lorenzo T. Roxas, 49 years old, Filipino, has been a director of MATRKE Financial since 24 June 2003. He is Chairman of the Board & President of MATRKE Securities, having nearly 20 years of experience in the stock brokerage industry. He is a director of MATRKE Capital, ATR Holdings, ALGA, Tullett Prebon, and the Philippine Association of Securities Brokers and Dealers, Inc. and president of an unlisted company. Mr. Roxas graduated from Ateneo de Manila University with a Bachelor of Arts degree major in Interdisciplinary Studies and earned his MBA from Northwestern University Kellogg School of Management and Hong Kong University of Science and Technology. He also completed the executive program at Stanford University. Mr. Roxas is not a director of any other publicly listed company.

Tan Pei-San, 41, Singaporean, was elected Director on 18 June 2009 and also sits on the board of MATRKE Capital. He is Chief Executive Officer of Maybank Kim Eng Securities Pte. Ltd., the Singapore securities operating company of the Maybank Kim Eng Group as well as a director of various group subsidiary companies. Prior to joining MKEH, Mr. Tan was Vice-President and Assistant General Counsel at JPMorgan in Singapore where he covered capital markets transactions in South and South East Asia. Before that, he spent three years in New York and one year in Singapore as an associate in the corporate practice of the New York based law firm, Simpson Thacher & Bartlett, where he worked on mergers & acquisitions, credit and capital markets transactions. Mr. Tan received his legal training at Trinity Hall, Cambridge where he took a Double First in the Cambridge University Law Tripos. He has a Master of Laws from Harvard Law School for which he received the inaugural Grace Ballas Scholarship from the Singapore Academy of Law. He was a Justices' Law Clerk at the Supreme Court of Singapore from 1997 to 1998. Mr. Tan is not a director of any other publicly listed company.

Udaishankar Raman, 38, Malaysian, was first appointed director of the Company and of its subsidiary MATRKE Capital on 6 February 2012. Mr Raman currently leads Maybank KimEng's Mergers and Acquisition practice and is based in Kuala Lumpur, Malaysia. He had been with the Maybank group since 2009. Prior to joining Maybank, he had worked with various firms including Goldman Sachs and BinaFikir Sdn Bhd, a boutique advisory outfit. A Chartered Financial Analyst and a Chartered Management Accountant, he holds a Bachelor of Science (Hons.) degree in Accounting and Financial Analysis from University of Warwick. Mr. Raman is not a director of any other publicly listed company.

Herminio M. Famatigan, **Jr.**, 53, Filipino, was first appointed director of the Company and of MATRKE Capital on 18 May 2012. He is a director and the President & CEO of Maybank Philippines, Inc. ("MPI") and has over 30 years experience in banking and finance. Prior to joining MPI, he was the President and CEO of Premier Development Bank. He also served as the head of the account management group of Planters Development Bank from January 2005 to January 2007. Before that, he was with United Coconut Planters Bank as Senior Vice President –Head, Consumer Banking Group. Since graduating from the Universityy of the Philippines in 1980 with a Bachelor of Science degree in Economics, he has acquired experience in corporate lending, retail banking, branch administration, distribution and other facets of consumer lending. He has worked for other banks and financial institutions including Rizal Commercial Banking Corporation, RCBC Bankard, SolidBank, Solidbank Credit Cards, Citytrust, Anscor Finance, and BPI Leasing. Mr. Famatigan is not a director of any other publicly listed company.

Renato L. Leveriza, Jr., 62 years old, Filipino, has been a director since 1 April 1995 and is currently the Company's Executive Vice President. He joined the Company in 1990, when it was still known as Philtread, as Vice President & Chief Financial Officer. He also serves as Director and President of ATRKE Land. He sits as a director of ATRKE Asset Management and of MATRKE Capital, where he is also the Chairman of the Trust Committee. Mr. Leveriza was the former Chairman of the Business Education Committee, Junior Finex Committee, and Programs and Meetings Committee of FINEX. He is likewise a member of the Management Association of the Philippines, the Makati Business Club, and the Program Board of Advisers of the Financial Management Department of De La Salle University. Mr. Leveriza is a graduate of De La Salle University with a BS degree in Chemical Engineering and earned his Master's diploma in Business Management from the Asian Institute of Management. Mr. Leveriza is not a director of any other publicly listed company.

Nilaida S. Enriquez, 57 years old, Filipino, has been Director and Treasurer of MATRKE Financial since 24 June 2003 and is the Chief Financial Officer for the group. She is also Director & Treasurer of MATRKE Capital, ATRKE Land, MATRKE Fixed Income, and ATR Holdings and Director & CFO of ATRKE AMG Holdings, Inc. She is also Executive Vice President of MATRKE Securities and Treasurer of ATRKE Asset Management. She sits as an Excom member in ALGA. Ms. Enriquez joined the group in 1989. Prior to that, she was Controller at General Credit Corporation and served as Controller for the Resource and Finance Group of Companies. A CPA, Ms. Enriquez graduated from the University of the East and attended MBA studies at the Ateneo Graduate School of Business. Ms. Enriquez is not a director of any other publicly listed company.

Eulogio A. Mendoza, 64 years old, was a Director of MATRKE Financial from July 2002 to May 2007 and again from 27 May 2010 to present. He is concurrently the President and CEO of ALGA. . He is Chairman and President of ATRKE Equity Opportunity Fund Inc., ATRKE Alpha Opportunity Fund Inc., ATR KimEng Asia Plus Recovery Fund Inc., and ATR KimEng Total Return Bond Fund Inc. He is also a member of the Board of Directors of ALGA and ATRKE Asset Management. He was formerly a member of the board of directors of PhilamCare Health Systems, Inc, Philam Plans, Inc., The Pan Philippine Life Insurance Corporation (now Philippine AXA Life) and a former President and Director of Philippine Life Insurance Association, Inc. (PLIA). His prior work experience in the insurance industry includes having been Vice-President of the Philippine American Life Insurance Company, Inc. (an AIG company), President and CEO of The Pan Philippine Life Insurance Company, and President and CEO of GE Life Insurance Company. He earned the title Fellow, Life Management Institute (FLMI) from the Life Office Management Administration (LOMA). He obtained his Master in Business Administration from the Ateneo Graduate School of Business and both his Master of Arts in Philosophy cum laude and Bachelor of Science in Philosophy cum laude from the University of Santo Tomas. Mr. Mendoza is not a director of any other publicly listed company.

Ernest L Cu, 52, Filipino, served as an independent director of the Company and its subsidiaries MATRKE Capital, ATRKE Asset Management, and ALGA. He began his term as independent director of the Company on 8 December 2006 until his resignation on 8 February 2013. He is the President & CEO of Globe Telecom, Inc., a publicly listed company, where he is also a member of its Board of Directors. He likewise sits as a Director of Systems Technology Institute, Inc. and other unlisted companies and is a Trustee of Ayala Foundation, Inc and De La Salle College of St Benilde. Mr. Cu is also a member of the American Chamber of Commerce and the Makati Business Club. Mr Cu was a former President and CEO of SPI Technologies and was awarded the Ernst & Young ICT Entrepreneur of the Year in 2003. In 2010, he was adjudged Best CEO by Finance Asia. Mr Cu earned his graduate degree from Northwestern University's J. L. Kellogg Graduate School of Management and his Bachelor's degree from De La Salle University.

Ma. Victoria C. Viñas, 59, Filipino is an independent director of the Company as well as its subsidiaries MATRKE Capital and ATRKE Asset Management. She began her term as Independent Director on 8 December 2006. An independent fund manager, she manages and advises various trust funds of high net worth individuals, institutions, foundations, non-government organizations, religious orders, congregations, dioceses, and corporations. She is currently Director & President of Anita Realty & Dev. Corp.; Director & Corporate Secretary of Quorum Int'l. Inc. (Toby's Sports); Director of Sports Resources Inc.; Trustee & Treasurer of Kaisahang Buhay Foundation, Trustee of La Salle Greenhills, Trustee of De La Salle Santiago Zobel, Trustee of La Consolacion University; and a Member of the Finance & Investments Committee of De La Salle Brothers, Inc. She was formerly Senior Vice President for Corporate Finance/ Retirement Funds of Publicly listed San Miguel Corporation. Ms. Viñas earned her Bachelor of Arts degree in Economics, cum laude, from Maryknoll College. She attended Investment Management and Pension Funds & Money Management programs at the University of Pennsylvania Wharton Business School and Stock Market Dynamics at University of California - Berkley. Ms. Viñas is not a director of any other publicly listed company.

Gemma M. Santos, 51 years old, Filipino has been the Corporate Secretary of the Company since 12 November 2001. She is also the Corporate Secretary of the Company's subsidiaries and several other corporations, including another publicly-listed company. A practicing corporate lawyer, Ms. Santos is a Senior Partner at the law firm of Picazo Buyco Tan Fider & Santos. Ms. Santos completed both her Bachelor of Arts and Bachelor of Laws degrees from the University of the Philippines.

Board of Directors and Officers

Maybank ATR Kim Eng Financial Coporation

Directors:
Ramon B. Arnaiz, Chairman
Manuel N. Tordesillas
Lorenzo Andres T. Roxas
Renato L. Leveriza, Jr.
Nilaida S. Enriquez
Tan Pei-San
Udaishankar Raman
Herminio M. Famatigan, Jr.
Eulogio A. Mendoza
Ma. Victoria C. Viñas, Independent Director
Ernest L. Cu, Independent Director

Officers:
Ramon B. Arnaiz, Chairman
Manuel N. Tordesillas, President
Renato L. Leveriza, Jr., Executive Vice President
Nilaida S. Enriquez, Treasurer and Group CFO
Numeriano S. Bolazo, Compliance Officer
Gemma M. Santos, Corporate Secretary

Maybank ATR Kim Eng Securities, Inc.

Directors:
Lorenzo Andres T. Roxas, Chairman
Nilaida S. Enriquez
Godofredo R. Aquino
Luz L. Lorenzo
James Matti, Independent Director
Nilo Pacheco, Independent Director

Officers:
Lorenzo Andres T. Roxas, Chairman & President
Nilaida S. Enriquez, Executive Vice Presiden & Group CFO
Godofredo R. Aquino, Senior Vice President- Domestic Institutional Sales
Luz L. Lorenzo, Senior Vice President, Head of Research & Group Economist
Raphael T. Manalaysay, Senior Vice President, Foreign Institutional Sales
Numeriano S. Bolazo, Compiance Officer
Gemma M. Santos, Corporate Secretary

Maybank ATR Kim Eng Capital Partners, Inc.

Directors:
Ramon B. Arnaiz, Chairman
Manuel N. Tordesillas
Lorenzo Andres T. Roxas
Renato L. Leveriza, Jr.
Nilaida S. Enriquez
Tan Pei-San
Udaishankar Raman
Herminio M. Famatigan, Jr.
Ma. Victoria C. Viñas, Independent Director
Ernest L. Cu, Independent Director

Officers:
Ramon B. Arnaiz, Chairman
Manuel N. Tordesillas, President & CEO
Roberto C. Benares, Managing Director
Marcelito R. Ordoñez, Managing Director
Nilaida S. Enriquez, Treasurer & CFO
Numeriano S. Bolazo, Compliance Officer
Deanno J. Basas, Trust Officer
Gemma M. Santos, Corporate Secretary

ATR KimEng Asset Management, Inc.

Directors:
Ramon B. Arnaiz, Chairman.
Manuel N. Tordesillas
Michael V. Ferrer
Renato L. Leveriza, Jr.
Phillip Frederick S. Hagedorn
Deanno J. Basas
Eulogio A. Mendoza
Ernest L. Cu, Independent Director
Ma. Victoria C. Viñas, Independent Director

Officers:
Ramon B. Arnaiz, Chairman
Michael V. Ferrer, President & Managing Director
Nilaida S. Enriquez, Treasurer & CFO
Manuel I. Briones , Compliance Officer
Ma. Alicia G. Picazo-San Juan, Corporate Secretary

AsianLife & General Assurance Corporation

Directors:
Ramon B. Arnaiz, Chairman
Manuel N. Tordesillas
Eulogio A. Mendoza
Lorenzo Andres T. Roxas
Modesta P. Mammuad
Augusto Z. Fajardo, Independent Director
Ernest L. Cu, Independent Director

Officers:
Ramon B. Arnaiz, Chairman
Manuel N. Tordesillas, Vice Chairman
Eulogio A. Mendoza, President & CEO
Modesta P. Mammuad, Executive Vice President & CFO
Manuel M. Alfonso, Executive Vice President
– Group Insurance Marketing Division
Gemma M. Santos, Corporate Secretary

ATR KimEng Land, Inc.

Directors:
Manuel N. Tordesillas, Chairman
Renato L. Leveriza, Jr.
Ramon B. Arnaiz
Nilaida S. Enriquez
Herminio M. Famatigan, Jr.

Officers:
Manuel N. Tordesillas, Chairman
Renato L. Leveriza, Jr., President
Nilaida S. Enriquez, Treasurer & CFO
Gemma M. Santos, Corporate Secretary

Tullett Prebon (Philippines), Inc.

Directors:
Barry Dennahy, Chairman
Ramon B. Arnaiz
Manuel N. Tordesillas
Engelbert C. Wee
Andrew Evans
Jason Ko

Officers:
Barry Dennahy, Chairman
Ramon B. Arnaiz, Vice Chairman
Engelbert C. Wee, President
Andrew Evans, Treasurer
Gemma M. Santos, Corporate Secretary

Global CSR Day 2012

For the second year running, the Company participated in the Maybank Global Corporate Responsibility Day on 22 September 2012. A collaborative effort with Maybank Philippines, Inc. and TRIbeca Private Residences, our joint real estate development with partner Landco Pacific Corporation, an anti flu vaccination drive was conducted among students of Bagong Silang Elementary School, in Muntinlupa City, south of Manila.

The 2012 drive built on the success of our 2011 activity in the same school by giving flu shots to Grade 5 students who were last year's Grade 4 beneficiaries of the vaccination campaign. Realizing that teachers themselves need to be healthy to be able to conduct their classes, this year's vaccination drive also saw a number of teachers and non - teaching personnel receive the vaccine.

The importance of the vaccination cannot be understated given that academic performance is tied to a child's health. And when the students are healthy, the school's performance vis-à-vis other elementary schools in the same city also improves. The school's average score of 83% in the national elementary achievement test ranks it among the top performers in the city.

Rags2Riches

Meanwhile, as part of its corporate social responsibility (CSR) program, MATRKE Financial signed an agreement with Rags2Riches, Inc., a for-profit social enterprise that empowers marginalized communities with artisanal and business skills needed for sustainable livelihood.

The Manila-based Rags2Riches, through its partner communities, creates eco-ethical fashion and home accessories out of up-cycled scrap cloth, organic materials and indigenous fabrics, thereby fostering both economic and environmental sustainability.

Under the current terms of the agreement, Rags2Riches will be developing items to be used by MATRKE Financial as corporate giveaways. For the long-term, MATRKE Financial is looking into the possibility of its management and staff volunteering to provide business skills and financial literacy training for the partner communities under the Rags2Riches Artisan Academy.

"We are pleased to be working with a group that has made a tremendous impact on the lives of Filipinos in marginalized communities both in urban areas and in the provinces," said MATRKE Financial president Manuel Tordesillas. "Rags2Riches has succeeded in creating a sustainable business model that is both socially-responsible and profitable," he added.

"We're looking forward to our partnership with Maybank ATR Kim Eng Financial, and to the many possible ways their group can help our partner communities," said Rags2Riches president Reese Fernandez-Ruiz. "Their expertise in business and the financial markets alone is definitely something our artisans can learn a lot from," she said further.

Rags2Riches participated in Maybank's Clients' Appreciation Reception at the Makati Shangri-la hotel by putting up an exhibit booth that featured handbags and other accessories made by their sponsored communities. Weaving demonstrations by the artisans were also held.

Statement of Management's Responsibility for Consolidated Financial Statements

The management of Maybank ATR Kim Eng Financial Corporation ("the Company") is responsible for the preparation and fair presentation of the consolidated financial statements as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010, in accordance with Philippine Financial Reporting Standards as described in Note 2 to the consolidated financial statements. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The board of directors (BOD) reviews and approves the consolidated financial statements and submits the same to the stockholders of the Company.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the period December 31, 2012, and Manabat Sanagustin &Co., the independent auditors appointed by the stockholders for the periods December 31, 2011 and 2010, have examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

Signed this 8th day of February 2013

RAMON B. ARNAIZ
Chairman of the Board

MANUEL N. TORDESILLAS
President

RENATO L. LEVERIZA
Director & Executive Vice President

NILAIDA S. ENRIQUEZ
Treasurer

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders

Maybank ATR Kim Eng Financial Corporation and Subsidiaries

We have audited the accompanying consolidated financial statements of Maybank ATR Kim Eng Financial Corporation (formerly ATR KimEng Financial Corporation) and Subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Maybank ATR Kim Eng Financial Corporation and Subsidiaries as at December 31, 2012, and their financial performance and their cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

The consolidated financial statements of ATR KimEng Financial Corporation and Subsidiaries as at December 31, 2011 and for each of the two years in the period ended December 31, 2011, which are presented for comparative purposes, were audited by other auditors whose report dated February 6, 2012 expressed an unqualified opinion on those statements.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez

Janeth T. Nuñez
Partner
CPA Certificate No. 111092
SEC Accreditation No. A-560-A (Group A),
Valid until May 31, 2013
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3670006, January 2, 2013, Makati City

February 8, 2013

MAYBANK ATR KIM ENG FINANCIAL CORPORATION
(formerly ATR KimEng Financial Corporation) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
(With Comparative Figures for December 31, 2011)

	December 31	
	2012	2011
ASSETS		
Cash and Cash Equivalents (Notes 9 and 36)	**P 2,898,189,730**	P 2,065,231,164
Financial Assets at Fair Value through Profit or Loss (Notes 10 and 36)	**806,310,664**	28,927,627
Available-for-Sale Securities (Notes 11 and 36)	**225,286,769**	618,946,808
Held-to-Maturity Investments (Note 12)	**206,238,789**	–
Loans and Receivables (Note 13)	**1,127,079,527**	2,554,286,321
Due from Related Companies (Note 36)	**1,622,355**	8,948,915
Real Estate Inventories (Note 14)	**683,822,806**	712,360,228
Investment Properties (Note 15)	**–**	261,017,966
Investments in Associates (Notes 16 and 36)	**108,197,590**	125,775,282
Property and Equipment (Notes 17 and 20)	**141,620,223**	116,645,340
Deferred Tax Assets (Note 34)	**163,690,914**	164,760,809
Other Assets (Note 18)	**178,516,493**	188,550,350
	P 6,540,575,860	P 6,845,450,810
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable and Accrued Expenses (Note 19)	**P 1,961,936,439**	P 1,712,777,501
Loans Payable (Notes 20 and 36)	**105,648,784**	383,087,671
Insurance Contract Liabilities (Note 21)	**476,506,301**	974,016,252
Due to Related Companies (Note 36)	**78,920,797**	134,637
Income Tax Payable	**35,472,885**	51,084,994
Deferred Tax Liabilities (Note 34)	**178,198,101**	182,637,097
Other Liabilities (Note 22)	**143,346,808**	246,780,915
Total Liabilities	**2,980,030,115**	3,550,519,067
Equity		
Capital Stock (Note 24)	**1,068,393,223**	1,068,393,223
Additional Paid-in Capital	**1,153,568,289**	1,153,568,289
Net Unrealized Gain (Loss) on Available-for-Sale Securities (Notes 11 and 36)	**261,944**	(27,154,791)
Retained Earnings (Note 24)	**1,278,725,035**	954,256,349
Total Equity Attributable to Equity Holders of Parent Company	**3,500,948,491**	3,149,063,070
Non-Controlling Interests (Notes 5 and 24)	**59,597,254**	145,868,673
Total Equity	**3,560,545,745**	3,294,931,743
	P 6,540,575,860	P 6,845,450,810

See accompanying Notes to Consolidated Financial Statements.

MAYBANK ATR KIM ENG FINANCIAL CORPORATION
(formerly ATR KimEng Financial Corporation) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Figures for December 31, 2011 and 2010)

	Years Ended December 31		
	2012	2011	2010
INCOME			
Net insurance premiums (Note 25)	**P 1,391,047,267**	P 1,495,329,148	P 1,364,854,493
Commissions (Note 36)	**633,049,997**	598,303,004	615,430,186
Interest (Notes 9, 10, 11, 12, 13, 26 and 36)	**183,877,243**	236,528,875	213,698,012
Income from sale of real estate inventories (Note 14)	**71,246,163**	105,194,156	100,545,350
Service fees (Note 36)	**60,791,035**	68,123,198	83,436,690
Underwriting fees	**50,978,848**	44,371,019	57,287,003
Management, administration and distribution fees (Notes 5, 11 and 36)	**45,815,021**	29,220,745	23,451,652
Advisory fees	**44,323,164**	43,424,815	11,396,774
Network fees	**35,015,242**	36,620,483	30,450,447
Fair value gain on financial assets at fair value through profit or loss (Note 10)	**17,416,798**	13,429,048	–
Equity in net earnings of associates (Notes 16 and 36)	**11,631,163**	22,665,775	20,042,446
Gain on sale/disposal of:			
Investments in subsidiaries (Note 5)	**108,399,738**	7,136,010	–
Available-for-sale securities (Note 11)	**13,685,072**	14,098,571	38,047,475
Loans and receivables (Notes 13 and 36)	**11,254,520**	57,931,979	58,885,748
Others (Note 27)	**72,356,198**	73,401,969	36,589,876
	2,750,887,469	2,845,778,795	2,654,116,152
COST AND EXPENSES			
Operating expenses (Notes 28, 29 and 33)	**2,162,624,879**	2,268,068,430	2,064,330,616
Cost of real estate inventories sold (Note 14)	**44,682,980**	63,797,256	65,182,720
Interest expense (Notes 20, 32 and 36)	**24,683,759**	15,191,809	17,428,919
Impairment loss on available-for-sale equity securities (Note 11)	**22,533,018**	–	165,900
Provision for credit and impairment losses on:			
Investment in an associate (Notes 16 and 36)	**6,659,974**	–	–
Loans and receivables (Note 13)	**4,923,082**	37,346,930	41,505,966
Foreign exchange losses	**738,455**	841,480	13,274,507
Fair value loss on financial assets at fair value through profit or loss	**–**	–	29,242,705
Loss on disposal of investments in a subsidiary and a jointly-controlled entity (Note 5)	**–**	–	9,671,213
	2,266,846,147	2,385,245,905	2,240,802,546
INCOME BEFORE INCOME TAX	**484,041,322**	460,532,890	413,313,606
INCOME TAX EXPENSE (Note 34)	**143,555,891**	123,109,097	99,946,320
NET INCOME	**P 340,485,431**	P 337,423,793	P 313,367,286
Net income attributable to:			
Equity holders of Parent Company	**P 324,468,686**	P 323,875,314	P 305,089,004
Non-controlling interests	**16,016,745**	13,548,479	8,278,282
NET INCOME	**P 340,485,431**	P 337,423,793	P 313,367,286
Earnings per share attributable to Equity Holders of Parent Company			
Basic and Diluted Earnings Per Share (Note 35)	**P 0.3037**	P 0.3073	P 0.3074

See accompanying Notes to Consolidated Financial Statements.

MAYBANK ATR KIM ENG FINANCIAL CORPORATION
(formerly ATR KimEng Financial Corporation) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Figures for December 31, 2011 and 2010)

	Years Ended December 31		
	2012	2011	2010
NET INCOME	**P 340,485,431**	P 337,423,793	P 313,367,286
OTHER COMPREHENSIVE INCOME (LOSS)			
Net change in fair value of available-for-sale securities (Note 11)	**20,208,140**	(14,340,741)	5,044,326
Realized gain (loss) on sale/disposal of available-for-sale securities (Note 11)	**(13,685,072)**	(14,098,571)	3,586,914
Impairment loss on available-for-sale equity securities (Note 11)	**22,533,018**	–	165,900
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**29,056,086**	(28,439,312)	8,797,140
TOTAL COMPREHENSIVE INCOME	**P 369,541,517**	P 308,984,481	P 322,164,426
Total comprehensive income attributable to:			
Equity holders of Parent Company	**P 351,885,421**	P 295,415,912	P 312,192,597
Non-controlling interests	**17,656,096**	13,568,569	9,971,829
TOTAL COMPREHENSIVE INCOME	**P 369,541,517**	P 308,984,481	P 322,164,426

See accompanying Notes to Consolidated Financial Statements.

MAYBANK ATR KIM ENG FINANCIAL CORPORATION (formerly ATR KimEng Financial Corporation) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Figures for December 31, 2011 and 2010)

	Attributable to Equity Holders of Parent Company						
	Capital Stock (Note 23)	**Additional Paid-in Capital**	**Unrealized Gain (Loss) on Available-for-Sale Securities** (Notes 11 and 36)	**Retained Earnings** (Note 24)	**Subtotal**	**Non-Controlling Interests** (Notes 5 and 24)	**Total**
Balances at January 1, 2012	P 1,068,393,223	P 1,153,568,289	(P 27,154,791)	P 954,256,349	P 3,149,063,070	P 145,868,673	P 3,294,931,743
Total comprehensive income for the year	–	–	27,416,735	324,468,686	351,885,421	17,656,096	369,541,517
Transaction with owners recorded directly in equity:							
Disposal of a subsidiary (Note 5)	–	–	–	–	–	(134,903,945)	(134,903,945)
Share in dividends declared by a subsidiary (Note 24)	–	–	–	–	–	(7,244,823)	(7,244,823)
Issuance of common and preferred shares to non-controlling interests (Note 24)	–	–	–	–	–	38,221,253	38,221,253
	–	–	–	–	–	(103,927,515)	(103,927,515)
Balances at December 31, 2012	P 1,068,393,223	P 1,153,568,289	P 261,944	P 1,278,725,035	P 3,500,948,491	P 59,597,254	P 3,560,545,745

(Forward)

	Attributable to Equity Holders of Parent Company							
	Capital Stock (Note 23)	Additional Paid-in Capital	Unrealized Gain (Loss) on Available-for-Sale Securities (Notes 11 and 36)	Shares of Parent Company Held by Subsidiaries (Note 24)	Retained Earnings (Note 24)	Subtotal	Non-Controlling Interests (Notes 5 and 24)	Total
Balances at January 1, 2011	P 1,068,393,223	P 1,153,568,289	P 1,304,611	(P 43,437,473)	P 630,381,035	P 2,810,209,685	P 122,783,444	P 2,932,993,129
Total comprehensive income (loss) for the year	–	–	(28,459,402)	–	323,875,314	295,415,912	13,568,569	308,984,481
Transaction with owners recorded directly in equity:								
Decrease in the Parent Company's shares of stock held by subsidiaries (Note 24)	–	–	–	43,437,473	–	43,437,473	–	43,437,473
Issuance of preferred shares to non- controlling interests (Note 5)	–	–	–	–	–	–	9,516,660	9,516,660
	–	–	–	43,437,473	–	43,437,473	9,516,660	52,954,133
Balances at December 31, 2011	P 1,068,393,223	P 1,153,568,289	(P 27,154,791)	P –	P 954,256,349	P 3,149,063,070	P 145,868,673	P 3,294,931,743
Balances at January 1, 2010	P 989,253,179	P 1,153,568,289	(P 5,798,982)	(P 209,763,323)	P 404,432,285	P 2,331,691,448	P 110,811,615	P 2,442,503,063
Total comprehensive income for the year	–	–	7,103,593	–	305,089,004	312,192,597	9,971,829	322,164,426
Transaction with owners recorded directly in equity:								
Declaration and issuance of stock dividends (Note 24)	79,140,044	–	–	–	(79,140,254)	(210)	–	(210)
Decrease in the Parent Company's shares of stock held by subsidiaries (Note 24)	–	–	–	166,325,850	–	166,325,850	–	166,325,850
Issuance of common shares to non-controlling interests (Note 5)	–	–	–	–	–	–	2,000,000	2,000,000
	79,140,044	–	–	166,325,850	(79,140,254)	166,325,640	2,000,000	168,325,640
Balances at December 31, 2010	P 1,068,393,223	P 1,153,568,289	P 1,304,611	(P 43,437,473)	P 630,381,035	P 2,810,209,685	P 122,783,444	P 2,932,993,129

See accompanying Notes to Consolidated Financial Statements.

MAYBANK ATR KIM ENG FINANCIAL CORPORATION
(formerly ATR KimEng Financial Corporation) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(With Comparative Figures for December 31, 2011 and 2010)

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**P 484,041,322**	P 460,532,890	P 413,313,606
Adjustments for:			
Interest income (Notes 9, 10, 11, 12, 13, 26 and 36)	**(183,877,243)**	(236,528,875)	(213,698,012)
Loss (gain) on sale/disposal of:			
Investments in subsidiaries and a jointly-controlled entity (Note 5)	**(108,399,738)**	(7,136,010)	9,671,213
Available-for-sale securities (Note 11)	**(13,685,072)**	(14,098,571)	(38,047,475)
Loans and receivables (Notes 13 and 36)	**(11,254,520)**	(57,931,979)	(58,885,748)
Property and equipment	**(88,625)**	(123,500)	(221,009)
Decrease (increase) in:			
Legal policy reserves (Notes 21 and 25)	**39,524,657**	37,348,535	101,317,970
Fair value of investment properties (Note 27)	**–**	(8,245,888)	(6,885,422)
Depreciation and amortization (Notes 17 and 28)	**29,736,062**	31,906,360	27,982,195
Retirement cost (Notes 29 and 30)	**29,108,171**	31,060,314	17,774,593
Interest expense (Notes 20, 32 and 36)	**24,683,759**	15,191,809	17,428,919
Impairment loss on available-for-sale equity securities (Note 11)	**22,533,018**	–	165,900
Unrealized loss (gain) on financial assets at fair value through profit or loss (Note 10)	**(18,526,740)**	(12,811,193)	29,242,705
Equity in net earnings of associates (Note 16)	**(11,631,163)**	(22,665,775)	(20,042,446)
Provision for credit and impairment losses on:			
Investment in an associate (Note 16)	**6,659,974**	–	–
Loans and receivables (Note 13)	**4,923,082**	37,346,930	41,505,966
Dividend income (Note 27)	**(5,867,382)**	(3,361,768)	(7,174,369)
Operating income before working capital changes	**287,879,562**	250,483,279	313,448,586
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Financial assets at fair value through profit or loss	**(758,856,296)**	(3,630,369)	(8,059,572)
Loans and receivables	**454,669,450**	(566,700,299)	708,540,602
Real estate inventories	**28,537,422**	29,509,829	34,583,385
Other assets	**(24,196,394)**	(11,271,727)	(69,058,537)
Increase (decrease) in:			
Accounts payable and accrued expenses	**401,394,073**	867,313,260	(706,702,864)
Insurance contract liabilities	**3,830,380**	24,087,830	2,800,505
Other liabilities	**(91,055,011)**	(157,666,345)	117,854,895
Net cash generated from operations	**302,203,186**	432,125,458	393,407,000
Income taxes paid	**(182,202,621)**	(168,229,659)	(31,739,727)
Interest received	**174,015,457**	240,055,328	214,668,205
Dividends received from investment securities (Note 27)	**5,867,382**	3,361,768	7,174,369
Interest paid	**(26,828,099)**	(15,191,809)	(17,428,919)
Net cash provided by operating activities	**273,055,305**	492,121,086	566,080,928

(Forward)

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of/additions to:			
Available-for-sale securities	**(P 3,926,095,025)**	(P 1,032,862,101)	(P 854,109,507)
Held-to-maturity investments (Note 40)	**(55,872,172)**	–	–
Property and equipment (Notes 17 and 40)	**(35,240,269)**	(22,886,065)	(54,772,037)
Investments in associates (Note 16)	**(11,168,362)**	(3,039,233)	(20,000,000)
Proceeds from sale/disposal of:			
Available-for-sale securities	**4,077,684,277**	826,454,004	1,057,310,142
Investments in subsidiaries and a jointly-controlled entity (Note 5)	**428,432,459**	–	1,886,828
Property and equipment (Note 17)	**951,648**	4,719,521	3,064,057
Investment properties	**–**	–	20,000,000
Dividends received from associates (Note 16)	**33,700,000**	16,170,000	–
Decrease in due from related companies (Note 36)	**7,326,560**	19,445,482	40,770,174
Net cash provided by (used in) investing activities	**519,719,116**	(191,998,392)	194,149,657
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans payable (Note 20)	**556,566,962**	426,947,445	1,481,724,188
Payments of loans payable (Note 20)	**(511,932,080)**	(499,207,315)	(1,319,825,097)
Increase (decrease) in due to related companies (Note 36)	**78,786,160**	(24,328,928)	(132,275,341)
Issuance of shares to non-controlling interests (Notes 5 and 24)	**38,221,255**	9,516,660	2,000,000
Proceeds from sale of shares of Parent Company held by subsidiaries (Note 24)	**–**	68,276,101	166,325,850
Net cash provided by (used in) financing activities	**161,642,297**	(18,796,037)	197,949,600
NET INCREASE IN CASH AND CASH EQUIVALENTS	**954,416,718**	281,326,657	958,180,185
EFFECT IN CASH AND CASH EQUIVALENTS DUE TO LOSS OF CONTROL OF A SUBSIDIARY (Note 5)	**(121,458,152)**	(275,325)	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,065,231,164**	1,784,179,832	825,999,647
CASH AND CASH EQUIVALENTS AT END OF YEAR (Notes 9 and 36)	**P 2,898,189,730**	P 2,065,231,164	P 1,784,179,832

See accompanying Notes to Consolidated Financial Statements.

1. General Information

Maybank ATR Kim Eng Financial Corporation, formerly ATR KimEng Financial Corporation, (the "Parent Company" or "Maybank ATR KE Financial") is a company incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission ("SEC") on October 16, 1930. Under its amended Articles of Incorporation, the corporate life of the Parent Company was extended for another 50 years up to October 16, 2030. The shares of stock of Maybank ATR KE Financial are listed and traded as "MAKE" on the Philippine Stock Exchange ("PSE") starting 2012 (formerly "ATRK"). Maybank ATR KE Financial operates as the holding company of the following subsidiaries:

	Percentage of Ownership [f]			
	2012		2011	
	Direct	**Indirect**	Direct	Indirect
Maybank ATR Kim Eng Capital Partners, Inc. ("Maybank ATR KE Capital") [a]	**60.00**	**–**	60.00	–
AsianLife and General Assurance Corporation ("ALGA") [a]	**40.00**	**–**	40.00	–
ATR KimEng Land, Inc. ("ATRKE Land") [a]	**20.44**	**13.63**	20.44	13.63
Maybank ATR Kim Eng Securities, Inc. ("Maybank ATR KE Securities") [b]	**–**	**60.00**	–	60.00
ATR KimEng AMG Holdings, Inc. ("ATRKE AMG") [b]	**–**	**49.61**	–	49.61
ATR KimEng Asset Management, Inc. ("ATRKE AMI") [c]	**–**	**47.67**	–	47.67
AsianLife Financial Assurance Corporation ("ALFA") [d]	**–**	**–**	–	33.80
All Asia Asset Management, Inc. ("AAMI") [e]	**–**	**–**	–	33.80

[a] Shares not held by Maybank ATR KE Financial represent preferred shares issued to ATR Holdings, Inc. in 2011 (see Note 5)
[b] Owned through Maybank ATR KE Capital
[c] Owned through ATRKE AMG
[d] Owned through ALGA in 2011; Sold to a third party in May 2012 (see Note 5). ALGA and ALFA are collectively referred hereinto as the "Insurance Group".
[e] Owned through ALFA in 2011
[f] Based on the Parent Company's interest in the issued and outstanding shares of the subsidiaries

Maybank ATR KE Financial and its subsidiaries are collectively referred to in the notes to the consolidated financial statements as the "Group".

All of the foregoing subsidiaries were incorporated in the Philippines and are registered with the SEC.

The parent company of the Group is Maybank Kim Eng Holdings Limited ("MKEH"), a Singaporean conglomerate. The ultimate parent company of the Group is Malayan Banking Berhad (the "Ultimate Parent"), a corporation incorporated in Malaysia. The principal activities of Maybank ATR KE Financial's subsidiaries are as follows:

Name of Subsidiaries	Principal Activities
Maybank ATR KE Capital	Investment banking, financial advisory, corporate finance, fixed income investment and trust services
ALGA	Comprehensive insurance provider of a wide range of group and individual life products, primarily through a multi-channel distribution system
ATRKE Land	Real property development
Maybank ATR KE Securities	Research, sales and execution capabilities to a broad range of institutional and retail clients whether foreign or domestic
ATRKE AMG	Holding company with real and personal properties, including shares of stock, bonds, debentures, notes and other securities, among others
ATRKE AMI	Management and technical advice and services provider for mutual funds corporations, natural persons and others
ALFA	Life assurance packages provider
AAMI	Inactive since February 2003 following the termination of the management and distribution agreements with related companies

On June 29, 2011, MKEH (known then as Kim Eng Holdings Limited) and ATR Holdings, Inc. ("ATR Holdings", a Filipino corporation) (the "contracting parties") signed a Sale and Purchase Agreement (the "Agreement"), wherein MKEH purchased all of the issued common shares held by ATR Holdings in Maybank ATR KE Financial, representing a 32.24% stake in Maybank ATR KE Financial (the "Sale Shares"), for the purchase price of P4.38 per share (with the purchase transaction referred to as the "Acquisition"). Total consideration for the Acquisition is approximately P1.51 billion. The transaction was executed in the PSE on August 17, 2011.

Pursuant to the provisions of the Implementing Rules and Regulations of the Securities Regulation Code and other issuance of the SEC, the execution of the Agreement triggered an obligation by MKEH to undertake a mandatory tender offer for the issued common shares of Maybank ATR KE Financial other than those already owned, controlled or agreed to be acquired by MKEH (the "Offer Shares") (the "Tender Offer", and together with the Acquisition, the "Transaction"). The offer price for each Offer Share was the Purchase Price. On October 24, 2011, MKEH announced that it will conduct a tender offer for all the common shares of the capital stock of Maybank ATR KE Financial commencing on October 27, 2011. As a result of the Tender Offer, the Parent Company became 99.11% owned by MKEH as of December 31, 2011. The remaining outstanding shares of the Parent Company are held by the public.

In line with the Minimum Public Ownership requirements of the SEC and the PSE, on December 27, 2012, MKEH sold 50 million of its issued and outstanding common shares in Maybank ATR KE Financial to Wah Hong Investment Limited (a Hong Kong company), and another 50 million issued and outstanding common shares to Lotus Asset Management (BVI) Limited (a British Virgin Island registered firm). As of December 31, 2012, Maybank ATR KE Financial is 89.75% owned by MKEH and the remaining 10.25% are held by the public (see Note 24).

On January 2, 2012, Kim Eng Holdings Limited officially changed its corporate name to Maybank Kim Eng Holdings Limited.

On January 16, 2012, the shareholders of Maybank ATR KE Financial approved the change in its corporate name from ATR KimEng Financial Corporation to Maybank ATR Kim Eng Financial Corporation. The SEC approved the amended articles of incorporation for Maybank ATR KE Financial's change in corporate name on February 15, 2012.

On February 6, 2012, the board of directors ("BOD") approved the change of the trading symbol of the Parent Company's shares in the PSE from "ATRK" to "MAKE."

The registered office address and principal place of business of the Parent Company is at Unit 811, 8th Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

These consolidated financial statements have been reviewed by the Audit Committee and recommended for approval by the BOD on February 8, 2013. On the same date, these consolidated financial statements were approved and authorized for issue by the BOD.

2. Statement of Compliance and Basis of Preparation

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards ("PFRS").

Basis of Preparation
The accompanying consolidated financial statements have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss ("FVPL"), available-for-sale ("AFS") securities and investment properties, which are all carried at fair value.

Presentation of Consolidated Financial Statements
The Group presents its consolidated statements of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is the functional and presentation currency of the Group. All values are rounded to the nearest peso, unless otherwise indicated.

3. Summary of Significant Accounting Policies and Disclosure

Principles of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and the subsidiaries enumerated in Note 1 to the consolidated financial statements. The separate financial statements of the subsidiaries are prepared using the same reporting date and reporting period as those of the Parent Company, using consistent accounting policies.

Subsidiaries are entities over which the Parent Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls an entity.

Subsidiaries are fully consolidated from the date control is transferred to the Parent Company and cease to be consolidated from the date control is transferred out of the Parent Company.

Intercompany transactions, balances, income and expenses and unrealized gains and losses on transactions between entities in the Group are eliminated in full. Non-controlling interests ("NCI") represent the portion of profit or loss and the net assets not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separate from equity attributable to the Parent Company.

Changes in Ownership Interest
Changes in ownership interest of a subsidiary that do not result in loss of control are accounted for as equity transactions and will have no impact on goodwill and do not give rise to an amount recognized in profit or loss.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any NCI;
- derecognizes the related other comprehensive income ("OCI") recorded in equity and recycles the same to the consolidated statement of income or retained earnings, as appropriate;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in the consolidated statement of income.

Business Combination and Goodwill
The Group applies the acquisition method to account for business combinations. Goodwill is measured as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group from the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration. The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree. Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees and other professional and consulting fees are expensed as incurred.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU"), or groups of CGU that are expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the CGU (group of CGU), to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill is associated with the operation disposed of and is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

The Group considers its reportable segment as its CGU for the impairment analysis of the Group's goodwill, if any.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following amended standards, which were adopted as of January 1, 2012.

PFRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets* (Amendments)
The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments have no impact on the Group's financial position or performance.

Philippine Accounting Standards ("PAS") 12, *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (Amendments)
This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012. The amendments have no impact on the Group's financial position or performance.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of the assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date, except for transactions involving equity securities which are recognized on the trade date.

Initial recognition of financial instruments
All financial instruments are initially recognized at fair value. Except for financial instruments at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity ("HTM") investments, AFS securities, and loans and receivables. The Group classifies its financial liabilities either as financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the instruments were acquired and whether these are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments issued by the Group are classified as liability or equity in accordance with the substance of the contractual arrangement. Any interest, dividends, foreign exchange gains and losses from financial instruments or component considered as a financial liability are recognized in consolidated statement of income for the period. On the other hand, distributions to the holders of financial instruments classified as equity are treated as owner-related and presented in the consolidated statement of changes in equity.

Determination of fair value
The fair value of financial instruments traded in active markets as at the reporting date is based on their quoted market price or dealer price quotations from an active market (bid price for financial assets and ask price for financial liabilities), without any deduction for transaction costs. When quoted price from an active market is not available, the price of the most recent market transaction for similar instruments normally provides objective evidence of fair value, provided that there has not been a significant change in the economic circumstances since the time of the transaction.

For all other financial instruments, fair value is determined by using the appropriate valuation techniques. Valuation techniques include the discounted cash flow approach, price comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

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

Financial assets or financial liabilities at FVPL
This category consists of financial instruments that are held for trading or designated by management as at FVPL on initial recognition.

Financial assets may be designated at initial recognition as at FVPL if any of the following criteria are met:
- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

Financial assets or financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value, with changes in fair value being recorded in the consolidated statement of income. Dividend income is recorded in other income when right of payment has been established.

This category consists of financial instruments that are held for trading or designated by management as at FVPL on initial recognition.

The Group's financial assets at FVPL include government securities, mutual funds, and quoted equity securities which are held for trading. The Group does not have financial liabilities at FVPL.

AFS securities
AFS securities are those non-derivative financial assets that are designated as such, or do not qualify to be classified or have not been classified under any other financial category. They are purchased and held indefinitely or sold in response to liquidity requirements or changes in market conditions. These include debt and equity securities.

After initial measurement, AFS securities are subsequently measured at fair value. Changes in fair value, other than impairment losses and foreign currency differences on AFS debt securities, are recognized in OCI and lodged in "Net unrealized gain (loss) on AFS securities" account within equity in the consolidated statement of financial position. The losses arising from the impairment of AFS, if any, are recognized in the consolidated statement of income. When the security is disposed of, the cumulative gain or loss previously recognized in OCI is transferred to the consolidated statement of income. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is recognized also in the consolidated statement of income.

When the fair value of AFS securities cannot be measured reliably because of lack of reliable estimates of unobservable inputs, such as in the case of unquoted equity instruments, such AFS securities are allowed to be carried at cost less impairment, if any.

The Group's AFS securities include investments in shares of stock not held for control or significant influence over the investee, proprietary shares, mutual funds and government securities.

HTM investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair value as AFS securities. After initial measurement, these assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate ("EIR"). The amortization is included as part of "Interest income" in the consolidated statement of income. Any impairment losses are recognized in profit or loss. The effects of revaluing foreign currency-denominated HTM investments are also recognized in profit or loss.

As of December 31, 2012, the Group's HTM investments pertain to investments in government securities. As of December 31, 2011, the Group does not have HTM investments.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. 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 as part of "Interest income" in the consolidated statement of income. The losses arising from the impairment, if any, of certain loans and receivables are recognized in the consolidated statement of income.

Financial assets classified under this category include cash and cash equivalents, loans and receivables, due from related companies and lease and other deposits.

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with an original maturity of three months or less from the date of placement and that are subject to an insignificant risk of change in value.

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

After initial measurement, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. The amortization is included as part of "Interest expense" for the period.

This category includes the Group's accounts payable and accrued expenses, loans payable, amounts due to related companies, insurance contract liabilities and other liabilities (other than taxes, licenses and fees payable and retirement liability).

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position 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. This is not generally the case with master netting agreements. Thus, the related assets and liabilities are presented on a gross basis in the consolidated statement of financial position.

Reclassification of Financial Assets
The Group evaluates its AFS investments whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the Group has the ability and intention to hold the financial asset until its maturity.

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

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt, if it provides for a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- 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.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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

Financial assets at amortized cost
For financial assets at amortized cost which include loans and receivables and HTM investments, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed accounts, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment. For the purpose of a collective evaluation of impairment, assets are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, credit and payment status, and term.

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 asset's net realizable value, normally based on the present value of the estimated future cash flows from the asset. The present value of the estimated future cash flows is discounted at the asset's original EIR. Time value is generally not considered when the effect of discounting is not material. If an asset has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. Any impairment loss determined is recognized in the consolidated statement of income.

The carrying amount of an impaired asset is reduced to its net realizable value through the use of an allowance account. For an impaired asset, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the amount of the allowance for impairment decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed to the consolidated statement of income, to the extent that the resulting carrying amount of the asset does not exceed its carrying amount had no impairment loss been recognized.

Where loans and receivables have been ascertained to be worthless, the related amount is written off against the corresponding allowance for credit loss.

AFS securities carried at fair value
In the case of equity securities classified as AFS securities, impairment indicators would include a significant or prolonged decline in the fair value of the securities below cost. When there is objective evidence of impairment, the cumulative loss in equity, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized, is transferred to the consolidated statement of income as "Impairment loss on AFS equity securities". Subsequent recovery in the fair value of an impaired AFS equity security is recognized in OCI.

In the case of AFS debt securities, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for 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 consolidated statement of income. Future interest income is based 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. If, in a subsequent year, the fair value of a debt instrument increase and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income to the extent that the resulting carrying amount of the asset does not exceed its carrying amount had no impairment loss been recognized.

AFS financial assets carried at cost
If there is an objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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 similar financial assets) is derecognized when:

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

Where the Group has transferred its right 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 Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, 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 consolidated statement of income.

Securities lending and borrowing
Securities lending and borrowing transactions are usually collateralized by securities or cash. The transfer of the securities to counterparties is only reflected in the consolidated statement of financial position if the risks and rewards of ownership are also transferred. Accordingly, securities borrowed are not derecognized unless they are sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in the consolidated statement of income. Cash advanced or received as collateral is recorded as an asset or liability, respectively.

Real Estate Inventories
Real estate inventories are carried at the lower of cost and net realizable value ("NRV"). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties.

Investment Properties
Properties held for long-term rental yields and for capital appreciation are classified as investment properties.

Investment properties are measured initially at cost, including certain transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured; and excludes the cost of day-to-day servicing. All other repairs and maintenance are recognized in the consolidated statement of income during the period in which they are incurred. Subsequent to initial recognition, investment properties are stated at fair value which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair value of investment property are included in the consolidated statement of income in the year in which they arise.

An investment property is derecognized when it has either been disposed of or the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses from derecognition of an investment property are recognized in the consolidated statement of income in the year of disposal or retirement.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by cessation of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell. For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

Property that is being constructed for future use as investment property is accounted for at fair value.

Investment in Associates
The Group's investments in associates are accounted for using the equity method. Associates are entities over which the Group has significant influence but not control, generally accompanying shareholdings between 20% to 50% of the voting rights, and which are neither subsidiaries nor joint ventures of the Group. The investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in net assets of the associates, less any impairment losses. The Group's share in the results of operations of the associates is recognized in profit or loss, while its share of post-acquisition movements in the associate's equity reserves is recognized directly in OCI.

Unrealized gains arising from transactions with its associates are eliminated to the extent of the Group's interest in the associates against the related investments. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

Goodwill relating to an associate is included in the carrying value of the investment and is not amortized. When the Group increases its ownership interest in an associate that continues to be accounted for under the equity method, the cost for the additional interest is added to the existing carrying amount of the associate and the existing interest in the associate is not remeasured.

When the Group's accumulated share in net losses of an associate equals or exceeds the carrying amount of the investment, including advances for future conversion to equity, the Group discontinues the recognition of its share in additional losses and the investment is reported at nil value. If the associate subsequently reports net income, the Group will resume applying the equity method only after its share in that net income equals the share in net losses not recognized during the period the equity method was suspended.

When an associate makes dividend distributions to the Group in excess of the carrying amount and the Group is obliged to refund the dividend, the Group recognizes a liability since it has incurred a legal or constructive obligation. In the absence of such obligation, the Group recognizes the excess in profit or loss. When the associate subsequently makes profits, the Group starts to recognize profits when they exceed the excess cash distributions recognized in net profit plus any previously unrecognized losses.

The financial statements of the associates are prepared using the same reporting date and reporting period as those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. If that is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognizes the amount in the consolidated statement of income. Recoverable amount is the higher of the asset's or CGU's fair value less costs to sell and its value in use.

Property and Equipment
Property and equipment include owner-occupied real properties and equipment used in the operations of the Group. Property and equipment are stated at cost less accumulated depreciation and amortization and allowance for impairment, if any.

The initial cost of an item of property and equipment comprises its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other repairs and maintenance are recognized in profit or loss during the period in which they are incurred.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives ("EUL") of the property and equipment, as follows:

	Number of Years
Condominium units	40
Condominium improvements	10
Transportation equipment	5
Furniture, fixtures and office equipment	2 - 5
Computer hardware, software and peripherals	2 - 3
Leasehold improvements	2 - 10 or lease term, whichever is shorter

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

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

Exchange Trading Right
Exchange trading right was acquired as a result of the PSE conversion plan to preserve the access of stock brokerage to the trading facilities and continue to transact business in the PSE. The exchange trading right is an intangible asset that is regarded as having an indefinite useful life as there is no foreseeable limit to the period over which this asset is expected to generate net cash inflows for Maybank ATR KE Securities.

Exchange trading right is carried at the amount allocated from the original cost of the exchange membership seat less any allowance for impairment. Maybank ATR KE Securities does not intend to sell the exchange trading right in the near foreseeable future.

Jointly Controlled Operations
A jointly controlled operation is a joint venture carried on by each venturer using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and the share of the income that it earns from the joint operation.

Impairment of Nonfinancial Assets
Property and equipment
At each reporting date, the Group assesses whether there is any indication that its property and equipment may be impaired. When an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU).

An impairment loss is recognized in the period when it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

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

Investments in associates
The Group determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. If that is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognizes the amount in the consolidated statement of income. Recoverable amount is the higher of the asset's or CGU's fair value less costs to sell and its value in use.

Exchange trading right
Intangible assets with indefinite useful life such as exchange trading right are tested for impairment annually at either individually or at the CGU level, as appropriate.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Equity
Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital".

Retained earnings represent all accumulated profits or losses of the Group and dividend distributions, if any, to shareholders of the Parent Company and other capital adjustments.

Shares of Parent Company Held by Subsidiaries
Own equity instruments of the Parent Company that are held by subsidiaries (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in "Additional paid-in capital".

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The Group has assessed that it is acting as principal in all of its revenue arrangements, except for its securities brokerage transactions and insurance transactions of all its ceded out businesses. The following specific recognition criteria must also be met before revenue is recognized:

Net insurance premiums
Premiums arising from insurance contracts are recognized as income when received and on the issue date which coincides with the effective date of the insurance policies for the first year premiums. For the renewal business, premiums are recognized as income when still in-force and in the process of collection based on actuarial methods and assumptions. Premiums are shown before deduction of commissions and reinsurers' share on gross premiums.

Commission income
Commission income is recognized when the related services are rendered. Maybank ATR KE Securities records commissions and related clearing expenses on a trade date basis upon occurrence of securities transactions. Income relating to insurance brokering is taken into account at the later of the policy inception date or when the policy placement has been completed and confirmed.

Advisory and underwriting fees
Advisory and underwriting fees are recognized upon billing to clients based on the stage of completion of the service.

Income from sale of real estate inventories
For financial reporting purposes, income is recognized using the percentage of completion method as permitted by the Philippine Interpretations Committee and Financial Reporting Standards Council ("FRSC") when all the following conditions are met:

- equitable interest is transferred to the buyer;
- the Group is obliged to perform significant acts;
- the amount of revenue can be measured reliably; and
- it is probable that the economic benefits will flow to the Group.

Under this method, income is recognized as the related obligation is fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized income is included as "Customers' deposits" under the "Other liabilities" account in the consolidated statement of financial position.

If none of the above income recognition criteria is met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers is presented as part of "Customers' deposits".

Estimated loss on unsold units is recognized immediately when it is probable that the total project cost will exceed total contract price.

Network and other services fees
Network, management, administration, distribution, trust and redemption fees are recognized when services are rendered.

Interest income
For all interest-bearing financial assets, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, 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.

Gain on sale/disposal
Gain or loss on sale, retirement, or redemption of assets is recognized when earned, and measured as the difference between the proceeds from the sale and the carrying value of the asset.

Dividend income
Dividend income is recognized when the shareholders' right to receive payment is established.

Expense Recognition
Expenses are recognized when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has occurred and that decrease in economic benefits can be measured reliably. Expenses are recognized when they are incurred.

Employee Benefits
Retirement cost
Retirement cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Retirement cost includes current service cost, interest cost, adjusted for the expected return on any plan assets, actuarial gains and losses, the effect of any past service cost and curtailment or settlement.

Retirement asset recognized by a subsidiary in the Group, in respect of the defined benefit retirement plan, is the lower of: (a) the fair value of the plan assets at the reporting date less the present value of the defined benefit obligation, together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in later periods; or (b) the total of any cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Net retirement liability is the aggregate of the present value of the defined benefit obligation and any actuarial gains not recognized reduced by past service cost and actuarial losses not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the risk-free interest rate of government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the consolidated statement of income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. The excess actuarial gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past service costs, if any, are recognized immediately in the consolidated statement of income, unless the changes to the retirement plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Bonus plans
This is short-term employee benefit obligation which is measured on an undiscounted basis and is expensed as the relative service is provided. A liability is recognized for the amount expected to be paid under the short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Compensated absences
The Group recognizes the expected cost of short-term employee benefits in the form of compensated absences at their undiscounted amount when the employees render service that increases their entitlement to future compensated absences.

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

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

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

As lessee
Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease expense is recognized on a straight-line basis over the lease term.

<u>Foreign Currency-Denominated Transactions and Balances</u>
Foreign currency-denominated assets and liabilities are translated to Philippine peso at the prevailing closing rate at the reporting date while foreign currency-denominated income and expenses are translated into their equivalent Philippine pesos based on weighted average rate at transaction dates. Exchange gains or losses arising from foreign currency-denominated transactions and restatements of foreign currency-denominated assets and liabilities are credited to or charged against current operations.

<u>Income Taxes</u>
Current income tax
Current tax assets and liabilities for the current period and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax ("MCIT") over the regular corporate income tax ("RCIT"), and unused net operating loss carryover ("NOLCO"), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess of MCIT over RCIT and unused NOLCO can be utilized.

Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

Current tax and deferred tax are recognized in the consolidated statement of income except to the extent that it relates to a business combination or items recognized directly in equity or in OCI.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

<u>Insurance Contracts</u>
Product classification
The Insurance Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such risk includes the probability of having to pay benefits on the occurrence of an insured event such as death, accident or disability. The Insurance Group may also transfer insurance contracts through its reinsurance arrangements to hedge a greater possibility of claims occurring than expected. Such contracts may also transfer financial risk. As a general guideline, the Insurance Group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Insurance contracts may contain a premium and capital fund rider that entitles the policyholder to receive additional benefits based on investment performance of the Insurance Group. These contracts are recorded in "Premium deposit fund" under "Other liabilities" in the consolidated statement of financial position. Local statutory regulation sets out the bases and limits for the amounts on which the additional benefits are based and the accumulation of fund deposits and contributions.

Recognition and measurement
Premiums arising from insurance contracts are recognized as income when received and on the issue date which coincides with the effective date of the insurance policies for the first year premiums. For the renewal business, premiums are recognized as income when still in-force and in the process of collection based on actuarial methods and assumptions. Renewal premiums from life insurance contracts are recognized as revenue payable by the policyholder. Receivables are recorded at the date when payments are due. Premiums are shown before deduction of commissions and reinsurers' share on gross premiums.

Insurance benefits and claims are recorded when incurred. These are recorded when notices of claims have been received and dividends have been incurred or when policies reach maturity. For unpaid benefits, a provision is made for the estimated cost of all claims received but not settled as of reporting date less reinsurance recoveries. Provision is also made for the cost of claims incurred but not reported ("IBNR") until after the reporting date based on the Insurance Group's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in the consolidated statement of income in the year the revisions and settlements are made. Unpaid benefits to life policies form part of policy and contract claims payable included under "Insurance contract liabilities" account in the consolidated statement of financial position.

Aggregate reserve for life insurance policies represents the accumulated total liability for policies in force at the reporting date. Such reserves are established at amounts adequate to meet the estimated future obligations of all life insurance policies in force. The reserves are calculated using actuarial methods and assumptions as approved by the Insurance Commission ("IC"), subject to the liability adequacy test.

A number of life insurance contracts contain discretionary participating feature. This feature entitles policyholders to policy dividends whose amounts and timing of payments are contractually under the discretion of the Insurance Group. The policy dividends of the Insurance Group are declared annually, the amounts are computed using actuarial methods and assumptions, and are included under "Insurance benefits and claims" included under the "Operating expenses" account in the consolidated statement of income, while policyholders' dividends are included under the "Insurance contract liabilities" account in the consolidated statement of financial position.

Commissions and other expenses for the acquisition of insurance contracts are expensed as incurred.

Liability adequacy test
At each reporting date, a liability adequacy test is performed for the insurance contract liabilities. In performing this test, current best estimates of future contractual cash flows, claims handling and policy administration expenses, as well as investment income from the asset backing such liabilities, are used. Any deficiency is immediately recognized in the consolidated statement of income. Long-term insurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

Reinsurance contracts held
Contracts entered into by the Insurance Group with reinsurers, which compensate the Insurance Group for losses on one or more contracts insured by the Insurance Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Insurance Group under which the contract holder is another insurer (inward reinsurance) are classified as insurance contracts. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Insurance Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of amounts due from reinsurers classified within loans and receivables. Premiums payable for reinsurance contracts are recognized as an expense upon recognition of related premiums. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured contracts and in accordance with terms of each reinsurance contract.

The Insurance Group assesses its reinsurance assets for impairment at least annually. If there is objective evidence that the reinsurance asset is impaired, the Insurance Group reduces the carrying amount of the reinsurance assets to its recoverable amount and recognize that impairment loss in the consolidated statement of income. The Insurance Group gathers objective evidence that a reinsurance asset is impaired using the same process for financial assets held at amortized cost. The impairment loss is also calculated following the same method used for financial assets.

Receivables and payables related to insurance contracts
Receivables and payables are recognized when due. Premiums due and uncollected are recognized when due and measured on initial recognition at the fair value of the consideration. The carrying amount of premiums due and uncollected is reviewed for impairment whenever events or circumstances indicate the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss. Premiums due and uncollected are derecognized following the derecognition criteria for financial instruments.

Benefits and claims
Benefits and claims consist of benefits and claims paid to policyholders as well as changes in the valuation of insurance contract liabilities and reserve for policyholders' dividends. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Direct costs and expenses
Commissions and other costs for the acquisition of insurance contracts are expensed as incurred.

Interest expense
Interest expense on accumulated policyholder's dividends and premium deposit fund is recognized in the consolidated statement of income as it accrues and is calculated using the effective interest method. Accrued interest is credited to the liability account every policy anniversary date.

Fiduciary Activities
Maybank ATR KE Capital acts as a trustee and assumes other fiduciary capacities that result in the holding or placing of assets on behalf of trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from the consolidated financial statements as they are not assets and income of the Group. Trust fees are recognized as income when services are rendered.

Segment Reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments operating results are reviewed regularly by the Group's management and BOD to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, investments in associates, and intangible assets other than goodwill.

Earnings Per Share ("EPS")
Basic EPS is calculated by dividing income applicable to common shares by the weighted average number of common shares outstanding during the year with retroactive adjustments for stock dividends. Diluted EPS is computed in the same manner as basic EPS, however, net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

Provisions
Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and where appropriate, the risks specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

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

Events After the Reporting Date
Any post year-end event that provides additional information about the Group's financial position at the reporting date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event, if any, is disclosed in the notes to the consolidated financial statements when material.

Future Changes in Accounting Policies and Disclosures
Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. Except as otherwise indicated, the Group does not expect that the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on the consolidated financial statements. The Group will assess the impact of these amendments on its financial position or performance when they become effective.

PFRS 7*, Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the consolidated statement of financial position;
c) The net amounts presented in the consolidated statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

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

PFRS 10, *Consolidated Financial Statements*
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013.

As discussed in Notes 10 and 11, the Group has investments in the following mutual funds that it manages, (collectively, the "ATRKE Funds"):
- ATR Kim Eng Alpha Opportunity Fund, Inc. ("ATRKE AOF");
- ATR KimEng AsiaPlus Recovery Fund, Inc. ("ATRKE APRF");
- ATR Kim Eng Equity Opportunity Fund, Inc. ("ATRKE EOF");
- ATR KimEng Philippine Balanced Fund, Inc. ("ATRKE PBF"); and
- ATR KimEng Total Return Bond Fund, Inc. ("ATRKE TRBF").

The Group is currently assessing whether it has control over these ATRKE Funds, which are currently accounted for as financial investments under PAS 39, and the possible impact of the PFRS 10 to the consolidated financial statements when it adopts the standard in 2013.

PFRS 11, *Joint Arrangements*
PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013.

PFRS 12, *Disclosure of Interests in Other Entities*
PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013.

PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013.

PAS 1, *Presentation of Financial Statement – Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

PAS 19, *Employee Benefits* (Revised)
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the consolidated financial statements upon adoption of the standard. The effects are detailed below:

Increase (decrease) in:	**December 31, 2012**	December 31, 2011	January 1, 2011
Consolidated statement of financial position			
Net retirement liability	**P 69,178,826**	P 8,688,988	(P 272,952)
Net deferred tax asset	**20,753,648**	2,606,696	(81,886)
OCI, net of tax	**(48,971,713)**	(7,684,240)	–
Retained earnings	**546,535**	1,601,948	191,066
Consolidated statement of income			
Retirement cost	**P 1,507,733**	(P 2,015,546)	
Income tax expense	**(452,320)**	604,664	
Net income for the year	**(1,055,413)**	1,410,882	
Basic/diluted EPS	**(0.33%)**	0.42%	
Consolidated statement of comprehensive income			
Remeasurement to OCI	**(P 41,287,473)**	(P 7,684,240)	

PAS 27, *Separate Financial Statements* (as revised in 2011)
As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. This interpretation is not relevant to the Group. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

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 affect presentation only and have no impact on the Group'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.

PFRS 9, *Financial Instruments*
PFRS 9, as issued, reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement*, and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing 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, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Group conducted an evaluation of the financial impact of the adoption of PFRS 9 based on the audited consolidated financial statements as of December 31, 2011, and decided not to early adopt PFRS 9 in its 2012 financial reporting.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts,* or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC 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.

Annual Improvements to PFRSs (2009-2011 cycle)
The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

PFRS 1, *First-time Adoption of PFRS – Borrowing Costs*
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening consolidated statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

PAS 1, *Presentation of Financial Statements – Clarification of the requirements for comparative information*
The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 16, *Property, Plant and Equipment – Classification of servicing equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.

PAS 32, *Financial Instruments: Presentation – Tax effect of distribution to holders of equity instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.

PAS 34, *Interim Financial Reporting – Interim financial reporting and segment information for total assets and liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

4. Critical Judgments and Estimates

The Group makes judgments and estimates that affect the reported amounts of assets, liabilities, income, expenses, and disclosures of contingent assets and liabilities within the next accounting period. These judgments and estimates are continually evaluated and are adjusted based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

<u>Judgments</u>
a. Product classification
The Group has determined that the policies the Insurance Group issues have significant insurance risk and therefore meets the definition of an insurance contract and are accounted for as such.

b. Operating lease commitments – the Group as lessee
The Group has entered into commercial leases on certain offices. The Group has determined, based on an evaluation of the terms and conditions of the arrangement, that it has not acquired any significant risks and rewards of ownership of these properties because the lease agreements do not transfer to the Group the ownership over the assets at the end of the lease term and do not provide the Group with a bargain purchase option over the leased assets and so accounts for these arrangements as operating leases.

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

d. Classification to HTM investments
The Group classifies quoted nonderivative financial assets with fixed or determinable payments and fixed maturity as HTM investments. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than in certain specific circumstances for example, sales that are so close to maturity, it will be required to reclassify the entire portfolio as AFS securities. The investments would therefore be measured at fair value and not at amortized cost.

e. Existence of significant influence over associates with less than 20% ownership
As discussed in Note 16, starting 2011, the Group exercises significant influence over Adrian V. Ocampo Insurance Broker, Inc. ("A.V. Ocampo") even if its ownership was then 3.59% only. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following:

- Representation on the BOD or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the investor and the investee;
- Interchange of managerial personnel; or
- Provisions of essential technical information.

f. Determination of functional currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine peso. It is the currency that mainly influences economic value of the revenues and costs from the Group's operations.

g. Contingencies
The Group is currently involved in some legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external and internal legal counsels and was based upon an analysis of potential results.

Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and, is of the opinion, that losses arising from these legal actions, if any, will not have a material adverse impact on the Group's consolidated financial statements. Accordingly, no provision was recognized as of December 31, 2012 and 2011.

<u>Estimates</u>
a. Legal policy reserves
Ultimate liability arising from claims made under insurance contracts. The estimation of the ultimate liability arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group will ultimately pay for such claims. The major sources of uncertainties are the frequency of claims due to contingencies covered and the timing of benefit payments. The assumptions that have the greatest impact on the consolidated financial statements are further discussed in Note 21 to the consolidated financial statements.

Estimate of future benefit payments and premiums arising from long-term insurance contracts. Estimates of future benefit payments depend on the expectations of future benefit payments for contingencies covered, the major ones being death and endowment benefits. The Group bases these estimates on mortality and other contingency tables approved by the IC as well as future investment earnings rate of the assets backing up these liabilities, subject to the maximum rate provided under the Insurance Code of the Philippines ("Insurance Code").

(i) Process used to decide on assumptions
The Group determines its legal policy reserves in accordance with the requirements of the Insurance Code. At inception of the contract, the Group determines assumptions in relation to mortality, persistency, investment returns, and administration expenses. Assumptions are also set in relation to inflation rates, tax, dividend scale and sales commission plus other incentives. Certain profit targets are also set at this stage. These assumptions are used in calculating liabilities during the life of the contracts. A margin for risk and uncertainty is added to these assumptions. In order to minimize risk, the Group ensures that the assumptions used are best estimates, taking into account current experience at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates and taking into consideration the provision of PFRS 4, *Insurance Contracts*.

Group health policies
Legal policy reserves for group health policies are equivalent to unearned premium as of reporting date.

Individual and group life policies
The assumptions used for life insurance contracts are as follows:

(a) Mortality
An appropriate base table of recognized standard mortality table is chosen depending on the type of contract and subject to the approval of the IC.

(b) Lapsation
In accordance with requirements of the Insurance Code, a 100% persistency rate has been assumed for all policies which are in-force and under no forfeiture option as of valuation date.

(c) Investment Yield
The interest rate ranges from 5.0% to 5.5% and from 5.0% to 6.0% in 2012 and 2011, respectively, per annum and does not exceed the 6% maximum specified by the Insurance Code.

The following presents the comparison between assumptions made by the Group in accordance with regulatory requirements and the actual rates that would have been used in accordance with PFRS as of reporting date:

(a) Mortality - This is based on 100% of the 1971 Philippine Intercompany Mortality Table and the 1958/1980 Commissioner Standard Ordinary Mortality Table. The following summarizes the actual experience in 2012 and 2011:

	2012	2011
Individual insurance - ALGA	**44.60%**	65.89%
Group insurance	**25.47%**	20.74%
Individual insurance - ALFA	**–**	57.59%

(b) Lapsation - There is no lapsation assumption in statutory valuation. The Group's experience (based on figures as of December 31) is as follows:

	2012		2011	
	ALGA	**ALFA**	ALGA	ALFA
First year persistency	**73.63%**	**–**	66.67%	79.59%
Second year persistency	**73.28%**	**–**	79.31%	87.81%
Third year persistency	**68.97%**	**–**	83.95%	86.43%

(c) Investment Yield - This would range from 5% to 6% per annum, which is within the statutory maximum of 6%. ALGA's actual experience is approximately 9.3% and 9.0%, in 2012 and 2011, respectively, for peso-denominated assets. ALFA's actual experience is approximately 21% in 2011 for peso-denominated assets.

Despite the foregoing differences between assumptions made by the Group in accordance with the regulatory requirements and the actual rates that would have been used in accordance with PFRS, the legal policy reserves recognized by the Group as of December 31, 2012 and 2011 are deemed adequate.

(ii) Liability adequacy test, changes in assumptions and sensitivity analysis
Legal policy reserves are conservatively calculated in accordance with the requirements of the Insurance Code. The liability adequacy test was performed using the current best estimates on interest, mortality, lapse and expenses. The net present value of future cash flows as of December 31, 2012 and 2011, computed under the requirements of PFRS 4, amounted to P233.0 million and P635.5 million, respectively. As such, the recorded statutory reserves as of the said dates of P295.1 million and P728.0 million, respectively, are adequate using best estimate assumptions. Testing under different interest rate scenarios and their impact on gross and net liabilities, equity and profit before tax are disclosed in Note 21 to the consolidated financial statements.

(iii) Source of uncertainty in the estimation of future claim payment
Although the Group has taken necessary steps to mitigate the uncertainty in the estimation of future benefit payments and premium receipts, it is still subject to the unpredictability of changes in mortality levels. The Group adopts the standard mortality table in assessing future benefit payments and premium receipts as approved by the IC.

The liability under the insurance contracts includes provisions for IBNR claims and provisions for claims in course of settlement as of reporting date. The IBNR provision is based on historical experience and is subject to a degree of uncertainty.

Reinsurance - assumptions and methods
The Group limits its exposure to loss within insurance operations through participation in reinsurance arrangements. Amounts receivable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits. Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and, thus a credit exposure exists with respect to reinsurance ceded, to the extent that a reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent on any reinsurance contract.

b. Impairment of loans and receivables
The Group reviews its loans and receivables to assess impairment at specific and collective levels on a periodic basis. In assessing for impairment, the Group determines whether there is any objective evidence indicating that there is a measurable decrease in the estimated future cash flows of its receivables. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or industry-wide or local economic conditions that correlate with defaults on receivables.

In addition to specific impairment testing, the Group also makes an assessment for collective impairment against credit exposures which are not individually significant and those which, although not specifically identified as requiring a specific allowance for impairment, have a greater risk of default than when originally granted.

The amount and timing of recognizing impairment losses for any period would differ if the Group made different assumptions or utilized different estimates. An increase in allowance for impairment would decrease net income and decrease total assets.

The Group maintains allowance for credit losses on loans and receivables totaling P290.4 million and P325.0 million as of December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, the carrying amounts of loans and receivables amounted to P1.1 billion and P2.6 billion, respectively (see Note 13). As of December 31, 2012 and 2011, the carrying amount of due from related companies amounted to P1.6 million and P8.9 million, respectively (see Note 36). No allowance for credit losses was provided on the Group's due from related companies.

c. *Impairment of AFS equity securities*
The Group determines that AFS equity securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Group treats "significant" generally as 20% or more of the original cost of investment, and "prolonged," greater than six months. In making this judgment, the Group evaluates among other factors, the normal volatility in share prices for similar securities.

The recognition of an impairment loss may also be appropriate when there is evidence of deterioration in the financial health of the issuer, dismal industry and sector performance, adverse changes in technology, and operational and financing cash flows affecting the issuer.

In 2012, 2011 and 2010, the Group recognized impairment loss on its AFS equity securities at fair value amounting to P22.5 million, nil and P0.2 million, respectively. As of December 31, 2012 and 2011, the Group maintains allowance for impairment losses on AFS securities at cost amounting to P41.2 million. As of December 31, 2012 and 2011, the carrying amounts of AFS securities amounted to P225.3 million and P618.9 million, respectively (see Note 11).

d. *Determination of fair value of investment in unlisted foreign holding company classified as AFS securities*
The Group holds shares of stock of an unlisted foreign investment holding company. At each end of the reporting period, the Group estimates the fair value of the investment to determine whether the investment is impaired. For purposes of impairment testing, the Group determines the fair value of the investment based on the fair value of the net assets of the said entity. Management believes that this valuation method approximates the fair value of the said investment because the assets of the investment holding company consist primarily of investments in listed securities carried at FVPL and its liabilities are negligible.

In 2012, the management provided for impairment losses in the said investment in unlisted foreign holding company amounting to P12.0 million. As of December 31, 2012 and 2011, the Group's investment in the said entity is carried at P6.0 million and P6.4 million, respectively (see Note 11).

e. *Estimating the NRV of real estate inventories*
The Group reviews real estate inventories for probable decline in value. The review considers certain indications such as significant change in the asset usage and/or plans relating to the real estate projects. Where the carrying amount of real estate inventories exceeds its NRV, the real estate inventory is considered impaired and is written down to its NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale. A decrease in the estimate of the NRV of the real estate inventories below the carrying cost will decrease net income and total assets.

As of December 31, 2012 and 2011, the Group assessed that the NRV of its real estate inventories exceeds the carrying cost.

The carrying amounts of real estate inventories amounted to P683.8 million and P712.4 million as of December 31, 2012 and 2011, respectively (see Note 14).

f. *Estimating fair value of investment properties*
The Group uses the fair value model under which any gain or loss arising from change in fair value of investment properties shall be recognized in profit or loss for the period in which it arises. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and seller in an arm's-length transaction at the date of valuation. Fair value of investment in memorial lots is based on the published selling prices of similar properties within the same vicinity adjusted for estimated bulk discount. Fair value of other investment properties is determined by independent professional appraisers. An increase in the fair value of investment properties will increase assets and net income.

Investment properties amounted to nil and P261.0 million as of December 31, 2012 and 2011, respectively (see Note 15). The increase in fair value of investment properties amounted to P8.2 million in 2011 and P6.9 million in 2010 (see Note 27).

g. *Impairment of nonfinancial assets*
The Group assesses impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of its investments in associates, property and equipment and exchange trading right may not be recoverable. The factors that the Group considers important which could trigger an impairment review include, but are not limited to, the following:

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

A recovery in the estimated recoverable amount of such investment will increase assets and net income.

As of December 31, 2012 and 2011, the Group assessed that there are no impairment indicators relating to its property and equipment and exchange trading right. However, the Group maintains an allowance for impairment loss on its investment in associates amounting to P110.4 million and P103.7 million as of December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, investments in associates amounted to P108.2 million and P125.8 million, respectively (see Note 16).

As of December 31, 2012 and 2011, property and equipment amounted to P141.6 million and P116.6 million, respectively (see Note 17). As of December 31, 2012 and 2011, exchange trading right amounted to P1.0 million (see Note 18).

h. *EUL of property and equipment*
The Group reviews on an annual basis the EUL of property and equipment based on expected asset utilization as anchored on business plans. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the EUL of property and equipment would increase the recorded depreciation expense and decrease the carrying amount of the related assets.

The EUL of property and equipment are disclosed in Note 3. As of December 31, 2012 and 2011, the carrying amount of property and equipment amounted to P141.6 million and P116.6 million, respectively (see Note 17).

i. *Retirement benefits*
The determination of retirement cost and retirement obligation is dependent on the selection of certain actuarial assumptions used in calculating such amounts. Those actuarial assumptions include, among others, discount rate, expected return on plan assets and salary increase rate. Due to the long-term nature of retirement benefits, such estimates are subject to significant uncertainty.

The expected rate of return is based on the average historical earnings of the plan assets and expected growth in the value of the equity investments over a long-term period. It is determined by considering the expected return available on the assets underlying the current investment policy. Expected yields on fixed income investments are based on gross redemption yields as at reporting date. The assumed discount rate was determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date. The expected salary increase rate was based on the historical increases in salary of covered employees, adjusted for any impact of changes in management plans. Refer to Note 30 to the consolidated financial statements for the details of actuarial assumptions used in the calculation. In accordance with PAS 19, actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligation.

As of December 31, 2012 and 2011, the present value of the defined benefit obligation amounted to P272.8 million and P306.1 million, respectively, while the fair value of plan assets amounted to P187.9 million and P251.1 million, respectively (see Note 30).

j. *Revenue and cost recognition on real estate contracts*
The Group's revenue and cost recognition policies relating to real estate contracts of ATRKE Land require management to make use of estimates and assumptions that may affect the reported amounts of income and costs. The Group's income from real estate contracts are recognized based on the percentage of completion of each tower as determined monthly by the technical director of the joint venture partner of ATRKE Land after review and concurrence by ATRKE Land's management. While the Group believes that this estimate is reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the amount of revenue recognized. Income and costs recognized related to real estate contracts amounted to P71.2 million and P44.7 million, respectively, in 2012, P105.2 million and P63.8 million, respectively, in 2011, and P100.5 million and P65.2 million, respectively, in 2010 (see Note 14).

k. *Realizability of deferred tax assets*
Management reviews at each reporting date the carrying amount of the Group's deferred tax assets. The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax assets can be utilized. Management believes that sufficient taxable profit will be generated in the near foreseeable future to allow, at least, the recognized deferred tax assets to be utilized.

The Group's unrecognized deferred tax assets relate to the carryforward benefits of unused NOLCO amounting to P32.4 million and P32.2 million as of December 31, 2012 and 2011, respectively, and excess of MCIT over RCIT amounting to P5.0 million and P7.0 million as of December 31, 2012 and 2011, respectively. Recognized deferred tax assets as of December 31, 2012 and 2011 amounted to P179.0 million and P174.5 million, respectively (see Note 34).

5. Changes in Ownership Interests in Subsidiaries

a. *Sale of ALFA, an indirect subsidiary*
On May 17, 2012, ALGA, a 95.24% owned subsidiary of Maybank ATR KE Financial, signed a purchase agreement with STI Investments, Inc., ("STI", a third party), wherein ALGA sold to STI its 12,249,999,986 fully paid common shares of ALFA, comprising about 70% of the total outstanding common shares of ALFA, at a price of P428.4 million, which is approximately 1.5 times ALFA's book value as of December 31, 2011. The IC approved the sale on May 31, 2012. Total gain on the disposal of ALFA amounted to P108.4 million.

As at the disposal date, the equity attributable to NCI shareholders' interest in ALFA amounted to P134.9 million.

b. *Shareholder agreements with ATR Holdings, Maybank ATR KE Capital, ALGA, and ATRKE Land*
On August 15, 2011, ATR Holdings subscribed to 5,766,660 preferred shares of Maybank ATR KE Capital which entitled it to a 40.00% voting interest. These preferred shares are voting, cumulative and earn dividend at a fixed percentage per annum.

On August 17, 2011, Maybank ATR KE Capital, ALGA and ATRKE Land entered into separate Shareholders Agreements (the "Agreements") with ATR Holdings and Maybank ATR KE Financial. The Agreements define the respective rights and obligation of, and governs the relationship among the shareholders of Maybank ATR KE Capital, ALGA and ATRKE Land. The Agreements also provide the voting rights and BOD representation of each of the shareholders of Maybank ATR KE Capital, ALGA and ATRKE Land. The Agreements include provisions on transfers and other dispositions of the preferred shares of Maybank ATR KE Capital, ALGA and ATRKE Land held by ATR Holdings and issuance of new shares, rights of first refusal, tag-along rights, drag-along rights, lock-up and put option.

The Agreements provide that the lock-up period is from the date of signing of the Agreement up to its second anniversary (the "Lock-up Period"). Provided that when the Lock-up period shall have lapsed, ATR Holdings shall have the right (but not the obligation) to sell to the Parent Company or other qualified purchaser, all of the preferred shares that are owned and held by ATR Holdings (the "Put Option") at an agreed consideration. The put option shall be exercisable by ATR Holdings at any time after the lapse of the Lock-up period. Management assessed that the impact of this put option is not significant.

On August 18, 2011, ATR Holdings executed a Joint Voting Agreement, whereby ATR Holdings agreed to, at anytime (as permitted by local statutes), vote together and in accordance with the manner by which the BOD of the Parent Company shall vote on matters requiring resolution with respect to its interest in ALGA and ATRKE Land.

On August 24, 2011, the BOD of ALGA ratified the issuance of 37,500,000 preferred shares to ATR Holdings, a domestic corporation which represents 60% voting interest.

On November 30, 2011, the BOD of ALGA authorized the conversion of P100 million from Contributed Surplus to Paid up Capital. Consequently, ALGA issued 10,000,000 shares to common shareholders as a result of the conversion.

On December 29, 2011, the BOD of ALGA approved the following:
a) Reclassification of 300,000 unissued common shares into 30,000,000 preferred shares and the amendment of the Articles of Incorporation to reflect the change; and
b) Subscription by ATR Holdings to additional 12,559,537 preferred shares at par.

The above transactions resulted in a 60% ownership in ALGA by ATR Holdings and another domestic company, and a 40% ownership of Maybank ATR KE Financial. On February 20, 2012, the IC endorsed the amendment to SEC. On March 26, 2012, the SEC approved the amendment.

Due to economic interest and control of Maybank ATR KE Financial in ALGA and ATRKE Land on the basis of the joint voting agreements executed, Maybank ATR KE Financial considers these entities as subsidiaries.

The share in net income of the NCI of ATR Holdings includes only the cumulative dividend income earned from the date they became the NCI shareholders of ALGA and Maybank ATR KE Capital.

c. *Merger of ATR KimEng Insurance Brokers, Inc. ("ATRKE Insurance Brokers") and A.V. Ocampo*
On July 21, 2010, ATRKE Insurance Brokers, a wholly-owned subsidiary of ATR KimEng Securities, Inc. ("ATRKE Securities", former name of Maybank ATR KE Securities) entered into a Plan and Agreement of Merger with A.V. Ocampo, with the latter as the surviving entity. The merger became effective upon the approval and issuance of the certificate of merger by the SEC on March 2, 2011. The merger resulted in ATRKE Securities owning 3.59% of the surviving corporation.

As a result of the loss in control of ATRKE Insurance Brokers, the Group derecognized the assets and liabilities of ATRKE Insurance Brokers which were previously consolidated into the accounts of the Group and recognized the equity interest in the surviving entity at P10.5 million, which approximates its fair value. The resulting gain on deconsolidation amounting to 7.1 million was recognized in the consolidated statement of income in 2011.

d. *Sale of ALGA shares owned by Sovereign Global Resources Limited ("Sovereign") to the Parent Company and subsequent liquidation of Sovereign*
On November 5, 2010, the Parent Company acquired the 22% ownership interest of Sovereign, a wholly-owned subsidiary of ATR KimEng Capital Partners, Inc. ("ATRKE Capital", former name of Maybank ATR KE Capital), in ALGA, with consideration totaling P109.5 million. The Parent Company paid P0.2 million in taxes.

In December 2010, ATRKE Capital wrote off the balance of its investment in Sovereign following the sale and transfer of Sovereign's 22% interest in ALGA to the Parent Company. Total loss on disposal of a subsidiary amounted to P3.1 million recognized in the consolidated statement of income in 2010.

e. *Termination of Seagate ATR KimEng Advisors Cayman Ltd. ("Seagate ATR"), a jointly-controlled entity*
On August 11, 2009, ATRKE Capital entered into a Shareholder's Agreement with Seagate Global Advisors, LLC ("Seagate"), a California limited liability corporation, to establish Seagate ATR, a Cayman Island exempt company, in which ATRKE Capital and Seagate each owned a 50% ownership interest. Seagate ATR was to act as the general partner of Seagate ATR KimEng Asian Development Fund I ("Seagate ATR Fund"). ATRKE Capital and Seagate were each to invest US$1 million in Seagate ATR Fund. ATRKE Capital subscribed to 50 Class B shares for $175,000 (or P8.4 million) representing a 50% equity interest in the Seagate ATR Fund. Seagate ATR had not started operations.

On November 23, 2010, ATRKE Capital entered into an Agreement to Terminate Joint Venture and Restructure Relationship with Seagate to terminate the joint venture. Of the total investment in the joint venture, $39,000 (P1.9 million) was recovered and $136,000 (P6.5 million) was written off.

f. *Increase in NCI in ATRKE AMG*
On June 24, 2010, a new shareholder subscribed to 20,000 shares of common stock of ATRKE AMG amounting to P2.0 million. This resulted to the decrease in ATRKE Capital's ownership in ATRKE AMG to 82.69% in 2010.

6. Financial Risk Management

The Group's risk management program is guided by the principles set out in the Maybank ATR Kim Eng Group Risk Management Framework and implements the policies, procedures and guidelines established by the Group Risk Management Committee and approved by the Audit Committee of the BOD of Maybank ATR KE Financial. The policies, procedures and guidelines are meant to manage financial risks common to the different entities in the Group and those which are specific to certain subsidiaries given the nature of their respective operations. Discussed below are the risk management policies and measurement tools used by the Group in monitoring and managing its significant financial risks relevant to the Group as a whole and to each operating segment in particular:

Market Risk
Market risk is the risk of change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market prices (price risk) and market interest rates (interest rate risk), whether such change in price is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

a. Currency Risk

The Group is exposed to currency risk arising from currency exposures with respect to the U.S. dollar (US$). Currency risk arises from cash and cash equivalents, AFS securities, financial assets at FVPL, interest payable and loans payable denominated in U.S. dollar.

The Finance Department of each entity in the Group is responsible for managing the net foreign exchange position of each entity. Only a minimal amount of foreign currency-denominated monetary assets and liabilities is maintained at any given time. Foreign exchange rates are monitored on a daily basis and depending upon projections, cash and cash equivalents is retained, sold, wholly or partially, or hedged via forward or option transactions.

The table below shows the Group's exposure to currency risk as of December 31, 2012 and 2011:

	2012		2011	
	US$	**PHP**	US$	PHP
Financial assets				
Cash and cash equivalents	**$960,907**	**P 39,445,251**	$869,544	P 38,120,817
AFS securities	**1,779,957**	**73,067,238**	1,882,340	82,521,800
Financial assets at FVPL	**474,859**	**19,492,954**	–	–
	3,215,723	**132,005,443**	2,751,884	120,642,617
Financial liabilities				
Interest payable*	**–**	**–**	37,881	1,660,703
Loans payable	**–**	**–**	2,500,000	109,600,000
	–	**–**	2,537,881	111,260,703
	$3,215,723	**P 132,005,443**	$214,003	P 9,381,914

* *Included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position*

In translating foreign currency-denominated financial assets and liabilities into Philippine peso amounts, the exchange rate used were P41.05 to US$1.00 and P43.84 to US$1.00 as of December 31, 2012 and 2011.

The following table shows the sensitivity to a reasonably possible change in U.S. dollar/Philippine peso exchange rate, with all other variables held constant, of the Group's income before tax as of December 31, 2012 and 2011.

	Peso Appreciation (Depreciation) vis-à- vis U.S. dollar	Increase (Decrease) in Profit Before Income Tax	Increase (Decrease) in Equity
2012	**P 1**	**(P 1,435,766)**	**(P 1,779,957)**
	(1)	**1,435,766**	**1,779,957**
2011	P 1	P 1,668,337	(P 1,882,340)
	(1)	(1,668,337)	1,882,340

b. Price Risk

The Group is exposed to equity price risk in relation to its financial assets at FVPL and AFS equity securities. Such financial assets are subject to price risk due to possible adverse changes in market values of the instruments arising from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Group's trading strategies with respect to its security positions are periodically reviewed by the Chief Financial Officer ("CFO") of each entity in the Group, together with senior management. Senior management is responsible for reviewing trading positions, exposures, profits and losses and trading strategies. Said positions are marked-to-market every month (or more often in a volatile market environment) in order that the mandate of senior management as to the points at which to liquidate the securities could be carried out.

The following table shows the sensitivity to a reasonably possible change in the PSE index ("PSEi"), with all variables held constant, of the Group's equity securities at FVPL and AFS equity securities as of December 31, 2012 and 2011:

	Change in Variables	Increase (Decrease) in Profit before Income Tax	Increase (Decrease) in Equity
December 31, 2012			
PSEi	+22.86%	**P 4,317,327**	**P 3,389,402**
PSEi	−22.86%	**(4,317,327)**	**(3,389,402)**
December 31, 2011			
PSEi	+22.45%	P 6,932,805	P 6,545,762
PSEi	−22.45%	(6,932,805)	(6,545,762)

The assumed fluctuation rate is based on the average change in the year-end PSEi from the two year period before the reporting date.

c. Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument ("cash flow interest rate risk") or its fair value ("fair value interest rate risk") will fluctuate because of changes in market interest rates.

The Finance Department of each entity in the Group is responsible for managing the interest rate exposure of each entity. It monitors market conditions and reviews loan agreements regularly against prevailing market interest rates. Where the entity's borrowing rates are higher than those prevailing in the market, the Finance Department re-negotiates pricing on the entity's borrowings.

In negotiating or renegotiating the entity's borrowings, the respective Finance Department coordinates with the Group CFO such that interest rates could be benchmarked against the rates of other entities in the Group, and in order that any collateral business given to lenders by the Group could be taken into consideration in obtaining the best rates.

The investment policy of the Insurance Group is to maintain an adequate yield to match the interest necessary to support future policy liabilities. Its focus is to reinvest the proceeds of the maturing securities and to invest premium receipts while continuing to maintain satisfactory investment quality. The Insurance Group has an Investment Committee, which approves all investment undertakings and meets on a monthly basis. The Insurance Group adopts an investment strategy to invest primarily in high quality securities while maintaining diversification to avoid significant exposure to issuer and/or industry concentrations.

The following table shows information relating to the Group's interest-bearing financial instruments as of December 31, 2012 and 2011 by maturity profile:

	December 31, 2012					
	Range of Interest Rates	**Less than 1 year**	**1-2 Years**	**2-3 Years**	**More than 3 Years**	**Total**
Financial Assets						
Cash and cash equivalents	**0.10% - 4.50%**	**P 2,897,900,683**	**P –**	**P –**	**P –**	**P 2,897,900,683**
Financial assets at FVPL	**5.00% - 9.13%**	**717,704,410**	**–**	**–**	**–**	**717,704,410**
AFS securities	**4.63% - 9.13%**	**–**	**10,122,249**	**–**	**90,646,221**	**100,768,470**
HTM investments	**4.88% - 12.38%**	**59,609,246**	**49,370,151**	**97,259,392**	**–**	**206,238,789**
Loans and receivables:						
Loans receivable	**10.00%**	**6,883,285**	**6,682,814**	**3,334,427**	**721,100**	**17,621,626**
Salary loans	**5.70%-15.00%**	**28,812,127**	**52,383,704**	**–**	**–**	**81,195,831**
Policy loans	**10.00%**	**16,539,326**	**–**	**–**	**–**	**16,539,326**
		P 3,727,449,077	**P 118,558,918**	**P 100,593,819**	**P 91,367,321**	**P 4,037,969,135**
Financial Liabilities						
Loans payable	**6.50% - 11.50%**	**P 45,154,212**	**P 3,804,357**	**P 3,255,164**	**P 3,435,051**	**P 55,648,784**
Policyholders' dividends	**4.00% - 6.00%**	**4,000,389**	**–**	**–**	**–**	**4,000,389**
Premium deposit fund	**3.00% - 5.00%**	**2,344,961**	**–**	**–**	**–**	**2,344,961**
		P 51,499,562	**P 3,804,357**	**P 3,255,164**	**P 3,435,051**	**P 61,994,134**
Cash Flow Interest Rate Risk:						
Loans payable	**7.00%**	**P 50,000,000**	**P –**	**P –**	**P –**	**P 50,000,000**

				December 31, 2011		
	Range of Interest Rates	Less than 1 year	1-2 Years	2-3 Years	More than 3 Years	Total
Financial Assets						
Cash and cash equivalents	0.20% - 4.88%	P 2,064,835,480	P –	P –	P –	P 2,064,835,480
AFS securities	4.40% - 12.38%	28,957,482	57,953,697	70,451,665	231,670,384	389,033,228
Loans and receivables:						
Loans receivable	10.00%	29,703,839	6,770,501	6,838,288	7,188,561	50,501,189
Salary loans	7.50% - 12.00%	335,308,849	526,819,248	77,275,473	–	939,403,570
Policy loans	10.00%	91,444,095	–	–	–	91,444,095
Receivables from officers and employees	10.00% - 12.00%	1,515,622	–	–	–	1,515,622
		P 2,551,765,367	P 591,543,446	P 154,565,426	P 238,858,945	P 3,536,733,184
Financial Liabilities						
Loans payable	4.25% - 11.80%	P 159,871,941	P 32,368,587	P 4,548,852	P 4,047,257	P 200,836,637
Policyholders' dividends	4.00 - 6.00%	49,831,469	–	–	–	49,831,469
Premium deposit fund	4.00 - 6.00%	92,857,308	–	–	–	92,857,308
		P 302,560,718	P 32,368,587	P 4,548,852	P 4,047,257	P 343,525,414
Cash Flow Interest Rate Risk:						
Loans payable	6.00% - 7.00%	P 182,251,034	P –	P –	P –	P 182,251,034

The table below shows the sensitivity to a reasonably possible change in year-end interest rates on the Group's profit and equity, with all variables held constant, as of December 31, 2012 and 2011:

	Increase (Decrease) in Income Before Tax		Increase (Decrease) in Equity	
Sensitivity analysis	**2012**	2011	**2012**	2011
Increase in basis points by 100	**(P 5,000,000)**	(P 20,900,109)	**(P 2,309,441)**	(P 14,571,231)
Decrease in basis points by 100	**5,000,000**	20,900,109	**2,388,027**	16,050,055

Credit Risk

Credit risk refers to the risk that the borrower or issuer or counterparty may fail to perform its obligation to pay in a timely manner, or that its ability to perform such obligation may get impaired before delivery date. Credit risk is not limited to lending activities only but arises whenever funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether on or off books. In order to mitigate credit risk, it is the policy of the Group that each entity within the Group: (a) deal only with reputable and creditworthy obligors and counterparties; (b) establish prudent credit limits for each obligor and counterparty; and (c) monitor usage of credit limits to ensure that those limits are complied with. Each entity in the Group adheres to this policy.

Financial assets at FVPL and AFS securities

In connection with investment securities, the Group secures satisfactory credit quality by setting maximum limits of portfolio securities with a single or group of issuers, excluding those secured on specific assets and setting the minimum ratings for the issuer. The Group sets the maximum amounts and limits that may be advanced to/placed with individual corporate counterparties which are set by reference to their long-term ratings.

Amounts due from customers and brokers

The Group's trading business, carried out by Maybank ATR KE Securities, include trade execution for its clients. These activities may expose Maybank ATR KE Securities to risk arising from price volatility which can reduce the clients' ability to meet their obligations. To the extent clients are unable to meet their commitments to Maybank ATR KE Securities, it may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the client's obligations.

In accordance with industry practice, client trades are generally settled three (3) business days after trade date ("T+3").

Institutional and foreign clients settle their trade on a delivery versus payment scheme such that no shares are received or delivered without corresponding payment thus limiting credit risk within the standard T+3 settlement. Individual clients maintain their securities position with Maybank ATR KE Securities in its scripless form and are usually sufficient to cover debit balances.

Maybank ATR KE Securities monitors concentration of credit risks on both individual and institutional counterparties by considering their creditworthiness, financial strength, and the size of its positions or commitments. Where considered necessary, Maybank ATR KE Securities requires a deposit of additional collateral or a reduction of securities position from the counterparty.

Maybank ATR KE Securities provides margin financing facility to customers subject to the Credit Committee approval and is monitored regularly for compliance with the margin limit and collateral requirement. The collateral requirement for margin accounts is 200% of the outstanding debit balance.

Salary loans

The Group fully complies with the guidelines issued by the Department of Education ("DepEd") in granting loans to teachers which are monitored by DepEd on a regular basis. Any violation shall result to the revocation of the license to extend loans to public school teachers. The Group's credit evaluation policies are anchored on the DepEd guidelines on net take home pay of the teachers and authenticity of documents submitted by the borrowers.

The Group's Executive Committee ("Excom") created a special committee ("DepEd Committee") tasked to monitor the DepEd loans business. The DepEd Committee meets on a monthly basis to discuss developments and status of past due accounts, action plans for collecting unpaid accounts and other pertinent issues relative to the loans operations. The DepEd Committee, in turn, reports to the Excom the status of the loans business on a regular basis.

Policy loans

Loans to policyholders granted by the Insurance Group against the cash surrender value of insurance policies carry minimal credit risk.

A significant credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer maybe unable to meet its obligations assumed under such reinsurance agreements. The Insurance Group selects only domestic and foreign companies with strong financial standing and excellent track records to participate in the Insurance Group's reinsurance programs. Reinsurance is used to manage insurance risk. This does not, however, discharge the Insurance Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Insurance Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

Maximum exposure to credit risk after taking account of any collateral and other credit enhancements
The table below shows an analysis of the maximum exposure to credit risk from due from customers of Maybank ATR KE Securities after taking into account any collateral held or other credit enhancements:

	2012	2011
Carrying amount	**P 725,854,339**	P 1,216,324,185
Fair value of collateral	**42,392,806,941**	25,087,578,436
Maximum exposure to credit risk	**4,435,891**	772,245

With respect to credit risk arising from the other financial assets of the Group, the maximum exposure to credit risk is limited to their carrying amounts as of December 31, 2012 and 2011, since the Group does not hold any collateral against these financial assets.

Credit quality per class of financial assets
The Group utilizes an internal credit rating system based on its assessment of the quality of its financial assets.

The following table shows the credit quality of the Group's financial assets (gross of allowance for credit and impairment losses) as of December 31, 2012 and 2011:

	December 31, 2012						
	Neither Past Due Nor Impaired						
	High Grade	**Medium Grade**	**Low Grade**	**Subtotal**	**Past Due But Not Impaired**	**Past Due and Impaired**	**Total**
Cash and cash equivalents	**P 2,897,900,683**	**P –**	**P –**	**P 2,897,900,683**	**P –**	**P –**	**P 2,897,900,683**
Financial assets at FVPL							
Debt securities	**717,704,410**	**–**	**–**	**717,704,410**	**–**	**–**	**717,704,410**
Mutual funds	**66,137,025**	**–**	**–**	**66,137,025**	**–**	**–**	**66,137,025**
Equity securities	**22,469,229**	**–**	**–**	**22,469,229**	**–**	**–**	**22,469,229**
AFS financial assets							
Government securities	**100,768,470**	**–**	**–**	**100,768,470**	**–**	**–**	**100,768,470**
Mutual funds	**98,571,898**	**–**	**–**	**98,571,898**	**–**	**–**	**98,571,898**
Listed equity securities	**18,621,100**	**–**	**–**	**18,621,100**	**–**	**–**	**18,621,100**
Unlisted securities	**5,952,501**	**–**	**–**	**5,952,501**	**–**	**41,185,000**	**47,137,501**
Proprietary shares	**1,372,800**	**–**	**–**	**1,372,800**	**–**	**–**	**1,372,800**
HTM investments	**206,238,789**	**–**	**–**	**206,238,789**	**–**	**–**	**206,238,789**
Loans and receivables							
Loans and receivables							
Due from customers and brokers	**487,870,184**	**–**	**–**	**487,870,184**	**237,984,155**	**–**	**725,854,339**
Loans receivable	**17,729,006**	**–**	**–**	**17,729,006**	**–**	**282,444,750**	**300,173,756**
Installment contract receivables	**73,647,122**	**–**	**–**	**73,647,122**	**55,343,172**	**–**	**128,990,294**
Salary loans	**–**	**59,362,358**	**–**	**59,362,358**	**15,639,412**	**6,194,061**	**81,195,831**
Accounts receivable	**42,824,619**	**30,885,072**	**–**	**73,709,691**	**–**	**1,087,419**	**74,797,110**
Receivables from officers and employees	**28,114,344**	**–**	**–**	**28,114,344**	**–**	**–**	**28,114,344**
Insurance receivables	**21,116,056**	**–**	**–**	**21,116,056**	**–**	**–**	**21,116,056**
Receivable from developer	**19,764,940**	**–**	**–**	**19,764,940**	**–**	**–**	**19,764,940**
Interest receivable	**18,546,524**	**–**	**–**	**18,546,524**	**–**	**–**	**18,546,524**
Policy loans	**16,539,326**	**–**	**–**	**16,539,326**	**–**	**–**	**16,539,326**
Agents' account balances	**131,415**	**–**	**–**	**131,415**	**–**	**–**	**131,415**
Miscellaneous receivables	**1,581,822**	**–**	**–**	**1,581,822**	**–**	**723,750**	**2,305,572**
Due from related companies	**1,622,355**	**–**	**–**	**1,622,355**	**–**	**–**	**1,622,355**
Other assets							
Performance bonds	**14,101,441**	**–**	**–**	**14,101,441**	**–**	**–**	**14,101,441**
Reserve fund	**10,608,818**	**–**	**–**	**10,608,818**	**–**	**–**	**10,608,818**
Lease and other deposits	**3,726,909**	**–**	**–**	**3,726,909**	**–**	**–**	**3,726,909**
Security fund	**221,082**	**–**	**–**	**221,082**	**–**	**–**	**221,082**
Sinking fund	**176,207**	**–**	**–**	**176,207**	**–**	**–**	**176,207**
	P 4,894,059,075	**P 90,247,430**	**P –**	**P 4,984,306,505**	**P 308,966,739**	**P 331,634,980**	**P 5,624,908,224**

	December 31, 2011						
	Neither Past Due Nor Impaired						
	High Grade	Medium Grade	Low Grade	Subtotal	Past Due But Not Impaired	Past Due and Impaired	Total
Cash and cash equivalents	P 2,064,835,480	P –	P –	P 2,064,835,480	P –	P –	P 2,064,835,480
Financial assets at FVPL – equity securities	28,626,830	–	300,797	28,927,627	–	–	28,927,627
AFS financial assets							
Government securities	389,033,228	–	–	389,033,228	–	–	389,033,228
Mutual funds	160,850,529	–	–	160,850,529	–	–	160,850,529
Listed equity securities	51,343,095	–	–	51,343,095	–	–	51,343,095
Proprietary shares	11,362,800	–	–	11,362,800	–	–	11,362,800
Unlisted securities	6,357,156	–	–	6,357,156	–	41,185,000	47,542,156
Loans and receivables							
Loans and receivables							
Due from customers and brokers	1,120,386,403	–	–	1,120,386,403	104,619,189	–	1,225,005,592
Loans receivable	50,501,189	–	–	50,501,189	–	282,444,750	332,945,939
Installment contract receivables	55,936,633	–	–	55,936,633	63,707,726	–	119,644,359
Salary loans	219,955,886	598,686,820	–	818,642,706	81,661,473	39,099,391	939,403,570
Accounts receivable	42,890,040	17,680,974	–	60,571,014	–	2,228,672	62,799,686
Receivables from officers and employees	35,180,109	–	–	35,180,109	–	–	35,180,109
Insurance receivables	35,711,132	–	–	35,711,132	–	–	35,711,132
Receivable from developer	23,045,627	–	–	23,045,627	–	–	23,045,627
Interest receivable	8,684,738	–	–	8,684,738	–	–	8,684,738
Policy loans	91,444,095	–	–	91,444,095	–	–	91,444,095
Agents' account balances	2,030,049	–	–	2,030,049	–	1,203,742	3,233,791
Miscellaneous receivables	2,164,238	–	–	2,164,238	–	–	2,164,238
Due from related companies	8,948,915	–	–	8,948,915	–	–	8,948,915
Other assets							
Performance bonds	13,928,961	–	–	13,928,961	–	–	13,928,961
Lease and other deposits	12,833,900	–	–	12,833,900	–	–	12,833,900
Reserve fund	9,212,895	–	–	9,212,895	–	–	9,212,895
Security fund	229,134	–	–	229,134	–	–	229,134
Sinking fund	1,433,626	–	–	1,433,626	–	–	1,433,626
	P 4,446,926,688	P 616,367,794	P 300,797	P 5,063,595,279	P 249,988,388	P 366,161,555	P 5,679,745,222

The Group classifies its unimpaired financial assets into the following credit grades:

High grade - This pertains to accounts with a very low probability of default as demonstrated by the counterparty's long history of stability, profitability and diversity. The counterparty has the ability to raise substantial amounts of funds through the public markets or external financing. The counterparty has a strong debt service record and a moderate use of leverage.

Medium grade - The counterparty has no history of default. The counterparty has sufficient liquidity to fully service its debt over the medium term. The counterparty has adequate capital or resources to readily absorb any potential losses from its operations and any reasonably foreseeable contingencies. The counterparty reported profitable operations for at least the past three years.

Low grade - The counterparty is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. Operating performance could be marginal or on the decline. The counterparty may have a history of default in interest but must have regularized its service record to date. The use of leverage is above industry standards but has contributed to shareholder value.

The table below shows the analysis of age of due from customers that are past due but not impaired as of December 31, 2012 and 2011.

	T+3 to T+13	T+14 to T+30	T+31 to T+45	Over T+45	Total
December 31, 2012	**P 13,216,836**	**P 75,604,977**	**P 10,967,365**	**P 138,194,977**	**P 237,984,155**
December 31, 2011	P 14,291,934	P 5,960,109	P 18,655,112	P 65,712,034	P 104,619,189

The table below shows the analysis of age of salary loans and installment contracts receivable that are past due but not impaired as of December 31, 2012 and 2011.

	December 31, 2012		
	1 to 180 days	**More than 180 days**	**Total**
Installment contracts receivable	**P –**	**P 55,343,172**	**P 55,343,172**
Salary loans	**6,069,285**	**9,570,127**	**15,639,412**
	P 6,069,285	**P 64,913,299**	**P 70,982,584**

	December 31, 2011		
	1 to 180 days	More than 180 days	Total
Installment contracts receivable	P –	P 63,707,726	P 63,707,726
Salary loans	45,481,068	36,180,405	81,661,473
	P 45,481,068	P 99,888,131	P 145,369,199

Liquidity Risk

Liquidity risk is the risk of being unable to meet payment obligations as these become due without incurring unacceptable losses due to disruption in funding sources, and/or inability to liquidate assets quickly due to changes in market conditions, and/or unplanned utilization of cash resources.

Liquidity risk is closely related to market risk as any adverse developments on foreign exchange rates, interest rates and market prices of securities could have an impact on liquidity.

Management of liquidity is the responsibility of the Finance Department of each entity in the Group. Given the nature of the Group's business, mitigation of liquidity risk involves in the first instance forecasting liquidity requirements and ensuring that sufficient balance of cash and cash equivalents is maintained to meet immediate needs. The maturity dates of financial assets and liabilities are matched. Mismatching of maturities is not undertaken unless this is for a demonstrable financial advantage and specifically approved by senior management.

The Group's insurance business is exposed to daily calls on its available cash resources from claims arising from insurance contracts. The Insurance Group maintains a minimum proportion of sufficient funds available to meet such calls to cover maturities, claims and surrenders at unexpected levels of demand.

The BOD of ALGA formed an Asset and Liability Committee ("ALCO") which meets on a quarterly basis to ensure the adequacy of reserves and liquid assets and their compliance with the regulatory reserve and liquidity requirements. Cash forecasts are prepared and reviewed monthly by the ALCO, DepEd Committee and Investment Committee to ensure that the operational funding requirements are adequately met.

The tables below summarize the maturity profile of the financial assets and liabilities of the Group as of December 31, 2012 and 2011 based on the remaining undiscounted contractual payments except for the legal policy reserves of the life insurance contracts which show maturity analysis based on the estimated timing of the net cash outflows using the recognized insurance liability amounts:

	December 31, 2012			
	<1 Year	**1-5 Years**	**Over 5 Years**	**Total**
Financial Assets				
Cash and cash equivalents	**P 2,899,913,617**	**P –**	**P –**	**P 2,899,913,617**
Financial assets at FVPL				
Debt securities	**59,606,363**	**683,834,021**	**430,963,220**	**1,174,403,604**
Mutual funds	**66,137,025**	**–**	**–**	**66,137,025**
Equity securities	**22,469,229**	**–**	**–**	**22,469,229**
AFS securities				
Government securities	**15,773,560**	**98,002,592**	**–**	**113,776,152**
Mutual funds	**98,571,898**	**–**	**–**	**98,571,898**
Listed equity securities	**18,621,100**	**–**	**–**	**18,621,100**
Unlisted securities	**5,952,501**	**–**	**–**	**5,952,501**
Proprietary shares	**1,372,800**	**–**	**–**	**1,372,800**
HTM investments	**57,702,529**	**168,565,865**	**–**	**226,268,394**
Loans and receivables				
Due from customers and brokers	**725,854,339**	**–**	**–**	**725,854,339**
Loans receivable	**7,571,614**	**12,826,755**	**–**	**20,398,369**
Installment contract receivables	**78,863,545**	**51,200,659**	**–**	**130,064,204**
Salary loans	**30,828,976**	**50,904,176**	**–**	**81,733,152**
Accounts receivable	**73,709,691**	**–**	**–**	**73,709,691**
Receivables from officers and employees	**28,114,344**	**–**	**–**	**28,114,344**
Insurance receivables	**21,116,056**	**–**	**–**	**21,116,056**
Receivable from developer	**19,764,940**	**–**	**–**	**19,764,940**
Interest receivable	**18,546,524**	**–**	**–**	**18,546,524**
Policy loans	**18,193,259**	**–**	**–**	**18,193,259**
Agents' account balances	**131,415**	**–**	**–**	**131,415**
Miscellaneous receivables	**1,581,822**	**–**	**–**	**1,581,822**
Due from related companies	**1,622,355**	**–**	**–**	**1,622,355**

(Forward)

	December 31, 2012			
	<1 Year	**1-5 Years**	**Over 5 Years**	**Total**
Other assets				
Performance bonds	**P 14,101,441**	**P –**	**P –**	**P 14,101,441**
Reserve fund	**10,608,818**	**–**	**–**	**10,608,818**
Lease and other deposits	**3,726,909**	**–**	**–**	**3,726,909**
Security fund	**221,082**	**–**	**–**	**221,082**
Sinking fund	**176,207**	**–**	**–**	**176,207**
	P 4,300,853,959	**P 1,065,334,068**	**P 430,963,220**	**P 5,797,151,247**
Financial Liabilities				
Accounts payable and accrued expenses				
Due to customers and brokers	**P 1,335,577,732**	**P –**	**P –**	**P 1,335,577,732**
Accounts payable	**260,980,686**	**–**	**–**	**260,980,686**
Accrued expenses	**215,622,526**	**–**	**–**	**215,622,526**
Due to clearing house	**149,755,495**	**–**	**–**	**149,755,495**
Loans payable	**98,260,151**	**18,326,711**	**–**	**116,586,862**
Insurance contract liabilities				
Legal policy reserves	**211,051,806**	**98,844,443**	**418,174,320**	**728,070,569**
Claims payable	**177,369,110**	**–**	**–**	**177,369,110**
Policyholders' dividends	**4,200,408**	**–**	**–**	**4,200,408**
Due to related companies	**78,920,797**	**–**	**–**	**78,920,797**
Other liabilities				
Life insurance deposit	**13,461,015**	**–**	**–**	**13,461,015**
Customers' deposit	**12,051,118**	**–**	**–**	**12,051,118**
Premium deposit fund	**2,438,759**	**–**	**–**	**2,438,759**
Miscellaneous	**20,041,253**	**–**	**–**	**20,041,253**
	P 2,579,730,856	**P 117,171,154**	**P 418,174,320**	**P 3,115,076,330**

	December 31, 2011			
	<1 Year	1-5 Years	Over 5 Years	Total
Financial Assets				
Cash and cash equivalents	P 2,067,554,549	P –	P –	P 2,067,554,549
Financial assets at FVPL	28,927,627	–	–	28,927,627
AFS financial assets				
Government securities	29,594,547	423,449,077	–	453,043,624
Mutual funds	160,850,529	–	–	160,850,529
Listed equity securities	51,343,095	–	–	51,343,095
Proprietary shares	11,362,800	–	–	11,362,800
Unlisted securities	6,357,156	–	–	6,357,156
Loans and receivables				
Due from customers and brokers	1,225,005,592	–	–	1,225,005,592
Loans receivable	31,189,031	26,038,494	–	57,227,525
Salary loans	358,780,468	644,705,547	–	1,003,486,015
Installment contract receivables	100,041,836	20,602,090	–	120,643,926
Policy loans	100,588,505	–	–	100,588,505
Accounts receivable	60,571,014	–	–	60,571,014
Insurance receivables	35,711,132	–	–	35,711,132
Receivables from officers and employees	35,331,671	–	–	35,331,671
Receivable from developer	23,045,627	–	–	23,045,627
Interest receivable	8,684,738	–	–	8,684,738
Agents' account balances	2,030,049	–	–	2,030,049
Miscellaneous receivables	2,164,238	–	–	2,164,238
Due from related companies	8,948,915	–	–	8,948,915

(Forward)

	December 31, 2011			
	<1 Year	1-5 Years	Over 5 Years	Total
Other assets				
Performance bonds	P 13,928,961	P –	P –	P 13,928,961
Lease and other deposits	12,833,900	–	–	12,833,900
Reserve fund	9,212,895	–	–	9,212,895
Sinking fund	1,433,626	–	–	1,433,626
Security fund	229,134	–	–	229,134
	4,385,721,635	1,114,795,208	–	5,500,516,843
Financial Liabilities				
Accounts payable and accrued expenses				
Due to clearing house	P 794,296,634	P –	P –	P 794,296,634
Due to customers and brokers	623,847,615	–	–	623,847,615
Accrued expenses	200,781,886	–	–	200,781,886
Accounts payable	93,851,366	–	–	93,851,366
Loans payable	349,585,752	44,193,218	–	393,778,970
Insurance contract liabilities				
Legal policy reserves	211,051,806	98,844,443	418,174,320	728,070,569
Claims payable	196,114,214	–	–	196,114,214
Policyholders' dividends	52,323,042	–	–	52,323,042
Due to related companies	134,637	–	–	134,637
Other liabilities				
Premium deposit fund	97,500,173	–	–	97,500,173
Life insurance deposit	22,402,490	–	–	22,402,490
Customers' deposit	9,754,013	–	–	9,754,013
Miscellaneous	30,418,891	–	–	30,418,891
	P 2,682,062,519	P 143,037,661	P 418,174,320	P 3,243,274,500

Underwriting Risk

Underwriting risk is unique to the Capital Markets Group ("CMG") which consists of Maybank ATR KE Financial, Maybank ATR KE Capital, Maybank ATR KE Securities, ATRKE AMG and ATRKE AMI. This refers to the risk that the securities underwritten by CMG on a firm commitment basis may not be fully subscribed, resulting in CMG having to buy the unsold portion of the issue. Underwriting risk could lead to illiquidity and financial loss should the market price of the securities decline, and damage to reputation of the Group.

Where CMG acts as the lead underwriter, CMG apply various risk mitigation processes and procedures such as the conduct of fundamental analysis, valuation, pre-marketing, book-building process, underwriting commitment, and determination of residual underwriting risk. Before substantial work is done on a proposed underwriting transaction, the same is presented to the Maybank Kim Eng Group Capital Markets Committee ("CMC") such that a high level view of the desirability, feasibility, and risks relating to the proposed transaction are assessed and a decision is taken as to whether or not to proceed with the underwriting agreement.

Where CMG is not the lead underwriter but instead, a participant or a sub-underwriter, fundamental analysis, valuation and pre-marketing are not done by CMG. Nonetheless, before accepting the role as a sub-underwriter, the Group performs the necessary due diligence procedures to ensure that it will be in a position to sell the volume that it agrees to sell. Thus, consultation with the Pre-Screening Committee and presentation to the CMC are necessary and approval therefrom is obtained before any agreement to a sub-underwriting arrangement. The Pre-Screening Committee is composed of senior officers from the Corporate Finance Department of Maybank ATR KE Capital and Sales Team of Maybank ATR KE Securities.

Insurance Risk

Nature of risk

Insurance risk is unique to the Group's insurance business. The principal risk the Insurance Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Insurance Group is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk includes premium/benefits risk, actuarial reserve risk and reinsurance risk. Premium/benefits risk is the risk of having to pay, from a premium that may be fixed for a specific term, benefits that can be affected by uncontrollable event when they become due. Adequacy of the actuarial reserves is monitored by an in-house actuary on a regular basis in accordance with local regulations. Reinsurance risk arises from underwriting direct business or reinsurance business in relation to reinsurers and brokers.

Monitoring and controlling

The Insurance Group regularly assesses the reserving methodology in accordance with local regulations. Underwriting guidelines and limits for insurance and reinsurance contracts have been well established to clearly regulate responsibility and accountability.

The main underwriting strategy of the Insurance Group in managing insurance risk is the use of reinsurance. The Insurance Group maintains surplus-type reinsurance treaties for both individual and group life businesses. The retention limit of the Insurance Group for its individual business is P2.0 million for the basic life and for riders or supplementary covers for ALGA and P1.0 million for the basic life and P2.0 million for riders or supplementary covers for ALFA. For group business, the retention limit is P2.0 million and P0.6 million per life for ALGA and ALFA, respectively. In addition, the Insurance Group may arrange facultative cessions for risks beyond the scope of its automatic treaties.

Frequency and severity of claims

The frequency and severity of claims is dependent on the type of contracts as follows:

a. For contracts where death is the insured risk, the most significant factor would be epidemics that result in earlier or more claims than expected.
b. For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.
c. For contracts with discretionary participating feature, the participating nature of these insurance contracts results in a portion of the insurance risk being shared with the insured party.
d. For medical insurance contracts where illness incurred by the insured is the considered risk, the most significant factor would be epidemics and communicable diseases, that may result in earlier or more claims than expected.

The Insurance Group manages these risks through its underwriting strategy and reinsurance program. However, the risk is also dependent on the policyholders' right to pay reduced or no future premiums, or to terminate the contract completely.

The following represents ALGA's concentration of insurance risk as of December 31, 2012:

	December 31, 2012	
	Exposures, Net of Reinsurance	Concentration
	(in Thousands)	*(in Percentage)*
Ordinary life	**P 287,250**	**0.57**
Group	**50,362,638**	**99.43**
	P 50,649,888	**100.00**

The following represents the Insurance Group's concentration of insurance risk as of December 31, 2011:

	December 31, 2011			
	Exposures, Net of Reinsurance		Concentration	
	(in Thousands)		*(in Percentage)*	
	ALGA	ALFA	ALGA	ALFA
Ordinary life	P 276,790	P 6,091,008	1.18	89.45
Group	23,224,238	718,560	98.82	10.55
	P 23,501,028	P 6,809,568	100.00	100.00

Summary of claims analysis

	Mortality Ratio (%)			
	ALGA		ALFA	
	2012	2011	**2012**	2011
Aggregate individual	**44.60**	65.89	**–**	57.59
Aggregate groups	**25.47**	35.78	**–**	92.46

Classification by attained age (based on 2012 data of in-force policies)

<u>ALGA</u>
The table below presents the concentration of risk across the 14 age brackets. Exposure is concentrated on age bracket 40-44 to 60-64 for individual and age bracket 25-29 to 35-39 for group.

	Individual			
	Gross of Reinsurance		**Net of Reinsurance**	
Attained Age	**Exposure (*in Thousands*)**	**Concentration (%)**	**Exposure (*in Thousands*)**	**Concentration (%)**
<20	**P 7,256**	**2.27**	**P 7,256**	**2.53**
20 - 24	**6,105**	**1.91**	**6,105**	**2.12**
25 - 29	**3,552**	**1.11**	**3,552**	**1.24**
30 - 34	**5,712**	**1.79**	**5,712**	**1.99**
35 - 39	**21,237**	**6.65**	**21,237**	**7.39**
40 - 44	**35,240**	**11.04**	**34,740**	**12.09**
45 - 49	**69,270**	**21.70**	**55,770**	**19.42**
50 - 54	**60,996**	**19.11**	**52,996**	**18.45**
55 - 59	**44,929**	**14.07**	**41,929**	**14.60**
60 - 64	**38,428**	**12.04**	**31,428**	**10.94**
65 - 69	**15,312**	**4.80**	**15,312**	**5.33**
70 - 74	**7,854**	**2.46**	**7,854**	**2.73**
75 - 79	**1,400**	**0.44**	**1,400**	**0.49**
80 +	**1,959**	**0.61**	**1,959**	**0.68**
Total	**P 319,250**	**100.00**	**P 287,250**	**100.00**

	Group			
	Gross of Reinsurance		Net of Reinsurance	
Attained Age	**Exposure (*in Thousands*)**	**Concentration (%)**	**Exposure (*in Thousands*)**	**Concentration (%)**
<20	**P 854,013**	**1.57**	**P 853,737**	**1.69**
20 - 24	**6,449,881**	**11.85**	**6,405,449**	**12.72**
25 - 29	**12,132,673**	**22.29**	**12,029,217**	**23.89**
30 - 34	**11,856,559**	**21.78**	**11,428,137**	**22.69**
35 - 39	**7,866,842**	**14.45**	**7,172,450**	**14.24**
40 - 44	**5,666,461**	**10.41**	**4,794,327**	**9.52**
45 - 49	**4,181,461**	**7.68**	**3,308,025**	**6.57**
50 - 54	**2,925,543**	**5.38**	**2,360,459**	**4.69**
55 - 59	**1,678,170**	**3.08**	**1,356,471**	**2.69**
60 - 64	**731,507**	**1.34**	**571,512**	**1.13**
65 - 69	**80,804**	**0.15**	**69,523**	**0.14**
70 - 74	**5,787**	**0.01**	**5,387**	**0.01**
75 - 79	**20**	**0.00**	**20**	**0.00**
80 +	**7,924**	**0.01**	**7,924**	**0.02**
Total	**P 54,437,645**	**100.00**	**P 50,362,638**	**100.00**

Classification by attained age (based on 2011 data of in-force policies)

ALGA
The table below presents the concentration of risk across the 14 age brackets. Exposure is concentrated on age bracket 40-44 to 60-64 for individual and age bracket 25-29 to 40-44 for group.

	Individual			
	Gross of Reinsurance		Net of Reinsurance	
Attained Age	Exposure (*in Thousands*)	Concentration (%)	Exposure (*in Thousands*)	Concentration (%)
<20	P 7,250	2.35	P 7,250	2.62
20 - 24	6,200	2.01	6,200	2.24
25 - 29	3,100	1.00	3,100	1.12
30 - 34	4,836	1.57	4,836	1.75
35 - 39	20,643	6.69	20,643	7.46
40 - 44	29,460	9.54	28,960	10.46
45 - 49	68,151	22.07	54,651	19.74
50 - 54	61,803	20.01	53,803	19.44
55 - 59	50,523	16.36	43,523	15.72
60 - 64	32,095	10.39	29,095	10.51
65 - 69	14,419	4.67	14,419	5.21
70 - 74	6,515	2.11	6,515	2.35
75 - 79	1,735	0.56	1,735	0.64
80 +	2,060	0.67	2,060	0.74
Total	P 308,790	100.00	P 276,790	100.00

	Group			
	Gross of Reinsurance		Net of Reinsurance	
Attained Age	Exposure (*in Thousands*)	Concentration (%)	Exposure (*in Thousands*)	Concentration (%)
<20	P 679,585	2.60	P 679,221	2.92
20 - 24	1,216,301	4.66	1,196,288	5.15
25 - 29	4,511,334	17.28	4,458,823	19.20
30 - 34	4,732,449	18.13	4,551,453	19.60
35 - 39	4,184,437	16.03	3,691,358	15.89
40 - 44	3,340,913	12.80	2,741,106	11.80
45 - 49	2,861,055	10.96	2,317,701	9.98
50 - 54	2,359,552	9.04	1,877,434	8.08
55 - 59	1,510,512	5.79	41,194,799	5.14
60 - 64	658,458	2.52	472,241	2.03
65 - 69	38,641	0.15	34,762	0.15
70 - 74	8,861	0.04	8,861	0.06
75 - 79	59	0.00	59	0.00
80 +	132	0.00	132	0.00
Total	P 26,102,289	100.00	P 63,224,238	100.00

Classification by attained age (based on 2011 data of in-force policies)

ALFA
The table below presents the concentration of risk across the 14 age brackets. Exposure is concentrated on age bracket 30-34 to 45-49 for individual and age bracket 25-29 to 40-44 for group.

	Individual			
	Gross of Reinsurance		Net of Reinsurance	
Attained Age	Exposure (*in Thousands*)	Concentration (%)	Exposure (*in Thousands*)	Concentration (%)
<20	P 63,236	1.00	P 61,473	1.01
20 - 24	44,983	0.71	44,682	0.73
25 - 29	512,102	8.09	506,446	8.31
30 - 34	1,385,376	21.88	1,370,357	22.50
35 - 39	1,253,187	19.80	1,245,401	20.45
40 - 44	1,202,293	18.99	1,131,211	18.57
45 - 49	737,719	11.65	728,553	11.96
50 - 54	498,215	7.87	477,864	7.85
55 - 59	356,118	5.63	319,132	5.24
60 - 64	150,536	2.38	118,115	1.94
65 - 69	101,035	1.60	63,628	1.04
70 - 74	16,320	0.26	15,028	0.25
75 - 79	7,602	0.12	7,602	0.12
80 +	1,680	0.02	1,516	0.03
Total	P 6,330,402	100.00	P 6,091,008	100.00

	Group			
	Gross of Reinsurance		Net of Reinsurance	
Attained Age	Exposure (*in Thousands*)	Concentration (%)	Exposure (*in Thousands*)	Concentration (%)
20 - 24	P 35,450	4.92	P 35,450	4.93
25 - 29	208,012	28.86	208,012	28.95
30 - 34	200,611	27.83	200,611	27.92
35 - 39	134,131	18.61	134,131	18.67
40 - 44	81,792	11.35	81,792	11.38
45 - 49	40,139	5.57	39,756	5.53
50 - 54	16,655	2.30	15,121	2.10
55 - 59	4,051	0.56	3,668	0.52
60 - 64	19	0.00	19	0.00
Total	P 720,860	100.00	P 718,560	100.00

Source of uncertainty in the estimation of future claim payments
Estimation of future payments and premium receipts is subject to unpredictability of changes in mortality and morbidity levels. The Insurance Group adopts standard industry data in assessing future benefit payments and premium receipts as approved by the IC. Adjustments are made, if necessary, according to the experience of the Insurance Group.

For individual life, no adjustment is made by the Insurance Group to the standard mortality table. For group life and accident and health business, the mortality table is adjusted to reflect the actual and projected experiences, which are given weights or credibility depending on the amount and length of exposure under consideration. The Insurance Group currently monitors its actual experience on individual business on a per policy basis and on an aggregate basis, and reports the same to management.

The liability for these contracts comprises the IBNR provision, a provision for reported claims not yet paid and a provision for unexpired risk at reporting dates. The IBNR provision is based on historical experience and is subject to a degree of uncertainty.

Fair Value of Financial Instruments
Fair values and carrying values
The following table sets forth an analysis of financial assets and financial liabilities whose carrying values do not approximate their fair values as of December 31, 2012 and 2011:

	2012		2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets				
HTM investments	**P 206,238,789**	**P 210,148,513**	P –	P –
Loans and receivables				
Salary loans	**75,001,770**	**86,235,857**	900,304,179	888,978,302
Mortgage loans	**3,869,962**	**3,905,622**	7,129,661	7,354,999
Installment contracts receivables	**128,990,294**	**143,613,430**	119,644,359	137,112,178
Other loans receivables	**13,859,044**	**14,018,816**	43,371,528	44,742,319
Financial liabilities				
Other financial liabilities at amortize cost				
Loans payable	**105,648,784**	**106,964,274**	383,087,671	381,111,236

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to reliably estimate such value:

- Cash and cash equivalents – the carrying values approximate fair values considering that these instruments have original maturities of three months or less and are subject to an insignificant risk of change in value.

- Financial assets at FVPL and AFS securities – the fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations from an active market (bid price for financial assets and ask price for financial liabilities), without any deduction for transaction costs. When quoted prices are not available, the price of the most recent market transactions for similar instruments normally provides objective evidence of fair value, provided that there has not been a significant change in the relevant economic circumstances since the time of the transaction. For unquoted AFS equity securities with no observable current market transactions and no reliable basis for fair value, the Group measures them at cost less allowance for impairment losses.

- HTM investments – the fair value is based on quoted prices published in active markets.

- Loans and receivables:
  - Salary loans, loans receivable and installment contract receivables – the fair values are based on the discounted value of the future cash flows using the prevailing market rates for similar types of instrument.
  - Due from customers and brokers, insurance receivables, accounts receivable, due from related companies, receivables from officers and employees, receivable from developer, interest receivable, policy loans, agents' account balances, miscellaneous receivables, performance bonds, lease and other deposits, reserve fund, sinking fund, and security fund – the carrying values approximate fair values due to the short-term nature of these instruments. Management believes that the effect of discounting cash flows from these instruments using the prevailing market rates is not significant.

- Other Financial Liabilities at Amortized Cost
  - Due to customers and brokers, due to clearing house, accounts payable, accrued expenses, claims payable, policyholder's dividends, life insurance deposit, customers' deposits, premium deposit fund, other liabilities and due to related companies – the carrying amounts approximate their fair values at reporting date due to the short-term nature of these instruments. Management believes that the effect of discounting the future cash payments for these instruments using the prevailing market rates is not significant.
  - Fixed rate interest-bearing loans – the fair values are based on the discounted value of future cash flows using the prevailing market rates for similar types of borrowings.
  - Variable rate interest-bearing loans – the carrying value approximates the fair value because of recent and regular pricing based on current market rates.

For all other financial instruments, fair value is determined by using the appropriate valuation techniques. Valuation techniques include the discounted cash flow approach, price comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Fair value hierarchy
The table below analyses financial instruments carried at fair value, by valuation method as of December 31, 2012 and 2011.

	December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
AFS securities	**P 217,961,468**	**P 6,602,501**	**P –**	**P 224,563,969**
Financial assets at FVPL	**806,310,664**	**–**	**–**	**806,310,664**
	P 1,024,272,132	**P 6,602,501**	**P –**	**P 1,030,874,633**

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
AFS securities	P 601,226,852	P 16,997,156	P –	P 618,224,008
Financial assets at FVPL	28,927,627	–	–	28,927,627
	P 630,154,479	P 16,997,156	P –	P 647,151,635

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There has been no transfer from Level 1 and Level 3 to other levels in 2012 and 2011.

7. Capital Management

The primary objectives of the Group's capital management are to support its business, maximize shareholders' value in terms of returns on investment and increased stock value and ensure that it complies with externally-imposed capital requirements.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust or defer the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2012 and 2011.

The Group's capital includes the equity attributable to equity holders of the Parent Company adjusted for the net unrealized fair value gain (loss) on AFS securities. As of December 31, 2012 and 2011, the Group's capital consists of:

	2012	2011
Equity attributable to equity holders of the Parent Company	**P 3,500,948,491**	P 3,149,063,070
Net unrealized fair value loss (gain) on AFS securities	**(261,944)**	27,154,791
Total capital	**P 3,500,686,547**	P 3,176,217,861

Certain subsidiaries are covered by regulations covering their respective industries and these subsidiaries manage capital in compliance with the regulatory requirements. If not properly monitored and adjusted, the regulatory capital levels could fall below the required minimum amounts set by regulators, which could expose the respective companies to various sanctions ranging from fixed monetary penalties, or suspension or revocation of license. The subsidiaries manage the level of regulatory capital requirements by assessing shortfalls between reported and required capital. Adjustments to current capital levels are made in light of changes in unusual or unforeseen market volatility and changing regulatory requirements.

The subsidiaries of the Group are subject to the following externally imposed capital requirements and are in compliance with those requirements for the years ended December 31, 2012 and 2011.

<u>Maybank ATR KE Capital</u>
Externally-imposed capital requirements are set and regulated by the SEC and the Bangko Sentral ng Pilipinas ("BSP"). Several laws have been enacted that govern the operation and regulation of investment houses. These laws are: (a) Presidential Decree No. 129 as amended by Republic Act No. 8366; (b) Omnibus Rules and Regulations for Investment Houses and Universal Banks as Underwriters of Securities; and (c) Manual of Regulations by the BSP for Non-bank Financial Institutions. These requirements are put in place to ensure monitoring of Investment House operations and to set the minimum paid up capital to address solvency margins. The minimum paid-up capital as prescribed by the Omnibus Rules and Regulations issued by the SEC and the BSP is P300.0 million. As an entity authorized to engage in trust and fiduciary business from the BSP, Maybank ATR KE Capital is also required to maintain a security deposit with the BSP in eligible government securities equivalent to at least one percent (1%) of the book value of the total volume of trust, other fiduciary and investment management assets. The security deposit should not fall below P0.5 million at any time.

In the event of noncompliance with the rules set by the regulatory bodies, Maybank ATR KE Capital may be penalized by paying fixed monetary penalties, or suspension or revocation of license.

As of December 31, 2012 and 2011, the capital of Maybank ATR KE Capital is in excess of the required capital mandated by the regulatory bodies of P578.3 million for both years. The basic security deposit of Maybank ATR KE Capital is sufficient to cover the minimum requirement as of December 31, 2012 and 2011.

<u>ALGA and ALFA</u>
The Insurance Group manages its capital through its compliance with the statutory requirements on margin of solvency ("MOS"), minimum paid-up capital and minimum net worth. It complies with the statutory regulations on risk-based capital ("RBC") requirements to measure the adequacy of its statutory surplus in relation to the risks inherent in its business. The RBC method involves developing a risk-adjusted target level of statutory surplus by applying certain factors to various asset, premium and reserve items. Higher factors are applied to more risky items and lower factors are applied to less risky items. The target level of statutory surplus varies not only as a result of the insurer's size, but also on the risk profile of the insurer's operations.

MOS
Under the Insurance Code, a life insurance company doing business in the Philippines shall maintain at all times an MOS equal to P0.5 million or P2 for every thousand of the total amount of its insurance in-force for traditional plans as of the preceding calendar year on all policies, except term insurance, whichever is higher.

The MOS shall be the excess of the value of its admitted assets (as defined under the Insurance Code), exclusive of paid-up capital, over the amount of its liabilities, unearned premiums and reinsurance reserves. As of December 31, 2012 and 2011, ALGA's MOS based on its internal calculation amounted to P0.6 million and P0.7 million, respectively, therefore, ALGA has an excess MOS of P644.0 million and P421.6 million, respectively. As of December 31, 2011, ALFA's MOS based on its internal calculation amounted to P6.5 million, while excess MOS amounted to P208.1 million. The final amount of the MOS can be determined only after the accounts of the Insurance Group have been examined by the IC specifically for the determination of admitted and non-admitted assets as defined under the Insurance Code.

If an insurance company failed to meet the minimum required MOS, the IC is authorized to suspend or revoke the certificate of authority granted to such companies, its officers and agents, and no new business shall be done by and for such company until its certificate of authority is restored by the IC.

The estimated amounts of non-admitted assets as defined under the Insurance Code that are still subject to examination by the IC, which are included in the separate statement of financial position of ALGA as at December 31, 2012 and 2011 and of ALFA as at December 31, 2011 are as follows:

	ALGA		ALFA
	2012	2011	2011
Property and equipment	**P 4,398,498**	P 3,771,432	P 2,169,703
Loans and receivables	**–**	744,911	20,230,630
Other assets	**22,185,224**	3,116,390	59,313
	P 26,583,722	P 7,632,733	P 22,459,646

Fixed capitalization requirements
Department of Finance ("DOF") Order 27-2006 ("DOF Order 27-2006") provides for the capitalization requirements for life, non-life and reinsurance companies. Under DOF Order 27-2006, the minimum statutory net worth and minimum paid-up capital requirements vary depending on the level of the foreign ownership in the insurance company. The statutory net worth shall include the insurance company's paid-up capital, capital in excess of par value, contingency surplus, retained earnings and revaluation increments as may be approved by the IC. The minimum paid-up capital is fixed at 50% of the minimum statutory net worth.

Under DOF Order 27-2006, the required minimum statutory net worth and paid-up capital for ALGA are P500.0 million and P250.0 million, respectively, as of December 31, 2012. The required minimum statutory net worth and paid-up capital for ALGA and ALFA are P350.0 million and P175.0 million, respectively, as of December 31, 2011.

On June 1, 2012, DOF issued Order 15-2012 ("DOF Order 15-2012") which imposes a higher minimum paid-up capital for insurance companies ensuring that it reaches P1.0 billion by December 31, 2020. Under DOF Order 15-2012, the required minimum paid-up capital for an insurance company with an existing license on or before December 31, 2012 is P250.0 million. For an existing or licensed composite insurance company, the paid-up capital of its life and non-life units should each comply with the minimum requirement.

DOF Order 15-2012 further provides that after 2012, compliance with the prescribed paid-up capital requirement may be deferred by companies that meet the RBC Hurdle Rate. Compliance may be postponed for two years. However, such right may only be exercised once, after which the qualified company shall comply with the paid-up capital previously suspended and the ensuing paid-up capital requirements whether or not it meets the RBC Hurdle Rate, until it reaches the capitalization requirement. For the review year 2013, which shall be based on the 2012 synopsis, the RBC Hurdle Rate is 150%.

RBC requirements
Insurance Memorandum Circular ("IMC") No. 6-2006 ("IMC 6-2006") provides for the RBC framework for the life insurance industry which establishes the required amounts of capital to be maintained by the insurance companies in relation to their investment and insurance risks. Every life insurance company is annually required to maintain an RBC ratio of at least 100% and not to fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance company to regulatory intervention which could be at various levels depending on the degree of the violation.

The RBC ratio shall be calculated as net worth divided by the RBC requirement. Net worth shall include an insurance company's paid-up capital, contributed and contingency surplus and unassigned surplus. Revaluation and fluctuation reserve accounts shall form part of net worth only to the extent authorized by the IC. RBC requirement, on the other hand, is computed based on the formula as defined in IMC 6-2006 and includes asset default risk, insurance pricing risk, interest rate risk and general business risk.

The following table shows how the RBC ratio was determined by ALGA as at December 31, 2012 and 2011 and by ALFA as at December 31, 2011 based on its internal calculations:

	ALGA		ALFA
	2012	2011	2011
Net worth	**P 894,680,268**	P 772,229,330	P 389,571,268
RBC requirement	**362,338,870**	346,129,802	82,429,008
RBC ratio	**247%**	223%	473%

The final amount of the RBC ratio can be determined only after the accounts of the Insurance Group have been examined by the IC specifically for the determination of admitted and non-admitted assets as defined under the Insurance Code.

Consolidated compliance framework
IMC 10-2006 integrated the compliance standards for the fixed capitalization and RBC framework. Subsequent to 2006, the fixed capitalization requirement for a given period may be suspended for insurers that comply with the required Industry RBC Ratio Compliance Rate. IMC 10-2006 provides the annual schedule of progressive rates for the Industry RBC Ratio Compliance Rates and the RBC Hurdle Rates from 2007 to 2011. For the review year 2011, which shall be based on the 2010 synopsis, the Industry RBC Ratio Compliance Rate is 90% and the RBC Hurdle Rate is 250%. Failure to achieve one of the rates will result in the imposition of the fixed capitalization requirement for the year under review.

Unimpaired capital requirement
IMC 22-2008 provided that for purposes of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the separate statement of financial position of an insurance company should show that the net worth or shareholders' equity is at least equal to the actual paid-up capital.

Maybank ATR KE Securities
The adequacy of the capital of Maybank ATR KE Securities is monitored using among other measures, the rules and ratios established by the SEC for stockbrokers and dealers.

Regulatory qualifying capital
The Amended Implementing Rules and Regulations of Securities Regulation Code ("SRC") effective February 28, 2004 include, among others, revisions in the terms and conditions for registration and subsequent renewal of license applicable to both exchange trading participants and non- exchange broker dealers as follows: (a) to allow a net capital of P2.5 million or 2.5% of aggregate indebtedness, whichever is higher, for broker dealers dealing only in proprietary shares and not holding securities, (b) to allow the SEC to set a different net capital requirement for those authorized to use the Risk-Based Capital Adequacy ("RBCA") model, and (c) to require unimpaired paid-up capital of P100.0 million for broker dealers, which are either first time registrants or those acquiring existing broker dealer firms and will participate in a registered clearing agency; P10.0 million plus a surety bond for existing broker dealers not engaged in market making transactions; and P2.5 million for broker dealers dealing only in proprietary shares and not holding securities.

SEC Memorandum Circular No. 16 dated November 11, 2004 provides the guidelines on the adoption in the Philippines of the RBCA Framework for all registered broker dealers in accordance with SRC. These guidelines cover the following risks: (a) position or market risk, (b) credit risks such as counterparty, settlement, large exposure, and margin financing risks, and (c) operational risk.

RBCA ratio of a broker dealer, computed by dividing the Net Liquid Capital ("NLC") by the Total Risk Capital Requirement ("TRCR"), should not be less than 110.0%. NLC and TRCR are computed based on the existing provision of SRC. NLC consists of total equity adjusted for allowance for market decline, subordinated liabilities, deferred tax assets, revaluation reserves, deposits for future stock subscription with no SEC application, minority interest, if any, contingencies and guarantees, and the total ineligible assets. Also, the Aggregate Indebtedness ("AI") of every stockbroker should not exceed 2,000% of its NLC and at all times shall have and maintain NLC of at least P5.0 million or 5% of the AI, whichever is higher. If the minimum RBCA Ratio of 110.0% or the minimum NLC is breached, such broker dealer shall immediately cease doing business as broker dealer.

Limitations on withdrawal of core equity
No equity capital of a broker dealer may be withdrawn by action of a shareholder or a partner or by redemption or repurchase of shares of stock or through the payment of dividends or any similar distribution, nor may any unsecured advance or loan be made to a shareholder, partner, sole proprietor, employee or affiliate, if after giving effect thereto and to any other such withdrawals, advances or loans and any payments under satisfactory subordination agreements in conformity with SRC Rule 49.1 which are scheduled to occur within 180 days following such withdrawal, advance or loan:

a. The broker dealer's NLC would be less than 120% or the minimum amount which is at least P5.0 million or 5% of its AI whichever is higher; or
b. The AI of the broker dealer exceeds one thousand five hundred percent (1,500%) of its net capital.

Any transaction between a broker dealer and a shareholder, partner, sole proprietor, employee or affiliate that results in a diminution of the broker dealer's net capital shall be deemed to be an advance or loan of net capital.

The RBCA ratio of Maybank ATR KE Securities as reported to the SEC as of December 31, 2012 and 2011 are shown in the table below.

	2012	2011
Equity eligible for NLC	**P 721,689,883**	P 718,395,512
Less ineligible assets	**234,029,892**	84,799,281
NLC	**P 487,659,991**	P 633,596,231
Operational risk	**P 108,312,694**	P 89,417,676
Position risk	**9,588,501**	11,807,333
Counterparty risk	**361,658**	647
TRCR	**P 118,262,853**	P 101,225,656
AI	**P 1,897,115,386**	P 1,585,058,338

	2012	2011
5% of AI	**P 94,855,769**	P 79,252,917
Required NLC	**94,855,769**	79,252,917
Net Risk-based Capital Excess	**392,804,222**	554,343,314
Ratio of AI to NLC	**389%**	250%
RBCA ratio	**412%**	626%

As of December 31, 2012 and 2011, Maybank ATR KE Securities is in compliance with the required RBCA ratio.

ATRKE AMI
ATRKE AMI, as an investment management company, is required to have a minimum unimpaired capital of P10.0 million in accordance with Republic Act No. 2629, otherwise known as the Investment Company Act. As of December 31, 2012 and 2011, ATRKE AMI has complied with this requirement.

8. Operating Segments

The Group's operating businesses are recognized and managed separately according to the nature of services provided.

The Group derives revenues from the following main operating business segments:

Capital Markets
- Investment holding - includes acquisitions and investments in various business ventures;
- Investment banking - includes various business groups that cover corporate finance and financial advisory services, mergers and acquisitions, direct investments, fixed income and trust services;
- Investment management - provides and renders management and technical advice, services for mutual funds corporations, natural persons and other entities; and
- Brokerage - covers the stock brokerage and insurance brokerage businesses.

Real Estate
- Real estate - ATRKE Land has entered into a joint venture with Landco Pacific Corporation ("Landco"), an unrelated company, for the development of its real estate property into a themed-residential lifestyle community, the TRIbeca Private Residences.

Insurance
- Insurance - covers life and general insurance services that cater to both individual and group requirements.

Transactions between operating segments are on normal commercial terms and conditions. All operating business segments are in the Philippines. Accordingly, geographical segment information is no longer presented.

The management, as part of its reporting to MKEH, monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income in the consolidated financial statements.
The segment assets, liabilities and results of operations of the reportable segments of the Group reported as of and for the years ended December 31, 2012, 2011 and 2010 are as follows:

	2012								
	CAPITAL MARKETS								
	Investment Holding	**Investment Banking**	**Investment Management**	**Brokerage**	**Total**	**REAL ESTATE**	**INSURANCE**	**Elimination**	**Consolidated**
Revenue and other income	**P 133,309,209**	**P 398,231,934**	**P 47,007,114**	**P 633,889,473**	**P 1,212,437,730**	**P 79,030,555**	**P 1,626,956,692**	**(P 363,045,914)**	**P 2,555,379,063**
Equity in net earnings (losses) of associates	**–**	**12,680,662**	**–**	**(1,049,499)**	**11,631,163**	**–**	**–**	**–**	**11,631,163**
Interest income	**36,872,289**	**14,899,189**	**13,041**	**37,264,588**	**89,049,107**	**11,248,928**	**110,062,968**	**(26,483,760)**	**183,877,243**
Total revenue	**170,181,498**	**425,811,785**	**47,020,155**	**670,104,562**	**1,313,118,000**	**90,279,483**	**1,737,019,660**	**(389,529,674)**	**2,750,887,469**
Operating expenses, excluding impairment loss on AFS equity securities, provision for credit and impairment losses, depreciation and amortization, and interest expense	**23,875,552**	**227,299,408**	**43,741,378**	**435,627,422**	**730,543,760**	**68,035,560**	**1,453,515,920**	**(73,784,988)**	**2,178,310,252**
Impairment loss on AFS equity securities	**–**	**22,533,018**	**–**	**–**	**22,533,018**	**–**	**–**	**–**	**22,533,018**
Provision for credit and impairment losses	**723,750**	**1,087,419**	**–**	**6,659,974**	**8,471,143**	**–**	**3,111,913**	**–**	**11,583,056**
Depreciation and amortization	**467,358**	**8,903,351**	**1,608,074**	**9,521,596**	**20,500,379**	**771,766**	**8,463,917**	**–**	**29,736,062**
Interest expense	**–**	**36,081,688**	**–**	**2,378,875**	**38,460,563**	**9,317,978**	**1,785,815**	**(24,880,597)**	**24,683,759**
Total expenses	**25,066,660**	**295,904,884**	**45,349,452**	**454,187,867**	**820,508,863**	**78,125,304**	**1,466,877,565**	**(98,665,585)**	**2,266,846,147**
Income before income tax	**145,114,838**	**129,906,901**	**1,670,703**	**215,916,695**	**492,609,137**	**12,154,179**	**270,142,095**	**(290,864,089)**	**484,041,322**
Income tax expense (benefit)	**783,809**	**3,806,518**	**(267,066)**	**65,527,226**	**69,850,487**	**2,319,013**	**71,386,391**	**–**	**143,555,891**
Net income	**P 144,331,029**	**P 126,100,383**	**P 1,937,769**	**P 150,389,469**	**P 422,758,650**	**P 9,835,166**	**P 198,755,704**	**(P 290,864,089)**	**P 340,485,431**
Other information:									
Segment assets	**P 2,821,862,352**	**P 1,399,625,014**	**P 43,293,256**	**P 2,548,470,089**	**P 6,813,250,711**	**P 1,102,427,653**	**P 1,769,526,315**	**(P 3,144,628,819)**	**P 6,540,575,860**
Segment liabilities	**251,508,313**	**415,992,685**	**22,178,870**	**1,806,784,509**	**2,496,464,377**	**370,411,255**	**841,523,944**	**(728,369,461)**	**2,980,030,115**
Capital expenditures	**272,262**	**9,532,372**	**292,146**	**22,022,196**	**32,118,976**	**–**	**14,289,655**	**–**	**46,408,631**

	2011								
	CAPITAL MARKETS								
	Investment Holding	Investment Banking	Investment Management	Brokerage	Total	REAL ESTATE	INSURANCE	Elimination	Consolidated
Revenue and other income	P 15,495,513	P 144,907,124	P 31,770,694	P 604,795,629	P 796,968,960	P 110,813,535	P 1,684,910,358	(P 6,108,708)	P 2,586,584,145
Equity in net earnings (losses) of associates	–	22,728,872	–	(63,097)	22,665,775	–	–	–	22,665,775
Interest income	44,094,458	38,728,825	77,806	28,816,087	111,717,176	8,054,631	151,934,462	(35,177,394)	236,528,875
Total revenue	59,589,971	206,364,821	31,848,500	633,548,619	931,351,911	118,868,166	1,836,844,820	(41,286,102)	2,845,778,795
Operating expenses, excluding provision for credit and impairment losses, depreciation and amortization, and interest expense	44,448,669	201,991,861	43,979,306	362,125,738	652,545,574	83,901,901	1,568,655,603	(4,302,272)	2,300,800,806
Provision for credit and impairment losses	–	27,333,499	–	–	27,333,499	–	10,013,431	–	37,346,930
Depreciation and amortization	389,701	10,305,976	1,973,075	5,793,927	18,462,679	610,374	12,833,307	–	31,906,360
Interest expense	95,516	22,852,448	–	5,897,376	28,845,340	18,392,793	3,131,073	(35,177,397)	15,191,809
Total expenses	44,933,886	262,483,784	45,952,381	373,817,041	727,187,092	102,905,068	1,594,633,414	(39,479,669)	2,385,245,905
Income (loss) before income tax	14,656,085	(56,118,963)	(14,103,881)	259,731,578	204,164,819	15,963,098	242,211,406	(1,806,433)	460,532,890
Income tax expense (benefit)	(7,211,165)	(20,562,051)	1,123,010	77,251,073	50,600,867	6,284,058	66,224,172	–	123,109,097
Net income (loss)	P 21,867,250	(P 35,556,912)	(P 15,226,891)	P 182,480,505	P 153,563,952	P 9,679,040	P 175,987,234	(P 1,806,433)	P 337,423,793
Other information:									
Segment assets	P 2,669,695,727	P 1,336,452,567	P 34,854,678	P 2,314,580,979	P 6,355,583,951	P 1,144,002,742	P 2,306,261,780	(P 2,960,397,663)	P 6,845,450,810
Segment liabilities	243,628,189	482,521,312	15,678,060	1,585,066,764	2,326,894,325	421,325,462	1,345,095,692	(542,796,412)	3,550,519,067
Capital expenditures	778,514	2,951,790	1,864,528	10,235,002	15,829,834	2,475,000	7,620,464	–	25,925,298

(Forward)

	2010								
	CAPITAL MARKETS								
	Investment Holding	Investment Banking	Investment Management	Brokerage	Total	REAL ESTATE	INSURANCE	Elimination	Consolidated
Revenue and other income	P 190,209,253	P 313,952,283	P 24,710,874	P 550,269,884	P 1,079,142,294	P 102,545,195	P 1,580,244,216	(P 341,556,011)	P 2,420,375,694
Equity in net earnings of associates	–	20,042,446	–	–	20,042,446	–	–	–	20,042,446
Interest income	46,538,015	16,180,369	641,017	29,978,205	93,337,606	12,870,337	172,478,966	(64,988,897)	213,698,012
Total revenue	236,747,268	350,175,098	25,351,891	580,248,089	1,192,522,346	115,415,532	1,752,723,182	(406,544,908)	2,654,116,152
Operating expenses, excluding impairment loss on AFS equity securities, provision for credit and impairment losses, depreciation and amortization, and interest expense	59,756,431	165,606,051	47,654,730	366,178,319	639,195,531	76,627,523	1,475,786,786	(38,224,199)	2,153,385,641
Impairment loss on AFS equity securities	–	165,900	–	–	165,900	–	–	–	165,900
Provision for credit and impairment losses	208,858	13,500,850	–	–	13,709,708	–	27,796,258	–	41,505,966
Depreciation and amortization	185,839	9,487,528	1,866,812	4,966,888	16,507,067	493,652	11,008,476	–	27,982,195
Interest expense	2,291,170	28,338,226	–	10,279,559	40,908,955	19,588,394	25,526,634	(68,595,064)	17,428,919
Total expense	62,442,298	217,098,555	49,521,542	381,424,766	710,487,161	96,709,569	1,540,118,154	(106,819,263)	2,240,468,621
Income (loss) before income tax	174,304,970	133,076,543	(24,169,651)	198,823,323	482,035,185	18,705,963	212,605,028	(299,725,645)	413,647,531
Income tax expense (benefit)	(30,423,786)	6,669,876	(1,113,515)	59,716,314	34,848,889	6,439,081	58,658,350	–	99,946,320
Net income (loss)	P 204,728,756	P 126,406,667	(P 23,056,136)	P 139,107,009	P 447,186,296	P 12,266,882	P 153,946,678	(P 299,725,645)	P 313,701,211
Other information:									
Segment assets	P 2,730,817,913	P 1,567,513,761	P 42,534,864	P 1,505,655,230	P 5,846,521,768	P 1,165,754,583	P 2,054,868,500	(P 3,292,498,046)	P 5,774,646,805
Segment liabilities	267,451,883	584,307,413	23,131,355	958,383,699	1,833,274,350	452,756,342	1,275,778,928	(720,155,944)	2,841,653,676
Capital expenditures	800,775	34,056,502	3,131,378	11,748,891	49,737,546	807,602	24,226,889	–	74,772,037

For the years ended December 31, 2012, 2011 and 2010, there were no significant concentrations of revenue to a single customer.

9. Cash and Cash Equivalents

This account consists of:

	2012	2011
Cash on hand	**P 289,047**	P 395,684
Cash in banks:		
Peso-denominated bank deposits	**922,294,893**	599,355,722
Dollar-denominated bank deposits	**38,689,993**	37,707,922
Cash equivalents:		
Peso-denominated time deposits and special savings account	**1,936,160,539**	1,427,358,941
Dollar-denominated time deposits	**755,258**	412,895
	P 2,898,189,730	P 2,065,231,164

Cash in banks earn interest at prevailing market interest rates. Cash equivalents earn interest ranging from 1.25% to 4.50% in 2012, 1.35% to 4.75% in 2011 and 1.00% to 4.13% in 2010.

In compliance with SRC Rule 49.2 covering customer protection and custody of securities, Maybank ATR KE Securities maintains a peso-denominated bank account (included under "Cash in banks") for trade-related settlement with its customers amounting to P735.8 million and P203.2 million as of December 31, 2012 and 2011, respectively. Maybank ATR KE Securities' reserve requirement is determined and provided monthly in compliance with SEC guidelines.

10. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	2012	2011
Debt securities:		
Government bonds	**P 712,798,709**	P –
Private bonds	**4,905,701**	–
Mutual funds	**66,137,025**	–
Equity securities	**22,469,229**	28,927,627
	P 806,310,664	P 28,927,627

In 2012, ALGA recognized all of its investment securities under the Investment Management Account with the Trust Department of Maybank ATR KE Capital as financial assets at FVPL.

In 2012, government bonds earn interest ranging from 5.00% to 9.13%, while private bonds earn interest ranging from 6.05% to 6.88%.

Mutual funds pertain to the following investments in ATRKE Funds classified as financial assets at FVPL as of December 31, 2012:

ATRKE AOF	P 46,745,737
ATRKE APRF	12,866,388
ATRKE TRBF	6,524,900
	P 66,137,025

The net unrealized gains (losses) on mark-to-market valuations amounted to P18.5 million and P12.8 million and (P29.2 million) in 2012, 2011 and 2010, respectively.

11. Available-for-Sale Securities

This account consists of:

	2012	2011
At fair value:		
Government securities	**P 100,768,470**	P 389,033,228
Mutual funds	**98,571,898**	160,850,529
Listed equity securities	**18,621,100**	51,343,095
Unlisted foreign holding company	**5,952,501**	6,357,156
Proprietary shares	**650,000**	10,640,000
	224,563,969	618,224,008
At cost less impairment:		
Unlisted domestic holding and manufacturing company and a local bank	**41,185,000**	41,185,000
Proprietary shares	**722,800**	722,800
	41,907,800	41,907,800
Less allowance for impairment losses	**(41,185,000)**	(41,185,000)
	722,800	722,800
	P 225,286,769	P 618,946,808

AFS Securities at Fair Value

Government securities

As of December 31, 2012 and 2011, AFS debt securities include investments in government securities with fair value amounting to P100.8 million and P294.5 million, respectively, that are designated as restricted investments of the Insurance Group and maintained with the Bureau of Treasury in compliance with the provisions of the IC as security for the benefit of the life insurance policyholders and creditors of the Insurance Group. These debt securities earn annual interest ranging from 4.63% to 9.13% in 2012 and from 2.88% to 9.13% in 2011.

As of December 31, 2011, AFS debt securities also include fixed-term treasury notes of Maybank ATR KE Capital amounting to P94.5 million, which are earmarked by Maybank ATR KE Capital as security deposit for the faithful performance of its trust and fiduciary services (see Note 37). These debt securities earn annual interest ranging from 5.25% to 8.75% in 2011. In November 2012, the AFS debt securities of Maybank ATR KE Capital were reclassified to HTM investments (see Note 12).

Mutual funds

This account includes the following investments in ATRKE Funds classified as AFS securities as of December 31, 2012 and 2011:

	2012	2011
ATRKE APRF	**P 43,028,081**	P 51,978,303
ATRKE TRBF	**24,086,656**	28,927,323
ATRKE PBF	**20,015,645**	25,428,684
ATRKE AOF	**8,930,614**	38,505,293
ATRKE EOF	**2,510,902**	16,010,926
	P 98,571,898	P 160,850,529

Management fees earned by the Group for managing these ATRKE Funds amounting to P11.2 million, P11.5 million, and P7.7 million in 2012, 2011 and 2010, respectively, are recorded under "Management, administration and distribution fees" in the consolidated statements of income.

Equity securities at fair value

Unlisted securities at fair value represent shares of stock of a foreign investment holding company, which invests in various equity and debt securities in foreign markets. The Group estimated the fair value of this investment based on the fair value of the net assets of the investments holding company.

The movements in unrealized gains (losses) on AFS securities at fair value follow:

	2012	2011
Balance as at January 1	**(P 27,154,791)**	P 1,304,611
Fair value gains (losses) recognized in OCI	**18,568,789**	(14,360,831)
Realized gains on sale/disposal of AFS securities transferred to profit or loss	**(13,685,072)**	(14,098,571)
Impairment loss on AFS equity securities transferred to profit or loss	**22,533,018**	–
Balance as at December 31	**P 261,944**	(P 27,154,791)

AFS Securities at Cost
Unlisted securities at cost represent investments in a domestic holding and manufacturing company and a local bank which have already ceased to operate. Accordingly, the Group provided full allowance for impairment losses amounting to P41.4 million as of December 31, 2012 and 2011.

Impairment Losses on AFS Equity Securities
In 2012, impairment losses on AFS equity securities at fair value are broken down as follows:

Unlisted foreign holding company	P 12,014,900
Listed equity securities	10,518,118
	P 22,533,018

12. Held-to-Maturity Investments

HTM investments consist of fixed-term treasury notes bearing annual interest rates ranging from 4.88% to 12.38% in 2012. These investments are earmarked by the Group as security deposit for the faithful performance of its trust and fiduciary services (see Note 37).

Reclassification of Financial Assets
In 2008, the Group disposed some of its government securities classified as HTM investments prior to their maturity. As a consequence of the pre-termination of the HTM investments, the Group reclassified the remaining HTM investment portfolio to AFS securities in 2008 and was restricted to classify any financial investment under the HTM category for the succeeding two years. As allowed by PFRS, in November 2012, the Group reclassified the government securities of Maybank ATR KE Capital to HTM investments with an aggregate carrying value of P150.9 million as at reclassification date.

HTM investments reclassified from AFS securities have the following details as at the reclassification date and as at and for the year ended December 31, 2012:

As at reclassification date	
Face value	P 146,320,000
Original acquisition cost	153,390,548
Net unamortized premium	4,604,190
Net unrealized gains	3,300,864
Range of effective interest rates	1.0% - 2.9%

As at and for the year ended December 31, 2012	
Carrying value	P 150,704,196
Fair value	153,893,594
Net unrealized gains	3,189,398
Amortization of net premiums	219,994

The Group expects to recover 100% of principal and interest totaling P159.1 million as at the reclassification date. No impairment loss on the reclassified securities was recognized in 2012.

Had these securities not been reclassified to HTM investments, carrying value of AFS securities and net unrealized gain from AFS securities as of December 31, 2012 would have increased by P153.9 million and P3.2 million, respectively.

13. Loans and Receivables

This account consists of:

	2012	2011
Due from customers and brokers	**P 725,854,339**	P 1,225,005,592
Loans receivable	**300,173,756**	332,945,939
Installment contract receivables	**128,990,294**	119,644,359
Salary loans	**81,195,831**	939,403,570
Accounts receivable	**74,797,110**	62,799,686
Receivables from officers and employees (Note 36)	**28,114,344**	35,180,109
Insurance receivables	**21,116,056**	35,711,132
Receivable from developer	**19,764,940**	23,045,627
Interest receivable (Note 36)	**18,546,524**	8,684,738

(Forward)

	2012	2011
Policy loans	**P 16,539,326**	P 91,444,095
Agents' account balances	**131,415**	3,233,791
Miscellaneous	**2,305,572**	2,164,238
	1,417,529,507	2,879,262,876
Allowance for credit losses	**(290,449,980)**	(324,976,555)
	P 1,127,079,527	P 2,554,286,321

Due from Customers and Brokers

Due from customers represents receivables from customers of Maybank ATR KE Securities for equities purchased in the stock market which are generally settled three days after the transaction date. Securities purchased by customers are held as collateral for amounts due from customers.

Due from customers consists of:

	2012			2011		
	Money	**Security Valuation**		Money	Security Valuation	
	Balance	**Long**	**Short**	Balance	Long	Short
Fully secured accounts:						
More than 250%	**P 503,377,950**	**P 42,120,603,569**	**P –**	P 272,025,369	P 23,779,000,913	P –
Between 200% and 250%	**37,965,180**	**92,446,875**	**–**	27,487,204	62,833,289	–
Between 150% and 200%	**5,006**	**7,552**	**–**	9,247,566	16,090,000	–
Between 100% and 150%	**136,992,440**	**136,671,073**	**–**	798,126,050	1,120,988,483	–
Partially secured accounts	**47,513,763**	**43,077,872**	**–**	109,437,996	108,665,751	–
	P 725,854,339	**P 42,392,806,941**	**P –**	P 1,216,324,185	P 25,087,578,436	P –

Due from brokers amounted to nil and P8.7 million as of December 31, 2012 and 2011, respectively.

Fully secured accounts include margin accounts amounting to P212.2 million and P77.0 million as of December 31, 2012 and 2011, respectively. Interest earned on these margin accounts amounted to P13.3 million in 2012, P13.0 million in 2011 and P14.9 million in 2010.

Loans Receivable

This account consists of:

	2012	2011
Loans granted:		
Domestic third party - management company	**P 236,888,918**	P 236,888,918
One Virtual Corporation ("OVC")	**45,555,832**	45,555,832
Mortgage loans (Note 36)	**3,869,962**	7,129,661
Others (Note 36)	**13,859,044**	43,371,528
	P 300,173,756	P 332,945,939

Domestic third party

The loan receivable from a domestic third party is a five-year term loan with an annual interest rate of 6.00% due in 2008. In 2008, the Parent Company and the domestic third party agreed to extend the loan for another five years, maturing on November 25, 2013. The loan receivable is secured by 6,848,948 shares of stock of a Philippine-based Filipino corporation, 375,000 shares of stock of and advances to a Philippine holding company amounting to P117.0 million.

In 2006, the Philippine-based Filipino corporation filed a case with the Regional Trial Court of Makati ("RTC of Makati") for corporate rehabilitation, which included the suspension of payments to plan holders and creditors. On May 28, 2007, the RTC of Makati approved the Modified Rehabilitation Plan (the "Rehabilitation Plan"). The approval is only effective for two years subject to review of compliance of all the terms and conditions of the Rehabilitation Plan. The Rehabilitation Plan is composed mainly of restructuring of liabilities, including the related maturities and growth projections of trust fund assets. The financial projections supporting the Rehabilitation Plan showed negative shareholders' equity and debt service up to 2040. Accordingly, the Parent Company provided full allowance on the said loan.

OVC

Loan receivable from OVC pertains to a P56.2 million restructured clean loan granted by Maybank ATR KE Capital bearing an annual interest rate of 14.99% which matured on April 30, 2003. Upon maturity of the loan, a related company of OVC ("New Borrower") assumed the restructured loan and offered 122,483,536 listed shares of stock of a local entertainment company as settlement for the loan based on the Memorandum of Understanding dated December 29, 2003. Maybank ATR KE Capital and the New Borrower have subsequently agreed to several extension of the maturity of the loan receivable and changes to the payment terms.

On June 30, 2005, Maybank ATR KE Capital entered into an Amended and Restated Purchase Agreement with the New Borrower. Under the agreement, the New Borrower shall convey, transfer and cede unto Maybank ATR KE Capital a total of 56,241,768 new shares of stock of an information technology service company in exchange for the 122,483,536 listed shares previously offered.

In accordance with the Amended and Restated Purchase Agreement dated March 24, 2008, Maybank ATR KE Capital and the New Borrower agreed that the 19% of the shares of an information technology service company equivalent to 19% of the loan balance will be transferred to Maybank ATR KE Capital in 2008, with the shares of the same information technology service company to cover the remaining balance of 81% of the loan to be transferred on or before March 31, 2009. As provided in the Amended and Restated Purchase Agreement (third amendment), in case of any delay in the completion of the share swap, Maybank ATR KE Capital will have the option to require the New Borrower to repay the loan obligation through the transfer of equivalent common shares of Next Mobile, Inc. ("NMI"), a corporation organized and existing under the Philippine laws. The conversion price of one (1) NMI share with a par value of P100.00 per share shall be P485.32 or equivalent to 93,868 NMI shares.

On September 30, 2008, the New Borrower delivered to Maybank ATR KE Capital the stock certificates for 10,685,936 shares of an information technology service company representing 19% of the loan balance equivalent to P10.7 million, duly endorsed for transfer by the New Borrower. The value of shares was deducted from the outstanding receivable as of September 30, 2008. The fair value of the unlisted shares as of September 30, 2008 was determined using binding offers to buy the said shares from interested third parties.

On March 9, 2009, another Amended and Restated Purchase Agreement was executed between Maybank ATR KE Capital and the New Borrower to extend the date of transfer of the shares of the information technology service company covering the remaining loan balance to March 31, 2010. Subsequently, several amendments were made to the Amended and Restated Purchase Agreement to extend the date of transfer of the shares, with the latest amendment extending the date of transfer of the shares to March 31, 2013.

Since 2008, the market value of the shares of the information technology service company has been declining and is always lower than the carrying amount of the loans receivable. In December 2011, the Group reassessed the recoverability of the outstanding loans receivable and determined that the probability of collection from the New Borrower under the terms and conditions of the Amended and Restated Purchase Agreement is remote. Accordingly, the Group provided for full allowance for credit loss on the outstanding loans receivable in 2011.

Mortgage loans
Mortgage loans consist of real estate mortgage ("housing loans") and chattel mortgage ("car loans") to directors, officers, employees and third party individuals. Housing and car loans to officers and employees are collectible over a period of five to 15 years through salary deduction. These loans bear an annual interest of 10%.

Other loans receivable
This account includes loans extended to officers and employees of the Group in 2010 for the acquisition of units in TRIbeca Private Residences for five years which bear an interest at 10% per annum.

On September 30, 2011, the ATRKE Land granted a P29.4 million bridge loan to Landco to partially finance the construction of the Central Park Project of TRIbeca Private Residences. The loan was secured by an assignment of Landco's share of installment contract receivables from Towers 1-4 of the Project with a face value of not less than P29.4 million. The term of the loan was at a maximum of ninety days reckoned from date of initial loan drawdown, renewable subject to mutual agreement or seven days from drawdown date of the loan from a bank, whichever was earlier. The loan bore interest based on the four year PDST-F-Fix, plus a spread of four percent (4% p.a.) and was reset every 30 days. As of December 31, 2011, the outstanding loan amounted to P22.0 million. The loan was fully collected in 2012.

Installment Contracts Receivable
Installment contracts receivables pertain to receivables from the sale of condominium units by ATRKE Land. These are collectible in monthly installments over a period of one to two years and are noninterest-bearing. Installment contracts receivables were discounted using credit adjusted market rates ranging from 2.94% to 5.80% that are specific to the tenor of the installment contracts receivables.

As of December 31, 2012 and 2011, installment contract receivables due within one year from the reporting date amounted to P78.9 million and P100.0 million, respectively.

Salary Loans
Salary loans represent loans granted by the Group to DepEd teachers, private institution employees and its own employees with terms ranging from six to 36 months, collected through salary deduction. These loans bear annual interest rates of 5.70% to 15.00% in 2012 and 7.50% to 12.00% in 2011, depending on the term of the loan.

On May 31, 2012, the Group entered into a Deed of Assignment of Receivables (the "Deed") with a domestic corporation to assign, on a without recourse basis, all of its outstanding salary loans receivable amounting to P365.3 million. Corresponding loans payable from local banks, MKEH, and individual third parties were also settled as a condition to the Deed.

Accounts Receivable
This account primarily represents receivable from advisory and underwriting activities of Maybank ATR KE Capital and management services of ATRKE AMI. This also includes receivable from a third party administration company which represents amounts due from the policyholders advanced by ALGA for billings made by medical providers. This is normally due 15 days from billing date to policyholders.

Receivables from Officers and Employees
Receivables from officers and employees primarily represent advances subject to liquidation and interest-bearing car financing loans extended to officers and employees of the Group with interest rates ranging from 10% to 12% per annum. The loans are paid through monthly salary deduction and have original term of five years (see Note 36).

Insurance Receivables
Insurance receivables consist of due and uncollected insurance premiums as of reporting date.

Receivable from Developer
The receivable from a developer represents expenses paid by ATRKE Land on behalf of Landco which the former will claim from the latter as provided in the Joint Venture Agreement ("JVA") and unremitted collections received by Landco, on behalf of ATRKE Land, from buyers of condominium units allocated to ATRKE Land. These receivables are due and collectible upon demand.

Policy Loans
Policy loans pertain to loans issued to insurance policyholders. The loan is issued with the cash surrender value of the policyholders' insurance policy as collateral. Interest rate on policy loans in 2012 and 2011 is pegged at 10%. The policyholders may repay the policy loans at any time during the effectivity of the policy and if unpaid upon surrender or maturity, the policy loan, including any unpaid interest, will be deducted from the surrender value or maturity benefits.

Allowance for Credit Losses
As of December 31, 2012 and 2011, loans and receivables amounting to P290.4 million and P325.0 million, respectively, were impaired and fully provided for as follows:

	Loans Receivable	**Accounts Receivable**	**Salary Loans**	**Agents' Account Balances**	**Others**	**Total**
As at December 31, 2010	P 255,111,251	P 2,228,672	P 29,716,720	P 1,203,742	P 436,903	P 288,697,288
Provisions	27,333,499	–	10,013,431	–	–	37,346,930
Recoveries	–	–	653,966	–	–	653,966
Disposal of a subsidiary (Note 5)	–	–	–	–	(436,903)	(436,903)
Write-offs	–	–	(1,284,726)	–	–	(1,284,726)
As at December 31, 2011	282,444,750	2,228,672	39,099,391	1,203,742	–	324,976,555
Provisions	–	1,087,419	3,111,913	–	723,750	4,923,082
Disposal of a subsidiary (Note 5)	–	(2,228,672)	(36,017,243)	(1,203,742)	–	(39,449,657)
As at December 31, 2012	**P 282,444,750**	**P 1,087,419**	**P 6,194,061**	**P –**	**P 723,750**	**P 290,449,980**

14. Real Estate Inventories

Real estate inventories are carried at cost which consist of the following:

	2012	2011
Acquisition cost	P 195,594,963	205,864,822
Fair value adjustments to recognize real estate inventories at deemed cost	488,227,843	506,495,406
	P 683,822,806	712,360,228

In 2006, the Group reclassified a real estate property from investment properties to real estate inventories following a change in use of the properties. Prior to reclassification, the real estate property was carried at fair value based on the latest appraisal report. In accordance with PFRS, the real property's deemed cost for subsequent accounting shall be its fair value at the date of change in use. The fair value adjustment is realized based on the percentage of completion of units sold.

Real estate inventories pertain to the property located along East Service Road, Barangay Sucat, Muntinlupa City owned by ATRKE Land, which originally had an area of 97,504 square meters (see Note 39), consisting of undeveloped land and unsold completed units of TRIbeca Private Residences. The property is being developed by a joint venture partner in phases as a themed residential lifestyle community referred to as the "TRIbeca Private Residences" project. As of December 31, 2011, the bulk of ATRKE Land's real estate property is covered by a Mortgage Trust Indenture ("MTI"), Mortgage Participation Certificates ("MPC") to which were used as security for loans obtained by Maybank ATR KE Capital from a local bank. ATRKE Land is a co-maker to the said loans (see Note 20). In April 2012, the Group paid in full the loan from the local bank.

Profit from sale of real estate inventories amounted to P26.6 million, P41.4 million and P35.4 million in 2012, 2011 and 2010, respectively.

15. Investment Properties

The composition of and movements in this account are as follows:

	2012					
	Memorial Lots	Residential Lots	Condominium Units	Condominium Improvements	Other Properties	Total
As at January 1, 2012	P 180,106,259	P 44,898,000	P 35,581,685	P 297,022	P 135,000	P 261,017,966
Disposal of a subsidiary (Note 5)	(180,106,259)	(44,898,000)	–	–	(135,000)	(225,139,259)
Transfers (Note 17)	–	–	(35,581,685)	(297,022)	–	(35,878,707)
As at December 31, 2012	P –	P –	P –	P –	P –	P –

	2011					
	Memorial Lots	Residential Lots	Condominium Units	Condominium Improvements	Other Properties	Total
As at January 1, 2011	P 171,860,371	P 44,898,000	P 35,581,685	P 297,022	P 135,000	P 252,772,078
Fair value adjustments (Note 27)	8,245,888	–	–	–	–	8,245,888
As at December 31, 2011	P 180,106,259	P 44,898,000	P 35,581,685	P 297,022	P 135,000	P 261,017,966

In 2012, 2011 and 2010, the investment properties of the Group did not generate rental income and there were no direct operating expenses incurred from the use of its investment properties.

16. Investments in Associates

The investments in associates consist of:

	Percentage of Ownership		Amount	
	2012	2011	2012	2011
Acquisition cost:				
Net Curricula Inc. ("Net Curricula")	46.70	46.70	P 103,749,012	P 103,749,012
Maybank ATR Kim Eng Fixed Income, Inc. ("Maybank ATR KE Fixed Income")	20.00	20.00	23,828,316	23,828,316
A.V. Ocampo (Note 5)	40.00	3.59	21,707,595	10,539,233
Tullett Prebon Philippines, Inc. ("Prebon")	49.00	49.00	18,906,300	18,906,300
			168,191,223	157,022,861
Allowance for impairment losses			(110,408,986)	(103,749,012)
			57,782,237	53,273,849
Accumulated equity in net earnings:				
As at January 1			72,501,433	66,005,658
Equity in net earnings for the year			11,631,163	22,665,775
Dividends received			(33,700,000)	(16,170,000)
Others			(17,243)	–
As at December 31			50,415,353	72,501,433
			P 108,197,590	P 125,775,282

The breakdown of investments in associates is as follows:

	2012	2011
Prebon	**P 53,538,668**	P 57,281,298
Maybank ATR KE Fixed Income	**40,723,898**	58,017,848
A.V. Ocampo	**13,935,024**	10,476,136
	P 108,197,590	P 125,775,282

The movements in the acquisition cost of investments in associates follow:

	2012	2011
Balance at beginning of year	**P 157,022,861**	P 153,983,628
Additional investments	**11,168,362**	3,039,233
Balance at end of year	**P 168,191,223**	P 157,022,861

The movements in allowance for impairment losses on investments in associates follow:

	2012	2011
Balance at beginning of year	**P 103,749,012**	P 103,749,012
Provision for the year	**6,659,974**	–
Balance at end of year	**P 110,408,986**	P 103,749,012

Status of operations and principal activities of the associates are as follows:

a. Prebon

Prebon acts as an intermediary in a wide range of foreign exchange, fixed income and off-books products to enhance liquidity and efficiency in markets.

In July 2012 and 2011, the Group received dividends from Prebon amounting to P14.7 million and P16.2 million, respectively.

b. Maybank ATR KE Fixed Income

Maybank ATR KE Fixed Income is engaged in financial and investment consulting and advisory business.

In June 2012, the Group received dividends from Maybank ATR KE Fixed Income amounting to P19.0 million.

c. A.V. Ocampo

As discussed in Note 5 to the consolidated financial statements, A.V. Ocampo is an insurance broker which acts as an agent between the insurer and the insured. The Group has a significant influence in A.V. Ocampo by virtue of the Group's representation in the BOD and participation in policy-making process of A.V. Ocampo.

In December 2012, the Group conducted an impairment review of its investment in A.V. Ocampo and determined the investment to be partially impaired. Accordingly, the Group recognized provision for impairment loss amounting to P6.6 million.

d. Net Curricula

Net Curricula was engaged in providing internet services to public schools. As a result of business reverses due to technical and infrastructure problems, poor market conditions and financial difficulties, Net Curricula suffered losses and ceased commercial operations. Consequently, the Group recognized a 100% allowance for impairment on such investment.

Summarized financial information of the associates follow:

a. Maybank ATR KE Fixed Income

	2012	2011
Total assets	**P 205,081,887**	P 624,279,938
Total liabilities	**1,462,397**	337,247,733
Revenue	**28,094,390**	122,058,811
Net income	**11,587,284**	46,909,061

b. A.V. Ocampo

	2012*	2011
Total assets	**P 19,681,012**	P 17,827,874
Total liabilities	**8,007,362**	12,849,063
Revenue	**17,665,053**	16,580,972
Net loss	**(5,488,455)**	(6,068,011)

*Unaudited

c. Prebon

	2012*	2011
Total assets	**P 156,327,715**	P 158,324,935
Total liabilities	**44,772,340**	39,565,198
Revenue	**195,873,920**	198,108,568
Net income	**22,822,517**	28,743,828

*Unaudited

17. Property and Equipment

The movements of this account are as follows:

	2012						
	Condominium units	**Condominium improvements**	**Transporta-tion equip-ment**	**Furniture and fixtures and computer equipment**	**Computer hardware and peripherals**	**Leasehold improvements**	**Total**
Cost							
Balance at beginning of year	**P 94,474,636**	**P 13,943,704**	**P 63,595,926**	**P 109,076,234**	**P 27,020,303**	**P 36,927,198**	**P 345,038,001**
Additions	**–**	**–**	**13,375,444**	**3,665,957**	**15,883,360**	**2,315,508**	**35,240,269**
Disposals	**–**	**–**	**(11,707,749)**	**(46,160,497)**	**(902,880)**	**(12,095,129)**	**(70,866,255)**
Transfers (Note 15)	**35,581,685**	**297,022**	**–**	**–**	**–**	**–**	**35,878,707**
Balance at end of year	**130,056,321**	**14,240,726**	**65,263,621**	**66,581,694**	**42,000,783**	**27,147,577**	**345,290,722**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**47,832,010**	**11,826,304**	**35,387,828**	**88,173,812**	**15,401,156**	**29,771,551**	**228,392,661**
Depreciation and amortization (Note 28)	**1,993,166**	**253,661**	**10,726,403**	**3,702,729**	**10,054,936**	**3,005,167**	**29,736,062**
Disposals	**–**	**–**	**(10,164,558)**	**(30,407,024)**	**(2,510,282)**	**(11,376,360)**	**(54,458,224)**
Balance at end of year	**49,825,176**	**12,079,965**	**35,949,673**	**61,469,517**	**22,945,810**	**21,400,358**	**203,670,499**
Net Book Value at End of Year	**P 80,231,145**	**P 2,160,761**	**P 29,313,948**	**P 5,112,177**	**P 19,054,973**	**P 5,747,219**	**P 141,620,223**

	2011						
	Condominium units	Condominium improvements	Transporta-tion equip-ment	Furniture and fixtures and computer equipment	Computer hardware and peripherals	Leasehold improvements	Total
Cost							
Balance at beginning of year	P 94,474,636	P 13,943,704	P 79,814,824	P 105,786,156	P 21,734,043	P 34,245,490	P 349,998,853
Additions	–	–	9,879,965	4,854,108	4,710,812	3,441,180	22,886,065
Disposals	–	–	(26,098,863)	(988,582)	–	(759,472)	(27,846,917)
Reclassifications	–	–	–	(575,448)	575,448	–	–
Balance at end of year	94,474,636	13,943,704	63,595,926	109,076,234	27,020,303	36,927,198	345,038,001
Accumulated Depreciation and Amortization							
Balance at beginning of year	45,910,896	11,572,643	46,080,982	79,025,702	10,879,045	26,764,792	220,234,060
Depreciation and amortization (Note 28)	1,921,114	253,661	11,598,669	9,935,845	4,522,111	3,674,960	31,906,360
Disposals	–	–	(22,291,823)	(787,735)	–	(668,201)	(23,747,759)
Balance at end of year	47,832,010	11,826,304	35,387,828	88,173,812	15,401,156	29,771,551	228,392,661
Net Book Value at End of Year	P 46,642,626	P 2,117,400	P 28,208,098	P 20,902,422	P 11,619,147	P 7,155,647	P 116,645,340

Property and equipment of ALFA with total cost amounting to P59.5 million and accumulated depreciation and amortization amounting to P43.9 million as of the disposal date in May 2012, are included as disposals.

In 2012, the Group reclassified its condominium units from investment properties to property and equipment following a change in use of the properties. Prior to reclassification, the condominium units and the related improvements were carried at fair value based on the latest appraisal report. In accordance with PFRS, the deemed cost of the condominium units and improvements for subsequent accounting shall be their fair value at the date of change in use.

As of December 31, 2012 and 2011, certain transportation equipment with total carrying amount of P3.1 million and P3.8 million, respectively, have been pledged to secure certain borrowings of the Group (see Note 20).

18. Other Assets

This account consists of:

	2012	2011
Creditable withholding tax	**P 110,180,495**	P 91,368,785
Retirement asset (Note 30)	**14,743,400**	13,294,100
Performance bonds	**14,101,441**	13,928,961
Reserve funds	**10,608,818**	9,212,895
Prepayments	**9,454,740**	8,295,881

(Forward)

	2012	2011
Input tax	**P 6,554,084**	P 8,946,601
Lease and other deposits	**3,726,909**	12,833,900
Exchange trading right	**1,000,000**	1,000,000
Miscellaneous	**8,146,606**	29,669,227
	P 178,516,493	P 188,550,350

Creditable Withholding Tax
This account pertains to taxes withheld by customers and can be applied against future income tax liabilities.

Performance Bonds
Performance bonds consist of amounts posted by ALGA with hospital network providers in compliance with certain group insurance policy contracts. These bonds will be recovered upon termination of the policy contracts and after all claims and benefits accruing to the contracts have been settled.

Reserve Funds
Reserve funds consist of contingency funds, which are maintained to defray claims of the insurance pools business of ALGA.

Prepayments
Prepayments include advance payments on office space rental, insurance, financial information services, condominium fees and membership fees and dues.

Lease and Other Deposits
This account consists of deposits made by the Group to the lessor of its office spaces and advances to various suppliers. The lease deposits shall be refunded by the lessor at the end of the lease term, net of any liabilities identified at such time.

19. Accounts Payable and Accrued Expenses

This account consists of:

	2012	2011
Due to customers and brokers	**P 1,335,577,732**	P 623,847,615
Accounts payable	**260,980,686**	93,851,366
Accrued expenses	**215,622,526**	200,781,886
Due to clearing house	**149,755,495**	794,296,634
	P 1,961,936,439	P 1,712,777,501

Due to Customers and Brokers
Due to customers represent payables to customers of Maybank ATR KE Securities for equities sold in the stock market which are generally settled three days after the transaction date. Due to customers consists of:

	2012			2011		
	Money	**Security Valuation**		Money	Security Valuation	
	Balance	**Long**	**Short**	Balance	Long	Short
With money balance	**P 1,328,908,886**	**P 18,856,676,666**	**P 207,052,736**	P 623,829,720	P 5,414,232,432	P 188,393,898
Without money balance	**–**	**138,496,966,148**	**–**	–	80,077,994,623	–
	P 1,328,908,886	**P 157,353,642,814**	**P 207,052,736**	P 623,829,720	P 85,492,227,055	P 188,393,898

Due to brokers amounted to P6.7 million and P17,895 as of December 31, 2012 and 2011, respectively.

Accounts Payable
This account primarily consists of amounts due to suppliers, and medical providers for goods purchased and services availed of.

Accrued Expenses
This account includes accrual of interest on loans payable, accrued employee benefits, marketing expenses, rentals and professional fees.

Due to Clearing House
This account represents cash settlement obligations of Maybank ATR KE Securities for payment to the clearing house to facilitate the settlement of its trading transactions. Amounts due to clearing house are settled three days from the trade date.

20. Loans Payable

This account consists of borrowings from:

	2012	2011
Local banks of:		
Maybank ATR KE Capital	**P 52,903,310**	P 212,847,627
Maybank ATR KE Securities	**41,000,004**	42,600,004
ALGA	**11,745,470**	10,025,440
ALFA	**–**	6,647,900
MKEH	**–**	109,600,000
Others	**–**	1,366,700
	P 105,648,784	P 383,087,671

Borrowings of the Group carry effective interest rates ranging from 6.50% to 11.50%, from 4.25% to 11.80%, and from 4.00% to 12.50% in 2012, 2011 and 2010, respectively.

Loans payable are payable in various amortization periods shown below:

	2012	2011
Short-term (less than one year)	**P 95,154,212**	P 342,122,975
Medium-term (one to five years)	**10,494,572**	40,964,696
	P 105,648,784	P 383,087,671

The breakdown of loans payable by security is as follows:

	2012	2011
Continuing suretyship agreements and salary loans (Note 13)	**P 50,000,000**	P 173,701,130
Various shares of stock	**41,000,004**	42,600,004
Transportation equipment (Note 17)	**14,648,780**	20,519,870
Notes receivable and standby letters of credit	**–**	109,600,000
MPC on the MTI covering real estate property owned by ATRKE Land	**–**	36,666,667
	P 105,648,784	P 383,087,671

Maybank ATR KE Capital
On December 21, 2007, Maybank ATR KE Capital obtained a loan from a local bank aggregating to P314.0 million. The loan was subdivided into the following: (a) P204.0 million with a term of three years with no grace period on principal repayment. Interest was based on the prevailing market rate and was reset every quarter. Principal and interest were paid on a quarterly basis; and (b) P110.0 million with a term of five years inclusive of two years grace period on principal repayment. Interest was based on prevailing market rate and was reset every quarter. Principal and interest were paid on a quarterly basis. The loan was secured by: (a) an MPC on the MTI covering part of the real property owned by ATRKE Land situated along East Service Road of the South Expressway, Barangay Sucat, Muntinlupa City; and (b) a Deed of Assignment representing future cash dividends due to Maybank ATR KE Capital from an associated company. The outstanding balance of this loan amounted to P36.7 million as of December 31, 2011. In April 2012, Maybank ATR KE Capital paid this loan in full.

On March 25, 2010, Maybank ATR KE Capital obtained a P70.1 million loan from certain individuals. The loan has a term of two years with a fixed annual interest rate of 9% and payable in equal monthly amortizations. The loan was secured by an assignment of receivables from ALFA. As of December 31, 2011, the carrying amount of this loan amounted to P1.4 million. As a condition to the disposal of ALFA, Maybank ATR KE Capital paid in full the loans payable in June 2012.

On May 29, 2010 and June 28, 2010, Maybank ATR KE Capital obtained a loan from a local bank totaling P73.3 million. Maybank ATR KE Capital obtained another loan from the same bank in June 2011 amounting to P57.7 million. The loans had terms of two years with interest based on prevailing market rate and were payable in equal monthly amortizations. The loans were secured by assignment of receivables. The carrying amount of these loans amounted to P58.3 million as of December 31, 2011. As a condition to the disposal of ALFA, Maybank ATR KE Capital paid in full the loans payable in June 2012.

On July 23, 2010, Maybank ATR KE Capital entered into a short term loan agreement with MKEH for an aggregate amount of US$5.0 million. The loan was broken down into two (2) equal tranches of US$2.5 million each. The loan was secured by a Letter of Guarantee from the Parent Company. In August 2010, Maybank ATR KE Capital obtained the first tranche amounting to US$2.5 million. The loan had a term of one year from the date of drawdown with interest based on six-month London Interbank Offering Rate ("LIBOR") on the date of first disbursement plus spread of three percent (3%) and was reset every six (6) months or cost of funds plus a spread of 1.50%, whichever was higher. Interest was payable semi-annually. Actual interest rate was 4.25% per annum in 2010 and 2011. The loan was renewable on a case-to-case basis. As of December 31, 2010, Maybank ATR KE Capital did not avail of the second tranche of the loan. The loan from the first drawdown was renewed in July 2011 with the same terms and conditions. The carrying amount of this loan as of December 31, 2011 was US$2.5 million (equivalent to P109.6 million retranslated using an exchange rate of P43.84:US$1.00 for 2011). Maybank ATR KE Capital paid the loan in full in June 2012.

On December 23, 2010, Maybank ATR KE Capital obtained a P200.0 million loan facility from another local bank and availed of P93.9 million in 2010. In March and April 2011, Maybank ATR KE Capital availed of a total of P105.7 million. The loans had a term of two years from the date of availment with interest based on the prevailing market rate and were reset every quarter. The loans were secured by assignment of receivables. Carrying value of this loan amounted to P114.0 million as of December 31, 2011. Maybank ATR KE Capital prepaid the loan in full in June 2012.

On September 18, 2012, the Maybank ATR KE Capital obtained a P50.0 million loan facility from a local bank for the acquisition of various government securities to comply with the basic security deposit requirement of BSP. The loan had a term of one year from the date of availment with interest based on prevailing market rate and to be reset monthly.

To secure various borrowings from local banks, various continuing surety agreements were issued by Maybank ATR KE Financial. These continuing suretyship agreements covered maximum amounts of P50.0 million and P300.0 million as of December 31, 2012 and 2011, respectively.

Certain loan agreements have negative covenants relating to changes in nature of business, ownership or management, merger or consolidation, sale or lease of assets or events of default provisions should the loans remain unpaid. Maybank ATR KE Capital was in full compliance with the aforementioned covenants.

Maybank ATR KE Securities
On September 9, 2009, Maybank ATR KE Securities entered into a loan line agreement with a local bank for working capital requirements amounting to P150.0 million with a maximum tenor of 360 days with interest at the bank's lending rate, payable in arrears. As of December 31, 2012 and 2011, outstanding availments from the loan facility amounted to P41.0 million and P42.6 million, respectively, bearing an effective interest rate of 7.00% per annum in 2012 and 6.50% per annum in 2011.

21. Insurance Contract Liabilities

This account consists of:

	2012	2011
Legal policy reserves	**P 295,136,802**	P 728,070,569
Claims payable	**177,369,110**	196,114,214
Policyholders' dividends	**4,000,389**	49,831,469
	P 476,506,301	P 974,016,252

As of December 31, 2012 and 2011, details of the Group's insurance contract liabilities are as follows:

	2012			2011		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Reserves for:						
Ordinary life policies	**P 64,749,759**	**(P 107,230)**	**P 64,642,529**	P 502,524,801	(P 1,691,572)	P 500,833,229
Ordinary total and permanent disability	**–**	**–**	**–**	1,519,824	–	1,519,824
Ordinary accidental death benefits	**–**	**–**	**–**	5,698,900	–	5,698,900
Ordinary supplementary contracts	**–**	**–**	**–**	12,064,162	–	12,064,162
Group life insurance	**23,949,054**	**(1,465,654)**	**22,483,400**	26,848,366	(1,145,536)	25,702,830
Accident and health policies - ordinary	**336,992**	**–**	**336,992**	82,188	–	82,188
Accident and health policies - group	**207,673,881**	**–**	**207,673,881**	182,169,436	–	182,169,436
Legal policy reserves	**296,709,686**	**(1,572,884)**	**295,136,802**	730,907,677	(2,837,108)	728,070,569
Claims payable	**177,369,110**	**–**	**177,369,110**	196,114,214	–	196,114,214
Policyholders' dividends	**4,000,389**	**–**	**4,000,389**	49,831,469	–	49,831,469
	P 478,079,185	**(P 1,572,884)**	**P 476,506,301**	P 976,853,360	(P 2,837,108)	P 974,016,252

The movements in legal policy reserves are as follows:

	2012			2011		
	Legal Policy Reserves	**Reinsurer's Share in Liabilities**	**Net**	Legal Policy Reserves	Reinsurer's Share in Liabilities	Net
As at January 1	**P 730,907,677**	**(P 2,837,108)**	**P 728,070,569**	P 694,088,161	(P 3,366,127)	P 690,722,034
New business, reinstatement and change in policy year	**1,092,075,376**	**(345,223)**	**1,091,730,153**	1,022,988,740	1,395,042	1,024,383,782
Released by death and other terminations and supplementary contracts	**(1,052,205,496)**	**–**	**(1,052,205,496)**	(1,014,812,852)	–	(1,014,812,852)
Disposal of a subsidiary (Note 5)	**(473,429,700)**	**971,276**	**(472,458,424)**	–	–	–
Others	**(638,171)**	**638,171**	**–**	28,643,628	(866,023)	27,777,605
As at December 31	**P 296,709,686**	**(P 1,572,884)**	**P 295,136,802**	P 730,907,677	(P 2,837,108)	P 728,070,569

The movements in claims payable are as follows:

	2012	2011
As at January 1	**P 196,114,214**	P 168,964,371
Paid during the year	**(799,739,606)**	(109,194,027)
Provisions during the year	**802,135,478**	136,343,870
Disposal of a subsidiary (Note 5)	**(21,140,976)**	–
As at December 31	**P 177,369,110**	P 196,114,214

The movements in policyholders' dividends are as follows:

	2012	2011
As at January 1	**P 49,831,469**	P 52,893,481
Paid during the year	**(1,911,914)**	(7,380,469)
Provisions during the year	**3,346,423**	4,318,457
Disposal of a subsidiary (Note 5)	**(47,265,589)**	–
As at December 31	**P 4,000,389**	P 49,831,469

Sensitivities
The analysis below is performed for the financial impact of reasonably possible movement in key assumptions with all other assumptions held constant, on the consolidated statements of income and changes in equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. However, to demonstrate the impact due to changes in assumptions, assumption changes are shown below on an individual basis.

The assumptions that have the greatest effect on the consolidated financial statements follow:

	December 31, 2012			
	Change in Assumptions	**Increase (Decrease) in Net Liabilities**	**Increase (Decrease) in Profit Before Tax**	**Increase (Decrease) in Equity**
Mortality	**10%**	**P 976,305**	**(P 976,305)**	**(P 683,414)**
	-10%	**(1,029,114)**	**1,029,114**	**720,380**
Discount rate	**-1%**	**8,397,769**	**(8,397,769)**	**(5,878,438)**

	December 31, 2011			
	Change in Assumptions	Increase (Decrease) in Net Liabilities	Increase (Decrease) in Profit Before Tax	Increase (Decrease) in Equity
Mortality	10%	P 11,069,753	(P 11,069,753)	(P 7,748,828)
	-10%	(10,932,585)	10,932,585	7,652,810
Discount rate	-1%	72,583,163	(72,583,163)	(50,808,215)

22. Other Liabilities

This account consists of:

	2012	2011
Taxes, licenses and fees payable	**P 59,269,559**	P 42,790,215
Retirement liability (Note 30)	**36,178,902**	48,557,998
Life insurance deposit	**13,461,015**	22,402,490
Customers' deposits	**12,051,118**	9,754,013
Premium deposit fund	**2,344,961**	92,857,308
Miscellaneous	**20,041,253**	30,418,891
	P 143,346,808	P 246,780,915

Taxes, Licenses and Fees Payables
This account primarily consists of stock transaction tax payable, withholding taxes payable, gross receipts tax payable, fringe benefit tax payable and output tax payable.

Life Insurance Deposit
This account represents deposits paid by policyholders of ALGA and ALFA in advance, which may be applied to pay premium and/or other policyholder obligations.

Customers' Deposits
This account represents collections received from buyers of real estate, where the income recognition criteria on sale of real estate have not been met.

Premium Deposit Fund
This account pertains to funds of ALGA and ALFA held for policyholders with interest rates ranging from 3.00% to 5.00% per annum in 2012 and 4.00% to 6.00% in 2011. Interest expense recognized in "Insurance benefits and claims" under "Operating expenses" amounted to P0.9 million in 2012, P1.6 million in 2011 and P0.2 million in 2010.

23. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities of the Group analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from consolidated statement of financial position date:

	2012			2011		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
Cash and cash equivalents	**P 2,898,189,730**	**P –**	**P 2,898,189,730**	P 2,065,231,164	P –	P 2,065,231,164
Financial assets at FVPL	**806,310,664**	**–**	**806,310,664**	28,927,627	–	28,927,627
AFS securities - gross	**175,825,548**	**90,646,221**	**266,471,769**	300,056,062	360,075,746	660,131,808
HTM investments	**59,609,246**	**146,629,543**	**206,238,789**	–	–	–
Loans and receivables - gross	**1,304,173,333**	**113,356,174**	**1,417,529,507**	1,971,926,055	907,336,821	2,879,262,876
Due from related companies	**1,622,355**	**–**	**1,622,355**	8,948,915	–	8,948,915
Other assets	**28,834,457**	**–**	**28,834,457**	37,638,516	–	37,638,516
	P 5,274,565,333	**P 350,631,938**	**P 5,625,197,271**	P 4,412,728,339	P 1,267,412,567	P 5,680,140,906

(Forward)

	2012			2011		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Nonfinancial Assets						
Real estate inventories	**P 683,822,806**	**P –**	**P 683,822,806**	P 712,360,228	P –	P 712,360,228
Investment properties	**–**	**–**	**–**	–	261,017,966	261,017,966
Investments in associates - gross	**–**	**218,606,576**	**218,606,576**	–	229,524,294	229,524,294
Property and equipment	**–**	**141,620,223**	**141,620,223**	–	116,645,340	116,645,340
Deferred tax assets	**–**	**163,690,914**	**163,690,914**	–	164,760,809	164,760,809
Other assets	**133,938,636**	**15,743,400**	**149,682,036**	136,617,734	14,294,100	150,911,834
	817,761,442	**539,661,113**	**1,357,422,555**	848,977,962	786,242,509	1,635,220,471
	6,092,326,775	**890,293,051**	**6,982,619,826**	5,261,706,301	2,053,655,076	7,315,361,377
Less allowance for credit and impairment losses	**331,634,980**	**110,408,986**	**442,043,966**	366,161,555	103,749,012	469,910,567
Total Assets	**P 5,760,691,795**	**P 779,884,065**	**P 6,540,575,860**	P 4,895,544,746	P 1,949,906,064	P 6,845,450,810
Financial Liabilities						
Accounts payable and accrued expenses	**P 1,961,936,439**	**P –**	**P 1,961,936,439**	P 1,712,777,501	P –	P 1,712,777,501
Loans payable	**95,154,212**	**10,494,572**	**105,648,784**	342,122,975	40,964,696	383,087,671
Insurance contract liabilities	**401,960,060**	**74,546,241**	**476,506,301**	456,997,489	517,018,763	974,016,252
Due to related companies	**78,920,797**	**–**	**78,920,797**	134,637	–	134,637
Other liabilities	**47,898,347**	**–**	**47,898,347**	155,432,702	–	155,432,702
	2,585,869,855	**85,040,813**	**2,670,910,668**	2,667,465,304	557,983,459	3,225,448,763
Nonfinancial Liabilities						
Income tax payable	**35,472,885**	**–**	**35,472,885**	51,084,994	–	51,084,994
Deferred tax liabilities	**–**	**178,198,101**	**178,198,101**	–	182,637,097	182,637,097
Other liabilities	**59,269,559**	**36,178,902**	**95,448,461**	42,790,215	48,557,998	91,348,213
	94,742,444	**214,377,003**	**309,119,447**	93,875,209	231,195,095	325,070,304
Total Liabilities	**P 2,680,612,299**	**P 299,417,816**	**P 2,980,030,115**	P 2,761,340,513	P 789,178,554	P 3,550,519,067

24. Equity

Capital Stock
The details of the Parent Company's capital stock are as follows:

Common stock:	
Authorized - 1 par value	P 1,300,000,000
Issued and outstanding	P 1,068,393,223
Preferred stock:	
Authorized - 1,000 par value	P 200,000
Issued and outstanding	p –

The following are the salient features of the preferred stock:

a. Cumulative dividend at a rate to be determined solely by the BOD;

b. Nonparticipating in the retained earnings remaining after dividend payments have been made on the preferred shares;

c. Redeemable at such price, within such period, in such manner and under such terms and conditions as may be determined by the BOD; and

d. Non-voting.

As of December 31, 2012 and 2011, the equity holdings of the shareholder groups are as follows:

	2012		2011	
Shareholder Group	**Number of Shares**	**Percentage of Ownership**	Number of Shares	Percentage of Ownership
MKEH	**958,923,463**	**89.75%**	1,058,923,463	99.11%
Public	**109,469,760**	**10.25%**	9,469,760	0.89%
	1,068,393,223	**100.00%**	1,068,393,223	100.00%

Retained Earnings
As of December 31, 2012, the Parent Company's retained earnings amounted to P243.9 million, which is available for distribution as dividends to shareholders.

As of December 31, 2012, the consolidated retained earnings includes the fair value adjustment on real estate inventories carried at deemed cost (net of tax effects) amounting to P341.8 million, earnings of subsidiaries and equity share in income of associates, which are not available for dividend declaration.

On April 14, 2010, the Parent Company's BOD approved the declaration of an 8% stock dividend on all issued and outstanding shares as of August 31, 2010, equivalent to 79,140,044 shares with P1.00 par value a share. The Parent Company's shareholders approved the said stock dividend declaration on May 27, 2010. On September 24, 2010, the Parent Company issued all the shares to its entitled shareholders.

Shares of Parent Company Held by Subsidiaries
This account pertains to the Parent Company's shares of stock held by the following subsidiaries as of December 31, 2010:

	Number of Shares	Cost
Maybank ATR KE Securities	11,337,415	P 32,764,642
Maybank ATR KE Capital	3,945,203	9,990,348
ATRKE AMG	339,427	682,266
ALGA	616	217
	15,622,661	P 43,437,473

In November 2009, Maybank ATR KE Capital acquired a 6.51% interest in the Parent Company for P175.6 million. In November 2010, Maybank ATR KE Capital sold these shares including the stock dividends received with total price amounting to P166.3 million to third parties in a special block sale on the board of PSE. On various dates in 2011, the subsidiaries of the Parent Company sold for a total price of P68.3 million all of their shares during the Tender Offer period (see Note 1) with an aggregate cost of P43.4 million.

Non-controlling Interests
The BOD of ALGA authorized the issuance of 1,250,000 common shares to an NCI shareholder of the Group for a total consideration of P37.0 million. This is reflected as an increase in NCI in the consolidated statement of changes in equity of the Group in 2012.

On December 20, 2012, the BOD of ALGA approved the declaration of cash dividends approximately 50% of its current year net income to all shareholders of record as of November 30, 2012. As of December 31, 2012, dividends to be distributed to NCI shareholders amounted to P7.2 million.

SRC Disclosures
Incorporation
Pursuant to the Articles of Incorporation ("AOI") in 1930, as reconstructed after the loss of documents during the Second World War, the Parent Company's authorized capital stock was P40,000, divided into 400 shares with par value of P100 per share. Its principal stockholder then was Mariano C. Mercado who owned 96 common shares. Other private stockholders owned 4 common shares.

Parent Company listing
The Parent Company listed its shares, with the stock symbol "PTR" in the Manila Stock Exchange and the Makati Stock Exchange on January 28, 1987 following BOD approval of the listing on November 5, 1986. Upon the merger of the two exchanges into the PSE in 1992, the Parent Company signed a listing agreement with PSE for its shares to be listed and traded on the unified exchange also as PTR.

Amendments to the authorized capital stock
Subsequent to the Parent Company filing its AOI in 1930, the Parent Company made the following amendments on its authorized capital stock:

Year	Authorized Capital Stock	Composition	Par Value
1939 [a]	P 200,000	2,000 common shares	P 100
1957 [b]	P 12,000,000	1,200,000 common shares	P 10
1966	P 30,000,000	3,000,000 common shares	P 10
1973	P 60,000,000	6,000,000 common shares	P 10
1977	P 100,000,000	10,000,000 common shares	P 10
1984	P 110,000,000	11,000,000 common shares	P 10
1987	P 200,000,000	20,000,000 common shares; later divided into 12,000,000 Class "A" common shares and 8,000,000 Class "B" common shares	P 10
1989	P 360,000,000	21,600,000 Class "A" common shares and 14,400,000 Class "B" common shares	P 10
1994	P 700,000,000 divided into P 500,000,000 common capital and P 200,000,000 preferred capital [c]	32,400,000 Class "A" common shares and 17,600,000 Class "B" common shares; 200,000 preferred shares	P 10 - common; P 1,000 - preferred
2001	P 250,000,000 divided into P 50,000,000 common capital and P 200,000,000 preferred capital	32,400,000 Class "A" common shares and 17,600,000 Class "B" common shares; 200,000 preferred shares	P 1 - common; P 1,000 - preferred
2002	P 300,000,000 divided into P 100,000,000 common capital and P 200,000,000 preferred capital	62,400,000 Class "A" common shares and 37,600,000 Class "B" common shares (later declassified into 100,000,000 authorized common capital); 200,000 preferred shares	P 1 - common; P 1,000 - preferred
2003	P 1,300,000,000 divided into P 1,100,000,000 common capital and P 200,000,000 preferred capital	1,100,000,000 common shares; 200,000 preferred shares	P 1 - common; P 1,000 - preferred
2010	P 1,500,000,000 divided into P 1,300,000,000 common capital and P 200,000,000 preferred capital	1,300,000,000 common shares; 200,000 preferred shares	P 1 - common; P 1,000 - preferred

[a] Based on a reconstruction of records, including the AOI, in 1948
[b] Existing shareholders were issued 150 shares with par value of P10 for each share with par value of P100 they already held through a stock dividend
[c] The creation of the preferred shares of stock was approved by the BOD in its regular meeting on March 18, 1993 and by the shareholders at the annual shareholders' meeting on April 30, 1993. It was subsequently approved by the SEC on January 11, 1994.

Track record of subsequent offerings
Below is a summarized discussion of the Parent Company's track record of registration of securities under the SRC:

Year	Date of SEC approval	Type of offering	Number of shares offered	Par value	Offer price	Number of shares after offering: Authorized	Number of shares after offering: Issued and outstanding
2003	April 24, 2003	Rights with warrants offer	499,997,540	P 1.00	P 2.00	1,100,000,000	599,997,048
			99,999,508 [d]				629,997,412 [g]
			99,999,508 [e]	P 1.00	P 2.00 [f]		652,477,229 [h]
2008	November 24, 2008	Rights offer	296,775,950	P 1.00	P 2.10	1,100,000,000	989,253,179

(d) Warrants
(e) Underlying common shares
(f) Exercise price
(g) After exercise of warrants in 2004
(h) After exercise of warrants in 2005

Number of shareholders
As of December 31, 2012, 2011 and 2010, the Parent Company had 405, 413, and 430 shareholders, respectively.

25. Net Insurance Premiums and Insurance Benefit and Claims

Net insurance premiums consist of:

	2012	2011	2010
Life insurance contracts premiums revenue:			
Group health insurance	**P 1,211,552,780**	P 1,179,230,201	P 929,985,740
Ordinary life insurance	**146,485,592**	259,822,711	271,882,695
Group life insurance	**43,363,421**	58,484,448	166,031,993
	1,401,401,793	1,497,537,360	1,367,900,428
Less reinsurers' share of life insurance contracts premium revenue:			
Ordinary life insurance	**3,346,595**	212,153	2,336,735
Group life insurance	**140,759**	2,125,029	2,331,309
	3,487,354	2,337,182	4,668,044
Experience refund	**(6,867,172)**	128,970	1,622,109
	P 1,391,047,267	P 1,495,329,148	P 1,364,854,493

Insurance benefits and claims consist of:

	2012	2011	2010
Claims	**P 754,532,405**	P 751,319,711	P 662,187,664
Surrenders and maturities	**40,657,489**	113,624,630	66,388,214
Increase in legal policy reserves	**39,524,657**	37,348,535	101,317,970
Policyholders' dividends and interest thereon	**4,079,211**	3,623,999	9,495,048
	P 838,793,762	P 905,916,875	P 839,388,896

Insurance benefits and claims are included under "Operating expenses" in the consolidated statements of income (see Note 28).

26. Interest Income

This account consists of interest income from:

	2012	2011	2010
Loans and receivables:			
Salary loans	**P 66,495,207**	P 133,477,485	P 110,681,174
Cash and cash equivalents (Note 9)	**58,045,253**	46,962,869	25,489,271
Due from customers	**13,269,680**	13,026,427	14,935,390
Installment contract receivables	**9,040,289**	4,343,177	11,391,804
Other loans receivable	**1,834,216**	15,150,757	34,912,616
Policy loans	**847,561**	1,373,753	1,811,190
Mortgage loans	**274,515**	1,997,999	2,775,000
Notes receivable	**–**	3,999,417	7,496,186
Financial assets at FVPL (Note 10)	**22,775,540**	–	–
AFS securities (Note 11)	**7,794,636**	16,196,991	4,205,381
HTM investments (Note 12)	**3,500,346**	–	–
	P 183,877,243	P 236,528,875	P 213,698,012

27. Other Income

This account consists of:

	2012	2011	2010
Trust fees (Note 37)	**P 17,513,851**	P 10,533,328	P 4,391,181
Third party administration	**10,056,919**	9,602,859	962,455
Dividend	**5,867,382**	3,361,768	7,174,369
Redemption fees	**199,720**	631,929	319,180
Realized income on sale of land	**161,010**	16,011,781	14,566,161
Increase in fair value of investment properties (Note 15)	**–**	8,245,888	6,885,422
Others	**38,557,316**	25,014,416	2,291,108
	P 72,356,198	P 73,401,969	P 36,589,876

Others include share on the cancelled accounts during drawdown of ATRKE Land and processing and handling fees pertaining to the processing of loans of DepEd, annual physical examination and dental fees of ALGA.

28. Operating Expenses

This account consists of:

	2012	2011	2010
Insurance benefits and claims (Notes 21 and 25)	**P 838,793,762**	P 905,916,875	P 839,388,896
Compensation and employee benefits (Notes 29, 30 and 36)	**468,080,239**	426,880,543	332,279,330
Commission	**226,880,204**	258,146,018	212,894,988
Professional fees (Note 36)	**165,141,275**	115,546,172	117,281,937
Research and marketing costs (Note 36)	**128,911,398**	75,406,301	96,690,455
Taxes and licenses	**56,474,200**	53,260,870	79,978,501
Communications and office supplies	**40,003,564**	42,092,362	36,137,590
Stock exchange fees and dues	**36,697,970**	34,320,730	23,372,350
Depreciation and amortization (Note 17)	**29,736,062**	31,906,360	27,982,195
Rent and utilities (Note 31)	**27,499,007**	37,287,279	31,123,560
Contracted services	**21,191,830**	25,182,878	22,304,472
Transportation and travel	**19,313,919**	29,027,828	23,351,798
Entertainment, amusement and recreation	**17,129,724**	59,227,779	55,968,719
Financial information services	**15,061,165**	14,265,947	11,345,375
Service fees	**12,540,836**	31,629,791	30,860,821
Repairs and maintenance	**14,046,853**	12,183,685	7,086,300
Insurance	**5,669,365**	64,981,760	63,957,384
Others (Note 33)	**39,453,506**	50,805,252	52,325,945
	P 2,162,624,879	P 2,268,068,430	P 2,064,330,616

29. Compensation and Employee Benefits

This account consists of:

	2012	2011	2010
Salaries and wages	**P 398,379,893**	P 332,954,831	P 280,732,366
Employee benefits	**32,673,114**	54,548,391	20,265,401
Retirement cost (Note 30)	**29,108,171**	31,060,314	17,774,593
Social security and medical costs	**5,573,969**	6,061,227	5,852,597
Other	**2,345,092**	2,255,780	7,654,373
	P 468,080,239	P 426,880,543	P 332,279,330

30. Retirement Plans

Each of the entities in the Group has a non-contributory defined benefit retirement plan covering all permanent employees. Benefits under the retirement plan are based on an amount computed at 125% for Maybank ATR KE Financial, Maybank ATR KE Capital, ATRKE Land, and Maybank ATR KE Securities, 100% for ALGA, and 50% for ATRKE AMI, of final monthly basic salary for every year of credited service.

The retirement plans of Maybank ATR KE Financial, ATRKE AMI and ATRKE Land are still unfunded as of December 31, 2012.

Net retirement asset and liability recognized in the consolidated statements of financial position follow:

	2012	2011
Fair value of plan assets	**(P 187,887,612)**	(P 251,057,076)
Present value of defined benefit obligation	**272,766,230**	306,130,504
Funding status - deficit	**84,878,618**	55,073,428
Unrecognized actuarial losses	**(63,443,116)**	(19,809,530)
Net retirement liability	**P 21,435,502**	P 35,263,898

Retirement asset and liability are presented in the consolidated statements of financial position under the following accounts:

	2012	2011
Other assets (Note 18)	**(P 14,743,400)**	(P 13,294,100)
Other liabilities (Note 22)	**36,178,902**	48,557,998
Net retirement liability	**P 21,435,502**	P 35,263,898

The movements in net retirement liability recognized in the consolidated statements of financial positions are as follows:

	2012	2011
As at January 1	**P 35,263,898**	P 29,083,884
Retirement cost	**29,108,171**	31,060,314
Employer contribution	**(20,864,200)**	(24,880,300)
Disposal of a subsidiary (Note 5)	**(22,072,367)**	–
As at December 31	**P 21,435,502**	P 35,263,898

The retirement cost recognized in profit or loss consists of:

	2012	2011	2010
Current service cost	**P 28,750,860**	P 23,752,240	P 15,067,611
Interest cost	**16,744,344**	17,495,803	14,854,341
Expected return on plan assets	**(16,479,430)**	(11,154,694)	(11,206,366)
Net actuarial loss (gain) recognized during the year	**92,397**	966,965	(940,993)
Retirement cost	**P 29,108,171**	P 31,060,314	P 17,774,593
Actual return on plan assets	**P 11,142,774**	P 55,010,457	P 6,761,640

Movements in the fair value of plan assets are as follows:

	2012	2011
As at January 1	**P 251,057,076**	P 172,812,819
Expected return on plan assets	**16,479,430**	11,154,694
Actuarial gains (losses)	**(5,336,656)**	43,855,763
Employer contribution	**20,864,200**	24,880,300
Benefits paid	**(95,176,438)**	(1,646,500)
As at December 31	**P 187,887,612**	P 251,057,076

The plan assets comprise the following:

	2012	2011
Cash in bank	**P 82,630,668**	P 33,427,829
Debt securities	**67,909,017**	43,343,768
Equity securities	**33,225,000**	164,133,376
Loans and receivables	**4,122,927**	6,974,336
Others	**–**	3,177,767
Total	**P 187,887,612**	P 251,057,076

The movements in the present value of defined benefit obligation are as follows:

	2012	2011
As at January 1	**P 306,130,504**	P 237,715,605
Current service cost	**28,750,860**	23,752,240
Interest cost	**16,744,344**	17,495,803
Benefits paid	**(95,638,430)**	(1,646,500)
Actuarial losses	**49,236,879**	28,813,356
Disposal of a subsidiary (Note 5)	**(32,457,927)**	–
As at December 31	**P 272,766,230**	P 306,130,504

Relevant information on the retirement plans of the Group for the current and previous four reporting dates and periods are as follows:

	2012	2011	2010	2009	2008
Defined benefit obligation	**P 272,766,230**	P 306,130,504	P 237,715,605	P 168,517,952	P 81,622,500
Plan assets	**187,887,612**	251,057,076	172,812,819	162,707,158	120,403,658
Deficit (surplus)	**84,878,618**	55,073,428	64,902,786	5,810,794	(38,781,158)
Experience adjustments gain (loss) on plan liabilities	**(30,875,389)**	(20,694,363)	(35,316,673)	771,990	6,551,366
Experience adjustments gain (loss) on plan assets	**(5,336,656)**	43,855,763	(4,444,726)	29,125,677	(30,827,945)

The Group expects to contribute P30.8 million to the plan assets for 2013.

The principal assumptions used for the Group's actuarial valuation are as follows:

	2012	2011	2010
Discount rate	**5.22% - 6.50%**	6.00% - 6.98%	7.00% - 7.80%
Expected rate of return on plan assets	**6.00%**	6.00% - 8.00%	6.00% - 7.80%
Salary increase rate	**6.00% - 11.00%**	6.00% - 10.00%	6.00% - 10.00%

The expected rate of return is based on the average historical earnings of the plan assets and expected growth in the value of the equity investments over a long-term period. It is determined by considering the expected return available on the assets underlying the current investment policy. Expected yields on fixed income investments are based on gross redemption yields.

31. Lease Agreements

As Lessee

ALGA, ATRKE Land, Maybank ATR KE Securities and ATRKE AMI lease their office spaces and branch offices, as applicable, for varying periods and rental rates. The lease agreements are renewable subject to the agreement of the lessee and the lessors.

The annual minimum future rental payments based on the foregoing lease contracts are as follows:

	2012	2011
Within one year	**P 9,200,863**	P 20,614,588
More than one year up to five years	**13,965,200**	48,759,705
	P 23,166,063	P 69,374,293

Rent expense based on the above agreements amounted to P16.7 million, P22.9 million and P18.3 million in 2012, 2011 and 2010, respectively.

32. Interest Expense

This account consists of interest expense from borrowings from the following:

	2012	2011	2010
Local banks	**P 22,382,820**	P 8,965,062	P 13,149,094
MKEH	**2,034,584**	4,688,749	1,922,390
Others	**266,355**	1,537,998	2,357,435
	P 24,683,759	P 15,191,809	P 17,428,919

33. Other Operating Expenses

This account consists of:

	2012	2011	2010
Membership fees and dues	**P 8,398,197**	P 10,148,248	P 10,578,586
Miscellaneous services	**3,671,894**	6,421,302	5,621,817
Seminars and conferences	**3,628,824**	6,155,947	6,933,861
Advertising	**3,073,647**	6,682,268	7,086,468
Bank charges	**1,496,761**	1,064,869	2,384,960
Others	**19,184,183**	20,332,618	19,720,253
	P 39,453,506	P 50,805,252	P 52,325,945

34. Income Taxes

The Group's net deferred tax liabilities as at December 31 consist of:

	2012	2011
Deferred tax assets:		
Allowance for credit and impairment losses	**P 85,768,319**	P 96,126,292
Other accrued expenses	**58,078,659**	30,091,857
Unamortized past service costs	**14,538,108**	16,077,124
Accrued retirement liability	**10,853,670**	14,541,143
MCIT	**4,501,671**	2,146,442
Impairment loss on AFS equity securities	**3,604,470**	–
NOLCO	**1,530,406**	14,586,585
Unrealized foreign exchange loss	**89,651**	94,334
Advance rental	**–**	881,753
	178,964,954	174,545,530
Deferred tax liabilities:		
Fair value increment on real estate inventories	**146,468,353**	151,948,622
Installment contracts receivable	**37,022,746**	32,641,608
Retirement asset	**4,423,020**	3,988,230
Unrealized gain on financial assets at FVPL	**5,558,022**	3,843,358
	193,472,141	192,421,818
	(P 14,507,187)	(P 17,876,288)

The Group's net deferred tax liabilities are presented in the following accounts in the consolidated statement of financial position:

	2012	2011
Deferred tax assets	**P 163,690,914**	P 164,760,809
Deferred tax liabilities	**(178,198,101)**	(182,637,097)
	(P 14,507,187)	(P 17,876,288)

Details of NOLCO and MCIT as of December 31, 2012 are as follows:

Year Incurred	NOLCO	MCIT	Expiration
2012	P 460,537	P 2,867,724	2015
2011	18,008,079	2,874,085	2014
2010	19,038,373	3,805,699	2013
	P 37,506,989	P 9,547,508	

Deferred tax assets are recognized for NOLCO and MCIT to the extent that it is probable that sufficient taxable income will be available in the near foreseeable future against which the related tax benefits can be utilized.

NOLCO amounting to P4.1 million and P1.6 million expired in 2012 and 2011, respectively, while P46.7 million and P13.1 million was applied in 2012 and 2011, respectively.

MCIT amounting to P1.0 million and P1.7 million expired in 2012 and 2011, respectively, while P2.0 million and P4.7 million was applied in 2012 and 2011, respectively.

The Group's carryforward benefits of unused NOLCO and excess MCIT for which no deferred tax assets have been recognized in the consolidated statements of financial position are as follows:

	2012	2011
NOLCO	**P 32,405,636**	P 32,223,618
MCIT	**5,045,837**	7,017,219

The deferred tax assets on these temporary differences were not recognized by the Group since management believes that it is not probable that sufficient future taxable income will be available in the near foreseeable future to allow the tax benefits to be utilized.

In compliance with the Tax Reform Act of 1997, the Group shall pay the MCIT or the normal income tax, whichever is greater. Any excess of the MCIT over the normal income tax is carried forward annually and credited against the normal income tax for the next three succeeding taxable years.

Details of income tax expense are as follows:

	2012	2011	2010
Current	**P 132,666,282**	P 156,221,820	P 143,831,637
Final	**33,924,230**	12,453,026	6,824,879
	166,590,512	168,674,846	150,656,516
Deferred	**(23,034,621)**	(45,565,749)	(50,710,196)
	P 143,555,891	P 123,109,097	P 99,946,320

A reconciliation between the income tax computed at the statutory income tax rate and the income tax expense recognized in profit or loss is as follows:

	2012	2011	2010
Statutory income tax	**P 145,212,397**	P 138,159,867	P 123,994,082
Adjustments for:			
Nondeductible expenses	**43,882,705**	12,188,433	24,700,802
Income subjected to lower tax rate	**(32,593,389)**	(10,155,445)	(13,856,665)
Nontaxable other income	**(11,452,321)**	(4,766,484)	(5,734,177)
Expired NOLCO and MCIT	**2,183,491**	3,216,827	2,145,026
Change in unrecognized deferred tax assets	**(1,916,777)**	(14,525,571)	(29,150,437)
Nontaxable dividend income	**(1,760,215)**	(1,008,530)	(2,152,311)
Income tax expense	**P 143,555,891**	P 123,109,097	P 99,946,320

35. Earnings Per Share

Basic and diluted EPS is computed as follows:

	2012	2011	2010
Net income attributable to equity holders of the Parent Company	**P 324,468,686**	P 323,875,314	P 305,089,004
Weighted average number of common shares outstanding	**1,068,393,223**	1,054,071,785	992,500,006
Basic and diluted EPS	**P 0.3037**	P 0.3073	P 0.3074

As of December 31, 2012, 2011 and 2010, there are no potential shares that have a dilutive effect on the basic EPS of the Parent Company.

36. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

In the ordinary course of business, the Group has transactions with its associated companies, Ultimate Parent, shareholders, affiliated companies, officers and employees, and with other certain related parties. These transactions consist primarily of short-term to medium-term loans and advances, investments, borrowings and other regular business transactions.

Affiliates are companies indirectly connected to the Group by reason of interlocking directors and/or officers and those that are under common control.

Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to non-related entities in an economically comparable market and to be settled in cash.

Details on significant related party transactions of the Group follow:

	Outstanding balance/amount		
Category	**2012**	2011	**Terms and Conditions/Nature**
Associates			
Due from related companies	**P 760,035**	P 5,264,790	Cash advances which are due and demandable; unsecured; no impairment; noninterest-bearing
Availments	**20,151,053**	5,442,043	
Settlements	**24,655,808**	21,373,856	
Investments in associates	**108,197,590**	125,775,282	Net of allowance for impairment losses amounting to P110.4 million and P103.7 million as of December 31, 2012 and 2011, respectively; see further discussion in Note 16
Interest income	**–**	3,202,308	Interest on a subordinated loan extended to an associate which earned an annual interest of 10.24%; the loan was collected in full in 2011
Equity in net earnings of associates	**11,631,163**	22,665,775	See discussion in Note 16
Provision for impairment losses	**6,659,974**	–	See discussion in Note 16
Service fees	**760,057**	3,104,065	Fees for the management services rendered to an associate, determined as a certain percentage of net income before income tax of the associate
Ultimate Parent			
Due to related companies	**9,387**	–	Cash advances which are due and demandable; noninterest-bearing
Availments	**9,387**	–	

(Forward)

Category	Outstanding balance/amount 2012	2011	Terms and Conditions/Nature
Shareholders			
Due from related companies	**P –**	P 1,966,591	Cash advances which are due and demandable; unsecured; no impairment; noninterest-bearing
Availments	**345,789**	23,094,485	
Settlements	**2,312,380**	21,127,894	
Due to related companies	**–**	45,452	Cash advances which are due and demandable; noninterest-bearing; unsecured
Availments	**–**	31,927,680	
Settlements	**45,452**	36,778,877	
Loans payable	**–**	109,600,000	Short-term loan amounting to US$2.5 million from MKEH which matured on August 3, 2012; interest-bearing based on six-month LIBOR on August 3, 2010 or cost of funds plus a spread of 1.5% whichever is higher; secured by a Letter of Guarantee from the Parent Company; see further details in Note 20
Settlements	**109,600,000**	–	
Interest expense	**2,034,584**	4,688,749	Interest on loans payable from MKEH
Commission income	**251,702,622**	138,584,782	Commissions on securities brokerage transactions; terms of the transaction would be: trade date + 3
Affiliates			
Cash and cash equivalents	**1,061,742,211**	273,382,675	Unsecured deposits and short-term cash placements in a local bank which is a subsidiary of the Ultimate Parent; no impairment; deposits earn interest at 0.5% in 2012 and 2011; short-term cash placements earn interest ranging from 1.12% to 2.83% in 2012 and from 3.25% to 4.50% in 2011 with maturities up to 35 days
Interest receivable	**944,848**	371,310	Accrued interest on placements in a bank affiliate
Due from related companies	**–**	398,824	Cash advances which are due and demandable; unsecured; no impairment; noninterest-bearing
Availments	**15,300**	13,410,562	
Settlements	**414,124**	13,737,115	
Loans payable	**1,777,330**	–	Two loans availed by a subsidiary from a bank affiliate with the first one maturing in September 2016 and the other in May 2017; bears interest of 9.66% per annum; secured by transportation equipment
Due to related companies	**78,911,410**	89,185	Cash advances which are due and demandable; noninterest-bearing; unsecured
Availments	**90,360,194**	13,823,289	
Settlements	**11,537,969**	24,501,082	
Interest income	**23,032,163**	4,162,494	Interest on deposits and placements in a bank affiliate
Gain on sale of loans receivable	**5,360,649**	26,688,746	Gain from the sale of DepEd salary loans receivable from ALFA to a bank affiliate
Research and marketing costs	**127,614,430**	73,440,176	Monthly fees paid to an affiliate for research services performed
Interest expense	**84,546**	–	Interest on loans payable by a subsidiary
Other Related Parties			
Financial assets at FVPL	**66,137,025**	–	Investments in ATRKE Funds; includes unrealized gain of P2.6 million as of December 31, 2012
AFS securities	**98,571,898**	160,850,529	Investments in ATRKE Funds; includes unrealized gain of P10.5 million and unrealized loss of P1.2 million as of December 31, 2012 and 2011, respectively
Due from related companies	**862,320**	1,318,710	Cash advances which are due and demandable; unsecured; no impairment; noninterest-bearing
Availments	**220,894**	725,314	
Settlements	**677,284**	1,778,183	
Due to related companies	**–**	–	Cash advances which are due and demandable; unsecured; noninterest-bearing
Availments	**–**	11,730,551	
Settlements	**–**	12,711,083	
Management, administration and distribution fees	**11,180,973**	11,502,694	Management and other fees earned as investment manager of the ATRKE Funds as a certain percentage of assets under management

Transactions with officers and employees
As of December 31, 2012 and 2011, receivables from the officers and employees of the Group representing unsecured cash advances which are due and demandable and car financing loans amounted to P15.5 million and P22.2 million, respectively.

In 2010, the Group also extended loans to officers and employees of the Group which are interest-bearing at 10% per annum for the acquisition of units in TRIbeca Private Residences for five years. As of December 31, 2012 and 2011, the outstanding balances of these loans amounted to P13.9 million and P19.4 million, respectively.

As of December 31, 2012 and 2011, the Group also has outstanding mortgage loans receivable from its officers and employees amounting to 3.9 million and 7.1 million. This is further discussed in Note 13.

Transactions with key management personnel
Details of key management personnel compensation are as follows:

	2012	2011	2010
Salaries and other short-term benefits	**P 195,831,384**	P 169,053,550	P 146,316,899
Management fee and bonus	**121,908,514**	73,416,220	–
Post-employment benefits	**15,837,270**	17,023,349	7,504,002
	P 333,577,168	P 259,493,119	P 153,820,901

Starting 2011, certain members of the Group's key management personnel receive management fees as compensation and were also entitled to participate in the consolidated profits of the Group through a guaranteed annual bonus equivalent to a percentage of the consolidated net income after tax before bonus. The annual bonus is based on the latest audited consolidated financial statements of the Group for a given calendar year. The amount of management fees and bonus is included under "Professional fees" under "Operating expenses" in the consolidated statements of income.

The Group's total remuneration of directors amounted to P4.9 million, P2.6 million and P2.7 million in 2012, 2011 and 2010, respectively.

Transactions with retirement fund
Under PFRS, certain post-employment benefit plans are considered as related parties. The ATR KimEng Multi-Employer Employees Retirement Plan ("ATRKE MEERP") (which covers the employees of Maybank ATR KE Capital and Maybank ATR KE Securities) is being held in trust by an in-house Board of Trustees. ALGA maintains its retirement fund with the Trust Department of Maybank ATR KE Capital amounting to P70.8 million and P58.0 million as of December 31, 2012 and 2011, respectively.

Only the ATRKE MEERP and the retirement fund of ALGA are funded. The fair value of plan assets, which are composed mostly of special deposit accounts, and debt and equity securities, amounted to P187.9 million and P251.1 million as of December 31, 2012 and 2011, respectively (see Note 30).

As of December 31, 2012 and 2011, the Group has a receivable from the ATRKE MEERP amounting to P0.1 million, and a payable to the retirement fund of ALGA amounting to P0.4 million.

As of December 31, 2012 and 2011, the ATRKE MEERP has investments in the shares of stock of the following related parties:

	Cost		**Market Value**	
	2012	2011	**2012**	2011
Affiliate	**P 20,000,000**	P 20,000,000	**P 33,225,000**	P 33,225,000
Parent Company	**–**	108,966,506	**–**	130,908,376
	P 20,000,000	P 128,966,506	**P 33,225,000**	P 164,133,376

The retirement funds have no other transactions with the employees of the Group who are the beneficiaries of the retirement funds in 2012 and 2011.

37. Trust Operations

Securities and other properties held by Trust Department of Maybank ATR KE Capital in a fiduciary or agency capacity for its client and its beneficiaries amounted to P33.3 billion and P9.3 billion as of December 31, 2012 and 2011, respectively.

38. Contingent Liabilities and Commitments

a. Maybank ATR KE Capital had continuing suretyship agreements with several local banks to guarantee the credit line facility obtained by Maybank ATR KE Fixed Income aggregating to P1.3 billion as of December 31, 2011. Maybank ATR KE Fixed Income paid in full its loans payable in 2012.

b. On February 16, 2011, Landco secured a loan from UnionBank of the Philippines ("UnionBank") amounting to P40.0 million to partially finance the initial phase of the construction of the Central Park of the TRIbeca Private Residences Project. The loan was secured by a continuing surety of ATRKE Land in favor of UnionBank and a mortgage participation certificate on the 9.7-hectare property of ATRKE Land. For and in consideration for ATRKE Land's provision of the guarantee and collateral, Landco paid ATRKE Land a fee of 1% per annum of the outstanding principal of the loan for the guarantee and a fee of 1% per annum of the outstanding principal of the loan for the collateral provided. To secure ATRKE Land's exposure, Landco pledged to ATRKE Land its receivables from the sale of units in all buildings in the complex existing at the time of availment of the loan (which were not currently pledged to other creditors of Landco, if any) in the amount equivalent to the said exposure, provided that all receivables covered by the pledge which are paid by the unit buyers shall be replaced by other receivables to ensure that the pledge shall at all times cover ATRKE Land's exposure. The loan was fully paid in February 2012.

   On July 10, 2009, Landco secured a loan from Allied Banking Corporation ("Allied Bank") amounting to P521.0 million to finance the construction of Towers 3 and 4 of the TRIbeca Private Residences project. The loan was secured by an unregistered mortgage on the real property owned by ATRKE Land with an aggregate area of 3,629 square meters, situated along East Service Road of the South Expressway, Barangay Sucat, Muntinlupa City. For and in consideration of executing the mortgage, ATRKE Land was entitled to a one-time collateral fee equivalent to a certain percentage of the maximum amount of the letters of credit and term loan for Towers 3 and 4. As security for the mortgage, Landco assigned to ATRKE Land its share in Towers 1and 2 receivables in the amount of P53.2 million. To date, the mortgage on the property of ATRKE Land has been cancelled and the tax certificates have been released accordingly. The one-time collateral fee amounting to P4.7 million was received and recognized in the Group's consolidated statement of income in 2011.

   For the construction of Tower 5, a similar facility was worked out by Landco with Philippine Business Bank. ATRKE Land provided a third party mortgage on 1,949 square meters of its property as security, in exchange for a one-time collateral fee of 1% of the maximum obligation of Landco for Tower 5.

   The third party mortgage is secured by Landco's shares in Towers 1 to 4 receivables in the amount of P32.7 million.

39. Joint Venture

On October 11, 2006, ATRKE Land (as landowner) entered into a contractual and unincorporated JVA with Landco (as developer), whereby the latter shall develop the 9.7-hectare property of ATRKE Land located in Muntinlupa City, into a master-planned and themed residential lifestyle community referred to as the TRIbeca Private Residences project.

In accordance with the terms of the JVA, ATRKE Land contributed its 9.7-hectare land in phases with a carrying value then of P1.1 billion to the joint venture. Thereafter and pursuant to the JVA, ATRKE Land shall have no further capital commitment. In turn, Landco shall be solely responsible for the development of the property, providing the necessary funds and expertise for the development. Further, all required permits, licenses and approvals of the appropriate regulatory agencies shall be secured by Landco.

As presented in the masterplan, the property shall be developed in phases. There will be five phases, with each phase consisting of a cluster of three mid-rise towers. As of December 31, 2012, the percentage of completion and percentage sold per tower are as follows:

	Percentage of Completion	Percentage Sold
Tower 1	100.00%	99.00%
Tower 2	100.00%	98.00%
Tower 3	100.00%	89.00%
Tower 4	100.00%	92.00%
Tower 5	0.00%	88.00%

The JVA is accounted for as a jointly-controlled operation in accordance with PAS 31, *Interests in Joint Ventures*.

40. Notes to Consolidated Statements of Cash Flows

Significant noncash transactions of the Group include the reclassification of AFS securities to HTM investments in 2012 as discussed in Note 12, and the transfers of condominium units and improvements from investment properties to property and equipment due to change in use in 2012 as discussed in Note 17.

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Metropolitan Bank & Trust Company
Philippine Bank of Communications
Rizal Commercial Banking Corporation
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Philippine Savings Bank
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