PSBank
PHILIPPINE SAVINGS BANK
Metrobank Group

10 August 2016

THE PHILIPPINE STOCK EXCHANGE
3/F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1226

ATTENTION: JOSE VALERIANO B. ZUÑO III
OIC - HEAD, DISCLOSURE DEPARTMENT

Dear Mr. Zuno,

We would like to submit the attached SEC 17-Q report of Philippine Savings Bank (PSBank) for the period ended June 30, 2016.

Thank you very much.

Very truly yours,

PERFECTO RAMON Z. DIMAYUGA JR.
SVP and Chief Finance Officer

COVER SHEET

1	5	5	5	2

SEC Registration Number

PHILIPPINE SAVINGS BANK

(Company's Full Name)

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

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

Perfecto Ramon Z. Dimayuga Jr.
(Contact Person)

885-8208
(Company Telephone Number)

12 31
Month *Day*
(Fiscal Year)

17-Q
(Form Type)

2nd Quarter 2016

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

SEC – Markets Securities and Regulations Dept.
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1,521
Total No. of Stockholders
As of June 30, 2016

Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF
THE SECURITIES REGULATION CODE

1. For the quarterly period ended : **June 30, 2016**

2. Commission identification number : **15552**

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

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

   o PHILIPPINE SAVINGS BANK

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

   o City of Manila, Philippines

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

7. Address of registrant's principal office:

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

8. Registrant's telephone number, including area code

   o (632) 885-8208

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

   o Not applicable

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

o Title of each class	**Common Shares**
o Number of shares of common stock outstanding	**240,252,491**
o Amount of debt outstanding	**₱5,954,739,606.09 (Tier II Subordinated Notes)**

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

    o Yes

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).

    Yes **[x]** No [ ]

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

    Yes **[x]** No [ ]

PART I – FINANCIAL INFORMATION

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

Item 2. Financial Statements

Attached are the following:

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

PART II – OTHER INFORMATION

1. Control of Registrant

The following stockholders own more than 5% of the total outstanding number of shares issued as of June 30, 2016:

Name of Stockholder	Outstanding Number of Shares	Percent to Total No. of Shares
Metropolitan Bank and Trust Co. (MBTC)	182,535,895*	75.9767%*
PCD Nominee Corp. (Filipino)	18,496,757	7.6989%
Danilo L. Dolor	12,610,891	5.2490%

* Metropolitan Bank and Trust Co. (MBTC) shares as of July 29, 2016 was recorded at 198,629,513 or 82.67%

As of June 30, 2016, there is no person who holds more than 5% of the Bank's securities lodged with PCD Nominee Corporation.

2. Legal Proceedings

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

3. Board Resolutions

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

Item 1. Management Discussion and Analysis

A. Analysis of Statements of Condition

June 30, 2016 (Unaudited) and December 31, 2015 (Audited)

The Bank's Total Assets as of June 30, 2016 was recorded at ₱176.54 billion, this was 4.26% better than the ₱169.33 billion level in December 2015. The significant increase was due to the growth in the Bank's consumer loans and investment portfolios.

Loans and Receivables, net of allowance and unearned interest and discounts which was 67.53% of total assets, stood at ₱119.22 billion. This was ₱5.35 billion higher than the December 2015 level of ₱113.87 billion. Mortgage and Auto Loans rose by 4.55% and 5.62%, respectively.

Interbank Loans Receivable and Securities Purchased under Resale Agreements (SPURA) was lower by 69.21% to ₱773.97 million compared to December 2015 level of ₱2.51 billion due to lower SPURA in June 2016. Cash and Other Cash Items dropped by 37.30% to ₱2.47 billion while Due from other Banks increased by ₱724.65 million to ₱2.58 billion. On the other hand, Due from Bangko Sentral ng Pilipinas, representing 4.68% of total assets decreased to ₱8.27 billion from ₱11.14 billion in December 2015.

Available-for-Sale Investments was higher by 53.20% or ₱4.75 billion to ₱13.68 billion in June 2016 from ₱8.93 billion in December 2015. Held-to-Maturity Investments grew by ₱2.90 billion to ₱17.85 billion as of June 2016. Meanwhile, Financial Assets at Fair Value through Profit or Loss (FVPL) declined to ₱2.04 billion from ₱2.82 billion in December 2015.

Investment Properties increased by 7.89% or ₱263.86 million to ₱3.61 billion as of June 2016 due to the foreclosure of real estate properties. Property and Equipment went down to ₱2.67 billion from ₱2.75 billion due to current year's depreciation and amortization of leasehold rights. Investments in a joint venture went up by ₱11.21 million to ₱701.54 million as the Bank recognized its share in net earnings of its joint venture.

Deferred Tax Asset was up by ₱49.74 million or 4.16% to ₱1.24 billion versus ₱1.19 billion in December 2015. Likewise, Goodwill and Other Intangibles increased by 4.52% to ₱464.56 million from ₱444.46 million. Other Assets also went up to ₱968.67 million, 8.32% higher than the ₱894.23 million level in December 2015. This was mainly due to the increase in prepaid expenses and creditable withholding taxes.

The Bank's deposit level, representing 89.13% of total liabilities, grew by 3.76% or ₱5.04 billion to ₱139.34 billion from ₱134.30 billion recorded in December 2015.

As of June 30, 2016, the total Tier II Notes amounted to ₱5.95 billion. The Tier II Notes issued in May 2014 qualified as Tier II capital in the BSP's revised risk-based capital adequacy framework in line with BASEL III standards. The issuance has a loss absorption feature to conform with BASEL III requirements.

Treasurer's, Cashier's and Manager's Checks rose to ₱1.68 billion from ₱1.35 billion in December 2015. Accrued Taxes, Interest and Other Expenses also increased by ₱103.74 million to ₱1.15 billion from ₱1.05 billion. Income Tax Payable was at ₱69.75 million representing accrual for the current quarter's corporate tax which is due for remittance on August 29, 2016. Other Liabilities also went up to ₱3.35 billion from ₱3.0 billion as of year-end 2015.

As of June 30, 2016, Capital funds stood at ₱20.20 billion from the ₱19.17 billion posted as of December 2015. The Bank's mark to market gains from its Available-for-Sale Investments was recorded at ₱224.10 million in June 2016.

Return on Average Equity (ROAE) decreased to 11.74% in June 2016 versus 12.74% in December 2015. Likewise, Return on Average Assets (ROAA) declined to 1.34% in June 2016 from 1.49% in December 2015.

B. Discussion of Results of Operations

For the period ended June 30, 2016 vs. June 30, 2015 (Unaudited)

For the period ended June 30, 2016, the Bank reflected a Net Income after Tax of ₱1.16 billion 2.17% higher compared with the same period last year due to higher net interest income and trading gains.

Total Interest Income improved by 12.37% or ₱659.14 million to ₱5.99 billion versus ₱5.33 billion in June 2015.

Interest income on Loans and Receivables was recorded at ₱5.27 billion, 9.07% higher than the ₱4.83 billion recorded during the same period last year. Interest income on Investment Securities also grew by ₱476.33 million to ₱666.50 million due to the higher investment portfolio in 2016. On the other hand, Interest earned from deposits with BSP went down by 92.97% to ₱8.41 million. Likewise, Interest income from deposits with other banks decreased by 84.66% to ₱1.08 million. Interest earned from Interbank Loans Receivable and SPURA slid to ₱43.85 million from ₱181.78 million.

Interest Expense on deposit liabilities rose to ₱1.20 billion from ₱1.08 billion as total deposits grew by 17% year on year. The Bank recorded ₱26.22 million in Interest Expense on Bills Payable as of June 30, 2016.

Net Interest Income improved to ₱4.59 billion versus ₱4.07 billion recorded during the same period last year.

Net Service Fees and Commission Income dropped by 8.58% to ₱554.0 million from ₱606.0 million in 2015.

Meanwhile, Other Operating Income increased by 79.33% or ₱461.58 million to ₱1.04 billion due to trading gains recorded in 2016 versus the trading loss of ₱3.52 million posted a year ago.

For the period ended June 30, 2016, the Bank recorded a net gain on the foreclosure and sale of chattel mortgage amounting to ₱116.98 million, 26.09% lower compared with the ₱158.27 million gain during the same period last year. On the other hand, net gain on foreclosure and sale of investment properties went up by 47.15% or ₱61.41 million to ₱191.65 million compared to ₱130.24 million in 2015. Gain on sale of property and equipment decreased by ₱ 8.77 million as the Bank sold its old armoured cars in March 2015. Miscellaneous Income was lower by 29.29% or ₱81.84 million to ₱197.55 million mainly due to lower recoveries from loan accounts previously written-off.

Foreign Exchange gain was posted at ₱ 23.91 million from ₱6.94 million in June 2015.

Other Operating Expenses, excluding provision for impairment and credit losses, went up to ₱3.81 billion from ₱3.45 billion in 2015. Taxes and Licenses increased by ₱18.84 million or 3.74% to ₱522.17 million from ₱503.33 million. Compensation and Fringe Benefits amounted to ₱1.52 billion while occupancy and equipment-related costs was at ₱350.26 million. Depreciation and amortization of Bank's properties and leasehold improvements went up from ₱238.61 million to ₱272.60 million. Security, messengerial and janitorial services was at ₱171.48 million.

Meanwhile, amortization of software costs was posted at ₱59.36 million. Miscellaneous Expenses was higher by 7.95% or ₱917.46 million.

For the first six months of 2016, the Bank set aside ₱1.10 billion in provision for impairment and credit losses.

For the period ended June 30, 2016, the Bank recorded its share in the net income of its investment in Sumisho Motor Finance Corporation (SMFC) at ₱11.21 million from ₱8.81 million in the same period last year.

For the quarter ended June 30, 2016 vs. June 30, 2015 (Unaudited)

The Bank reflected a net income after tax of ₱720.38 million for the quarter ended June 30, 2016, ₱23.18 million lower than the ₱743.56 million reported for the same quarter last year.

Total Interest Income for the second quarter of 2016 was registered at ₱3.01 billion, 11.84% higher than the same period last year. Meanwhile, Total Interest Expense went up by 14.85% to ₱681.43 million from ₱593.32 million due to the higher interest expense on deposit liabilities. Net Interest Income increased to ₱2.33 billion from the ₱2.10 billion during the same quarter last year.

Interest income on Loans and Receivables improved by ₱180.78 million or 7.29% to ₱2.66 billion compared to the ₱2.48 billion during same period last year. Interest earned from Interbank Loans and SPURA went down to ₱13.46 million from ₱56.87 million while Interest earned from Investment Securities climbed by 213% to ₱333.80 million. On the other hand, Interest earned from deposit with BSP decreased to ₱2.64 million, lower than the ₱47.17 million level during the second quarter of 2015. Interest income from placements with other banks was at ₱0.58 million versus ₱1.95 million recorded last year.

Other Operating Income was higher at ₱517.81 million versus ₱260.96 million due to trading gains booked during the second quarter of 2016. The net gain on sale and foreclosure of chattel mortgage properties was posted at ₱31.02 million versus ₱64.71 million gain during the same period in 2015. Likewise, net profit from foreclosure and sale of investment properties was higher at ₱120.91 million versus ₱81.11 million during the same period last year. Meanwhile, Miscellaneous Income decreased by ₱3.67 million to ₱107.91 million during the second quarter of 2016. The Bank reflected a foreign exchange gain of ₱15.50 million versus ₱3.37 million in 2015.

Total Operating Expenses, excluding provision for impairment, increased by ₱121.19 million to ₱1.84 billion from the year ago level of ₱1.72 billion. The Bank set aside an additional provision for credit loss of ₱458.73 million during the second quarter of 2016.

Compensation and fringe benefits was up by 5.90% to ₱709.24 million from ₱669.72 million. Occupancy and equipment-related costs was higher by 2.93% or ₱5.02 million to ₱176.32 million compared to ₱171.29 million. Security, messengerial and janitorial services increased to ₱87.77 million from ₱83.93 million during the second quarter of 2016. Amortization of software costs also went up to ₱31.58 million in 2016 from ₱22.96 million posted a year ago. Likewise, taxes and licenses went up by ₱13.28 million to ₱235.12 million. Miscellaneous Expense was higher at ₱463.05 million versus ₱431.47 million in June 2015.

The Bank also recorded income from its investments in Sumisho Motor Finance Corporation (SMFC) amounting to ₱7.53 million, 43.66% higher than the ₱5.24 million reflected in the same period last year.

Analysis of Financial Soundness Indicators

The following ratios measure the financial performance of the Bank:

		June 2016	June 2015	December 31 2015
		(Unaudited)		(Audited)
Return on Average Equity*	ROAE	**11.74%**	12.45%	12.74%
Return on Average Assets*	ROAA	**1.34%**	1.53%	1.49%
Net Interest Margin on Average Earning Assets	NIM	**3.08%**	3.26%	6.37%
Earnings per share	EPS	**₱4.81**	₱4.71	₱9.79
Capital-to-Risk Assets Ratio	CAR	**14.78%**	19.06%	18.04%
Liquidity Ratio	LR	**22.34%**	31.24%	28.72%
Debt-Equity Ratio	DER	**7.74:1**	7.02:1	7.83:1
Asset-to-Equity Ratio	AER	**8.74:1**	8.02:1	8.83:1
Interest Rate Coverage Ratio	IRCR	**1.91:1**	1.90:1	1.92:1

** computed based on annualized/normalized net income*

June 2016 vs. June 2015 Comparative highlights on key performance indicators

1. Return on Average Equity (ROAE) in June 30, 2016 decreased to 11.74% from 12.45% in the same period last year. ROAE measures how well the Bank is using common shareholders' invested money. It is calculated by dividing the annualized/normalized net income by the year-on-year average of the outstanding shareholders' equity.

2. Return on Average Assets (ROAA) decreased to 1.34% from 1.53% in June 2015. ROAA is calculated by dividing the annualized/normalized net income by the year-on-year average of the outstanding total assets.

3. Net Interest Margin on Average Earning Assets (NIM) declined to 3.08% in June 2016 from 3.26% last year. NIM is calculated by dividing the net interest income by the average earning assets.

4. Earnings per Share (EPS) was higher at ₱4.81 as of June 30, 2016 compared to the ₱4.71 reported during the same period last year. EPS represents the net profit the Bank has generated per common share. It is computed by dividing the year to date net income by the weighted average number of outstanding common shares.

5. Capital-to-Risk Assets Ratio (CAR) declined to 14.78% in June 2016 versus 19.06% in June 2015. CAR is the measure of the Bank's capital strength. It is calculated by dividing the qualified capital by risk-weighted assets as defined by the Bangko Sentral ng Pilipinas (BSP).

6. Liquidity Ratio (LR) was lower at 22.34% in June 2016 from 31.24% the same period last year. LR measures the Bank's ability to meet its short-term liabilities. It is derived by dividing the current assets by current liabilities.

7. Debt-to-Equity Ratio (DER) was higher at 7.74:1 from 7.02:1 in June 2015. DER indicates the extent to which the Bank's leveraged, or financed by credit. This is computed by dividing total liabilities by total stockholder's equity.

8. Asset-to-Equity Ratio (AER) decreased to 8.74:1 from 8.02:1 last year. AER is computed by dividing the total assets by total shareholder's equity.

9. Interest Rate Coverage Ratio (IRCR) went up to 1.91:1 this year from 1.90:1 in June 2015. IRCR is a measure of the Bank's ability to meet its interest payments on outstanding debt. It is calculated by dividing the total earnings before interest and taxes over interest expense.

C. Key Variables and Other Qualitative and Quantitative Factors

Liquidity

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

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

With the Bank's high capitalization, current liquidity position, strong deposit growth trend, continuing development of retail and corporate accounts, and prudent liquidity management, PSBank does not anticipate encountering any cash flow or liquidity problems in the next 12 months. It remains confident of its ability to meet its obligations and is committed to providing the necessary funding to support the projected loan growth, investment activities and expenditures for 2016.

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

Events that will Trigger Direct or Contingent Financial Obligation

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

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

Material Off-Balance Sheet Transactions, Arrangements and Obligations

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

	30-Jun-16	30-Jun-15	31-Dec-15
Forward Leg of Swap Contracts Sold	₱5,513,776,665	₱-	₱-
Trust department accounts	3,919,115,495	2,082,902,627	2,349,289,988
Forward Foreign Exchange Contracts	588,250,000	-	-
Stand-by credit line	98,302,562	83,140,549	78,408,259
Late deposits/payments received	67,252,723	62,162,401	57,141,192
Spot foreign exchange contracts sold	32,942,000	-	70,590,000
Outward bills for collection	16,798,597	-	-
Items held for safekeeping	301,388	289,166	311,877
Items held as collaterals	107,734	96,070	105,836
Others	43,422	34,967	37,275

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

Material Commitments for Capital Expenditures

The Bank's capital expenditures include projected expenses for new branches, on-site and off-site ATMs, upgrade of bank premises including infrastructure, furniture, fixtures and equipment, IT-related activities on systems, infrastructure, and licenses. Capital expenditures were sourced from the Bank's capital.

As of June 30, 2016, the Bank had a total of 255 branches and 626 ATMs which consist of 268 onsite ATMs and 358 offsite ATMs nationwide.

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

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

Known Trends, Events or Uncertainties or Seasonal Aspects

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim financial statements are consistent with those followed in the preparation of the audited annual financial statements as of and for the year ended December 31, 2015, except for the adoption of the following applicable PAS and PFRS by the Bank effective beginning January 1, 2016:.

The following new and amended did not have any material impact on the accounting policies, financial position or performance of the Bank:

Amendments
- PAS 1, Presentation of Financial Statements - Initiative to improve presentation and disclosure in financial reports
- PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets – Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization
- PFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
- PAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)

Annual Improvements to PFRSs (2012-2014 cycle)
- PFRS 7, Financial Instruments: Disclosures - Servicing Contracts
- PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
- PAS 19, Employee Benefits - Regional Market Issue regarding Discount Rate
- PAS 34, Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'

Significant Accounting Policies - Financial Instruments

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

Initial recognition of financial instruments
All financial instruments, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for FVPL investments and liabilities, the initial measurement of financial instruments includes transaction costs. The Bank classifies its financial assets in the following categories: FVPL investments, AFS investments, held-to-maturity (HTM) investments, and loans and receivables. Financial liabilities are classified into liabilities at FVPL and other financial liabilities at amortized cost. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every statement of condition date. As of June 30, 2016 and December 31, 2015, the Bank had no financial liabilities at FVPL.

Derivatives recorded at FVPL
Derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as cash flow hedges) are taken directly to the statement of income and are included in 'Trading and securities gain - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. As of June 30, 2016 and December 3, 2015, derivatives consist of Republic of the Philippines (ROP) paired warrants acquired to lower the risk weighted assets and improve the capital adequacy ratio of the Bank.

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

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

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

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

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

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

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

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

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

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

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

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

As of June 30, 2016 and December 31, 2015, the Bank had no designated financial assets or financial liabilities at FVPL.

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

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

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

As of June 30, 2016 and December 31 2015, the Bank had no any embedded derivatives required to be separated from the host contract.

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

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

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

HTM investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Bank's management has the positive intention and ability to hold until maturity. After initial measurement, HTM investments are subsequently measured at amortized cost using the effective interest amortization method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income on investment securities' in the statement of income. The losses arising from impairment of such investments are recognized in the statement of income under 'Provision for credit and impairment losses'. The effects of restatement on foreign currency-denominated HTM investments are recognized in the statement of income.

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

Loans and receivables
This accounting policy relates to the Bank's 'Due from Bangko Sentral ng Pilipinas (BSP)', 'Due from Other Banks', 'Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)', 'Loans and Receivables', 'Security Deposits', 'Returned Checks and Other

Cash Items (RCOCI)', and 'Shortages'. These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market, other than:

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

After initial measurement, 'Due from BSP', 'Due from Other Banks', 'Interbank Loans Receivable and SPURA', 'Loans and Receivables', 'Security Deposits', 'RCOCI', and 'Shortages' are subsequently measured at amortized cost using the effective interest amortization method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. The losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the statement of income.

Other financial liabilities carried at amortized cost
This category represents issued financial instruments or their components, which are not designated at FVPL and comprises 'Deposit Liabilities', 'Bills Payable', 'Subordinated Notes', 'Treasurer's, Cashier's and Manager's Checks', 'Accrued Interest Payable', 'Accrued Other Expenses', 'Accounts Payable', 'Bills Purchased-Contra', 'Other credits', 'Due to BSP', 'Dividends Payable', 'Due to the Treasurer of the Philippines', 'Deposits for Keys-Safety Deposit Boxes (SDB)', and 'Overages', where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

<u>Derecognition of Financial Assets and Liabilities</u>
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is primarily derecognized when:

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

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In this case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

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

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

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of condition. The consideration paid, including accrued interest, is recognized in the statement of condition as SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest amortization method.

<u>Reclassification of Financial Assets</u>
A financial asset is reclassified out of the FVPL category when the following conditions are met:

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

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

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

<u>Impairment of Financial Assets</u>
The Bank assesses at each statement of condition date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; default or delinquency in interest or principal payments; the probability that they will enter bankruptcy or other financial reorganization; and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

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

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

Restructured loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement on new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due.

Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subjected to an individual or collective impairment assessment, calculated using the loan's original EIR if the original loan has a fixed interest rate and the current repriced rate if the original loan is repriceable. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the applicable interest rate, is recognized in 'Provision for credit and impairment losses' in the statement of income.

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

In the case of debt instruments classified as AFS investments, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded as impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of income.

Future interest income continues to be accrued based on the reduced carrying amount using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of income.

In the case of equity investments classified as AFS investments, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investments below its cost. The Bank treats 'significant' generally as 20.00% and 'prolonged' generally as greater than twelve (12) months. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized in the statement of comprehensive income.

Collateral valuation
The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as hold-out on deposits, real estate, receivables and other non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception. Non-financial collateral, such as real estate and chattel, is valued based on data provided by independent external and in-house appraisers.

Standards Issued but not yet Effective

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

Effective January 1, 2018

PFRS 9, Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The

standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Bank did not early adopt PFRS 9.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but will potentially have no impact on the classification and measurement of the Bank's financial liabilities. The adoption will also have an effect on the Bank's determination of the amount of its credit losses. The Bank is currently assessing the impact of adopting this standard.

In addition, the International Accounting Standards Board has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Bank is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

PFRS 16, Leases
PFRS 16 replaces the accounting requirements for leases under the old Standard (IAS 17, Leases). The new standard requires all leases to be reported on a company's balance sheet as assets and liabilities. PFRS 16 shall be effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted the new revenue recognition standard (IFRS 15, Revenues from Contracts with Customers) issued by the IASB.

<u>*Amendments*</u>
PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB deferred the effectivity of the amendments to PFRS 10 and PAS 28 for a broader review by the Board.

PAS 7, Statement of Cash Flows
The amendments to disclosures require entities to provide information about changes in their financing liabilities. This will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes such as foreign exchange gains or losses. The amendments to PAS 7 will become mandatory for annual periods beginning on or after January 1, 2017.

PAS 12, Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses
The amendments to PAS 12 clarify the requirements on recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments shall be applied for annual periods beginning on or after January 1, 2017, with earlier application permitted.

Fair Value Measurement

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

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

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

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

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

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

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

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

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

Subordinated notes and time deposits- Fair values are estimated using the discounted cash flow methodology using the Bank's borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

Investment properties-Fair values of the investment properties have been determined based on valuations performed by independent external and in-house appraisers using valuation technique with significant inputs that are not based on observable market data (Level 3). The valuation of investment properties was based on the Sales Comparison Approach and considered recent sales similar or substitute properties in the same areas where the investment properties are located, taking into account the economic conditions prevailing at the time of the valuation. Other factors considered were the location and shape of the properties, environmental issues, development controls such as the height restriction, building coverage and floor area ratio restrictions among others. Other significant unobservable inputs include shape, location, time element, discount and corner influence. The fair value of investment properties is based on its highest and best use, which is its current use.

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

	June 30, 2016 (Unaudited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVPL investments					
Government securities	**₱2,032,302**	**₱2,032,302**	**₱–**	**₱–**	**₱2,032,302**
Derivatives	**7,609**	**7,609**	**–**	**–**	**7,609**
AFS investments					
Government debt securities	**8,932,961**	**8,398,775**	**534,186**	**–**	**8,932,961**
Private debt securities	**4,739,125**	**4,739,125**	**–**	**–**	**4,739,125**
Quoted equity securities	**4,893**	**4,893**	**–**	**–**	**4,893**
	₱15,716,890	**₱15,182,704**	**₱534,186**	**₱–**	**₱15,716,890**
Assets for which fair values are disclosed:					
Financial Assets					
HTM investments					
Government	**₱14,996,075**	**₱16,198,386**	**₱–**	**₱–**	**₱16,198,386**
Private	**2,849,595**	**2,890,571**	**–**	**–**	**2,890,571**
Loans and receivables					
Receivables from customers					
Consumption loans	**62,653,267**	**–**	**77,259,489**	**–**	**77,259,489**
Real estate loans	**41,934,742**	**–**	**52,516,288**	**–**	**52,516,288**
Commercial loans	**9948,991**	**–**	**11,019,698**	**–**	**11,019,698**
Personal loans	**3,065,530**	**–**	**3,334,733**	**–**	**3,334,733**
Other receivables					
Sales contract receivable	**139,247**	**–**	**177,787**	**–**	**177,787**
Other assets					
Security deposits	**171,096**	**–**	**153,022**	**–**	**153,022**
Non-Financial Assets					
Investment properties	**3,608,012**	**–**	**–**	**4,123,349**	**4,123,349**
	₱139,366,555	**₱19,088,957**	**₱144,461,017**	**₱4,123,349**	**₱167,673,323**
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Deposit liabilities					
Time	**₱99,584,137**	**₱–**	**₱103,212,729**	**₱–**	**₱103,212,729**
Subordinated notes	**5,954,740**	**–**	**5,708,469**	**–**	**5,708,469**
	₱105,538,877	**₱–**	**₱108,921,198**	**₱–**	**₱108,921,198**

	December 31, 2015				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVPL investments					
Government securities	**₱1,984,271**	**₱1,984,271**	**₱–**	**₱–**	**₱1,984,271**
Treasury notes and bonds	**812,789**	**812,789**			**812,789**
AFS investments					
Government debt securities	**4,472,650**	**3,695,329**	**777,321**	**–**	**4,472,650**
Private debt securities	**4,449,702**	**4,449,702**	**–**	**–**	**4,449,702**
Quoted equity securities	**4,893**	**4,893**	**–**	**–**	**4,893**
	₱11,748,682	**₱10,971,361**	**₱777,321**	**₱–**	**₱11,748,682**
Assets for which fair values are disclosed:					
Financial Assets					
HTM investments					
Government	**₱12,088,362**	**₱7,863,667**	**₱3,735,724**	**₱–**	**₱11,599,391**
Private	**2,858,306**	**2,833,262**	**–**	**–**	**2,833,262**
Loans and receivables					
Receivables from customers					
Consumption loans	**59,321,191**	**–**	**72,561,154**	**–**	**72,561,154**
Real estate loans	**40,109,194**	**–**	**41,156,371**	**–**	**41,156,371**
Commercial loans	**9,847,098**	**–**	**11,655,376**	**–**	**11,655,376**
Personal loans	**2,993,330**	**–**	**6,132,689**	**–**	**6,132,689**
Other receivables					
Sales contract receivable	**180,849**	**–**	**199,546**	**–**	**199,546**
Other assets					
Security deposits	**172,433**	**–**	**171,050**	**–**	**171,050**
Non-Financial Assets					
Investment properties	**3,344,154**	**–**	**–**	**4,202,167**	**4,202,167**
	₱130,914,917	**₱10,696,929**	**₱135,611,910**	**₱4,202,167**	**₱150,511,006**
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Deposit liabilities					
Time	**₱98,553,754**	**₱–**	**₱100,248,431**	**₱–**	**₱100,248,431**
Subordinated notes	**5,952,052**	**–**	**5,646,627**	**–**	**5,646,627**
	₱104,505,806	**₱–**	**₱105,895,058**	**₱–**	**₱105,895,058**

There have been no transfers between Level 1 and Level 2 in June 30, 2016 and December 31, 2015.

As of June 30, 2016 and December 31, 2015, the fair value of the Bank's ROP warrants is classified as Level 3. Due to the absence of an active market for the Bank's ROP warrants, as evidenced by the unavailability of quoted market prices, the Bank determined the market value of its warrants to be zero.

Financial Risk Management

Compared with December 31, 2015, investments significantly increased as of June 30, 2016 as excess funds were invested in high yielding liquid investments. The Bank has exposures to credit, market, and liquidity risks from its use of financial instruments.

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

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

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

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

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

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

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

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

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

Related Party Transactions

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

- Bank's Directors, Officers, Stockholders and their Related Interests (DOSRI) as defined per BSP's existing DOSRI rules & regulations;
- Close Family Members (i.e. 2nd degree relatives) of the Bank's Directors, Officers with rank of SVP & up and Individual Substantial Stockholders;
- Bank's Subsidiaries & Affiliates as defined per BSP's existing rules & regulations on lending to subsidiaries & affiliates;
- Any party that the Bank exerts direct or indirect control over or that exerts direct or indirect control over the Bank;
- Subsidiaries, Affiliates and Special Purpose Entities (SPEs) of the preceding item above;
- Corresponding Persons in Affiliated Companies representing their Directors, Officers with rank of SVP & up, Individual Substantial Stockholders and their relatives up to the 2nd degree of consanguinity and affinity; and
- Any natural person or juridical entity whose interest may pose potential conflict with the Bank's interest.

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

Transactions with the Retirement Plan

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

Under PFRS, certain post-employment benefit plans are considered as related parties. The Bank has business relationships with its retirement plan pursuant to which it provides trust and management services to the said plan. The retirement plan of the employees of the Bank is being managed and maintained by the Trust and Investment Division of the Bank. The total carrying amount and fair value of the retirement fund as of June 30, 2016 and December 31, 2015 amounted to ₱1.4 billion and ₱1.2 billion, respectively.

The following table shows the amount of outstanding balances of related party transactions of the Bank and Sumisho Motor Finance Corporation (SMFC) with the retirement plan of the employees of the Bank as of June 30, 2016 and December 31, 2015:

		June 30, 2016 (Unaudited)	
		Elements of Transaction	
Related Party	**Nature of Transaction**	**Statement of Condition**	**Statement of Income**
Philippine Savings Bank	Equity Investment*	**₱483,084,735**	
	Investment in Money Market Fund**	**51,117,266**	
	Dividends Earned		**₱6,901,211**
	Interest Income		**7,321**
	Income in Money Market Fund		**268,610**
Sumisho Motor Finance Corporation	Equity Investment	**200,000,000**	

*Includes fair value gains of ₱272.6 million
** Includes fair value gains of ₱0.7 million

		December 31, 2015 (Audited)	
		Elements of Transaction	
Related Party	**Nature of Transaction**	**Statement of Condition**	**Statement of Income**
Philippine Savings Bank	Equity investment*	₱473,423,040	
	Investment in Money Market Fund***	43,444,701	
	Deposit liabilities**	361,235	
	Accrued interest income	30	
	Dividends earned		₱17,328,994
	Gain on sale of equity securities		1,801,791
	Interest income		38,363
	Income from Unit Investment Trust Fund (UITF)		739,108
Sumisho Motor Finance Corporation	Equity investment	200,000,000	

*Includes fair value gains of ₱263.0 million
**Represent 17 days time deposits and bear interest of 1.00%
***Includes fair value gains of ₱0.6 million

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

On December 31, 2015, the Trust Division recorded an allowance for impairment losses on investments managed for the Bank's retirement fund amounting to ₱18.78 million.

Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24, Related Party Disclosures.

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

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Short-term employee benefits	**₱124,907,062**	₱198,857,936
Post-employment pension benefits	**1,802,238**	19,320,109
	₱126,709,300	₱218,178,045

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

Remunerations given to directors, as approved by the Board Remuneration Committee, amounted to ₱7.39 million and ₱16.9 million in June 2016 and December 2015, respectively.

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

Other Related Party Transactions

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

	June 30, 2016		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investor			
Interbank loans receivable		**₱–**	Dollar and Peso-denominated lending with 1.75% and 2.5% fixed interest rates respectively, and maturities ranging from 1 to 360 days
Deposits/placements	**₱ 28,379,460**		
Withdrawals/maturities	**28,379,460**		
Due from other banks	**(122,434)**	**912,272**	Secured - ₱789,838 Short term peso and foreign-currency denominated deposits with fixed rates ranging from 0.00% to 5.00%
Accounts receivable	**(795)**	**5,838**	Outstanding ATM service fees, rental and utility receivables, non interest bearing; no impairment
Miscellaneous assets		**781**	Security deposits on lease contracts
Bills payable		**–**	Peso-denominated borrowing with fixed interest rate of 2.50% and three-day maturity
Deposits/placements	**750,000**		
Withdrawals/maturities	**750,000**		
Interest income	**3,465**		Income on deposits and interbank loans receivables
Rental income	**12,387**		Income from leasing agreements with various lease terms ranging from 2 to 5 years
Information technology expense	**125,486**		Payment of information technology expenses
Trading and security loss	**(138)**		Loss from securities transactions
Interest expense	**139**		Interest expense on bills payable
Securities transactions			
Outright purchases	**16,313,458**		Outright purchase of FVPL, AFS and HTM investments
Outright sales	**10,153,142**		Outright sale of FVPL and AFS investments
Joint Venture			
Investment in a joint venture		**701,543**	Capital investment in SMFC
Accounts receivable		**557**	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	**(66,427)**	**13,101**	Demand and short term peso time-deposits with annual fixed rates of 1.25%
Miscellaneous liabilities		**2,610**	Advance payment of security deposits
Rental income	**5,718**		Income from leasing agreements
Share in net income of a joint venture	**11,209**		40.00% share in net income of SMFC
Interest expense	**47**		Interest on deposit liabilities
Other Related Parties			
Interbank loans receivable		**–**	Peso denominated lending which earn 2.50% fixed daily interest rate with maturity terms from 1 to 5 days.
Deposits/placements	**1,955,000**		
Withdrawals/maturities	**1,955,000**		
Receivable from customers		**8,524**	Loans granted bearing an interest ranging from 7.00% to 10.50% with maturities ranging from 4 to 21 mos.;
Deposits/placements	**10,819**		

	June 30, 2016		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Withdrawals/maturities	**383,821**		Secured - 8,523,824
Miscellaneous assets		**1,061**	Three months advance security deposits
Accounts receivable	**(13)**	**1,846**	Outstanding ATM service fees, rental and utility receivables, non interest bearing
Prepaid expense-Others		**2,579**	Payment for various policy renewals
Deposit liabilities	**(17,298,204)**	**21,489,649**	Demand, savings and short term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 2.00%
Accrued other expense payable		**4,958**	Outstanding group life insurance payable
Accounts payable		**9**	Various personal and car insurance payable
Miscellaneous liabilities		**2,290**	Advance payment of security deposits from various tenants
Interest income	**183**		Income on receivables from customers and interbank loans receivables
Trading and securities gain	**3,819**		Gain from securities transactions
Rental income	**6,484**		Income from leasing agreements with various lease terms
Bank commission	**2,452**		Commission income on ATM service fees
Interest expense	**122,510**		Interest on deposit liabilities
Rent expense	**1,705**		Payment of rent expense to various lessors
Securities transactions			
Outright purchases	**2,537,501**		Outright purchase of FVPL and AFS investments
Outright sales	**2,342,500**		Outright sale of FVPL and AFS investments
Key Personnel			
Receivables from customers		**₱ 12,893**	Unsecured, no impairment, with annual fixed interest rates of 6.00% and maturities ranging from 2 to 10 years
Deposits/placements	**₱ 1,330**		
Withdrawals/maturities	**276**		
Interest income	**414**		Interest income from loans

	December 31, 2015		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investor			
Interbank loans receivable		**₱–**	Dollar and Peso-denominated lending with 1.75% and 2.5% fixed interest rates respectively, and maturities ranging from 1 to 360 days
Deposits/placements	**₱19,929,460**		
Withdrawals/maturities	**21,315,780**		
Due from other banks	**219,599**	**1,034,706**	Short term peso and foreign-currency denominated deposits secured by government securities amounting to ₱3,034,440,626 with fixed rates ranging from 0.00% to 5.00%
Accounts receivable		**6,633**	Outstanding ATM service fees, rental and utility receivables, non interest bearing; no impairment
Accrued interest receivable		**–**	Accrual of interest on outstanding Interbank Loans Receivable
Miscellaneous assets		**781**	Security deposits on lease contracts
Bills payable		**₱–**	Peso-denominated borrowing with fixed interest rate of 2.50% and three-day maturity
Deposits/placements	**₱1,000,000**		
Withdrawals/maturities	**1,000,000**		
Miscellaneous liabilities		**5,589**	Advance payments of security deposits from various tenants
Accrued other expense payable		**31,945**	Outstanding information technology expense payable, charges on current and savings accounts processing
AFS investments		**52,236**	Pledge for security of payroll account with MBTC
Interest income	**17,317**		Income on deposits and interbank loans receivables
Rental income	**23,640**		Income from leasing agreements with various lease terms ranging from 2 to 5 years
Miscellaneous income	**7,982**		Service income received from collection services
Information technology expense	**177,427**		Payment of information technology expenses
Trading and security loss	**(7,391)**		Loss from securities transactions
Interest expense	**139**		Interest expense on bills payable
Securities transactions			
Outright purchases	**12,942,638**		Outright purchase of FVPL, AFS and HTM investments
Outright sales	**8,384,374**		Outright sale of FVPL and AFS investments

	December 31, 2015		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Joint Venture			
Investment in a joint venture		**690,334**	Capital investment in SMFC
Accounts receivable		**552**	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	**(74,459)**	**5,069**	Demand and short term peso time-deposits with annual fixed rates of 1.25%
Miscellaneous liabilities		**2,610**	Advance payment of security deposits
Rental income	**11,412**		Income from leasing agreements
Share in net income of a joint venture	**20,214**		40.00% share in net income of SMFC
Share in unrealized earnings of a joint venture	**1,513**		40.00% share in unrealized earnings from SMFC's retirement plan remeasurement
Interest expense	**537**		Interest on deposit liabilities
Other Related Parties			
Interbank loans receivable		**–**	Peso denominated lending which earn 2.50% fixed daily interest rate with maturity terms from 1 to 5 days.
Deposits/placements	**114,047,000**		
Withdrawals/maturities	**114,047,000**		
Receivable from customers		**381,525**	Loans granted bearing an interest ranging from 7.00% to 19.14% with maturities ranging from 1 to 3 years; Secured - ₱372,183,238 Unsecured - ₱9,341,717 Impaired - ₱362,902,664
Deposits/placements	**4,673**		
Withdrawals/maturities	**26,212**		
Miscellaneous assets		**1,061**	Three months advance security deposits
Accounts receivable		**1,833**	Outstanding ATM service fees, rental and utility receivables, non interest bearing
Prepaid insurance		**–**	Payment of various motor car vehicles, fire, money, security, payroll and robbery insurance
Prepaid expense		**6,848**	Payment for various policy renewals
Deposit liabilities	**1,659,942**	**4,191,445**	Demand, savings and short term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 2.00%
Accrued other expense payable		**3,308**	Outstanding group life insurance payable
Accounts payable		**159**	Various personal and car insurance payable
Miscellaneous liabilities		**2,136**	Advance payment of security deposits from various tenants
Interest income	**56,394**		Income on receivables from customers and interbank loans receivables
Trading and securities gain	**771**		Gain from securities transactions
Rental income	**13,746**		Income from leasing agreements with various lease terms
Bank commission	**4,915**		Commission income on ATM service fees
Miscellaneous income	**5,735**		Service income from referral fees on approved credit card issuances and bank insurance with rates ranging from 2.00% to 10.00%
Insurance expense	**50,595**		Payment of insurance premium
Interest expense	**93,141**		Interest on deposit liabilities
Rent expense	**3,127**		Payment of rent expense to various lessors
Securities transactions			
Outright purchases	**1,987,501**		Outright purchase of FVPL and AFS investments
Outright sales	**1,942,500**		Outright sale of FVPL and AFS investments
Key Personnel			
Receivables from customers		**₱11,839**	Unsecured, no impairment, with annual fixed interest rates of 6.00% and maturities ranging from 2 to 10 years
Deposits/placements	**₱1,899**		
Withdrawals/maturities	**1,750**		
Interest income	**669**		Interest income from loans

Regulatory Reporting

As required by the BSP, the Bank discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective unencumbered deposits and book value of their paid-in capital contribution in the lending Bank. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said circular and new DOSRI loans and other credit accommodations granted under said circular as of June 30, 2016 and December 31, 2015:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Total outstanding DOSRI accounts	₱1,155,580,477	₱1,667,247,339
Percent of DOSRI accounts granted under regulations existing prior to BSP Circular No. 423 to total loans	0.95%	1.43%
Percent of new DOSRI accounts granted under BSP Circular No. 423 to total loans	–	–
Percent of unsecured DOSRI accounts to total DOSRI accounts	17.93%	12.97%
Percent of past due DOSRI accounts to total DOSRI accounts	0.08%	22.88%
Percent of nonperforming DOSRI accounts to total DOSRI accounts	0.08%	22.88%

As of June 30, 2016 and December 31, 2015, the Bank has no loans, other credit accommodations and guarantees, as well as availments of previously approved loans and committed credit lines not considered DOSRI accounts prior to the issuance of said circular but are allowed a transition period of two years from the effectivity of the said circular until said circular or said loan, other credit accommodations and guarantees become past due, or are extended, renewed or restructured, whichever comes later.

Total interest income from DOSRI loans amounted to ₱23.85 million and ₱44.7 million in June 30, 2016 and December 31, 2015, respectively.

Other Disclosures

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

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

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

	Cash Dividends				
Date of declaration	Per share	Total amount	Date of BSP approval	Record date	Payment date
January 22, 2013	0.75	180,189,368	February 8, 2013	March 5, 2013	March 20, 2013
April 19, 2013	0.75	180,189,368	May 28, 2013	June 18, 2013	July 3, 2013
July 18, 2013	0.75	180,189,368	August 8, 2013	September 4, 2013	September 19, 2013
October 22, 2013	0.75	180,189,368	November 12, 2013	November 29, 2013	December 16, 2013
October 22, 2013	3.00	720,757,473	November 12, 2013	November 29, 2013	December 16, 2013
January 24, 2014	0.75	180,189,368	February 12, 2014	March 5, 2014	March 20, 2014
April 28, 2014	0.75	180,189,368	June 6, 2014	July 1, 2014	July 16, 2014
July 22, 2014	0.75	180,189,368	August 12, 2014	September 2, 2014	September 17, 2014
October 30, 2014	0.75	180,189,368	November 27, 2014	January 12, 2015	January 30, 2015
January 22, 2015	0.75	180,189,368	March 3, 2015	March 30, 2015	April 17, 2015
April 28, 2015	0.75	180,189,368	June 5, 2015	July 14, 2015	July 28, 2015
July 28, 2015	0.75	180,189,368	September 23, 2015	October 26, 2015	November 11, 2015
October 29, 2015	0.75	180,189,368	– *	November 16, 2015	November 27, 2015
January 19, 2016	0.75	180,189,368	– *	February 1, 2016	February 19, 2016
April 26, 2016	0.75	180,189,368	– *	May 11, 2016	May 26, 2016

* The Bank is compliant with the BSP Circular No. 888 *Amendments to Regulations on Dividend Declaration and Interest Payments on Tier 1 Capital Instruments*, beginning with the third and fourth quarter dividend declarations in 2015.

PSBank stock price closed at ₱100.80 per share as of August 9, 2016.

d) No unregistered securities were sold or offered for sale by the Bank as of June 30, 2016.

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

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

Subsequent Events

The Bank's Board of Directors (BOD) approved on July 22, 2016, the declaration of 7.5% Regular Cash Dividend for the second quarter of 2016 amounting to ₱180.19 million or ₱0.75 per share, payable to all common stockholders as of a Record Date August 8, 2016 and will be paid no later than the Payment Date of August 22, 2016. On the same date, the BOD passed a resolution approving the exercise of the option to call on PSBank's Unsecured Subordinated Debt –Tier 2 Notes amounting to Php 3.0 billion issued in 20 February 2012, pending approval from the Bangko Sentral ng Pilipinas (BSP). The redemption will fall under the call provisions of the Notes, which have a 10-year maturity or until 2022. The exercise of the call option is allowed by BSP regulations after five years from date of issuance or on 23 February 2017.

SIGNATURES

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

By:

VICENTE R. CUNA JR.
President

PERFECTO RAMON Z. DIMAYUGA JR.
Chief Finance Officer

Date Signed: August 10, 2016

PHILIPPINE SAVINGS BANK

Interim Financial Statements

As of June 30, 2016 (Unaudited) and December 31, 2015 (Audited)
and for the quarters ended June 30, 2016 and 2015 (Unaudited)

Annex 1

PHILIPPINE SAVINGS BANK
STATEMENTS OF CONDITION

		Unaudited 30-Jun-16		Audited 31-Dec-15
ASSETS				
Cash and Other Cash Items	P	2,466,843,367	P	3,934,496,578
Due from Bangko Sentral ng Pilipinas		8,270,334,979		11,143,781,766
Due From Other Banks		2,585,765,609		1,861,110,141
Interbank Loans Receivable and Securities Purchased Under Resale Agreements		773,969,453		2,513,904,112
Financial Assets at FVPL		2,039,911,459		2,821,437,211
Available-for-Sale Investments		13,678,395,806		8,928,662,491
Held-to-Maturity Investments		17,845,670,455		14,946,668,458
Loans and Receivables		119,218,070,707		113,867,515,442
Investments in a Joint Venture		701,542,638		690,333,838
Property and Equipment		2,673,394,516		2,746,074,370
Investment Properties		3,608,012,139		3,344,154,413
Deferred Tax Asset		1,244,155,914		1,194,416,550
Goodwill and Other Intangible Assets		464,559,752		444,460,121
Other Assets		968,665,800		894,231,737
	P	**176,539,292,594**	**P**	**169,331,247,228**

LIABILITIES AND EQUITY

Liabilities

Deposit Liabilities				
Demand	P	14,316,696,300	P	12,906,567,074
Savings		25,440,040,614		22,835,987,240
Time		99,584,136,673		98,553,753,813
		139,340,873,587		134,296,308,128
Subordinated Notes		5,954,739,606		5,952,051,581
Bills Payable		4,726,903,684		4,494,845,747
Treasurer's, Cashier's and Manager's Checks		1,676,409,539		1,348,621,410
Accrued Taxes, Interest and Other Expenses		1,154,508,535		1,050,769,312
Income Tax Payable		69,753,329		8,055,422
Financial Liabilities at FVPL		65,327,827		-
Other Liabilities		3,353,444,903		3,005,540,869
	P	**156,341,961,010**	**P**	**150,156,192,468**

Equity

Common Stock		2,402,524,910		2,402,524,910
Capital Paid in Excess of Par Value		2,818,083,506		2,818,083,506
Surplus Reserves		1,035,275,317		1,035,275,317
Surplus		14,228,214,495		13,433,426,596
Net Unrealized Gain/(loss) on Available-for-Sale Investments		224,100,129		179,775
Remeasurement Losses on Retirement Plan		(471,371,011)		(471,371,011)
Equity in Remeasurement Losses on Retirement Plan of a Joint Venture		67,642		67,642
Cumulative Translation Adjustment		(39,563,404)		(43,131,975)
	P	**20,197,331,584**	**P**	**19,175,054,760**
	P	**176,539,292,594**	**P**	**169,331,247,228**

PHILIPPINE SAVINGS BANK **Annex 2**

STATEMENTS OF INCOME

		Unaudited		Unaudited	
		For the three months ended June 30 (April to June)		For the period ended June 30	
		2016	2015	**2016**	2015
INTEREST INCOME ON					
Loans and receivables	P	**2,659,594,893**	P 2,478,813,511	P **5,266,357,754**	P 4,828,332,398
Interbank loans receivable and securities purchased under resale agreements		**13,455,078**	56,871,483	**43,851,883**	181,779,753
Investment securities		**333,804,635**	106,657,206	**666,501,235**	190,172,887
Due from BSP		**2,637,153**	47,165,309	**8,413,291**	119,761,018
Due from other banks		**583,521**	1,953,237	**1,075,755**	7,014,405
		3,010,075,280	2,691,460,746	**5,986,199,918**	5,327,060,461
INTEREST EXPENSE ON					
Deposit liabilities		**583,542,795**	507,664,473	**1,201,959,832**	1,082,090,069
Subordinated notes		**85,728,647**	85,653,204	**171,455,926**	171,288,214
Bills payable		**12,156,985**	-	**26,223,711**	-
		681,428,427	593,317,677	**1,399,639,469**	1,253,378,283
NET INTEREST INCOME		**2,328,646,853**	2,098,143,069	**4,586,560,449**	4,073,682,178
Service fees and commission income		**315,130,862**	332,436,250	**601,437,476**	647,017,604
Service fees and commission expense		**26,071,987**	20,935,163	**47,438,477**	41,013,524
NET SERVICE FEES AND COMMISSION INCOME		**289,058,875**	311,501,087	**553,998,999**	606,004,080
OTHER OPERATING INCOME (LOSS)					
Gain on sale and foreclosure of:					
Chattel Mortgage properties		**31,020,731**	64,714,737	**116,977,153**	158,268,962
Investment properties		**120,913,163**	81,108,565	**191,647,575**	130,236,997
Gain on sale of property and equipment		**837,886**	447,024	**1,801,435**	10,573,423
Foreign exchange gain (loss)		**15,497,689**	3,365,577	**23,913,667**	6,938,359
Trading and securities gains (loss) - net		**241,632,104**	(251,869)	**511,580,747**	(3,515,950)
Miscellaneous		**107,908,761**	111,578,445	**197,546,005**	279,381,253
		517,810,334	260,962,479	**1,043,466,582**	581,883,044
Total Operating Income		**3,135,516,062**	2,670,606,635	**6,184,026,030**	5,261,569,302
OTHER OPERATING EXPENSES					
Compensation and fringe benefits		**709,235,988**	669,720,781	**1,516,683,544**	1,316,685,836
Provision for impairment and credit losses		**458,725,172**	240,059,326	**1,104,689,248**	692,874,725
Taxes and licenses		**235,116,555**	221,832,596	**522,171,747**	503,333,232
Occupancy and equipment-related costs		**176,315,018**	171,291,249	**350,264,797**	331,417,392
Depreciation and amortization		**137,809,891**	118,479,808	**272,559,984**	238,606,277
Security, messengerial and janitorial services		**87,769,964**	83,934,378	**171,482,505**	158,798,951
Amortization of software costs		**31,580,494**	22,964,457	**59,364,018**	47,004,880
Miscellaneous		**463,051,167**	431,467,742	**917,463,671**	849,902,868
		2,299,604,249	1,959,750,337	**4,914,679,514**	4,138,624,161
INCOME BEFORE SHARE IN NET EARNINGS OF A JOINT VENTURE AND INCOME TAX		**835,911,813**	710,856,298	**1,269,346,516**	1,122,945,141
SHARE IN NET EARNINGS OF A JOINT VENTURE		**7,525,166**	5,238,106	**11,208,800**	8,814,227
INCOME BEFORE INCOME TAX		**843,436,979**	716,094,404	**1,280,555,316**	1,131,759,368
PROVISION FOR (BENEFIT FROM) INCOME TAX		**123,058,026**	(27,469,066)	**125,388,681**	1,129,814
NET INCOME	**P**	**720,378,953**	**P** 743,563,470	**P** **1,155,166,635**	**P** 1,130,629,554
EARNINGS PER SHARE					
Net income	P	**720,378,953**	P 743,563,470	P **1,155,166,635**	P 1,130,629,554
Weighted average number of outstanding common shares		**240,252,491**	240,252,491	**240,252,491**	240,252,491
Earnings per share	**P**	**3.00**	**P** 3.09	**P** **4.81**	**P** 4.71

PHILIPPINE SAVINGS BANK **Annex 3**
STATEMENTS OF COMPREHENSIVE INCOME

		For the three months ended June 30 (April to June)				For the period ended June 30		
		2016		**2015**		**2016**		**2015**
NET INCOME	**P**	720,378,953	**P**	743,563,470	**P**	1,155,166,635	**P**	1,130,629,554
Other Comprehensive Income (Loss)								
Items that recycle to profit or loss in subsequent periods:								
Net Unrealized gains from AFS investments		47,280,654		23,547,084		223,920,354.33		81,102,720
Cumulative translation adjustment		11,363,150		(464,810)		3,568,571		(766,469)
		58,643,804		23,082,274		227,488,925		80,336,251
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**P**	**779,022,758**	**P**	**766,645,743**	**P**	**1,382,655,560**	**P**	**1,210,965,804**

PHILIPPINE SAVINGS BANK
STATEMENTS OF CHANGES IN EQUITY

Annex 4

	Common Stock	Capital Paid in Excess of Par Value	Surplus Reserves	Surplus	Net Unrealized Gain (Loss) on Available-for-Sale Investments	Net Unrealized Gain (Loss) on remeasurement of retirement liability	Equity in Remeasurement Losses on Retirement Plan of a Joint Venture	Cumulative Translation Adjustment	Total
Balance at January 1, 2016	**P 2,402,524,910**	**P 2,818,083,506**	**P 1,035,275,317**	**P 13,433,426,596**	**P 179,775**	**P (471,371,011)**	**P 67,642**	**P (43,131,975)**	**P 19,175,054,760**
Total other comprehensive income (loss)	**-**	**-**	**-**	**1,155,166,635**	**223,920,354**	**-**	**-**	**3,568,571**	**1,382,655,560**
Cash dividends				**(360,378,736)**					**(360,378,736)**
Balance at June 30, 2016	**P 2,402,524,910**	**P 2,818,083,506**	**P 1,035,275,317**	**P 14,228,214,495**	**P 224,100,129**	**P (471,371,011)**	**P 67,642**	**P (39,563,404)**	**P 20,197,331,584**
Balance at January 1, 2015	P 2,402,524,910	P 2,818,083,506	P 1,035,275,317	P 11,803,283,967	P 26,600,463	P (312,363,737)	P (1,445,728)	P (41,656,482)	P 17,730,302,216
Total other comprehensive income (loss)	-	-	-	1,130,629,554	81,102,720	-	-	(766,469)	1,210,965,805
Cash dividends				(360,378,737)					(360,378,737)
Balance at June 30, 2015	P 2,402,524,910	P 2,818,083,506	P 1,035,275,317	P 12,573,534,784	P 107,703,183	P (312,363,737)	P (1,445,728)	P (42,422,951)	P 18,580,889,284
Balance at January 1, 2015	P 2,402,524,910	P 2,818,083,506	P 1,035,275,317	P 11,803,283,969	P 26,600,463	P (312,363,737)	P (1,445,728)	P (41,656,482)	P 17,730,302,218
Total other comprehensive income (loss)	-	-	-	2,350,900,100	(26,420,688)	(159,007,274)	1,513,370	(1,475,493)	2,165,510,015
Cash dividends				(720,757,473)					(720,757,473)
Balance at December 30 , 2015	P 2,402,524,910	P 2,818,083,506	P 1,035,275,317	P 13,433,426,596	P 179,775	P (471,371,011)	P 67,642	P (43,131,975)	P 19,175,054,760

PHILIPPINE SAVINGS BANK **Annex 5**

STATEMENTS OF CASH FLOWS

		Unaudited		Unaudited
		June 30, 2016		**June 30, 2015**
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**P**	**1,280,555,318**	P	1,131,759,369
Adjustments to reconcile income before income tax to net cash used in operations:				
Provision for credit and impairment losses		**1,104,689,248**		692,874,725
Depreciation		**272,559,984**		238,606,279
Amortization of:				
Intangible assets		**59,364,018**		47,004,880
Debt issuance costs		**2,688,026**		2,538,214
Unrealized trading gain/loss on fair value through profit or loss investments		**(36,384,252)**		1,014,827
Accretion of premium (discount) on available-for-sale and held-to-maturity investments		**(60,797,946)**		(64,854,966)
Share in net income of a joint venture		**(11,208,800)**		(8,814,227)
Gain on sale of property and equipment		**(1,801,435)**		(10,573,423)
Gain on foreclosure and sale of:				
Chattel mortgage properties		**(116,977,153)**		(158,268,962)
Investment properties		**(191,647,575)**		(130,236,997)
Realized gain on sale of available-for-sale investments		**(380,473,325)**		(3,804,606)
Changes in operating assets and liabilities:				
Decrease (Increase) in:				
Fair value through profit or loss investments		**818,006,822**		(1,298,907,482)
Loans and receivables		**(7,512,930,013)**		(10,583,379,978)
Other Assets		**(44,852,653)**		39,365,567
Increase (decrease) in:				
Deposit liabilities		**5,045,766,096**		2,554,996,913
Treasurer's, cashier's and manager's checks		**327,788,129**		133,827,550
Accrued taxes, interest and other expenses		**(17,500,956)**		8,938,418
Income tax payable		**-**		-
Financial liabilities at fair value through profit or loss		**65,327,827**		
Other liabilities		**407,453,643**		(137,253,962)
Cash used in operations		**1,009,625,003**		(7,545,167,862)
Income taxes paid		**(113,430,138)**		(134,300,521)
Net cash used in operating activities	**P**	**896,194,865**	P	**(7,679,468,383)**

(Forward)

PHILIPPINE SAVINGS BANK Annex 5

STATEMENTS OF CASH FLOWS

		Unaudited		Unaudited
		June 30, 2016		June 30, 2015
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of:				
Available-for-sale investments	P	(25,210,189,665)	P	(3,501,583,286)
Held-to-maturity investments		(2,898,143,379)		(9,455,172,265)
Property and equipment		(122,939,730)		(295,558,787)
Other Intangible assets		(79,463,649)		(64,148,535)
Proceeds from sale of:				
Available-for-sale investments		21,126,246,634		3,933,594,646
Proceeds from sale/redemption of:				
Chattel mortgage properties		795,410,535		662,569,012
Investment properties		246,430,341		276,961,642
Property and equipment		17,623,040		29,048,298
Increase in Interbank loans and receivables and securities purchased under resale agreements				(450,900,000)
Net cash provided by (used in) investing activities	P	(6,125,025,873)	P	(8,865,189,274)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of bills payable		232,589,911		-
Dividends paid		(360,378,737)		(360,386,149)
Net cash provided by (used in) financing activities	P	(127,788,826)	P	(360,386,149)
Effect of exchage rate differences	P	240,646	P	(122,670)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	P	(5,356,379,188)	P	(16,905,166,476)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
Cash and other cash items	P	3,934,496,578	P	4,174,756,446
Due from Bangko Sentral ng Pilipinas		11,143,781,766		23,997,102,406
Due from other banks		1,861,110,141		3,382,662,577
Interbank loans receivable and securities purchased under resale agreements		- 2,513,904,112		2,186,320,000.00
	P	19,453,292,597	P	33,740,841,429
CASH & CASH EQUIVALENTS AT END OF 2nd Quarter				
Cash and other cash items	P	2,466,843,368	P	2,315,271,618
Due from Bangko Sentral ng Pilipinas		8,270,334,979		13,042,172,922
Due from other banks		2,585,765,609		1,478,230,413
Interbank loans receivable and securities purchased under resale agreements		773,969,453		-
	P	14,096,913,409	P	16,835,674,953
OPERATIONAL CASH FLOWS FROM INTEREST				
Interest paid	P	1,244,476,090	P	1,280,394,016
Interest received	P	6,105,629,504	P	5,128,203,136

AGING OF RECEIVABLES

PHILIPPINE SAVINGS BANK

June 30, 2016

(in natural currency)

Annex 6

ACCOUNT TITLE	TOTAL LOAN PORTFOLIO	TOTAL CURRENT LOANS	TOTAL PAST DUE & ITEMS IN LIT.	PAST DUE: 90 days or less	PAST DUE: 91-180 DAYS	PAST DUE: 181 DAYS TO 1 YEAR	PAST DUE: MORE THAN 1 YEAR	ITEMS IN LITIGATION
1 -TRADE RECEIVABLES								
RECEIVABLES FROM CUSTOMERS								
A. LOANS AND DISCOUNTS	P 120,851,318,400	P 116,706,847,693	P 4,144,470,707	P 1,118,814,583	P 753,142,053	P 629,788,026	P 344,907,984	P 1,297,818,061
B. AGRARIAN REFORM/OACL	320,693,595	299,783,353	20,910,242	4,674,492	161,840	12,943	14,255,331	1,805,636
C. BD-DEV'T INCENTIVE LOANS	-	-	-					-
D. CUSTOMERS LIABILITY ON DRAFTSUNDER LC/TR	-	-	-					-
E. CUSTOMERS LIABILITY ON BANK ACCEPTANCES O/S	-	-	-					-
F. RESTRUCTURED LOANS	233,951,001	146,774,527	87,176,474	41,741,716	3,904,913	1,380,934	2,492,586	37,656,325
G. BILLS PURCHASED	**143,338,815**	**143,338,815**	-					-
Total Trade Receivables	**P 121,549,301,811**	**P 117,296,744,387**	**P 4,252,557,424**	**P 1,165,230,792**	**P 757,208,807**	**P 631,181,903**	**P 361,655,901**	**P 1,337,280,022**
LESS: ALLOWANCE FOR PROBABLE LOSSES	P 3,887,130,347							
UNEARNED DISCOUNT	59,619,043							
OTHER DEFERRED CREDITS	21,583							
NET TRADE RECEIVABLE	**P 117,602,530,838**							
2 -NON-TRADE RECEIVABLES								
ACCOUNTS RECEIVABLES	P 524,859,907	P 45,378,208	P 479,481,698	P 8,973,429	P 4,547,046	P 5,278,779	P 456,074,407	P 4,608,037
ACCRUED INTEREST RECEIVABLES	1,563,697,297	1,401,203,389	162,493,908	11,981,332	26,490,614	24,550,507	26,840,579	72,630,876
SALES CONTRACT RECEIVABLES	173,083,486	162,610,633	10,472,853	234,213	2,520,206	979,837	2,924,726	3,813,871
Total Non-Trade Receivables	**P 2,261,640,689**	**P 1,609,192,230**	**P 652,448,459**	**P 21,188,973**	**P 33,557,866**	**P 30,809,124**	**P 485,839,712**	**P 81,052,784**
LESS: ALLOWANCE FOR PROBABLE LOSSES	646,100,821							
NET NON-TRADE RECEIVABLE	**P 1,615,539,868**							
NET RECEIVABLES	**P 119,218,070,707**							

Philippine Savings Bank
BUSINESS SEGMENT INFORMATION
As of June 30, 2016 (Unaudited)
(In thousands)

	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating Income					
Interest income	₱ 1,929,551	₱ 162,905	₱ 2,863,361	₱ 1,030,382	₱ 5,986,199
Service fees and commissions	224,406	15,313	336,972	-	576,691
Other operating income	246,722	10,608	275,389	535,494	1,068,213
Total operating income	2,400,679	188,826	3,475,722	1,565,876	7,631,103
Non-cash expenses					
Depreciation and amortization	91,211	2,987	178,274	88	272,560
Provision for credit and impairment losses	1,839,708	(449,289)	(285,730)	-	1,104,689
Amortization of other intangible assets	21,176	1,318	36,743	127	59,364
Total non-cash expenses	1,952,095	(444,984)	(70,713)	215	1,436,613
Interest expense	-	-	802,790	596,850	1,399,640
Service fees and commissions expense	18,459	1,260	27,719	-	47,438
Subtotal	18,459	1,260	830,509	596,850	1,447,078
Compensation and fringe benefits	368,004	27,202	1,112,101	9,377	1,516,684
Taxes and licenses	161,148	10,840	226,791	123,393	522,172
Occupancy and equipment - related costs	31,159	703	318,402	1	350,265
Security, messengerial and janitorial services	35,931	1,134	134,035	382	171,482
Miscellaneous	263,603	15,502	589,518	48,840	917,463
Subtotal	859,845	55,381	2,380,847	181,993	3,478,066
Income (loss) before share in net income of a joint venture and income tax	(429,720)	577,169	335,079	786,818	1,269,346
Share in net income of a joint venture	–	11,209	–	–	11,209
Income (loss) before income tax	(429,720)	588,378	335,079	786,818	1,280,555
Provision (Benefit) from income tax	–	–	–	–	125,389
Net income					₱ 1,155,166
Segment assets	₱ 86,763,021	₱ 8,575,301	₱ 38,527,592	₱ 40,727,680	₱ 174,593,594
Investment in a joint venture					701,543
Deferred tax asset					1,244,156
Total assets					176,539,293
Segment liabilities	₱ 1,387,662	₱ 122,097	₱ 105,039,162	₱ 49,793,040	₱ 156,341,961

PHILIPPINE SAVINGS BANK

BUSINESS SEGMENT INFORMATION
As of December 31, 2015 (Audited)
(In thousands)

	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱2,424,517	₱433,460	₱6,646,711	₱1,498,039	₱11,002,727
Service fees and commission	341,653	38,519	913,528	–	1,293,700
Other operating income	361,645	31,979	775,216	(44,746)	1,124,094
Total operating income	3,127,815	503,958	8,335,455	1,453,293	13,420,521
Non-cash expenses					
Provision for (reversal of) credit and impairment losses	534,730	34,988	1,015,294	3,286	1,588,298
Depreciation	94,839	6,189	400,103	180	501,311
Amortization of other intangible assets	23,423	2,784	73,779	239	100,225
Total non-cash expenses	652,992	43,961	1,489,176	3,705	2,189,834
Interest expense	–	–	1,476,307	1,044,474	2,520,781
Service fees and commission expense	25,936	2,924	69,348	–	98,208
Subtotal	25,936	2,924	1,545,655	1,044,474	2,618,989
Compensation and fringe benefits	434,632	53,123	2,111,648	14,465	2,613,868
Taxes and licenses	163,728	19,347	512,614	265,404	961,093
Occupancy and equipment-related costs	34,129	1,609	635,915	76	671,729
Security, messengerial and janitorial services	46,943	3,235	283,232	620	334,030
Miscellaneous	279,418	35,962	1,343,991	83,383	1,742,754
Subtotal	958,850	113,276	4,887,400	363,948	6,323,474
Income before share in net income of a joint venture and income tax	1,490,037	343,797	413,224	41,166	2,288,224
Share in net income of a joint venture	–	20,214	–	–	20,214
Income before income tax	1,490,037	364,011	413,224	41,166	2,308,438
Benefit from income tax					42,462
Net income					₱2,350,900
Segment assets	₱82,181,033	₱8,438,387	₱36,990,937	₱39,836,139	₱167,446,496
Investments in a joint venture					690,334
Deferred tax assets					1,194,417
Total assets					169,331,247
Segment liabilities	₱1,201,661	₱86,172	₱97,009,484	₱51,858,875	₱150,156,192

Philippine Savings Bank **Annex 8**

Financial Soundness Indicators

		Unaudited	
		30-Jun	
		2016	2015
LIQUIDITY RATIOS			
Liquidity Ratio	Current Assets / Current Liabilities	**22.34%**	**31.24%**
Loans to Deposits Ratio	Gross Loans / Total Deposits	**87.09%**	**90.05%**
SOLVENCY RATIOS			
Debt to Equity Ratio	Total Liabilities / Total Stockholders' Equity	**7.74:1**	**7.02:1**
Asset-to-Equity Ratio	Total Assets / Total Stockholders' Equity	**8.74:1**	**8.02:1**
Interest Rate Coverage Ratio	Earnings Before Interest and Taxes / Interest Expense	**1.91:1**	**1.90:1**
PROFITABILITY RATIOS			
Return on Assets	Net Income / Average Total Resources	**1.34%**	**1.53%**
Return on Equity	Net Income / Average Stockholders' Equity	**11.74%**	**12.45%**
Net Interest Margin	Net Interest Income / Average Earning Assets	**3.08%**	**3.26%**
Cost to Income Ratio	Operating Expenses Excluding Provision for Probable Losses and Income Taxes / Net Interest Income + Operating Income	**61.79%**	**65.65%**
CAPITAL ADEQUACY RATIO	Total Qualifying Capital / Total Risk-weighted Assets	**14.78%**	**19.06%**