



10 November 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 September 30, 2016.

Thank you very much.

Very truly yours,

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

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE

1. For the quarterly period ended : **September 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	₱5,956,112,800

(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 No
 - (b) has been subject to such filing requirements for the past 90 days.
Yes 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
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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 September 30, 2016:

Name of Stockholder	Outstanding Number of Shares	Percent to Total No. of Shares
Metropolitan Bank and Trust Co. (MBTC)	198,629,513	82.6753%
Danilo L. Dolor	12,610,891	5.2490%

As of September 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.

PHILIPPINE SAVINGS BANK
SEC FORM 17-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

Item 1. Management Discussion and Analysis

A. Analysis of Statements of Condition

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

The Bank's Total Assets as of September 30, 2016 was recorded at ₱183.83 billion, this was 8.56% better than the ₱169.33 billion level in December 2015. The significant increase in assets was due to the continued growth in its loan and investment portfolios.

Loans and Receivables, net of allowance and unearned interest and discounts representing 66.89% of total assets, stood at ₱122.96 billion. This was ₱9.10 billion higher than the December 2015 level of ₱113.87 billion. Mortgage and Auto Loans rose by 6.58% and 10.90%, respectively.

Cash and Other Cash Items was lower by 32.83% to ₱2.64 billion as of September 30, 2016 from ₱3.93 billion. Due from Bangko Sentral ng Pilipinas, representing 6.00% of total assets slightly decreased to ₱11.04 billion from ₱11.14 billion in December 2015 while Due from other Banks slid by ₱710.46 million to ₱1.15 billion. On the other hand, there was no Interbank Loans Receivable and Securities Purchased under Resale Agreements as of September 30, 2016 versus December 2015 level of ₱2.51 billion.

Available-for-Sale Investments went up by ₱6.57 billion, 73.57% higher to ₱15.50 billion from ₱8.93 billion in December 2015. Held-to-Maturity Investments amounted to ₱20.42 billion as of September 2016. Meanwhile, Financial Assets at Fair Value through Profit or Loss (FVPL) went down to ₱224.25 million from ₱2.82 billion in December 2015. Overall, these investment accounts comprised 19.66% of the total assets.

Investment in a joint venture went up by 2.78% or ₱19.19 million to ₱709.52 million from ₱690.33 million in December 2015, as the Bank recognized its share in the net earnings of Sumisho Motor Finance Corporation (SMFC), a joint venture between PSBank and Sumitomo Corporation.

Investment Properties went up to ₱3.76 billion as of September 2016 from ₱3.34 billion in December 2015 due to the foreclosure of real estate properties. Property and Equipment decreased by ₱61.86 million to ₱2.68 billion as of September 2016.

Deferred Tax Asset went up by 5.46% or ₱65.17 million to ₱1.26 billion versus ₱1.19 billion in December 2015 due to recognition of deferred tax on provision for probable losses on loans. Goodwill and Other Intangibles reflected a less than percentage decrease or ₱2.94 million to ₱441.52 million from ₱444.46 million in December 2015. Meanwhile, Other Assets increased to ₱1.04 billion from the ₱894.23 million level in December 2015. This was mainly due to the increase in prepaid expense account.

The Bank's deposit level, comprising 88.26% of total liabilities, improved by 7.22% or ₱9.70 billion to ₱143.99 billion from ₱134.30 billion as of December 2015. The increase came from across all deposit products with growth in CASA of ₱4.82 billion and time deposits of ₱4.88 billion.

As September 30, 2016, the total Tier II Notes of the Bank amounted to ₱5.96 billion. On July 28, 2016, the Bank received an issuer rating of PRS Aaa (corp.) from Philippine Rating Services Corporation (PhilRatings). An issuer rating means that the company has a very strong capacity to meet its financial commitments relative to that of other Philippine

corporate. A PRS Aaa is the highest corporate credit rating assigned on the PRS scale. 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 increased to ₱1.57 billion from ₱1.35 billion in December 2015. Accrued Taxes, Interest and Other Expenses was up by ₱79.33 million to ₱1.13 billion in September 2016 from ₱1.05 billion as of December 31, 2015. Income Tax Payable as of September 2016 was at ₱89.34 million. This represents an accrual for the current quarter which is due for remittance on or before November 29, 2016. Bills Payable and Securities Sold under Repurchase Agreement (SSURA) went up by ₱2.36 billion to ₱6.85 billion as of September 2016 from ₱4.49 billion in December 2015 as the Bank entered into repurchased agreements amounting to ₱5.95 billion in September 2016. Meanwhile, Financial Liabilities at FVPL was recorded at ₱174.19 million. Other Liabilities was posted at ₱3.39 billion from ₱3.0 billion as of year-end 2015.

The Capital stood at ₱20.67 billion, 7.80% higher than year-end's level of ₱19.18 billion. The Bank's mark to market gains from its Available-for-Sale Investments was recorded at ₱142.45 million in September 2016 versus ₱0.18 million gain in December 2015.

Return on Average Equity (ROAE) went down to 12.50% in September 2016 compared to 12.74% in December 2015. Return on Average Assets (ROAA) slid to 1.41% in 2016 versus 1.49% in 2015.

B. Discussion of Results of Operations

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

For the period ended September 30, 2016, the Bank registered a Net Income after Tax of ₱1.87 billion or 7.75% higher than the ₱1.73 billion recorded for the same period last year. The increase in net income was attributed to higher core income and trading gains in the first nine months.

Total Interest Income went up by 12.81% or ₱1.04 billion to ₱9.16 billion versus ₱8.12 billion in 2015.

Interest income on Loans and Receivables was posted at ₱8.11 billion, 10.34% higher than the ₱7.35 billion recorded during the same period last year. Interest income on Investment Securities went up to ₱987.71 million from ₱444.60 million due to the Bank's higher investment portfolio in 2016. On the other hand, Interest earned from Interbank Loans Receivable and SPURA decreased to ₱51.54 million, 71.74% lower than the ₱182.36 million posted in 2015. Interest income from deposits with other banks went down by 79.30% to ₱1.53 million while Interest earned from deposits with BSP declined by 93.03% to ₱9.42 million.

Interest Expense on deposit liabilities rose by 9.59% or ₱156.15 million to ₱1.78 billion from ₱1.63 billion as total deposit liabilities grew by 13.34% year-on-year. The Bank recorded ₱40.55 million in Interest Expense on Bills Payable as of September 30, 2016.

Net Interest Income improved by 13.56% to ₱7.07 billion from ₱6.23 billion in the same period last year.

Net Service Fees and Commission Income declined to ₱834.75 million from ₱913.54 million in 2015.

Other Operating Income improved by 73.01% or ₱644.93 million to ₱1.53 billion due to higher trading gains recorded this year. The Bank registered ₱673.74 million trading gains in 2016 or ₱710.85 million higher than the ₱37.11 million trading loss in 2015.

In 2016, the Bank recorded a net gain on the foreclosure and sale of chattel mortgage amounting to ₱245.31 million, ₱30.95 million lower compared with the ₱276.26 million gains during the same period last year. On the other hand, net gain on foreclosure and sale of investment properties increased by ₱66.90 million to ₱287.14 million from ₱220.24 million in 2015. Gain on sale of property and equipment decreased by ₱8.71 million as the Bank sold its old armoured cars in March 2015.

Other Operating Expenses, excluding provision for impairment and credit losses, increased to ₱5.70 billion from ₱5.16 billion in September 2015. Compensation and Fringe Benefits was posted at ₱2.23 billion while occupancy and equipment-related costs was at ₱529.11 million. Depreciation and amortization of Bank's properties and leasehold improvements was up to ₱416.97 million from ₱365.16 million in 2015. Meanwhile, security, messengerial and janitorial services was at ₱261.24 million. Amortization of software costs was recorded at ₱87.82 million. Miscellaneous Expenses was higher by 9.37% or ₱118.44 million to ₱1.38 billion from ₱1.26 billion last year.

The Bank set aside ₱1.71 billion in provision for impairment and credit losses.

The Bank recorded its share in the net income of its investment in Sumisho Motor Finance Corporation (SMFC) at ₱19.19 million from ₱13.25 million in the same period last year.

Provision for income tax increased by ₱168.91 million to ₱188.65 million due to the net movement in deferred, corporate and final taxes.

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

The Bank reported a net income after tax of ₱712.11 million for the quarter ended September 30, 2016, ₱109.74 million higher than the ₱602.37 million recorded during the same period last year. The increase was attributed to higher interest income from loans and trading gains.

Total Interest Income for the third quarter of 2016 was reflected at ₱3.17 billion, 13.66% higher than ₱2.79 billion recorded in the same quarter last year. Meanwhile, Total Interest Expense was up to ₱682.71 million from ₱633.79 million due to the growth in deposit liabilities year-on-year. Net Interest Income improved to ₱2.49 billion from the ₱2.16 billion posted during the same quarter last year.

Interest income on Loans and Receivables was better by ₱321.30 million or 12.76% to ₱2.84 billion compared to the ₱2.52 billion recorded during the same period last year. Interest earned from Interbank Loans and SPURA improved by ₱7.11 million to ₱7.69 million from ₱0.58 million while Interest earned from Investment Securities improved by ₱66.79 million to ₱321.21 million. Meanwhile, Interest earned from Deposit with BSP declined by ₱14.35 million, 93.45% lower than the ₱15.35 million level during the third quarter of 2015. Interest income from deposit account with other banks was reflected at ₱0.46 million versus ₱0.42 million last year.

Meanwhile, Other Operating Income improved to ₱484.86 million from ₱301.51 million recorded during the third quarter of 2015.

The net gain on sale and foreclosure of chattel mortgage properties was posted at ₱128.33 million compared to ₱117.99 million gain during the same period in 2015. On the other hand, net gain from foreclosure and sale of investment properties was up at ₱95.49 million versus ₱90.0 million during the same period last year. Gain on sale of property and equipment was

at ₱0.49 million compared to ₱0.43 million gain in 2015. Meanwhile, Miscellaneous Income slid to ₱104.26 million during the third quarter of 2016. The Bank reflected a foreign exchange loss of ₱5.88 million from ₱6.91 million gains in 2015.

Total Operating Expenses, excluding provisions for impairment, registered an increase of ₱175.45 million to ₱1.88 billion from ₱1.71 billion in 2015. The Bank set aside additional provisions for credit loss of ₱600.80 million during the third quarter of 2016.

Compensation and fringe benefits rose by 11.08% to ₱717.39 million from ₱645.83 million in 2015. Taxes and licenses went up to ₱260.53 million from ₱236.76 million. Occupancy and equipment-related costs was also higher by 4.10% or ₱7.05 million to ₱178.85 million versus ₱171.80 million posted during the third quarter of 2015. Security, messengerial and janitorial services increased to ₱89.76 million from a year ago level of ₱89.32 million. Amortization of software costs were higher by ₱3.89 million or 15.85% to ₱28.46 million from ₱24.56 million in 2015. Miscellaneous Expense was higher at ₱465.51 million compared to ₱414.63 million in September 2015.

The Bank also reflected income from its investments in Sumisho Motor Finance Corporation (SMFC) amounting to ₱7.98 million from ₱4.44 million recorded in the same period last year.

Analysis of Financial Soundness Indicators

The following ratios measure the financial performance of the Bank:

		September 2016 (Unaudited)	September 2015	December 31 2015 (Audited)
Return on Average Equity*	ROAE	12.50%	12.53%	12.74%
Return on Average Assets*	ROAA	1.41%	1.51%	1.49%
Net Interest Margin on Average Earning Assets	NIM	6.24%	6.37%	6.37%
Earnings per share	EPS	₱7.77	₱7.21	₱9.79
Capital-to-Risk Assets Ratio	CAR	15.01%	18.17%	18.04%
Liquidity Ratio	LR	15.70%	28.28%	28.72%
Debt-Equity Ratio	DER	7.89:1	7.32:1	7.83:1
Asset-to-Equity Ratio	AER	8.89:1	8.32:1	8.83:1
Interest Rate Coverage Ratio	IRCR	1.99:1	1.93:1	1.92:1

* computed based on annualized/normalized net income

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

1. Return on Average Equity (ROAE) in September 30, 2016 decreased to 12.50% from 12.53% 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 1.41% from 1.51% in September 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 6.24% in September 2016 from 6.37% last year. NIM is calculated by dividing the net interest income by the average earning assets.
4. Earnings per Share (EPS) was higher at ₱7.77 as of September 30, 2016 compared to the ₱7.21 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 15.01% in September 2016 versus 18.17% in September 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 15.70% in September 2016 from 28.28% 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 7.89:1 from 7.32:1 in September 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) increased to 8.89:1 from 8.32:1 last year. AER is computed by dividing the total assets by total shareholder's equity.

9. Interest Rate Coverage Ratio (IRCR) went up to 1.99:1 this year from 1.93:1 in September 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, The Bank 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-Sep-16	30-Sep-15	31-Dec-15
Financial Standby Letters of Credit	₱91,134,933	₱78,635,185	₱78,408,259
Late Deposit/Payment Received	79,429,087	63,409,410	57,141,192
Derivatives	7,024,351,427	46,740,000	70,590,000
Items Held for Safekeeping	399,708	300,062	311,877
Items Held as Collateral	148,406	102,191	105,836
Trust Department Accounts	4,017,134,455	2,253,696,843	2,349,289,988
Other Contingent	59,567	35,962	37,275
	₱11,212,657,583	₱2,442,919,653	₱2,555,884,427

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 September 30, 2016, the Bank had a total of 255 branches and 611 ATMs which consist of 270 onsite ATMs and 341 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 reporting date.

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.

Hedge Accounting

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); or (c) a hedge of a net investment in a foreign operation (net investment 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 'Translation adjustment and others' 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 September 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 September 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.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is 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.

Repurchase and Reverse Repurchase Agreements

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.

Reclassification of Financial Assets

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

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

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

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

Impairment of Financial Assets

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

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

Financial assets carried at amortized cost

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

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

Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral have been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after

the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to '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 repricable. 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.

Amendments

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, RCOI, 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):

	September 30, 2016 (Unaudited)				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets measured at fair value:					
Financial Assets					
FVPL investments					
Government securities	₱187,879	₱187,879	₱–	₱–	₱187,879
Derivatives	36,370	–	36,370	–	36,370
AFS investments					
Government debt securities	10,003,471	9,473,214	530,257	–	10,003,471
Private debt securities	5,487,388	5,487,388	–	–	5,487,388
Quoted equity securities	4,893	4,893	–	–	4,893
	₱15,720,001	₱15,153,374	₱566,627	₱–	₱15,720,001
Assets for which fair values are disclosed:					
Financial Assets					
HTM investments					
Government	₱17,334,022	₱18,398,235	₱–	₱–	₱18,398,235
Private	3,083,990	3,143,795	–	–	3,143,795
Loans and receivables					
Receivables from customers					
Consumption loans	65,785,740	–	77,259,489	–	77,259,489
Real estate loans	42,747,073	–	43,257,984	–	43,257,984
Commercial loans	9,936,707	–	9,725,156	–	9,725,156
Personal loans	3,012,560	–	3,516,684	–	3,516,684
Other receivables					
Sales contract receivable	127,589	–	164,477	–	164,477
Other assets					
Security deposits	172,707	–	176,049	–	176,049
Non-Financial Assets					
Investment properties	3,760,512	–	4,296,314	–	4,296,314
	₱145,960,900	₱21,542,030	₱138,396,153	₱–	₱159,938,183
Liabilities for which fair values are disclosed:					
Financial Liabilities					
Deposit liabilities					
Time	₱103,429,419	₱–	₱107,040,523	₱–	₱107,040,523
Subordinated notes	5,956,113	–	5,805,235	–	5,805,235
	₱109,385,5323	₱–	₱112,845,758	₱–	₱112,845,758

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	837,166	837,166	–	–	837,166
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 September 30, 2016 and December 31, 2015.

As of September 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 September 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 September 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 September 30, 2016 and December 31, 2015:

Related Party	Nature of Transaction	September 30, 2016 (Unaudited)	
		Elements of Transaction	
		Statement of Condition	Statement of Income
Philippine Savings Bank	Investment in Money Market Fund*	₱66,225,573	
	Gain on sale of equity securities		₱246,455,484
	Dividends Earned		6,901,211
	Interest Income		7,309
	Income in Money Market Fund		883,043
Sumisho Motor Finance Corporation	Equity Investment	200,000,000	

*Includes fair value gains of ₱.025 million

Related Party	Nature of Transaction	December 31, 2015 (Audited)	
		Elements 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:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Short-term employee benefits	₱171,116,870	₱198,857,936
Post-employment pension benefits	6,356,856	19,320,109
	₱177,473,727	₱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 ₱10.73 million and ₱16.9 million in September 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):

September 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	₱ 28,438,500		
Withdrawals/maturities	28,438,500		
Due from other banks	(140,763)	893,943	Secured - ₱753,180
			Short term peso and foreign-currency denominated deposits with fixed rates ranging from 0.00% to 5.00%
Accounts receivable	(2,762)	3,871	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	14,526,000		
Withdrawals/maturities	14,526,000		
Miscellaneous liabilities		6,242	Advance payments of security deposits from various tenants
Accrued other expense payable		33,134	Outstanding information technology expense payable, charges on current and savings accounts processing
AFS investments	(2,236)	50,000	Pledge for security of payroll account with MBTC
Interest income	3,759		Income on deposits and interbank loans receivables
Rental income	18,581		Income from leasing agreements with various lease terms ranging from 2 to 5 years
Miscellaneous income	6,022		Service income received from collection services
Information technology expense	192,207		Payment of information technology expenses
Trading and security gain	1,227		Gain from securities transactions
Interest expense	2,144		Interest expense on bills payable
Securities transactions			
Outright purchases	18,184,047		Outright purchase of FVPL, AFS and HTM investments
Outright sales	11,032,385		Outright sale of FVPL and AFS investments
Joint Venture			
Investment in a joint venture		709,524	Capital investment in SMFC
Accounts receivable		3,083	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	(70,807)	8,721	Demand and short term peso time-deposits with annual fixed rates of 1.25%
Miscellaneous liabilities		2,833	Advance payment of security deposits
Rental income	8,577		Income from leasing agreements
Share in net income of a joint venture	19,190		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	5,815,000		
Withdrawals/maturities	5,815,000		
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		Secured - 8,523,824
Withdrawals/maturities	383,821		
Miscellaneous assets		1,102	Three months advance security deposits
Accounts receivable	589	1,244	Outstanding ATM service fees, rental and utility receivables, non interest bearing
Prepaid expense-Others		11,462	Payment for various policy renewals
Deposit liabilities	(7,181,143)	11,372,588	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		4,096	Outstanding group life insurance payable
Accounts payable		184	Various personal and car insurance payable
Miscellaneous liabilities		3,169	Advance payment of security deposits from various tenants
Interest income	532		Income on receivables from customers and interbank loans receivables
Trading and securities gain	3,913		Gain from securities transactions
Rental income	9,726		Income from leasing agreements with various lease terms
Bank commission	3,581		Commission income on ATM service fees

September 30, 2016

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Miscellaneous income	1,291		Service income received from outsourcing agreements and from referral fees on approved credit card issuances
Insurance expense	37,645		Payment of insurance premium
Interest expense	137,741		Interest on deposit liabilities
Rent expense	2,557		Payment of rent expense to various lessors
Securities transactions			
Outright purchases	2,537,501		Outright purchase of FVPL and AFS investments
Outright sales	2,542,500		Outright sale of FVPL and AFS investments
Key Personnel			
Receivables from customers		₱ 13,587	Unsecured, no impairment, with annual fixed interest rates of 6.00% and maturities ranging from 2 to 10 years
Deposits/placements	₱ 1,760		
Withdrawals/maturities	12		
Interest income	612		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 and are subject of prior Board approval and entail BSP reportorial requirements. 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.

As of September 30, 2016 and December 31, 2015, the Bank's credit exposures to DOSRI are within the said regulatory limits:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Total outstanding DOSRI accounts	₱794,044,496	₱1,667,247,339
Percent of DOSRI accounts granted under regulations existing prior to BSP Circular No. 423 to total loans	0.63%	1.43%
Percent of unsecured DOSRI accounts to total DOSRI accounts	23.61%	12.97%
Percent of past due DOSRI accounts to total DOSRI accounts	0.00%	22.88%
Percent of nonperforming DOSRI accounts to total DOSRI accounts	0.00%	22.88%

Total interest income from DOSRI loans amounted to ₱25.26 million and ₱44.7 million in September 30, 2016 and December 31, 2015, respectively.

Subsequent Events

The Board of Directors of the Bank in its meeting held on October 21, 2016 passed a resolution approving the following:

- Appointment of Director Amelia B. Cabal as member of the Corporate Governance Committee of the Bank effective immediately
- Appointment of Mr. Edmund A. Go as member of the Trust Committee of the Bank
- Declaration of a 7.5% Regular Cash Dividend for the third quarter of 2016 amounting to ₱180.19 million equivalent to ₱0.75 per share. This will be payable to all common stockholders as of the Record Date of November 9, 2016 and will be paid no later than the Payment Date of November 21, 2016
- Notation on the approval granted by the Bangko Sentral ng Pilipinas to exercise the call option on its Unsecured Subordinated Debt – Tier 2 Notes amounting to ₱3.0 billion issued in 2012. The exercise of the call option is allowed by BSP regulations after five years from the date of issuance or on February 21, 2017. In connection with this, the Board of Directors approved the authority of President Mr. Vicente R. Cuna, Jr. to sign, execute and deliver any and all documents and to do and perform any and all acts as may be necessary to carry into effect the intents and purposes behind the exercise of the call option for the PSBank Tier 2 Notes

Other Disclosures

- a) There are no unusual items of asset, liability, equity, net income or cash flow.
- b) No material items of changes were noted in the comparison of actual results with estimated amounts.
- c) Details of the Bank's dividend distributions as approved by the Bank's BOD and the BSP follow:

Date of declaration	Cash Dividends		Date of BSP approval	Record date	Payment date
	Per share	Total amount			
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
July 22, 2016	0.75	180,189,368	- *	August 8, 2016	August 22, 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 ₱95.05 per share as of November 2, 2016.

- d) No unregistered securities were sold or offered for sale by the Bank as of September 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.
- g) On September 23, 2016, the Bank's Board of Director passed a resolution approving the issuance of long-term negotiable certificates of time deposits (LTNCTDs) up to ₱10.0 billion through one or more tranches over a period of one year. The LTNCTDs will provide an alternative investment outlet for the Bank's existing clients and depositors. The issuance is subject to the approval of the Bangko Sentral ng Pilipinas while its final terms, including offering period and interest rates, will depend on market conditions.

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:


PERFECTO RAMON Z. DIMAYUGA JR.
Chief Finance Officer


VICENTE R. CUNA JR.
President

Date Signed: November 9, 2016

PHILIPPINE SAVINGS BANK

Interim Financial Statements

As of September 30, 2016 (Unaudited)
and December 31, 2015 (Audited)

and for the nine months ended September 30, 2016 and 2015 (Unaudited)

PHILIPPINE SAVINGS BANK
STATEMENTS OF CONDITION

Annex 1

	Unaudited September 30, 2016	Audited December 31, 2015
ASSETS		
Cash and Other Cash Items	₱ 2,642,717,179	₱3,934,496,578
Due from Bangko Sentral ng Pilipinas	11,037,088,907	11,143,781,766
Due from Other Banks	1,150,654,449	1,861,110,141
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	-	2,513,904,112
Financial Assets at Fair Value Through Profit or Loss	224,249,365	2,821,437,211
Available-for-Sale Investments	15,497,170,235	8,928,662,491
Held-to-Maturity Investments	20,418,011,935	14,946,668,457
Loans and Receivables	122,963,273,933	113,867,515,442
Investment in a Joint Venture	709,523,713	690,333,838
Property and Equipment	2,684,210,136	2,746,074,371
Investment Properties	3,760,511,618	3,344,154,413
Deferred Tax Assets	1,259,590,643	1,194,416,550
Goodwill and Intangible Assets	441,523,243	444,460,121
Other Assets	1,038,124,823	894,231,737
	₱183,826,650,179	₱169,331,247,228
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities		
Demand	₱ 14,416,599,675	₱12,906,567,074
Savings	26,148,736,641	22,835,987,240
Time	103,429,419,482	98,553,753,813
	143,994,755,798	134,296,308,127
Bills Payable	6,852,559,701	4,494,845,747
Subordinated Notes	5,956,112,800	5,952,051,581
Treasurer's, Cashier's and Manager's Checks	1,567,942,315	1,348,621,410
Accrued Taxes, Interest and Other Expenses	1,130,101,410	1,050,769,312
Income Tax Payable	89,342,775	8,055,422
Financial Liabilities at Fair Value Through Profit or Loss	174,189,662	-
Other Liabilities	3,391,323,125	3,005,540,869
	163,156,327,586	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	14,760,137,187	13,433,426,596
Net Unrealized Gain on Available-for-Sale Investments	142,449,680	179,775
Remeasurement Losses on Retirement Plan	(471,371,011)	(471,371,011)
Equity in Remeasurement Gains (Losses) on Retirement Plan of a Joint Venture	67,642	67,642
Cumulative Translation Adjustment	(16,844,638)	(43,131,975)
	20,670,322,593	19,175,054,760
	₱ 183,826,650,179	₱169,331,247,228

PHILIPPINE SAVINGS BANK
STATEMENTS OF INCOME

Annex 2

	Unaudited			
	For the three months ended September 30 (Jul to Sep)		For the period ended September 30	
	2016	2015	2016	2015
INTEREST INCOME				
Loans and receivables	P 2,839,827,058	P 2,518,527,562	P 8,106,184,813	P 7,346,859,960
Investment securities	321,210,073	254,423,401	987,711,308	444,596,288
Interbank loans receivable and securities purchased under resale agreements	7,690,411	576,962	51,542,294	182,356,715
Due from Bangko Sentral ng Pilipinas	1,005,417	15,352,885	9,418,707	135,113,903
Due from other banks	462,368	415,095	1,538,123	7,429,500
	3,170,195,327	2,789,295,905	9,156,395,245	8,116,356,366
INTEREST EXPENSE				
Deposit liabilities	582,207,321	545,925,544	1,784,167,153	1,628,015,612
Subordinated notes	86,168,985	85,671,661	257,624,911	256,959,875
Bills payable	14,328,729	2,192,743	40,552,441	2,192,743
	682,705,035	633,789,948	2,082,344,505	1,887,168,230
NET INTEREST INCOME	2,487,490,292	2,155,505,957	7,074,050,740	6,229,188,136
Service fees and commission income	303,420,340	335,000,965	904,857,816	982,018,569
Service fees and commission expense	22,672,316	27,467,081	70,110,793	68,480,605
NET SERVICE FEES AND COMMISSION INCOME	280,748,024	307,533,884	834,747,023	913,537,964
OTHER OPERATING INCOME (CHARGES)				
Gain on foreclosure and sale of chattel mortgage properties - net	128,332,371	117,990,790	245,309,524	276,259,752
Gain on foreclosure and sale of investment properties - net	95,493,239	90,002,301	287,140,814	220,239,298
Trading and securities gains (losses) - net	162,158,241	(33,596,687)	673,738,988	(37,112,637)
Foreign exchange gain (loss)	(5,875,094)	6,908,286	18,038,573	13,846,645
Gain on sale of property and equipment	491,384	436,427	2,292,818	11,009,850
Miscellaneous	104,260,257	119,768,333	301,806,263	399,149,587
	484,860,398	301,509,450	1,528,326,980	883,392,495
TOTAL OPERATING INCOME	3,253,098,714	2,764,549,291	9,437,124,743	8,026,118,595
OTHER EXPENSES				
Compensation and fringe benefits	717,395,477	645,825,151	2,234,079,021	1,962,510,987
Provision for credit and impairment losses	600,803,182	438,549,249	1,705,492,430	1,131,423,975
Taxes and licenses	260,525,618	236,756,399	782,697,365	740,089,632
Occupancy and equipment-related costs	178,846,707	171,800,882	529,111,504	503,218,274
Depreciation	144,411,390	126,557,524	416,971,373	365,163,801
Security, messengerial and janitorial services	89,757,429	89,322,721	261,239,935	248,121,673
Amortization of intangible assets	28,458,469	24,564,539	87,822,487	71,569,419
Miscellaneous	465,508,044	414,629,592	1,382,971,714	1,264,532,458
	2,485,706,316	2,148,006,057	7,400,385,829	6,286,630,219
INCOME BEFORE SHARE IN NET INCOME OF JOINT VENTURE AND INCOME TAX	767,392,398	616,543,234	2,036,738,914	1,739,488,376
SHARE IN NET INCOME OF A JOINT VENTURE	7,981,075	4,437,098	19,189,876	13,251,324
INCOME BEFORE INCOME TAX	775,373,473	620,980,332	2,055,928,790	1,752,739,700
PROVISION FOR (BENEFIT FROM) INCOME TAX	63,261,413	18,612,764	188,650,095	19,742,578
NET INCOME	P 712,112,060	P 602,367,568	P 1,867,278,695	P 1,732,997,122
Basic/Diluted Earnings Per Share	P2.96	P2.51	P7.77	P 7.21

STATEMENTS OF COMPREHENSIVE INCOME

	For the three months ended		For the period ended	
	September 30 (July to September)		September 30	
	2016	2015	2016	2015
NET INCOME	₱ 712,112,060	₱ 602,367,568	₱ 1,867,278,695	₱ 1,732,997,122
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that recycle to profit or loss in subsequent periods:</i>				
Net unrealized gain (loss) from AFS investments	(81,650,450)	(25,765,031)	142,269,905	55,337,691
Cumulative translation adjustment	22,718,767	(1,020,464)	26,287,337	(1,786,933)
	(58,931,683)	(26,785,495)	168,557,242	53,550,758
TOTAL COMPREHENSIVE INCOME, NET OF TAX	₱ 653,180,377	₱ 575,582,072	₱ 2,035,835,937	₱ 1,786,547,880

Annex 4

**PHILIPPINE SAVINGS BANK
STATEMENT OF CHANGES IN EQUITY**

	Common Stock	Capital Paid in Excess of Par Value	Surplus Reserves	Surplus	Net Unrealized Gain on Available- for-Sale Investments)	Remeasurement Losses on Retirement Plan	Equity in Remeasurement Gains (Losses) on Retirement Plan of a Joint Venture	Cumulative Translation Adjustment	Total
Balance at January 1, 2016	₱2,402,524,910	₱2,818,083,506	₱1,035,275,317	₱13,433,426,596	₱179,775	(₱471,371,011)	₱67,642	(₱43,131,975)	₱19,175,054,760
Total comprehensive income (loss) for the year	-	-	-	1,867,278,096	142,269,905	-	-	26,287,337	2,035,835,938
Cash dividends	-	-	-	(540,568,105)	-	-	-	-	(540,568,105)
Balance at September 30, 2016	₱2,402,524,910	₱2,818,083,506	₱1,035,275,317	₱14,760,137,187	₱142,449,680	(₱471,371,011)	₱67,642	(₱16,844,638)	₱20,670,322,593
Balance at January 1, 2015	₱2,402,524,910	₱2,818,083,506	₱1,035,275,317	₱11,803,283,967	₱26,600,463	(₱312,363,737)	(₱1,445,728)	(₱41,656,482)	₱17,730,302,216
Total comprehensive income (loss) for the year	-	-	-	1,732,997,122	55,337,691	-	-	(1,786,933)	1,786,547,880
Cash dividends	-	-	-	(360,378,737)	-	-	-	-	(360,378,737)
Balance at September 30, 2015	₱2,402,524,910	₱2,818,083,506	₱1,035,275,317	₱13,175,902,352	₱81,938,154	(₱312,363,737)	(₱1,445,728)	(₱43,443,415)	₱19,156,477,359
Balance at January 1, 2015	₱2,402,524,910	₱2,818,083,506	₱1,035,275,317	₱11,803,283,969	₱26,600,463	(₱312,363,737)	(₱1,445,728)	(₱41,656,482)	₱17,730,302,218
Total comprehensive income (loss) for the year	-	-	-	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 31, 2015	₱2,402,524,910	₱2,818,083,506	₱1,035,275,317	₱13,433,426,596	₱179,775	(₱471,371,011)	₱67,642	(₱43,131,975)	₱19,175,054,760

PHILIPPINE SAVINGS BANK
STATEMENTS OF CASH FLOWS

Annex 5

		Unaudited 30-Sep-16		Unaudited 30-Sep-15
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	P	2,055,928,791	P	1,752,739,700
Adjustments to reconcile income before income tax to net cash used in operations:				
Provision for credit and impairment losses		1,705,492,430		1,131,423,975
Depreciation		416,971,373		365,163,802
Amortization of:				
Intangible assets		87,822,487		71,569,419
Debt issuance costs		4,061,220		3,834,875
Unrealized trading gain/loss on fair value through profit or loss investments		(29,658,331)		40,704,163
Accretion of premium (discount) on available-for-sale and held-to-maturity investments		(96,289,049)		(23,378,790)
Share in net income of a joint venture		(19,189,876)		(13,251,324)
Gain on sale of property and equipment		(2,292,818)		(11,009,850)
Gain on foreclosure and sale of:				
Chattel mortgage properties		(245,309,524)		(276,259,752)
Investment properties		(287,140,814)		(220,239,298)
Realized gain on sale of available-for-sale investments		(560,100,928)		(31,143,801)
Changes in operating assets and liabilities:				
Decrease (Increase) in:				
Fair value through profit or loss investments		2,626,973,325		(2,802,800,520)
Loans and receivables		(12,459,973,594)		(16,209,129,534)
Other Assets		7,521,859		113,479,121
Increase (decrease) in:				
Deposit liabilities		9,707,173,049		10,521,524,274
Treasurer's, cashier's and manager's checks		219,320,905		25,485,767
Accrued taxes, interest and other expenses		(61,497,527)		(68,375,061)
Financial liabilities at fair value through profit or loss		174,189,662		-
Other liabilities		445,385,103		92,019,350
Cash used in operations		3,689,387,743		(5,537,643,484)
Income taxes paid		(172,536,835)		(223,706,836)
Net cash used in operating activities	P	3,516,850,909	P	(5,761,350,320)

(Forward)

		Unaudited 30-Sep-16		Unaudited 30-Sep-15
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of:				
Available-for-sale investments	P	(38,599,691,524)	P	(9,322,128,029)
Held-to-maturity investments		(5,465,098,561)		(13,277,475,130)
Property and equipment		(359,396,427)		(563,520,982)
Other Intangible assets		(84,885,609)		(129,481,752)
Proceeds from sale of:				
Available-for-sale investments		32,836,146,447		8,836,777,007
Proceeds from sale/redemption of:				
Chattel mortgage properties		1,174,134,438		1,061,144,150
Investment properties		388,996,278		391,363,993
Property and equipment		148,280,844		24,527,335
Increase in Interbank loans and receivables and securities purchased under resale agreements		-		1,386,320,000
Net cash provided by (used in) investing activities	P	(9,961,514,113)	P	(11,592,473,408)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of bills payable		2,361,743,417		1,869,599,999
Dividends paid		(540,568,105)		(537,268,644)
Net cash provided by (used in) financing activities	P	1,821,175,312	P	1,332,331,355
Effect of exchange rate differences	P	655,831	P	(2,291)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	P	(4,622,832,062)	P	(16,021,494,665)
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		3,382,662,578
Interbank loans receivable and securities purchased under resale agreements		2,513,904,112		800,000,000.00
	P	19,453,292,597	P	32,354,521,429
CASH & CASH EQUIVALENTS AT END OF 3rd QUARTER				
Cash and other cash items	P	2,642,717,179	P	2,513,017,663
Due from Bangko Sentral ng Pilipinas		11,037,088,907		12,533,361,805
Due from other banks		1,150,654,449		1,286,647,296
Interbank loans receivable and securities purchased under resale agreements		-		-
	P	14,830,460,535	P	16,333,026,764
OPERATIONAL CASH FLOWS FROM INTEREST				
Interest paid	P	1,930,898,889	P	1,924,144,268
Interest received	P	9,390,213,073	P	7,908,104,255

Philippine Savings Bank
 AGING OF RECEIVABLES
 September 30, 2016

Annex 6

ACCOUNT TITLE	TOTAL LOAN PORTFOLIO	TOTAL CURRENT LOANS	TOTAL PAST DUE & ITEMS IN LIT.	D U E			ITEMS IN LITIGATION
				90 days or less	91-180 DAYS	MORE THAN 1 YEAR	
1-TRADE RECEIVABLES							
A. LOANS AND DISCOUNTS	P 124,905,601,301 P	120,840,327,598 P	4,065,273,703 P	1,106,423,265 P	900,026,058 P	308,744,428 P	1,157,231,926 P
B. AGRARIAN REFORM/OACL	300,354,328	255,705,623	44,648,705	26,879,231	1,083,020	14,029,228	2,563,830
C. BILLS PURCHASED	55,836,497	55,836,497	-	-	-	-	-
D. RESTRUCTURED LOANS	215,766,926	132,343,182	83,423,743	42,448,086	1,555,784	1,968,251	37,451,622
E. SPURA	-	-	-	-	-	-	-
Total Trade Receivables	P 125,477,559,052 P	121,284,212,900 P	4,193,346,152 P	1,175,750,582 P	902,664,862 P	324,741,907 P	1,197,247,378 P
LESS: ALLOWANCE FOR PROBABLE LOSSES							
UNEARNED DISCOUNT	3,965,354,106						
OTHER DEFERRED CREDITS	29,902,393						
NET TRADE RECEIVABLE	121,482,080,455						
2--NON-TRADE RECEIVABLES							
ACCOUNTS RECEIVABLE	522,364,017	298,452,948	223,911,070	56,225,192	27,846,388	125,698,761	4,641,030
ACCRUED INTEREST RECEIVABLES	1,449,309,055	1,278,624,103	170,684,953	20,361,136	25,440,595	31,049,917	71,508,372
Total Non-Trade Receivables	P 1,971,673,073 P	1,577,077,050 P	394,596,022 P	76,586,327 P	53,286,983 P	156,748,678 P	76,149,403 P
LESS: ALLOWANCE FOR PROBABLE LOSSES							
	618,068,208						
NET NON-TRADE RECEIVABLE	1,353,604,865						
NET RECEIVABLES	P 122,835,685,320						

BUSINESS SEGMENT INFORMATION

As of September 30, 2016 (Unaudited)

(In thousands)

	2016				Total
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	
Operating income					
Interest income	₱3,048,426	₱233,768	₱4,355,178	₱1,519,023	₱9,156,395
Service fees and commission	353,643	22,996	528,219	–	904,858
Other operating income	422,754	14,179	399,616	691,778	1,528,327
Total operating income	3,824,823	270,943	5,283,013	2,210,801	11,589,580
Non-cash expenses					
Provision for credit and impairment losses	2,135,348	(379,289)	(50,567)	–	1,705,492
Depreciation	139,745	4,376	272,716	134	416,971
Amortization of other intangible assets	31,504	1,896	54,231	191	87,822
Total non-cash expenses	2,306,597	(373,017)	276,380	325	2,210,285
Interest expense	–	–	1,205,847	876,498	2,082,345
Service fees and commission expense	27,400	1,782	40,929	–	70,111
Subtotal	27,400	1,782	1,246,776	876,498	2,152,456
Compensation and fringe benefits	₱544,995	₱43,150	₱1,632,391	₱13,543	₱2,234,079
Taxes and licenses	249,669	17,114	310,967	204,947	782,697
Occupancy and equipment-related costs	47,490	1,096	480,524	2	529,112
Security, messengerial and janitorial services	54,318	1,677	204,795	450	261,240
Miscellaneous	412,197	23,794	875,941	71,040	1,382,972
Subtotal	1,308,669	86,831	3,504,618	289,982	5,190,100
Income before share in net income of a joint venture and income tax	₱182,157	₱555,347	₱255,239	₱1,043,996	2,036,739
Share in net income of a joint venture					19,190
Income before income tax					2,055,929
Benefit from income tax					188,650
Net income					₱1,867,279
Segment assets	₱91,187,241	₱8,424,362	₱38,395,093	₱43,850,840	₱181,857,536
Investments in a joint venture					709,524
Deferred tax assets					1,259,591
Total assets					₱183,826,650
Segment liabilities	₱1,378,963	₱108,955	₱107,840,970	₱53,827,440	₱163,156,328

BUSINESS SEGMENT INFORMATION

As of September 30, 2015 (Unaudited)

(In thousands)

	2015				
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱1,849,998	₱352,557	₱4,883,900	₱1,029,902	₱8,116,357
Service fees and commission	246,258	29,093	706,668	–	982,018
Other operating income	270,309	21,854	614,495	(23,,266)	883,393
Total operating income	2,366,564	403,504	6,205,063	1,006,636	9,981,767
Non-cash expenses					
Provision for credit and impairment losses	277,125	(155,500)	1,009,799	–	1,131,424
Depreciation	67,978	4,406	292,641	140	365,164
Amortization of other intangible assets	16,895	2,125	52,375	174	71,569
Total non-cash expenses	361,999	(148,969)	1,354,815	314	1,568,157
Interest expense	–	–	1,132,436	754,733	1,887,168
Service fees and commission expense	17,173	2,029	49,279	–	68,481
Subtotal	17,173	2,029	1,181,715	754,733	1,955,649
Compensation and fringe benefits	₱321,472	₱41,768	₱1,588,067	₱11,204	₱1,962,511
Taxes and licenses	121,086	14,663	408,503	195,799	740,090
Occupancy and equipment-related costs	25,543	1,240	476,434	2	503,218
Security, messengerial and janitorial services	35,307	2,526	209,833	454	248,122
Miscellaneous	202,494	28,037	973,020	60,982	1,264,532
Subtotal	705,902	88,234	3,655,897	268,441	4,718,473
Income before share in net income of a joint venture and income tax	₱1,281,490	₱462,210	₱12,636	₱(16,852)	1,739,488
Share in net income of a joint venture					13,251
Income before income tax					1,752,739
Provision from income tax					19,743
Net income					₱1,732,997
Segment assets	₱77,988,678	₱8,387,468	₱36,441,591	₱34,945,282	₱157,763,019
Investments in a joint venture					681,858
Deferred tax assets					1,014,527
Total assets					₱159,459,404
Segment liabilities	₱1,089,239	₱90,402	₱95,965,795	₱3,157,497	₱140,302,933

Philippine Savings Bank
Annex 7B
BUSINESS SEGMENT INFORMATION
As of December 31, 2015 (Audited)
(In thousands)

	2015				
	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 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
Income before income tax					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

Financial Soundness Indicators

	Unaudited	
	September 30	
	2016	2015
LIQUIDITY RATIOS		
<i>Liquidity Ratio</i>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	15.70% 28.28%
<i>Loans to Deposits Ratio</i>	$\frac{\text{Gross Loans}}{\text{Total Deposits}}$	87.08% 88.02%
SOLVENCY RATIOS		
<i>Debt to Equity Ratio</i>	$\frac{\text{Total Liabilities}}{\text{Total Stockholders' Equity}}$	7.89:1 7.32:1
<i>Asset-to-Equity Ratio</i>	$\frac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$	8.89:1 8.32:1
<i>Interest Rate Coverage Ratio</i>	$\frac{\text{Earnings Before Interest and Taxes}}{\text{Interest Expense}}$	1.99:1 1.93:1
PROFITABILITY RATIOS		
<i>Return on Assets</i>	$\frac{\text{Net Income}}{\text{Average Total Resources}}$	1.41% 1.51%
<i>Return on Equity</i>	$\frac{\text{Net Income}}{\text{Average Stockholders' Equity}}$	12.50% 12.53%
<i>Net Interest Margin</i>	$\frac{\text{Net Interest Income}}{\text{Average Earning Assets}}$	6.24% 6.37%
<i>Cost to Income Ratio</i>	$\frac{\text{Operating Expenses Excluding Provision for Probable Losses and Income Taxes}}{\text{Net Interest Income + Operating Income}}$	60.52% 64.43%
CAPITAL ADEQUACY RATIO	$\frac{\text{Total Qualifying Capital}}{\text{Total Risk-weighted Assets}}$	15.01% 18.17%