PSBank
PHILIPPINE SAVINGS BANK
Metrobank Group

10 November 2017

Philippine Dealing & Exchange Corp.
37/F, Tower 1, The Enterprise Center
6766 Ayala Ave. cor. Paseo de Roxas, Makati City

Attention: MS. VINA VANESSA S. SALONGA
Head, Issuer Compliance & Disclosure Department (ICDD)

Dear Ms. Salonga,

We would like to submit the attached SEC 17-Q report of Philippine Savings Bank (PSBank) for the period ended September 30, 2017.

Thank you very much.

Very truly yours,

Perfecto Ramon Z. Dimayuga
Senior Vice President

COVER SHEET

15552

SEC Registration Number

PHILIPPINE SAVINGS BANK

(Company's Full Name)

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

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

Leah M. Zamora	**885-8208**
(Contact Person)	(Company Telephone Number)

12 31	17-Q	**3rd Quarter 2017**	
Month *Day*	(Form Type)		*Month* *Day*
(Fiscal Year)			(Annual Meeting)

(Secondary License Type, If Applicable)

Markets and Securities Regulation Department	
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

1,493		
Total No. of Stockholders As of September 30, 2017	Domestic	Foreign

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To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF
THE SECURITIES REGULATION CODE

1. For the quarterly period ended : **September 30, 2017**

2. Commission identification number : **15552**

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

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

   o **PHILIPPINE SAVINGS BANK**

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

   o **City of Manila, Philippines**

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

7. Address of registrant's principal office:

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

8. Registrant's telephone number, including area code

   o **(632) 885-8208**

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

   o **Not applicable**

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

o Title of each class	**Common Shares**
o Number of shares of common stock outstanding	**240,252,491**
o Amount of debt outstanding	**₱2,978,351,809** **(Tier II Subordinated Notes)**

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

    o **Yes**

12. Indicate by check mark whether the registrant:

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

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

   Yes **[x]** No [ ]

PART I – FINANCIAL INFORMATION

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

Item 2. Financial Statements

Attached are the following:

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

PART II – OTHER INFORMATION

1. Control of Registrant

The following stockholders own more than 5% of the total outstanding number of shares issued as of September 30, 2017:

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

As of September 30, 2017, there is no person who holds more than 5% of the Bank's securities lodged with PCD Nominee Corporation.

2. Legal Proceedings

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

3. Board Resolutions

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

Item 1. Management Discussion and Analysis

A. Analysis of Statements of Condition

September 30, 2017 (Unaudited) and December 31, 2016 (Audited)

The Bank's Total Assets as of September 30, 2017 stood at ₱222.11 billion, ₱25.26 billion higher than the December 2016 level of ₱196.85 billion. Loan growth and investment portfolios continued their upward momentum.

Loans and Receivables, net of allowance and unearned interest and discounts, representing 63.07% of total assets were posted at ₱140.09 billion, higher by ₱12.87 billion from December 2016 level of ₱127.22 billion. Consumption and Real Estate Loans increased to ₱81.41 billion and ₱45.85 billion, respectively.

Interbank Loans Receivable and Securities Purchased under Resale Agreements went down by 86.17% to ₱450 million compared to December 2016 level of ₱3.25 billion due to the lower overnight and term placements with BSP and other banks as of September 30, 2017.

Available-for-Sale Investments increased to ₱16.13 billion in September 30, 2017, 23% or ₱3.02 billion higher than the year-end level of ₱13.12 billion. Held-to-Maturity Investments amounted to ₱29.35 billion as of September 2017, 26.77% compared to December 2016 level of ₱23.16 billion. Meanwhile, Financial Assets at Fair Value through Profit or Loss (FVPL) decreased by 59.40% or ₱808.32 million to ₱552.48 million from ₱1.36 billion last December 2016. Overall, these investment accounts comprised 21% of the total assets.

Due from Other Banks as of September 2017 was at ₱1.46 billion, 20.50% or ₱377.00 million lower than the December 2016 level of ₱1.84 billion. Likewise, Cash and Other Cash Items declined to ₱2.29 billion versus ₱2.78 billion in December 2016. On the other hand, Due from Bangko Sentral ng Pilipinas increased by 53.59% or ₱7.50 billion to ₱21.48 billion versus ₱13.99 billion as of December 2016.

Investment in a joint venture went down by 20.14% or ₱146.44 million to ₱580.74 million from ₱727.18 million in December 2016, as the Bank sold its 10% stake or 2 million shares in Sumisho Motor Finance Corporation (SMFC) to GT Capital in August 2017 for ₱189.96 million or ₱94.98 per share. After the sale, the Bank maintains ownership of six (6) million shares in SMFC representing a 30% stake.

Investment Properties went up to ₱3.96 billion as of September 2017 from ₱3.86 billion in December 2016 due to the foreclosure of real estate properties. Property and Equipment decreased by ₱121.38 million to ₱2.55 billion as of September 2017.

Deferred Tax Asset was higher at ₱1.41 billion from ₱1.30 billion while Goodwill and Other Intangibles slightly decreased to ₱496.97 million from ₱505.17 million. Other Assets also increased by 21.08% or ₱227.27 million to ₱1.31 billion from ₱1.08 billion as of December 2016 mainly due to the increase in prepaid expenses and foreclosed chattel mortgage.

The Bank's deposit level, comprising 92.11% of total liabilities reached ₱184.40 billion as of September 2017, 16.42% higher than the ₱158.39 billion as of December 2016. In January 30, 2017, the Bank successfully issued Long Term Negotiable Certificates of Time Deposit (LTNCTD) with an aggregate principal amount of ₱3.375 billion due on April 30, 2022 with fixed interest rate of 3.5% per annum.

As of September 30, 2017, Bills Payable representing Interbank Borrowing and Securities Sold under Repurchase Agreement (SSURA) amounted to ₱6.05 billion.

The Tier II Notes, net of debt issuance cost was recorded at ₱2.98 billion in September 2017, 50.16% or ₱3.0 billion lower than the year-end level of ₱5.98 billion as the Bank exercised the call option of its ₱3.0 billion Tier 2 Notes issued in 2012. 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.

Treasurer's, Cashier's and Manager's Checks decreased to ₱1.54 billion from ₱1.76 billion last December 31, 2016. Likewise, Accrued Taxes, Interest and Other Expenses was down by ₱217.28 million to ₱1.41 billion in September 2017 from ₱1.19 billion as of December 31, 2016. Financial Liabilities at FVPL declined to ₱11.29 million in September 2017 versus ₱65.32 million recorded in December 2016. Income Tax Payable in September 2017 stood at ₱71.05 million. The amount includes accrual for current quarter which is due for remittance on or before November 29, 2017. Other Liabilities was posted at ₱3.75 billion from ₱3.34 billion as of December 2016.

Total Capital stood at ₱21.91 billion, an 9.32% increase from the ₱20.04 billion posted as of December 2016. The Bank reflected a Net Unrealized Loss of Available-for-Sale Investments amounting ₱314.94 million from ₱842.91 million in December 2016.

Return on Average Equity (ROAE) slid to 11.94% in September 2017 versus 12.50% in December 2016. Return on Average Assets (ROAA) decreased to 1.20% in 2017 from 1.34% in December 2016.

B. Discussion of Results of Operations

September 30, 2017 (Unaudited) vs. September 30, 2016 (Unaudited)

For the period ended September 30, 2017, the Bank posted a Net Income after Tax of ₱1.88 billion or ₱10.74 million higher compared to the same period last year. The increase in net income is supported by strong growth from its loan portfolio as well as service fees and commission income.

Total Interest Income increased by 17.17% or ₱1.57 billion better than the ₱9.16 billion recorded last year.

Interest income on Loans and Receivables was 13.52% higher at ₱9.20 billion from ₱8.11 billion. Interest earned from Interbank Loans Receivable and SPURA increased to ₱52.28 million or 1.44% better than the ₱51.54 million posted in 2016. Likewise, Interest income on Investment Securities improved to ₱1.34 billion from ₱987.71 million due to higher investment portfolios in 2017. Interest earned from deposits with BSP increased to ₱132.58 million and interest income from other banks also went up by 10.20% to ₱1.70 million.

Interest Expense on the Bank's deposit liabilities increased by 30.52% to ₱2.33 billion as total deposit liabilities grew by 28.06% year-on-year. Interest Expense on Subordinated Notes declined to ₱149.09 million or 42.13% lower from ₱257.62 million last year due to the redemption of the Bank's ₱3.0 billion Tier 2 notes issued in 2012 last February 2017. The Bank recorded ₱46.13 million in Interest Expense on Bills Payable as of September 30, 2017.

Net interest Income improved to ₱8.20 billion from ₱7.07 billion in 2016.

Net Service Fees and Commission Income increased to ₱1.02 billion, 21.65% better than the ₱834.75 million recorded last year.

Meanwhile, Other Operating Income decreased by 31.27% or ₱477.96 million to ₱1.05 billion due to lower trading gains recorded during 2017. The Bank reflected a ₱55.05 million trading loss in 2017, ₱728.79 million lower than the ₱673.74 million trading gain in 2016.

The Bank registered a net gain on foreclosure and sale of chattel mortgage amounting to ₱431.51 million from ₱245.31 million in 2016. As of September 2017, the Bank posted a ₱230.77 million gains on foreclosure and sale of investment properties versus ₱287.14 million a year-ago. Gain on sale of property and equipment decreased by ₱0.85 million to ₱1.44 million from year-ago level of ₱2.29 million. Miscellaneous Income improved by ₱96.79 million to ₱398.60 million mainly due to higher recovery from loan accounts previously written-off.

Meanwhile, Foreign Exchange gain was posted at ₱43.10 million from ₱18.04 million recorded a year ago.

Other Operating Expenses, excluding provision for impairment and credit losses, increased by 14.01% to ₱6.49 billion from ₱5.69 billion in 2016. Taxes and Licenses went up by ₱208.41 million or 26.63% to ₱991.11 million from ₱782.70 million. Depreciation and amortization of Bank's properties and leasehold improvements increased from ₱416.97 million to ₱476.80 million. Meanwhile, amortization of software costs was recorded at ₱97.61 million. Compensation and Fringe Benefits amounted to ₱2.39 billion while security, messengerial and janitorial services was at ₱353.47 million. Miscellaneous Expenses was registered at ₱1.63 billion versus ₱1.38 billion during the same period last year.

For the period ended September 30, 2017, the Bank set aside ₱1.73 billion in provision for impairment and credit losses.

The Bank also reported share in net income from its investment in Sumisho Motor Finance Corporation (SMFC) amounting to ₱45.57 million from ₱19.19 million for the period ended September 2016.

For the quarter ended September 30, 2017 vs. September 30, 2016 (Unaudited)

The Bank reported a net income after tax of ₱698.37 million for the quarter ended September 30, 2017, ₱13.74 million lower than the ₱ 712.11 million recorded during the same period last year. The decrease was attributed to lower trading gains during the quarter.

Total Interest Income for the third quarter of 2017 was reflected at ₱3.75 billion, 18.37% higher than ₱3.17 billion recorded in the same quarter last year. Meanwhile, Total Interest Expense was up to ₱925.16 million from ₱682.71 million due to the growth in deposit liabilities year-on-year. Net Interest Income improved to ₱2.83 billion from the ₱2.49 billion posted during the same quarter last year.

Interest income on Loans and Receivables was better by ₱344.09 million or 12.12% to ₱3.18 billion compared to the ₱2.84 billion recorded during the same period last year. Interest earned from Interbank Loans and SPURA improved by ₱2.32 million to ₱10.00 million from ₱7.69 million while Interest earned from Investment Securities improved by ₱149.69 million to ₱470.90 million. Meanwhile, Interest earned from Deposit with BSP also improved by ₱86.02 million to ₱87.02 higher than the ₱1.00 million level during the third quarter of 2016. Interest income from deposit account with other banks was reflected at ₱0.59 million versus ₱0.46 million last year.

Meanwhile, Other Operating Income decreased to ₱440.14 million from ₱484.86 million recorded during the third quarter of 2016 due to lower trading gains.

The net gain on sale and foreclosure of chattel mortgage properties was posted at ₱197.07 million in September 2017 compared to ₱128.33 million during the same period in 2016. On the other hand, net gain from foreclosure and sale of investment properties was down at ₱57.98 million versus ₱95.49 million during the same period last year. Gain on sale of property and equipment was at ₱1.40 million compared to ₱0.49 million in 2016. Meanwhile, Miscellaneous Income improved to ₱132.70 million during the third quarter of 2017. The Bank reflected a foreign exchange gain of ₱17.55 million from foreign exchange loss of ₱5.88 million in September 2016. The Bank registered ₱33.44 million trading gains in 2017, 79.38% lower compared to ₱162.16 million in 2016.

Total Operating Expenses, excluding provisions for impairment, registered an increase of ₱349.77 million to ₱2.23 billion from ₱1.88 billion in 2016. The Bank set aside additional provisions for credit loss of ₱572.63 million during the third quarter of 2017.

Compensation and fringe benefits rose by 14.53% to ₱821.63 million from ₱717.40 million in 2016. Taxes and licenses went up to ₱331.77 million from ₱260.53 million. Occupancy and equipment-related costs was also higher by 3.10% or ₱5.54 million to ₱184.38 million versus ₱178.85 million posted during the third quarter of 2016. Security, messengerial and janitorial services increased to ₱125.29 million from the same period of ₱89.76 million. Amortization of software costs was higher by ₱5.98 million or 21.02% to ₱34.44 million from ₱28.46 million in 2016. Miscellaneous Expense was higher at ₱574.16 million compared to ₱465.51 million in September 2016. Depreciation and amortization of Bank's properties and leasehold improvements was up to ₱163.01 million from ₱144.41 million in 2016.

The Bank also reflected income from its investments in Sumisho Motor Finance Corporation (SMFC) amounting to ₱19.47 million from ₱7.98 million recorded in the same period last year.

Analysis of Key Performance Indicators

The following ratios measure the financial performance of the Bank:

		September 2017 (Unaudited)	September 2016 (Unaudited)	December 31 2016 (Audited)
Return on Average Equity*	ROAE	**11.94%**	**12.50%**	12.50%
Return on Average Assets*	ROAA	**1.20%**	**1.41%**	1.34%
Net Interest Margin on Average Earning Assets	NIM	**6.02%**	**6.24%**	6.17%
Earnings per share	EPS	**₱7.82**	**₱7.77**	₱10.20
Capital-to-Risk Assets Ratio	CAR	**14.19%**	**15.01%**	14.07%
Liquidity Ratio	LR	**26.25%**	**15.70%**	23.46%
Debt-Equity Ratio	DER	**9.14:1**	**7.89:1**	8.82:1
Asset-to-Equity Ratio	AER	**10.14:1**	**8.89:1**	9.82:1
Interest Rate Coverage Ratio	IRCR	**1.83:1**	**1.99:1**	1.94:1

** computed based on annualized/normalized net income*

<u>September 2017 vs. September 2016 Comparative highlights on key performance indicators</u>

1. Return on Average Equity (ROAE) in September 30, 2017 decreased to 11.94% from 12.50% 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) declined to 1.20% from 1.41% in September 2016. 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) was lower at 6.02% in September 2017 versus 6.24% in the same period last year. NIM is calculated by dividing the net interest income by the average earning assets.

4. Earnings per Share (EPS) was higher at ₱7.82 as of September 30, 2017 compared to the ₱7.77 reported during the same period last year. EPS represents the net profit the Bank has generated per common share. It is computed by dividing the year to date net income by the weighted average number of outstanding common shares.

5. Capital-to-Risk Assets Ratio (CAR) declined to 14.19% in September 2017 versus 15.01% in September 2016. 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 higher at 26.25% in September 2017 from 15.70% 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 9.14:1 from 7.89:1 in September 2016. 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 10.14:1 from 8.89:1 last year. AER is computed by dividing the total assets by total shareholder's equity.

9. Interest Rate Coverage Ratio (IRCR) went down to 1.83:1 this year from 1.99:1 in September 2016. 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 investments.

With the Bank's high capitalization, current liquidity position, strong deposit growth trend, continuing development of retail and corporate accounts, and prudent liquidity management, PSBank does not anticipate encountering any cash flow or liquidity problems in the next 12 months. It remains confident of its ability to meet its obligations and is committed to providing the necessary funding to support the projected loan growth, investment activities and expenditures for 2017.

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-17	30-Sep-16	31-Dec-16
Financial Standby Letters of Credit	₱25,285,002	₱91,134,933	₱25,260,314
Performance Standby Letters of Credit	56,000,000		58,400,071
Spot Foreign Exchange Contracts			49,720,000
Trust Department Accounts	5,342,347,743	4,017,134,455	3,991,172,047
Derivatives	3,030,582,004	7,024,351,427	
Others	40,070,543	80,036,768	64,097,628
TOTAL CONTINGENT ACCOUNTS	₱8,494,285,292	₱11,212,657,583	₱4,188,650,060

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

As of September 30, 2017, the Bank had a total of 250 branches and 609 ATMs which consist of 265 onsite ATMs and 344 offsite ATMs nationwide. Capital expenditures were sourced from the Bank's capital.

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 financial statements as of and for the year ended December 31, 2016, except for the following new accounting pronouncements starting January 1, 2017. Adoption of these pronouncements did not have any significant impact on the Bank's financial position or performance unless otherwise indicated.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide

comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 financial statements of the Bank.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

Summary of Significant Accounting Policies

Basis of Preparation
The accompanying interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting. Accordingly, the interim condensed financial statements do not include all the information and disclosures required in the annual audited financial statements and should be read in conjuction with the Bank's annual audited financial statements as at December 31, 2016.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
Purchases or sales of financial assets, except for derivatives, that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on a trade date basis. Deposits, amounts due to banks and loans and receivables 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.

Financial assets and financial liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading purposes and derivative instruments.

Financial instruments 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.

Derivatives
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 ‘Foreign exchange gain - net’. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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 (losses) - 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 two preceding financial 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, these 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
The Bank may reclassify, in rare circumstances, non-derivative financial assets out of the HFT investments category and into the AFS financial assets, HTM financial assets or Loans and Receivables categories.

A financial asset that is reclassified out of the HFT 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.

For a financial asset reclassified out of the AFS financial assets category, any previous gain or loss on the asset that has been recognized in OCI is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest method.

If the asset is subsequently determined to be impaired, the amount recorded in the OCI is recycled to the statement of income.

If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as HTM, it shall be reclassified as AFS 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 of charged-off assets' under 'Miscellaneous income' in the statement of income.

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

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

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

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

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

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

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

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

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

In the case of equity investments classified as AFS investments, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investments below its cost. The Bank treats 'significant' generally as 20.00% and 'prolonged' generally as longer 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.

<u>Standards issued but not yet effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Bank does not expect the future adoption of the said pronouncements to have a significant impact on its financial statements. The Bank intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The amendments are not applicable to the Bank since it does not have share-based payment transactions.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Bank since it does not have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  The Bank does not anticipate early adopting PFRS 15 and is currently assessing its impact.

- PFRS 9, *Financial Instruments*
  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. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Bank's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Bank's financial liabilities. The adoption will also have an effect on the Bank's credit losses. The Bank does not anticipate early adopting PFRS 9 and is currently assessing its impact.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Bank is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Fair Value Measurement

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

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

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

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

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

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

Derivative instruments (included under FVPL) - Fair values are estimated based on quoted market prices provided by independent parties or derived using acceptable valuation models. The models utilize published underlying rates (e.g., foreign exchange (FX) rates and forward FX rates).

Receivable from customers, sales contract receivables 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.

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

Derivative assets and liabilities – fair values are calculated by reference to the prevailing spot exchange rate as of statement of condition date.

Government securities – interpolated rates based on market rates of benchmark securities as of statement of condition date.

Inputs used in estimating fair values of financial instruments carried at amortized cost and categorized under Level 3 include risk-free rates and applicable risk premium.

<u>Non-financial Asset</u>
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 of 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.

Investment in a Joint Venture - On July 27, 2017, the Board of Directors of the Bank approved the sale of its 10% ownership in Sumisho Motor Finance Corporation (SMFC) to GT Capital for ₱189.96 million. The amount was based on an independent valuation report, which was subjected to a third party fairness opinion. The Bank will benefit from this transaction as this will improve its Tier 1 capital ratio and Capital Adequacy Ratio (CAR) in line with its capital planning initiatives under Basel III.

The following tables summarize the carrying amount and fair values of the Bank's financial instruments and investment properties, (in thousands):

	September 30, 2017				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVPL investments					
HFT - government securities	**₱542,066**	**₱542,066**	**₱–**	**₱–**	**₱542,066**
Derivative assets - foreign exchange swaps	**10,411**	**10,411**	**–**	**–**	**10,411**
AFS investments					
Government debt securities	**9,940,818**	**9,434,518**	**506,300**	**–**	**9,940,818**
Private debt securities	**6,183,754**	**6,183,754**	**–**	**–**	**6,183,754**
Quoted equity securities	**6,295**	**6,295**	**–**	**–**	**6,295**
	₱16,683,344	**₱16,177,044**	**₱506,300**	**₱–**	**₱16,683,344**

	September 30, 2017				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets for which fair values are disclosed:					
Financial Assets					
HTM investments					
Government	**₱26,137,063**	**₱26,069,150**	**₱–**	**₱–**	**₱26,069,150**
Private	**3,217,882**	**3,338,759**	**–**	**–**	**3,338,759**
Loans and receivables					
Receivables from customers					
Consumption loans	**79,705,740**	**–**	**–**	**96,117,625**	**96,117,625**
Real estate loans	**45,290,240**	**–**	**–**	**45,263,921**	**45,263,921**
Commercial loans	**10,456,549**	**–**	**–**	**11,556,530**	**11,556,530**
Personal loans	**2,849,930**	**–**	**–**	**3,520,747**	**3,520,747**
Sales contract receivable	**81,917**	**–**	**–**	**116,414**	**116,414**
Security deposits	**178,547**	**–**	**–**	**286,890**	**286,890**
Non-Financial Assets					
Investment properties	**3,957,202**	**–**	**–**	**4,980,439**	**4,980,439**
	₱171,875,070	**₱29,407,909**	**₱–**	**₱161,842,566**	**₱191,250,475**
Financial Liabilities					
Derivative liabilities - foreign exchange swaps	**₱11,294**	**₱–**	**₱11,294**	**₱–**	**₱11,294**
Liabilities for which fair values are disclosed:					
Deposit liabilities - Time	**₱132,766,431**	**₱–**	**₱–**	**₱133,745,002**	**₱133,745,002**
LTNCTD	**3,375,000**	**3,365,045**			**3,365,045**
Subordinated notes	**2,978,352**	**–**	**–**	**2,410,675**	**2,410,675**
	₱139,119,783	**₱3,365,045**	**₱–**	**₱136,155,677**	**₱139,520,722**

	December 31, 2016				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVPL investments					
HFT - government securities	₱1,360,293	₱1,360,293	₱–	₱–	₱1,360,293
Derivative assets - foreign exchange swaps	499	–	499	–	499
AFS investments					
Government debt securities	8,462,431	7,860,775	601,656	–	8,462,431
Private debt securities	4,645,669	4,645,669	–	–	4,645,669
Quoted equity securities	5,343	5,343	–	–	5,343
	₱14,474,235	₱13,872,080	₱602,155	₱–	₱14,474,235
Assets for which fair values are disclosed:					
Financial Assets					
HTM investments					
Government	₱20,046,355	₱14,700,636	₱3,121,158	₱–	₱17,821,794
Private	3,110,532	4,671,187	–	–	4,671,187
Loans and receivables					
Receivables from customers					
Consumption loans	68,049,723	–	–	77,057,592	77,057,592
Real estate loans	43,394,060	–	–	43,727,872	43,727,872
Commercial loans	10,724,488	–	–	11,602,071	11,602,071
Personal loans	2,923,628	–	–	3,471,046	3,471,046
Sales contract receivable	117,814	–	–	154,520	154,520
Security deposits	178,331	–	–	168,120	168,120
Non-Financial Assets					
Investment properties	3,861,708	–	–	4,675,355	4,675,355
	₱152,406,639	₱19,371,823	₱3,121,158	₱140,856,576	₱163,349,557
Liabilities measured at fair value:					
Financial Liabilities					
Derivative liabilities - foreign exchange swaps	₱65,317	₱–	₱65,317	₱–	₱65,317
Liabilities for which fair values are disclosed:					
Deposit liabilities - time	₱115,811,946	₱–	₱–	₱115,519,377	₱115,519,377
Subordinated notes	5,975,732	–	–	6,000,716	6,000,716
	₱121,787,678	₱–	₱–	₱121,520,093	₱121,520,093

As of September 30, 2017 and December 31, 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

As of September 30, 2017 and December 31, 2016, the Bank determined the market value of its warrants to be zero due to the absence of an active market for the Bank's ROP warrants, as evidenced by the unavailability of quoted market prices.

Financial Risk Management Policies and Objectives

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

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 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 BOD appoints the members of the Risk Oversight Committee (ROC).

The ROC oversees the system of limits to discretionary authority that the BOD delegates to the management and ensures that the system remains effective, the limits are observed, and that immediate corrective actions are taken whenever limits are breached.

The risk management framework aims to maintain a balance between the nature of the Bank's businesses and the risk appetite of the BOD. Accordingly, policies and procedures are reviewed regularly and revised as the organization grows and as financial markets evolve. New policies or proposed changes in current policies are presented to the ROC and the BOD for approval.

The BOD 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.

a. Credit risk

Credit risk is the risk that a 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, ROC and Risk Management Office (RMO). These policies serve as minimum standards for extending credit. The people engaged in the credit process are required to understand and adhere to these policies.

Product manuals are in place for all loans and deposit products that actually or potentially expose the Bank to all types of risks that may result in financial or reputational losses. They define the product and the risks associated with the product plus the corresponding risk-mitigating controls. They embody the business plans and define the business parameters within which the product or activity is to be performed.

The system of checks around extension of credit includes approval by at least two credit approvers through the Credit Committee (CreCom), Executive Committee (ExCom) or BOD. The ROC reviews the business strategies and ensures that revenue-generating activities are consistent with the risk tolerance and standards of the Bank. The Internal Audit Group conducts regular audit across all functional units. The BOD, through the ExCom, CreCom and ROC, ensure that sound credit policies and practices are followed through all the business segments.

The Bank uses credit scoring models and decision systems for consumer loans as approved by the BOD. Borrower risk rating model and facility risk rating model, on the other hand, are available for SME loans, and supported with qualitative evaluation. Regular monitoring of all these tools and their performance is carried out to ensure that they remain effective.

The Bank conducts regular loan review through the ROC, with the support of the RMO. The Bank examines its exposures, credit risk ratios, provisions and customer segments. The Bank's unique customer identification and unique group identification methodology enables it to aggregate credit exposures by customer or group of borrowers. Aggregate exposures of at least ₱100.0 million are put on a special monitoring.

The ROC assesses the adequacy of provisions for credit losses regularly. The Bank's automated loan grading system enables the Bank to set up provision per account. The Bank also performs impairment analyses on loans and receivables, whether on an individual or collective basis, in accordance with PFRS.

The Bank carries out stress testing analyses using Board-approved statistical models relating the default trends to macroeconomic indicators.

In 2016, the Bank has completely deployed its projects to effectively implement the sound credit risk management system and practices prescribed by the Bangko Sentral ng Pilipinas (BSP) under Circular 855. These include the internal loan loss models that ensure specific and collective allowance for expected credit losses in credit portfolio are adequate.

Concentration of risk is managed by borrower, by group of borrowers, by geographical region and by industry sector. As of September 30, 2017, the maximum credit exposure to any borrower amounted to ₱1.9 billion, before taking into account any collateral or other credit enhancement.

Impairment losses are recognized based on the results of a specific (individual) and collective assessment of credit exposures. Impairment has taken place when there is a presence of known difficulties in the payments of obligation by counterparties, a significant credit rating downgrade takes place, infringement of the original terms of the contract has happened or when there is inability to pay principal or interest overdue beyond a threshold (e.g., 90 days). These and other factors, either individually or together with other factors, constitute observable events or data that meet the definition of objective evidence of impairment.

b. Market risk

Market risk is the risk to earnings and capital arising from changes in the value of traded portfolios of financial instruments (trading market risk) and from movements in interest rates (interest rate risk). The Bank's market risk originates primarily from holding peso and dollar-denominated debt securities. The Bank utilizes Value-at-Risk (VaR) to measure and manage market risk exposure. VaR estimates the potential decline in the value of a portfolio, under normal market conditions, for a given confidence level over a specified holding period.

Trading activities

The Bank's trading portfolios are currently composed of peso and dollar-denominated sovereign debt securities that are marked-to-market daily. The Bank also uses VaR to measure the extent of market risk exposure arising from these portfolios.

VaR is a statistical measure that calculates the maximum potential loss from a portfolio over a holding period, within a given confidence level. The Bank's current VaR model uses historical simulation for Peso and USD HFT portfolios with confidence level at 99.00% and a 1 day holding period. It utilizes a 260 days rolling data most recently observed daily percentage changes in price for each asset class in its portfolio.

The Bank has established limits, VaR, stop loss limits and loss triggers, for its trading portfolios. Daily profit or losses of the trading portfolios are closely monitored against loss triggers and stop-loss limits.

Responsibility for managing the Bank's trading market risk remains with the ROC. With the support of RMO, the ROC recommends to the BOD changes in market risk limits, approving authorities and other activities that need special consideration.

Non-trading activities

Interest Rate Risk

The Bank follows a prudent policy on managing its assets and liabilities to ensure that 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 anticipated 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.

The Bank uses sensitivity gap model to estimate Earnings-at-Risk (EaR) should interest rates move against its interest rate profile. The Bank's EaR limits are based on a percentage of the Bank's projected earnings for the year and capital. The Bank also performs stress-testing to measure the impact of various scenarios based on interest rate volatility and shift in the yield curve. The EAR and stress testing reports are prepared on a monthly basis.

Foreign Currency Risk
Foreign currency risk is the risk of an investment's value changing due to an adverse movement in currency exchange rates. It arises due to a mismatch in the Bank's foreign currency assets and liabilities.

The Bank's policy is to maintain foreign currency exposure within the approved position, stop loss, loss trigger, VaR limits and to remain within existing regulatory guidelines. To compute for VaR, the Bank uses historical simulation model for USD/PHP FX position, with confidence level at 99.00% and a 1 day holding period.

c. Liquidity Risk

The Bank's policy on liquidity management emphasizes on three elements of liquidity, namely, cashflow management, ability to borrow in the interbank market, 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 its liquidity is the Maximum Cumulative Outflow (MCO) reports, which is also called liquidity gap or maturity matching gap reports. The liquidity gap report shows the projected cash flows of assets and liabilities representing estimated funding sources and requirements under normal conditions, which also forms the basis for the Bank's Contingency Funding Plan (CFP). The CFP projects the Bank's funding position during both temporary and long-term liquidity changes to help evaluate the Bank's funding needs and strategies under changing market conditions.

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 are as follows:

- Bank's Directors, Officers, Stockholders and their Related Interests (DOSRI) as defined per BSP's existing DOSRI rules and regulations;
- Close Family Members (i.e. 2nd degree relatives) of the Bank's Directors, Officers with rank of SVP and up and Individual Substantial Stockholders;
- Bank's Subsidiaries and Affiliates as defined per BSP's existing rules and regulations on lending to subsidiaries and 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 any party that the Bank exerts direct or indirect control over or that exerts direct or indirect control over the Bank;
- Corresponding Persons in Affiliated Companies as defined in the Bank's Related Party Transaction (RPT) Policy; 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. The terms of the transactions with such parties are listed below on substantially the same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties.

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 Division of the Bank.

The total fair value of the retirement fund as of September 30, 2017 and December 31, 2016 amounted to ₱1.8 billion and ₱1.5 billion, respectively.

The following table shows the amount of outstanding balances of related party transactions of the Bank and SMFC with the retirement plan of the employees of the Bank as of September 30, 2017 and December 31, 2016:

		September 30, 2017	
		Elements of Transaction	
Related Party	**Nature of Transaction**	**Statement of Condition**	**Statement of Income**
Philippine Savings Bank	Investment in Money Market Fund*	**₱59,632,766**	
	Deposits in Bank	**7,830**	
	Gain (loss) on sale of equity securities		**(₱10,040,000)**
	Income from Unit Investment Trust Fund (UITF)		**635,565**
	Interest Income		**7,859**
First Metro ETF	Equity investment*	**10,569,187**	

*Includes fair value gains of ₱1.45 million

		December 31, 2016	
		Elements of Transaction	
Related Party	**Nature of Transaction**	**Statement of Condition**	**Statement of Income**
Philippine Savings Bank	Investment in Money Market Fund*	**₱58,850,839**	
	Deposits in Bank	**3,365**	
	Gain on sale of equity securities		**₱246,455,484**
	Dividends earned		**6,901,211**
	Interest income		**7,309**
	Income from Unit Investment Trust Fund (UITF)		**1,179,402**
Sumisho Motor Finance Corporation	Equity investment	**200,000,000**	

*Includes fair value gains of ₱0.2 million

Transactions relating to the Bank's retirement plan are approved by its Retirement Committee.

In 2016, the Trust Division, in behalf of the Retirement Fund, provided allowance for impairment losses amounting to ₱38.5 million to its equity investment.

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, 2017 Unaudited	December 31,2016 Audited
Short-term employee benefits	**₱176,804,884**	₱250,805,503
Post-employment pension benefits	**7,858,066**	6,356,856
	₱184,662,950	₱257,162,359

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

Remunerations given to directors, as approved by the Board Remuneration Committee, amounted to ₱11.8 million and ₱16.7 million for the nine months ended September 30, 2017 and year ended December 2016, 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, 2017		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investor			
Interbank loans receivable		**₱ –**	Peso-denominated lending with 2.50% fixed interest rates and maturities ranging 360 days, secured ₱0
Deposits/placements	**₱16,870,000**		
Withdrawals/maturities	**16,870,000**		
Due from other banks	**(721,335)**	**731,442**	Short-term peso and foreign currency-denominated deposits with fixed rates ranging from 0.00% to 5.00%
Accounts receivable	**2,517**	**9,366**	Outstanding ATM service fees, rental and utility receivables, non interest bearing; no impairment
Miscellaneous assets		**781**	Security deposits on lease contracts
Available for sale investments	**(972)**	**50,785**	Pledge for security of payroll account with MBTC
Bills Payable			
Deposits/placements	**1,285,000**		Peso-denominated borrowing with 2.50% fixed interest rates and maturities ranging from 1-3 days,
Withdrawals/maturities	**1,285,000**		
Miscellaneous liabilities		**6,242**	Advance payment of security deposits
Accrued other expense payable		**65,055**	Outstanding IT expense payable, charges on current and savings account processing
Interest income	**2,150**		Income on deposits and interbank loans receivables
Rental income	**14,929**		Income from leasing agreements with various lease terms ranging from 2 to 5 years
Miscellaneous income	**5,456**		Income received from collection services
Information technology expense	**86,320**		Payment of information technology expenses
Trading and security loss	**(228)**		Loss from securities transactions
Interest expense	**256**		Interest expense on bills payable

(Forward)

	September 30, 2017		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Securities transactions			
Outright purchases	₱5,927,603		Outright purchase of FVPL, AFS and HTM investments
Outright sales	4,061,268		Outright sale of FVPL and AFS investments
Joint Venture			
Investment in a joint venture		₱580,737	Outstanding capital investment in SMFC
Accounts receivable		2,116	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	530	12,918	Demand and short term peso time-deposits with annual fixed rates of 1.25%
Rental income	8,603		Income from leasing agreements
Share in net income of a joint venture	45,573		40.00% share in net income of SMFC
Interest expense	35		Interest on deposit liabilities
Other Related Parties			
Interbank loans receivable			Peso-denominated lending which earn 2.50% fixed interest rate with maturity terms from 1 to 5 days.
Deposits/placements	19,612,000		
Withdrawals/maturities	19,612,000		
Receivable from customers			Loans granted bear interest ranging from 6.00% to 10.50% with maturities ranging from 12 to 60 months; Secured - ₱12.07 million Unsecured - ₱0; Impaired ₱0
Deposits/placements	3,173		
Withdrawals/maturities	429		
Miscellaneous assets		1,390	Three months advance security deposits
Accounts receivable	(2,097)	4,551	Outstanding ATM service fees, rental and utility receivables, non interest bearing
Prepaid expense		4,125	Payment for various policy renewals
Deposit liabilities	5,161,163	1,525,218	Demand, savings and short term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 2.00%
Bills Payable		-	Peso-denominated borrowing with 2.5% fixed interest rates and maturities ranging from 1-3 days
Deposits/placements	₱4,750,000		
Withdrawals/maturities	4,750,000		
Accounts payable		1,053	Various personal and car insurance payable
Miscellaneous liabilities		3,169	Advance payment of security deposits from various tenants
Interest income	1,924		Income on receivables from customers and interbank loans receivables
Trading and securities gain	(2,883)		Gain (loss) from securities transactions
Rental income	10,088		Income from leasing agreements with various lease terms
Bank commission	1,396		Commission income on ATM service fees
Miscellaneous income	11,552		Service income from referral fees on approved credit card issuances and bank insurance with rates ranging from 2.00% to 10.00%
Insurance expense	48,488		Payment of insurance premium
Interest expense	34,592		Interest on deposit liabilities and bills payable
Rent expense	2,888		Payment of rent expense to various lessors
Securities transactions			
Outright purchases	2,050,340		Outright purchase of FVPL and AFS investments
Outright sales	900,000		Outright sale of FVPL and AFS investments
Key Personnel			
Receivables from customers		12,479	Unsecured, no impairment, with annual fixed interest rates of 6.00% and maturities ranging from 2 to 10 years
Deposits/placements	2,494		
Withdrawals/maturities	3,823		
Interest income	669		Interest income from loans

	December 31, 2016		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investor			
Interbank loans receivable		₱ –	Peso-denominated lending with 2.50% fixed interest rates and maturities ranging from 1 to 3 days
Deposits/placements	₱26,450,000		
Withdrawals/maturities	26,450,000		
Due from other banks	418,071	1,452,777	Short-term peso and foreign currency-denominated deposits with fixed rates ranging from 0.00% to 5.00% secured by government securities amounting to ₱788,154
Accounts receivable	216	6,849	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 maturities ranging from 1 to 4 days
Deposits/placements	14,526,000		
Withdrawals/maturities	14,526,000		
Miscellaneous liabilities		6,242	Advance payments of security deposits
Accrued other expense payable		57,590	Outstanding information technology expense payable, charges on current and savings accounts processing
AFS investments	(479)	51,757	Pledge for security of payroll account with MBTC
Interest income	4,077		Income on deposits and interbank loans receivables
Rental income	24,775		Income from leasing agreements with various lease terms ranging from 2 to 5 years
Miscellaneous income	6,022		Income received from ATM service fees, rental and utilities
Information technology expense	263,263		Payment of information technology expenses
Trading and security loss	6,937		Loss from securities transactions
Interest expense	2,144		Interest expense on bills payable

	December 31, 2016		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Securities transactions			
Outright purchases	₱6,374,152		Outright purchase of FVPL, AFS and HTM investments
Outright sales	2,611,040		Outright sale of FVPL and AFS investments
Joint Venture			
Investment in a joint venture		₱727,176	Capital investment in SMFC
Accounts receivable	(38)	514	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	7,318	12,387	Demand and short term peso time-deposits with annual fixed rates of 1.25%
Miscellaneous liabilities		2,975	Advance payment of security deposits
Rental income	11,460		Income from leasing agreements
Share in net income of a joint venture	35,467		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	11,800,000		
Withdrawals/maturities	11,800,000		
Receivable from customers		12,252	Loans granted bear interest ranging from 7.00% to 19.14% with maturities ranging from 1 to 2 years; Secured - ₱12,252
Deposits/placements	14,715		
Withdrawals/maturities	383,987		
Miscellaneous assets		1,390	Three months advance security deposits
Accounts receivable	621	2,454	Outstanding ATM service fees, rental and utility receivables, non interest bearing
Prepaid expense		8,600	Payment for various policy renewals
Deposit liabilities	2,494,936	6,686,381	Demand, savings and short term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 2.00%
Bills payable		900,000	Peso-denominated borrowing with fixed interest rate of 2.50% and maturities ranging from 1 to 4 days
Deposits/placements	10,630,000		
Withdrawals/maturities	9,730,000		
Accrued other expense payable		3,231	Outstanding group life insurance payable
Accounts payable		174	Various personal and car insurance payable
Miscellaneous liabilities		3,169	Advance payment of security deposits from various tenants
Interest income	1,251		Income on receivables from customers and interbank loans receivables
Trading and securities gain	2,590		Gain from securities transactions
Rental income	12,967		Income from leasing agreements with various lease terms
Bank commission	4,629		Commission income on ATM service fees
Miscellaneous income	1,020		Service income from referral fees on approved credit card issuances and bank insurance with rates ranging from 2.00% to 10.00%
Insurance expense	53,946		Payment of insurance premium
Interest expense	179,408		Interest on deposit liabilities and bills payable
Rent expense	3,410		Payment of rent expense to various lessors
Securities transactions			
Outright purchases	650,000		Outright purchase of FVPL and AFS investments
Outright sales	650,000		Outright sale of FVPL and AFS investments
Key Personnel			
Receivables from customers		13,808	Unsecured, no impairment, with annual fixed interest rates of 6.00% and maturities ranging from 2 to 10 years
Deposits/placements	2,528		
Withdrawals/maturities	559		
Interest income	814		Interest income from loans

Regulatory Reporting

As required under existing BSP rules and regulations, the Bank discloses loans and other credit accommodations granted to its Directors, Officers, Stockholders and Related Interests (DOSRI). These loans and other credit accommodations were made substantially on the same terms as with other individuals and businesses of comparable risks and were subject of prior Board approval and entailing BSP reportorial requirements.

Existing banking regulations also limit the total amount of credit exposure to each of the Bank's DOSRIs, at least 70.00% of which must be secured, to the total of their respective deposits and book value of their respective unencumbered deposits and, if any, book value of their respective paid-in capital contribution in the Bank. In the aggregate, the Bank's total credit exposure to all its DOSRIs should not exceed its net worth or 15% of its total loan portfolio, whichever is lower, with any unsecured portion thereof not exceeding the lower between 30% of the aggregate limit or of the total actual exposure. However, loans and other credit accommodations to DOSRIs that are secured by assets considered by the BSP as non-risk are exempt from these ceilings. As of September 30, 2017 and December 31, 2016, the Bank's credit exposures to DOSRI are within the said regulatory limits.

BSP Circular No. 423 dated September 15, 2004, as amended by BSP Circular No. 914 dated September 23, 2016, provide the rules and regulations governing credit exposures to DOSRI. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to BSP Circular No. 423 and new DOSRI loans and other credit accommodations granted under said circular as September 30, 2017 and December 31, 2016:

	September 30, 2017 Unaudited	December 31, 2016 Audited
Total outstanding DOSRI accounts	**₱1,037,045,906**	**₱1,734,454,266**
Percent of DOSRI accounts granted under regulations existing prior to BSP Circular No. 423 to total loans	**0.73%**	**1.34%**
Percent of new DOSRI accounts granted under BSP Circular No. 423 to total loans	**–**	**–**
Percent of unsecured DOSRI accounts to total DOSRI accounts	**22.93%**	**12.63%**
Percent of past due DOSRI accounts to total DOSRI accounts	**0.00%**	**0.00%**
Percent of nonperforming DOSRI accounts to total DOSRI accounts	**0.00%**	**0.00%**

Total interest income from DOSRI loans amounted to ₱4.4 million and ₱26.6 million, in September 2017 and December 31 2016, respectively.

Other Disclosures

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

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

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

	Cash Dividends				
Date of declaration	Per share	Total amount	Date of BSP approval	Record date	Payment date
January 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
October 21, 2016	0.75	180,189,368	–	November 9, 2016	November 21, 2016
January 24, 2017	0.75	180,189,368	–	February 10, 2017	February 24, 2017
April 24, 2017	0.75	180,189,368	–	May 10, 2017	May 24, 2017
July 27, 2017	0.75	180,189,368	–	August 11, 2017	August 29, 2017
October 26, 2017	0.75	180,189,368	–	November 14, 2017	November 24, 2017

On October 9, 2015, the Bangko Sentral ng Pilipinas (BSP) issued Circular No. 888, *Amendments to Regulations on Dividend Declaration and Interest Payments on Tier 1 Capital Instruments*, which liberalized said rules in the sense that prior BSP verification and approval is no longer required except for banks with major supervisory concerns. However, banks are bound to comply with the provisions of Section X136 of the Manual of Regulations for Banks (MORB) and its subsections, including the submission of documentary requirements under Subsection X136.4 of the MORB, otherwise, banks, subsequently found to have violated the provisions on dividend declaration or have falsely certified/submitted misleading statements shall be reverted to the prior BSP verification wherein the bank can only make an announcement or communication on the declaration of the dividends or payment of dividends thereon upon receipt of BSP advice thereof. The Bank is compliant with the said circular.

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

In compliance with BSP regulations, 10.00% of the Bank's profit from trust business is appropriated to surplus reserves. This annual appropriation is required until the surplus reserves for trust business equals 20.00% of the Bank's authorized capital stock.

A portion of the surplus corresponding to the accumulated net earnings of a joint venture is not available for dividend declaration until receipt of cash dividends from the investee.

PSBank stock price closed at ₱87.00 per share as of November 8, 2017.

d) No unregistered securities were sold or offered for sale by the Bank as of September 30, 2017.

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

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

Subsequent Events

On October 26, 2017, the BOD of the Bank declared a 7.50% Regular Cash Dividend for the third quarter of 2017 amounting to ₱180.19 million or equivalent to ₱0.75 per share. This will be payable to all common stockholders as of the Record Date of November 14, 2017 and will be paid no later than the Payment Date of November 24, 2017.

SIGNATURES

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

By:

LEAH M. ZAMORA **Controller**	**VICENTE R. CUNA, JR.** **President**

Date Signed: November 10, 2017

PHILIPPINE SAVINGS BANK

Unaudited Interim Condensed Financial Statements

As of September 30, 2017
(With Comparative Audited Figures as of December 31, 2016)

And for the quarters ended September 30, 2017 and 2016 (Unaudited)

PHILIPPINE SAVINGS BANK

Annex 1

UNAUDITED INTERIM STATEMENTS OF CONDITION

(With Comparative Audited Figures as of December 31, 2016)

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Cash and Other Cash Items	**₱2,291,471,561**	₱2,778,009,185
Due from Bangko Sentral ng Pilipinas	**21,482,104,677**	13,986,784,696
Due from Other Banks	**1,461,627,963**	1,838,630,022
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	**450,000,000**	3,254,311,599
Fair Value Through Profit or Loss Investments	**552,476,974**	1,360,792,147
Available-for-Sale Investments	**16,132,284,263**	13,115,812,858
Held-to-Maturity Investments	**29,354,944,663**	23,156,886,629
Loans and Receivables	**140,090,366,403**	127,221,847,151
Investment in a Joint Venture	**580,736,522**	727,176,484
Property and Equipment	**2,545,794,142**	2,667,170,455
Investment Properties	**3,957,202,348**	3,861,708,308
Deferred Tax Assets	**1,407,650,925**	1,300,724,234
Goodwill and Intangible Assets	**496,968,153**	505,165,868
Other Assets	**1,305,348,122**	1,078,083,056
	₱222,108,976,716	₱196,853,102,692
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities		
Demand	**₱18,297,139,684**	₱15,339,143,653
Savings	**29,960,465,768**	27,236,228,764
Time	**136,141,430,898**	115,811,946,185
	184,399,036,350	158,387,318,602
Bills Payable	**6,048,100,121**	6,093,796,533
Subordinated Notes	**2,978,351,809**	5,975,732,110
Treasurer's, Cashier's and Manager's Checks	**1,537,692,747**	1,760,505,822
Accrued Taxes, Interest and Other Expenses	**1,411,093,461**	1,193,816,372
Financial Liabilities at FVPL	**11,293,987**	65,316,678
Income Tax Payable	**71,051,160**	466,880
Other Liabilities	**3,747,327,800**	3,338,477,499
	200,203,947,435	176,815,430,496
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	**16,500,961,245**	15,163,512,433
Net Unrealized Gain (Loss) on Available-for-Sale Investments	**(314,943,068)**	(842,908,364)
Remeasurement Losses on Retirement Plan	**(541,701,193)**	(541,701,193)
Equity in Remeasurement Gains on Retirement Plan of a Joint Venture	**1,443,599**	1,443,599
Cumulative Translation Adjustment	**3,384,965**	1,441,988
	21,905,029,281	20,037,672,196
	₱222,108,976,716	₱196,853,102,692

PHILIPPINE SAVINGS BANK

Annex 2

UNAUDITED INTERIM STATEMENTS OF INCOME

	For the three months ended September 30 (July to September)		For the period ended September 30 (January to September)	
	2017 (Unaudited)	2016 (Unaudited)	**2017 (Unaudited)**	2016 (Unaudited)
INTEREST INCOME				
Loans and receivables	₱3,183,921,019	₱2,839,827,058	₱9,201,809,433	₱8,106,184,813
Investment securities	470,902,479	321,210,073	1,340,029,934	987,711,308
Interbank loans receivable and securities purchased under resale agreements	10,008,299	7,690,411	52,282,492	51,542,294
Due from Bangko Sentral ng Pilipinas	87,020,417	1,005,417	132,584,491	9,418,707
Due from other banks	590,910	462,368	1,695,008	1,538,123
	3,752,443,124	3,170,195,327	10,728,401,358	9,156,395,245
INTEREST EXPENSE				
Deposit liabilities	865,497,005	582,207,321	2,328,673,562	1,784,167,153
Subordinated notes	41,985,409	86,168,985	149,087,353	257,624,911
Bills payable	17,675,941	14,328,729	46,134,551	40,552,441
	925,158,355	682,705,035	2,523,895,466	2,082,344,505
NET INTEREST INCOME	2,827,284,769	2,487,490,292	8,204,505,892	7,074,050,740
Service fees and commission income	355,578,114	303,420,340	1,086,893,031	904,857,816
Service fees and commission expense	24,680,149	22,672,316	71,397,541	70,110,793
NET SERVICE FEES AND COMMISSION INCOME	330,897,965	280,748,024	1,015,495,490	834,747,023
OTHER OPERATING INCOME (CHARGES)				
Trading and securities gains (losses) - net	33,439,559	162,158,241	(55,049,518)	673,738,988
Gain on foreclosure and sale of investment properties - net	57,980,654	95,493,239	230,772,851	287,140,814
Gain on foreclosure and sale of chattel mortgage properties - net	197,071,786	128,332,371	431,505,383	245,309,524
Foreign exchange gain - net	17,551,790	(5,875,094)	43,102,006	18,038,573
Gain on sale of property and equipment	1,397,270	491,384	1,438,270	2,292,818
Miscellaneous	132,701,448	104,260,257	398,596,819	301,806,263
	440,142,507	484,860,398	1,050,365,811	1,528,326,980
TOTAL OPERATING INCOME	3,598,325,241	3,253,098,714	10,270,367,193	9,437,124,744

(Forward)

	For the three months ended September 30 (July to September)		For the period ended September 30 (January to September)	
	2017 (Unaudited)	2016 (Unaudited)	**2017 (Unaudited)**	2016 (Unaudited)
OTHER EXPENSES				
Compensation and fringe benefits	₱821,630,057	₱717,395,477	₱2,387,352,291	₱2,234,079,021
Provision for credit and impairment losses	572,629,175	600,803,182	1,727,855,266	1,705,492,430
Taxes and licenses	331,767,630	260,525,618	991,111,494	782,697,365
Occupancy and equipment-related costs	184,383,224	178,846,707	554,242,931	529,111,504
Depreciation	163,009,910	144,411,390	476,801,433	416,971,373
Security, messengerial and janitorial services	125,288,503	89,757,429	353,466,244	261,239,935
Amortization of intangible assets	34,441,756	28,458,469	97,606,879	87,822,487
Miscellaneous	574,155,842	465,508,044	1,632,028,904	1,382,971,715
	2,807,306,097	2,485,706,316	8,220,465,442	7,400,385,830
INCOME BEFORE SHARE IN NET INCOME OF A JOINT VENTURE AND INCOME TAX	791,019,143	767,392,398	2,049,901,751	2,036,738,914
SHARE IN NET INCOME OF A JOINT VENTURE	19,471,192	7,981,075	45,572,679	19,189,876
INCOME BEFORE INCOME TAX	810,490,335	775,373,473	2,095,474,430	2,055,928,790
PROVISION FOR (BENEFIT FROM) INCOME TAX	112,122,345	63,261,413	217,457,514	188,650,095
NET INCOME	**₱ 698,367,990**	**₱712,112,060**	**₱1,878,016,915**	₱1,867,278,695
Basic/Diluted Earnings Per Share	**₱2.91**	₱2.96	**₱7.82**	₱7.77

PHILIPPINE SAVINGS BANK

Annex 3

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

	For the three months ended September 30 (April to September)		For the period ended September 30 (January to September)	
	2017 (Unaudited)	2016 (Unaudited)	**2017 (Unaudited)**	2016 (Unaudited)
NET INCOME	**₱698,367,990**	₱ 712,112,060	**₱1,878,016,916**	₱1,867,278,695
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that recycle to profit or loss in subsequent periods:				
Net unrealized gain (loss) from AFS investments	**83,542,713**	(81,650,450)	**527,965,296**	142,269,905
Cumulative translation adjustment	**1,183,792**	22,718,767	**1,942,977**	26,287,337
	84,726,505	(58,931,683)	**529,908,273**	168,557,242
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱ 783,094,495**	₱ 653,180,377	**₱ 2,407,925,189**	₱ 2,035,835,937

PHILIPPINE SAVINGS BANK

Annex 4

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

	Common Stock	Capital Paid in Excess of Par Value	Surplus Reserves	Surplus	Net Unrealized Gain (Loss) on Available-for-Sale Investments	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, 2017 (Audited)	**₱2,402,524,910**	**₱2,818,083,506**	**₱1,035,275,317**	**₱15,163,512,433**	**(₱842,908,364)**	**(₱541,701,193)**	**₱ 1,443,599**	**₱1,441,988**	**₱20,037,672,196**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**1,878,016,916**	**527,965,296**	**–**	**–**	**1,942,977**	**2,407,925,189**
Cash dividends	**–**	**–**	**–**	**(540,568,104)**	**–**	**–**	**–**	**–**	**(540,568,104)**
Balance at September 30, 2017 (Unaudited)	**₱2,402,524,910**	**₱2,818,083,506**	**₱1,035,275,317**	**₱16,500,961,245**	**(₱314,943,068)**	**(₱541,701,193)**	**₱1,443,599**	**₱3,384,965**	**₱21,905,029,281**
Balance at January 1, 2016 (Audited)	₱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	–	–	–	1,867,278,695	142,269,905	–	–	26,287,337	2,035,835,937
Cash dividends	–	–	–	(540,568,105)	–	–	–	–	(540,568,105)
Balance at September 30, 2016 (Unaudited)	₱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)	₱20,670,322,592
Balance at January 1, 2016 (Audited)	₱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	–	–	–	2,450,843,310	(843,088,139)	(70,330,182)	1,375,957	44,573,963	1,583,374,909
Cash dividends	–	–	–	(720,757,473)	–	–	–	–	(720,757,473)
Balance at December 31, 2016 (Audited)	₱2,402,524,910	₱2,818,083,506	₱1,035,275,317	₱15,163,512,433	(₱842,908,364)	(₱541,701,193)	₱1,443,599	₱1,441,988	₱20,037,672,196

PHILIPPINE SAVINGS BANK

Annex 5

UNAUDITED STATEMENTS OF CASH FLOWS

	Unaudited	Unaudited
	September 30 2017	September 30 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱2,095,474,429	₱2,055,928,791
Adjustments to reconcile income before income tax to net cash used in operations:		
Provision for credit and impairment losses	**1,727,486,121**	1,705,492,430
Amortization of premium (discount) on available-for-sale and held-to-maturity investments	(18,382,507)	(96,289,049)
Depreciation	**476,801,433**	416,971,373
Gain (loss) on foreclosure and sale of:		
Chattel mortgage properties	**(978,979,580)**	(245,309,524)
Investment properties	**(443,286,721)**	(287,140,814)
Amortization of:		
Intangible assets	**97,606,879**	87,822,487
Debt issuance costs	**(3,026,903,122)**	4,061,220
Realized gain on sale of available-for-sale investments	**50,269,826**	(560,100,928)
Unrealized trading (gain) loss on fair value through profit or loss investments	**(17,709,991)**	(29,658,331)
Share in net income of a joint venture	**(45,572,679)**	(19,189,876)
Gain on sale of property and equipment	**(1,438,270)**	(2,292,818)
Gain on sale of investment in an associate		
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Fair value through profit or loss investments	**772,028,899**	2,626,973,325
Loans and receivables	**(16,402,014,140)**	(12,459,973,594)
Other assets	**(155,092,098)**	7,521,859
Increase (decrease) in:		
Financial Liabilities at FVPL	–	174,189,662
Deposit liabilities	**26,012,375,559**	9,707,173,049
Accrued taxes, interest and other expenses	**217,279,993**	(61,497,527)
Treasurer's, cashier's and manager's checks	**(222,813,075)**	219,320,905
Other liabilities	**406,792,035**	445,385,103
Cash generated from (used in) operations	**10,543,922,991**	3,689,387,743
Income taxes paid	**(223,658,419)**	(172,536,835)
Net cash provided by (used in) operating activities	**10,320,264,572**	3,516,850,909
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of:		
Available-for-sale investments	**(3,550,577,672)**	(38,599,691,524)
Held-to-maturity investments	**(6,197,544,014)**	(5,465,098,561)
Property and equipment	**(190,687,331)**	(359,396,427)
Other intangible assets	**-**	(84,885,609)
Proceeds from sale of:		
Available-for-sale investments	**1,030,567,326**	32,836,146,447
Chattel mortgage properties	**2,112,739,901**	1,174,134,438
Investment properties	**771,261,052**	388,996,278
Property and equipment	**17,434,688**	148,280,844
Other intangible assets	**(89,409,164)**	-
Investment in a joint venture	**193,456,239**	-
Decrease (increase) in interbank loans receivable	**(4,127,094)**	-
Net cash used in investing activities	**(5,906,886,069)**	(9,961,514,113)

(Forward)

	Unaudited	Unaudited
	September 30, 2017	September 30, 2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of bills payable	**₱78,821,239,833**	₱2,361,743,417
Settlements of bills payable	**(78,866,641,374)**	-
Dividends paid	**(540,568,105)**	(540,568,105)
Net cash provided by financing activities	**(585,969,646)**	1,821,175,312
Effect of exchange rate differences	**59,841**	655,831
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,827,468,697**	(4,622,832,062)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	**2,778,009,185**	3,934,496,578
Due from Bangko Sentral ng Pilipinas	**13,986,784,696**	11,143,781,766
Due from other banks	**1,838,630,022**	1,861,110,141
Interbank loans receivable and securities purchased under resale agreements	**3,254,311,599**	2,513,904,112
	₱21,857,735,502	₱19,453,292,597
CASH AND CASH EQUIVALENTS AT END OF 3rd QUARTER		
Cash and other cash items	**2,291,471,561**	2,642,717,179
Due from Bangko Sentral ng Pilipinas	**21,482,104,677**	11,037,088,907
Due from other banks	**1,461,627,963**	1,150,654,449
Interbank loans receivable and securities purchased under resale agreements	**450,000,000**	-
	₱25,685,204,201	₱14,830,460,535

OPERATIONAL CASH FLOWS FROM INTEREST		
Interest paid	**₱5,673,397,947**	₱1,930,898,889
Interest received	**12,535,168,205**	9,390,213,073

PHILIPPINE SAVINGS BANK

Annex 6

UNAUDITED AGING OF RECEIVABLES

ACCOUNT TITLE	TOTAL LOAN PORTFOLIO	TOTAL CURRENT LOANS	TOTAL PAST DUE & ITL	P A S T D U E				ITEMS IN LITIGATION
				90 days or less	91-180 DAYS	181 DAYS TO 1 YEAR	MORE THAN 1 YEAR	
1 -TRADE RECEIVABLES								
A. LOANS AND DISCOUNTS	**PHP 141,912,902,283**	**PHP 137,759,348,164**	**PHP 4,153,554,119**	**PHP 1,869,640,844**	**PHP 345,303,460**	**PHP 47,683,008**	**PHP 39,529,393**	**PHP 1,851,397,413**
B. AGRICULTURAL LOANS	**242,345,455**	**224,097,533**	**18,247,922**	**15,735,166**	**-**	**-**	**-**	**2,512,755**
C. BILLS PURCHASED	**21,499,622**	**21,499,622**	**-**					**-**
D. RESTRUCTURED LOANS	**172,361,299**	**109,966,597**	**62,394,702**	**28,680,876**	**-**	**259,689**	**498,973**	**32,955,164**
E. SPURA	**450,000,000**	**450,000,000**	**-**					**-**
Total Trade Receivables	**142,349,108,659**	**138,114,911,917**	**4,234,196,743**	**1,914,056,887**	**345,303,460**	**47,942,697**	**40,028,366**	**1,886,865,333**
LESS: ALLOWANCE FOR PROBABLE LOSSES	**4,046,177,157**							
UNEARNED DISCOUNT	**4,788**							
OTHER DEFERRED CREDITS	**468,573**							
NET TRADE RECEIVABLE	**138,302,458,141**							
2 -NON-TRADE RECEIVABLES								
ACCOUNTS RECEIVABLES	**671,055,862**	**158,882,399**	**512,173,464**	**7,923,537**	**7,308,830**	**24,587,051**	**467,145,869**	**5,208,177**
ACCRUED INTEREST RECEIVABLES	**1,712,386,942**	**1,539,529,668**	**172,857,274**	**73,071,928**	**8,762,992**	**1,503,926**	**1,461,178**	**88,057,250**
Total Non-Trade Receivables	**PHP 2,383,442,804**	**PHP 1,698,412,066**	**PHP 685,030,738**	**PHP 80,995,465**	**PHP 16,071,822**	**PHP 26,090,977**	**PHP 468,607,048**	**PHP 93,265,427**
LESS: ALLOWANCE FOR PROBABLE LOSSES	677,451,559							
NET NON-TRADE RECEIVABLE	**1,705,991,246**							
NET RECEIVABLES	**PHP 140,008,449,387**							

UNAUDITED BUSINESS SEGMENT INFORMATION

	September 30, 2017				
(in thousands)	**Consumer Banking**	**Corporate Banking**	**Branch Banking**	**Treasury**	**Total**
Operating Income					
Interest income	₱3,641,609	₱ 176,443	₱4,782,812	₱2,127,536	₱10,728,400
Service fees and commissions	437,113	22,482	627,298	-	1,086,893
Other operating income	692,932	9,683	359,699	(11,948)	1,050,366
Total operating income	4,771,655	208,608	5,769,809	2,115,588	12,865,660
Non-cash expenses					
Depreciation and amortization	175,561	4,402	296,122	716	476,801
Provision for credit and impairment losses	1,666,291	(72,544)	134,108	-	1,727,855
Amortization of other intangible assets	36,354	1,936	58,746	571	97,607
Total non-cash expenses	1,878,206	(66,206)	488,976	1,287	2,302,263
Interest expense	-	-	1,230,209	1,293,685	2,523,894
Service fees and commissions expense	28,714	1,477	41,207	-	71,398
Subtotal	28,714	1,477	1,271,416	1,293,685	2,595,292
Compensation and fringe benefits	587,541	47,008	1,732,194	20,609	2,387,352
Taxes and licenses	307,432	23,206	335,098	325,375	991,111
Occupancy and equipment - related costs	49,156	777	504,156	154	554,243
Security, messengerial and janitorial services	82,311	3,241	266,900	1,014	353,466
Miscellaneous	509,383	28,253	972,774	121,619	1,632,029
Subtotal	1,535,823	102,485	3,811,122	468,771	5,918,201
Income (loss) before share in net income of a joint venture and income tax	1,328,912	170,852	198,295	351,845	2,049,904
Share in net income of a joint venture	-	45,573	-	-	45,573
Income (loss) before income tax	1,328,912	216,425	198,295	351,845	2,095,477
Provision (Benefit) from income tax	-	-	-	-	217,458
Net income					₱ 1,878,019
Segment assets	₱109,150,772	₱ 8,258,105	₱43,855,158	₱58,856,555	₱220,120,590
Investments in a joint venture					580,737
Deferred tax assets					1,407,651
Total assets					₱222,108,977
Segment liabilities	₱1,438,740	₱98,726	₱117,240,896	₱81,425,586	₱200,203,947

UNAUDITED BUSINESS SEGMENT INFORMATION
(In thousands)

	As of September 30, 2016				
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
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

AUDITED BUSINESS SEGMENT INFORMATION

(In thousands)	December 31, 2016 Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱4,202,897	₱293,441	₱5,895,983	₱2,100,149	₱12,492,470
Service fees and commission	480,075	31,697	714,243	–	1,226,015
Other operating income	595,208	17,873	531,821	533,658	1,678,560
Total operating income	5,278,180	343,011	7,142,047	2,633,807	15,397,045
Non-cash expenses					
Provision for (reversal of) credit and impairment losses	3,209,361	(390,094)	(596,764)	–	2,222,503
Depreciation	185,943	5,839	365,680	187	557,649
Amortization of other intangible assets	40,057	2,327	68,521	255	111,160
Total non-cash expenses	3,435,361	(381,928)	(162,563)	442	2,891,312
Interest expense	–	–	1,606,743	1,221,805	2,828,548
Service fees and commission expense	35,112	2,318	52,238	–	89,668
Subtotal	35,112	2,318	1,658,981	1,221,805	2,918,216
Compensation and fringe benefits	721,231	56,789	2,127,091	17,790	2,922,901
Taxes and licenses	335,734	23,487	426,654	272,563	1,058,438
Occupancy and equipment-related costs	67,678	1,449	641,813	2	710,942
Security, messengerial and janitorial services	79,717	2,627	300,718	609	383,671
Miscellaneous	564,947	31,680	1,181,358	98,491	1,876,476
Subtotal	1,769,307	116,032	4,677,634	389,455	6,952,428
Income before share in net income of a joint venture and income tax	₱38,400	₱606,589	₱967,995	₱1,022,105	2,635,089
Share in net income of a joint venture					35,467
Income before income tax					2,670,556
Provision for income tax					219,713
Net income					₱2,450,843
Segment assets	₱94,193,769	₱8,891,632	₱39,281,097	₱52,458,705	₱194,825,203
Investment in a joint venture					727,176
Deferred tax assets					1,300,724
Total assets					₱196,853,103
Segment liabilities	₱1,365,551	₱110,204	₱108,983,331	₱66,356,344	₱176,815,430

Annex 8

PHILIPPINE SAVINGS BANK
UNAUDITED SCHEDULE OF FINANCIAL PERFORMANCE INDICATORS

		September 30, 2017	September 30, 2016
PROFITABILITY RATIOS			
Return on Assets			
	Net Income / Average Total Resources	1.20%	1.41%
Return on Equity			
	Net Income / Average Stockholders' Equity	11.94%	12.50%
Net Interest Margin			
	Net Interest Income / Average Earning Assets	6.02%	6.24%
Cost to Income Ratio			
	Operating Expenses Excluding Provision for Impairment and Credit Losses and Income Taxes / Net Interest Income + Operating Income	63.47%	60.52%
SOLVENCY RATIOS			
Debt to Equity Ratio			
	Total Liabilities / Total Stockholders' Equity	9.14:1	7.89:1
Asset-to-Equity Ratio			
	Total Assets / Total Stockholders' Equity	10.14:1	8.89:1
Interest Rate Coverage Ratio			
	Earnings Before Interest and Taxes / Interest Expense	1.83:1	1.99:1
LIQUIDITY RATIOS			
Liquidity Ratio			
	Current Assets / Current Liabilities	26.95%	15.70%
Loans to Deposit Ratio			
	Gross Loans / Total Deposits	77.18%	87.08%
Capital Adequacy Ratio			
	Total Qualifying Capital / Total Risk-Weighted Assets	14.19%	15.01%