PSBank
PHILIPPINE SAVINGS BANK
Metrobank Group

12 November 2015

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

Dear Madam:

We would like to submit the attached SEC 17-Q report of Philippine Savings Bank (PSBank) for the period ended September 30, 2015.

Thank you very much.

Very truly yours,

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

COVER SHEET

1 5 5 5 2

SEC Registration Number

PHILIPPINE SAVINGS BANK

(Company's Full Name)

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

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

Perfecto Ramon Z. Dimayuga Jr.	885-8208
(Contact Person)	(Company Telephone Number)

1 2	3 1	1 7 - Q	3rd Quarter 2015		
Month	*Day*	(Form Type)		*Month*	*Day*
(Fiscal Year)				(Annual Meeting)	

(Secondary License Type, If Applicable)

SEC-Corporation Finance

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

1,537

Total No. of Stockholders
As of September 30, 2015

Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF
THE SECURITIES REGULATION CODE

1. For the quarterly period ended : **September 30, 2015**

2. Commission identification number : **15552**

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

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

   o PHILIPPINE SAVINGS BANK

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

   o City of Manila, Philippines

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

7. Address of registrant's principal office:

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

8. Registrant's telephone number, including area code

   o (632) 885-8208

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

   o Not applicable

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

o Title of each class	**Common Shares**
o Number of shares of common stock outstanding	**240,252,491**
o Amount of debt outstanding	**₱5,950,736,196 (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, 2015:

Name of Stockholder	Outstanding Number of Shares	Percent to Total No. of Shares
Metropolitan Bank and Trust Co.	182,535,895	75.98%
PCD Nominee Corp. (Filipino)	18,353,021	7.64%
Danilo L. Dolor	12,610,891	5.25%

As of September 30, 2015, there is no person who holds more than 5% of the Bank's securities lodged with PCD Nominee Corporation.

2. Legal Proceedings

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

3. Board Resolutions

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

PHILIPPINE SAVINGS BANK
SEC FORM 17-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

Item 1. Management Discussion and Analysis

A. Analysis of Statements of Condition

September 30, 2015 (Unaudited) and December 31, 2014 (Audited)

The Bank's Total Assets as of September 30, 2015 was recorded at ₱159.46 billion, this was 9.51% better than the ₱145.61 billion level in December 2014. The significant increase in assets was the result of continuing growth in its loan and investment portfolios.

Loans and Receivables, net of allowance and unearned interest and discounts representing 68.61% of total assets, stood at ₱109.41 billion. This was ₱13.65 billion higher than the December 2014 level of ₱95.76 billion. Auto and Mortgage Loans rose by 23.31% and 13.80%, respectively.

Held-to-Maturity Investments increased by 788.86% or ₱13.28 billion from December 2014 level of ₱1.68 billion to ₱14.96 billion as of September 2015. Similarly, Financial Assets at Fair Value through Profit or Loss (FVPL) went up by ₱2.76 billion to ₱ 3.04 billion from ₱278.91 million in December 2014. Available-for-Sale Investments grew by ₱595.20 million, 9.78% higher to ₱6.68 billion from ₱6.08 billion in December 2014. In sum, these investment accounts comprised 15.48% of the total assets.

There was no Interbank Loans Receivable and Securities Purchased under Resale Agreement as of September 2015 versus December 2014 level of ₱ 2.19 billion. Due from other Banks slid by ₱2.10 billion to ₱1.29 billion while Due from Bangko Sentral ng Pilipinas, representing 7.86% of total assets was ₱12.53 billion as at September 2015 from ₱24.0 billion in December 2014. On the other hand, Cash and Other Cash Items stood at ₱2.51 billion at September 2015.

Investments in joint venture increased by ₱13.25 million to ₱681.86 million from ₱668.61 million, as the Bank recognized its share in the net earnings of Sumisho Motor Finance Corporation (SMFC), a joint venture between PS Bank and Sumitomo Corporation.

Investment Properties went up to ₱3.25 billion as of September 2015 from ₱2.93 billion in December 2014 due to the foreclosure of real estate properties. Property and Equipment increased by ₱302.97 million to ₱2.77 billion as of September 2015.

Deferred Tax Asset went up by 38.61% or ₱282.59 million to ₱1.01 billion versus ₱731.94 million in December 2014 as a result of recognition of deferred tax on provision for probable losses on loans. Goodwill and Other Intangibles reflected an increase of 15.69% or ₱57.91 million to ₱427.05 million from ₱369.14 million in 2014. Meanwhile, Other Assets increased to ₱895.52 million from ₱888.82 million level in December 2014. This was mainly due to the increase in the foreclosure of chattel mortgage properties.

The Bank's deposit level, comprising 90.55% of total liabilities, improved by 9.03% or ₱10.52 billion to ₱127.05 billion from ₱116.53 billion as of December 2014. The increase came across all deposit products with growth in CASA of ₱4.44 billion and time deposits of ₱6.08 billion.

As of September 30, 2015, the total Tier II Notes amounted to ₱5.95 billion. On June 23, 2015, the Bank received an issuer rating of PRS Aaa (corp.) from Philippine Rating Services Corporation (PhilRatings). An issuer rating of PRS Aaa means that the company has a very strong capacity to meet its financial commitments relative to that of other Philippine corporates. A PRS Aaa is the highest corporate credit rating assigned on the PRS scale. The Bank on May 23, 2014 issued a ₱3.0 billion Unsecured Subordinated Notes (Tier II) that qualify as Tier II capital under the BSP's revised risk-based capital adequacy framework in line with Basel III standards. The issuance has a loss absorption feature to conform to Basel III requirements.

Treasurer's, Cashier's and Manager's Checks increased to ₱1.28 billion from ₱1.25 billion in December 2014. Income Tax Payable as of September 2015 was at ₱85.76 million representing accrual for the current quarter which is due for remittance to BIR on or before November 27, 2015. Bills Payable stood at ₱1.87 billion as of September 2015. On the other hand, Other Liabilities was down at ₱2.93 billion in September 30, 2015 versus ₱3.01 billion in December 2014.

The Capital stood at ₱19.16 billion, 8.04% higher than the December 2014 level of ₱17.73 billion. This included mark to market gains from its Available-for-Sale Investments which was recorded at ₱81.94 million in September 2015 versus ₱26.60 million gains in December 2014.

Return on Average Equity (ROAE) was lower at 12.53% in September 2015 versus 13.64% in December 2014. Return on Average Assets (ROAA) slid to 1.51% in September 2015 versus to 1.68% in end-2014.

B. Discussion of Results of Operations

For the nine months-ended September 30, 2015 (Unaudited) vs. September 30, 2014 (Unaudited)

As of September 30, 2015, the Bank registered a Net Income after Tax of ₱1.73 billion or 7.59% lower than the ₱1.88 billion recorded for the same period last year. The decrease in net income was attributed to higher other operating income in 2014 due to the significant gains on the sale of Bank's equity investments in Toyota Financial Services Corporation (TFSPC) and Victorias Milling Company, Inc. (VMC).

Total Interest Income went up by 7.82% or ₱588.77 million to ₱8.12 billion versus ₱7.53 billion in 2014.

Interest earned from deposits with BSP increased by 228.82% to ₱135.11 million from ₱41.09 million. Interest income on Investment Securities went up to ₱444.60 million from ₱262.66 million while Interest income from Loans and Receivables was posted at ₱7.35 billion, 12.23% higher than the ₱ 6.55 billion recorded during the same period last year. On the other hand, Interest earned from Interbank Loans Receivable and SPURA decreased by ₱481.72 million or 72.54% lower compared to ₱664.07 million in 2014 due to lower SPURA placements with BSP. Interest income from deposits with other banks went down by 44.97% to ₱7.43 million.

Interest Expense on deposit liabilities increased to ₱1.63 billion from ₱1.58 billion due to higher average daily balance (ADB) of deposit liabilities at ₱125.27 billion in 2015 versus ₱106.81 billion in 2014 for the same period. Interest Expense on Subordinated Notes rose by 27.45% to ₱256.96 million from ₱201.62 million due to the amortization of debt issuance costs related to the issuance of the ₱3.0 billion Unsecured Subordinated Notes (Tier II) last May 2014.

As of September 2015, Net Interest Income improved by 8.36% to ₱6.23 billion from ₱5.75 billion the same period last year.

Net Service Fees and Commission Income increased to ₱913.54 million from ₱796.10 million in 2014.

Meanwhile, the Bank reflected lower Other Operating Income amounting to ₱883.40 million in September 2015. This was mainly due to the recognition of the gain on sale of the Bank's equity investments in TFSPC in 2014 which was recorded under Miscellaneous Income account. Also, the Bank recognized a trading gain and a mark to market loss of ₱3.59 million and ₱40.70 million, respectively, resulting to a net trading loss of ₱37.11 million for the period ended September 2015.

In September 2015, the Bank participated in a bond exchange transaction with the Republic of the Philippines affecting HFT and AFS investments and received a 25-year Benchmark bonds with coupon of 4.625% and face value of ₱868.05 million and ₱493.47 million respectively, at a price equivalent to the ratio of Eligible Bond Repurchase Price to the New Benchmark Bond Issue Price for every P1.00 principal amount of each series of Eligible Bonds offered. The Bank realized a net trading gain of ₱ 4.40 million from this transaction.

In 2015, the Bank posted net gains on the foreclosure and sale of chattel mortgage and investment properties amounting to ₱496.50 million, ₱7.85 million lower compared with the ₱504.35 million gains during the same period last year. Gain on sale of property and equipment was lower at ₱11.01 million in 2015.

Foreign Exchange gain was posted at ₱13.85 million from ₱5.59 million in September 2014.

Other Operating Expenses, excluding provision for impairment and credit losses, went up to ₱5.16 billion from ₱4.99 billion in September 2014. Compensation and Fringe Benefits was posted at ₱1.96 billion while occupancy and equipment-related costs was at ₱503.22 million. Depreciation and amortization of Bank's properties and leasehold improvements was down to ₱365.16 million from ₱378.55 million in 2014. Meanwhile, Security, messengerial and janitorial services was at ₱248.12 million. Amortization of software costs was recorded at ₱71.57 million. Miscellaneous Expenses was higher by 5.77% or ₱69.01 million to ₱1.26 billion from ₱1.20 billion last year.

The Bank set aside ₱1.13 billion in provision for impairment and credit losses.

The Bank also reflected income from its investments in Sumisho Motor Finance Corporation (SMFC) amounting to ₱13.25 million in September 2015. This was lower by 80.02% versus the same period last year which included the ₱72.09 million share in the net earnings of Toyota Financial Services Philippines Corporation (an associate) which the Bank sold in the third quarter of 2014.

For the quarter-ended September 30, 2015 (Unaudited) vs. September 30, 2014 (Unaudited)

The Bank reported a net income after tax of ₱602.37 million for the quarter ended September 30, 2015, ₱144.74 million lower than the ₱747.11 million recorded for the same quarter last year. The decrease was attributed to the one-time gain on sale of the Bank's equity investments in TFSPC during the third quarter of 2014.

Total Interest Income for the third quarter of 2015 was reflected at ₱2.79 billion, 8.25% higher than ₱ 2.58 billion recorded for the same quarter last year. Meanwhile, Total Interest Expense was down to ₱633.79 million from ₱635.05 million. Net Interest Income improved to ₱2.16 billion from the ₱1.94 billion during the same quarter last year.

Interest income on Loans and Receivables was better by ₱310.96 million or 14.09% to ₱2.52 billion compared to the ₱2.21 billion during the same period last year. Interest earned from Investment Securities improved by 180.50% or ₱163.72 million to ₱254.42 million. Meanwhile, Interest earned from deposit with BSP was higher by ₱3.93 million, 34.36% better than the ₱11.43 million level during the third quarter of 2014. Interest earned from Interbank Loans and SPURA declined by 99.78% or ₱ 261.64 million to ₱0.58 million from ₱262.21 million while Interest income from placements with other banks was reflected at ₱0.42 million versus ₱4.71 million last year.

Meanwhile, Other Operating Income was lower by ₱529.91 million to ₱301.51 million from ₱831.42 million recorded during the third quarter of 2014.

In September 2015, the Bank participated in a bond exchange transaction with the Republic of the Philippines affecting HFT and AFS investments and received a 25-year Benchmark bonds with coupon of 4.625%, and face value of ₱868.05 million and ₱493.47 million, respectively, at a price equivalent to the ratio of Eligible Bond Repurchase Price to the New Benchmark Bond Issue Price for every P1.00 principal amount of each series of Eligible Bonds offered. The Bank realized net trading gain of

₱4.40 million from this transaction.

The net gains on sale and foreclosure of chattel mortgage and investment properties were posted at ₱207.99 million compared to ₱178.06 million gains during the same period in 2014. Meanwhile, the Bank also reflected a lower gain on sale of property and equipment of ₱0.44 million compared to ₱1.07 million gains in the third quarter of 2014. Miscellaneous Income was lower by ₱526.60 million versus ₱646.37 million recorded during the third quarter of 2014 due to sale of the Bank's equity investments in TFSPC.

The Bank reflected a foreign exchange gain of ₱6.91 million from ₱5.44 million in 2014.

Total Operating Expenses, excluding provision for impairment, registered a decrease of ₱89.07 million to ₱1.71 billion from ₱1.80 billion in 2014.

Compensation and fringe benefits rose by 4.95% to ₱645.83 million from ₱615.36 million in 2014. Taxes and licenses went down to ₱236.76 million from ₱368.11 million mainly due to payment of capital gains tax relative to the sale of the Bank's investments in TFSPC in the 3rd quarter of 2014. Occupancy and equipment-related costs was also higher by 7.04% or ₱11.30 million to ₱171.80 million versus
₱160.50 million during the third quarter of 2014. Security, messengerial and janitorial services increased to ₱89.32 million from a year ago level of ₱72.23 million. Amortization of software costs also increased by 14.12% to ₱24.56 million from ₱21.52 million in 2014. Miscellaneous Expense was down at ₱414.63 million compared to ₱438.72 million in September 2014.

The Bank set aside an additional provision for credit loss of ₱438.55 million during the third quarter of 2015.

The Bank also reflected income from its investments in Sumisho Motor Finance Corporation (SMFC) amounting to ₱4.44 million in September 2015. This was lower by 78.87% versus the same period last year which included the ₱27.34 million share in the net earnings of Toyota Financial Services Philippines Corporation (an associate) which the Bank sold in the third quarter of 2014.

Analysis of Key Performance Indicators

The following ratios measure the financial performance of the Bank:

		September 30		December 31
		2015	2014	2014
		(Unaudited)		(Audited)
Return on Average Equity*	ROAE	**12.53%**	**13.94%**	13.64%
Return on Average Assets*	ROAA	**1.51%**	**1.68%**	1.68%
Net Interest Margin on Average Earning Assets	NIM	**6.37%**	**6.36%**	6.58%
Earnings per share	EPS	**₱7.21**	**₱7.81**	₱9.65
Capital-to-Risk Assets Ratio	CAR	**18.17%**	**20.06%**	19.57%
Liquidity Ratio	LR	**28.28%**	**51.45%**	46.83%
Debt-Equity Ratio	DER	**7.32:1**	**7.58:1**	7.21:1
Asset-to-Equity Ratio	AER	**8.32:1**	**8.58:1**	8.21:1
Interest Rate Coverage Ratio	IRCR	**1.93:1**	**2.01:1**	1.96:1

** computed based on annualized/normalized net income*

<u>September 2015 vs. September 2014 Comparative highlights on key performance indicators</u>

1. Return on Average Equity (ROAE) in September 30, 2015 went down to 12.53% from 13.94% the same period last year. ROAE measures how well the Bank is using common shareholders' invested money. It is calculated by dividing the annualized/normalized net income by the year-on-year average of the outstanding shareholders' equity.

2. Return on Average Assets (ROAA) decreased to 1.51% from 1.68% in September 2014. 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) went up to 6.37% in September 30, 2015 from 6.36% last year. NIM is calculated by dividing the net interest income by the average earning assets.

4. Earnings per Share (EPS) was lower at ₱7.21 as of September 30, 2015 compared to ₱7.81 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) was lower at 18.17% in September 2015 versus 20.06% in September 2014. 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) decreased to 28.28% in September 2015 from 51.45% 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) decreased to 7.32:1 from 7.58:1 in September 2014. 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) was lower at 8.32:1 in September 2015 versus 8.58:1 last year. AER is computed by dividing the total assets by total shareholder's equity.

9. Interest Rate Coverage Ratio (IRCR) went down 1.93:1 this year from 2.01:1 in September 2014. 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 investment securities.

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

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-15	30-Sep-14	31-Dec-14
Trust Department	₱2,253,696,843	₱1,565,981,906	₱1,751,995,244
Spot Foreign Exchange Contracts	46,740,000	-	-
Stand-by credit line	78,635,185	78,824,731	78,623,503
Late deposits/payments received	63,409,410	61,315,225	70,408,879
Items held for safekeeping	300,062	213,613	309,487
Others	138,153	116,555	29,407

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

Material Commitments for Capital Expenditures

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

As of September 30, 2015, the Bank had a total of 247 branches and 610 ATMs which consist of 260 onsite ATMs and 350 offsite ATMs nationwide.

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

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

Known Trends, Events or Uncertainties or Seasonal Aspects

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year. The issuance of and the amendments to the following standards and interpretations which became effective January 1, 2015 were assessed to either be applicable or not applicable to the Bank.

PAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. The Bank does not expect the amendment to have an impact since it has a non-contributory defined benefit plan.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Bank. They include:

PFRS 2, Share-based Payment – Definition of Vesting Condition
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition; and
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This amendment does not apply to the Bank as it has no share-based payments.

PFRS 3, Business Combinations – Accounting for Contingent Consideration in a Business Combination
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, Financial Instruments: Recognition and Measurement (or PFRS 9, Financial Instruments, if early adopted). The Bank shall consider the amendment for future business combinations.

PFRS 8, Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets
The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amendments affect disclosures only and the Bank does not expect that PFRS 8 will have material financial impact in future financial statements.

PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In

addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment has no impact on the Bank's financial position or performance.

PAS 24, Related Party Disclosures – Key Management Personnel
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and have no impact on the Bank's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Bank. They include:

PFRS 3, Business Combinations – Scope Exceptions for Joint Arrangements
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

PFRS 13, Fair Value Measurement – Portfolio Exception
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

PAS 40, Investment Property
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment has no significant impact on the Bank's financial position or performance.

Significant Accounting Policies - Financial Instruments

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

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

Derivatives recorded at FVPL

Derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as cash flow hedges) are taken directly to the statement of income and are included in 'Trading and securities gain - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

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

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

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

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

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

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

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

Designated financial assets or financial liabilities at FVPL

Designated financial assets or financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at FVPL upon recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:
- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- the financial instrument contains one or more embedded derivatives which significantly modify the cash flow that would otherwise be required by the contract.

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

Embedded derivatives
An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized at fair value through profit or loss.

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

As of September 30, 2015 and December 31, 2014, the Bank does not have any embedded derivatives required to be separated from the host contract.

AFS investments
AFS investments include equity and debt securities. Equity investments classified as AFS are those which are neither classified as HFT nor designated at FVPL. Debt securities in this category are

intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in market conditions. The Bank has not designated any loans and receivables as AFS.

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

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

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

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

Loans and receivables
This accounting policy relates to the Bank's 'Due from Bangko Sentral ng Pilipinas (BSP)', 'Due from Other Banks', 'Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)', and 'Loans and Receivables'. These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market, other than:

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

After initial measurement, 'Due from BSP', 'Due from Other Banks', 'Interbank Loans Receivable and SPURA' and 'Loans and Receivables' are subsequently measured at amortized cost using the 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’, ‘Subordinated Notes’, ‘Treasurer’s, Cashier’s and Manager’s Checks’, ‘Accrued Taxes, Interest and Other Expenses’, ‘Accounts Payable’, ‘Bills Purchased - Contra’, ‘Other credits’, ‘Due to BSP’, ‘Dividends Payable’, ‘Due to the Treasurer of the Philippines’ and ‘Deposits for Keys - Safety Deposit Boxes (SDB)’, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

<u>Repurchase and Reverse Repurchase Agreements</u>

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

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

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

Reclassification of Financial Assets
A financial asset is reclassified out of the FVPL category when the following conditions are met:
- the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and
- there is a rare circumstance.

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

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

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

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

Financial assets carried at amortized cost
For financial assets carried at amortized cost, which includes loans and receivables, due from banks and HTM investments, the Bank first assesses individually at each statement of condition date whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the

estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. Assets individually assessed for impairment for which no impairment loss was measured are also collectively assessed for impairment.

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

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

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

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

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

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

Restructured loans
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement on new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subjected to an individual or collective impairment assessment, calculated using the loan's original EIR if the original loan has a fixed interest rate and the current repriced rate if the original loan is repriceable. The difference between the recorded value of the original loan and the present value of the restructured cash flows,

discounted at the applicable interest rate, is recognized in ‘Provision for credit and impairment losses’ in the statement of income.

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

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

Future interest income continues to be accrued based on the reduced carrying amount using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of ‘Interest income’ in the statement of income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of income.
In the case of equity investments classified as AFS investments, objective evidence would also include a ‘significant’ or ‘prolonged’ decline in the fair value of the investments below its cost. The Bank treats ‘significant’ generally as 20.00% and ‘prolonged’ generally as greater than twelve (12) months. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized in the statement of comprehensive income.

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

Standards Issued but not yet Effective

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

<u>Effective 2016 onwards</u>
PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank since it does not use a revenue-based method to depreciate its non-current assets.

PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture – Bearer Plants (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, Accounting for Government Grants and Disclosure of Government Assistance, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank as it does not have any bearer plants.

PAS 27, Separate Financial Statements – Equity Method in Separate Financial Statements (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. It is not expected that the amendment would be relevant to the Bank.

PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016. It is not expected that the amendment would be relevant to the Bank.

PFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (Amendments)
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank.

PFRS 14, Regulatory Deferral Accounts
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and

other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. The standard would not apply to the Bank since it is an existing PFRS preparer.

PFRS 9, Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

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

PFRS 9, Financial Instruments (2014 or final version)
In July 2014, the final version of PFRS 9, Financial Instruments, was issued. 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 comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

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

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 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 IFRS 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 IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally. This new standard issued by the IASB has not yet been adopted by the FRSC.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016, and are not expected to have a material impact on the Bank. They include:

PFRS 5, Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

PFRS 7, Financial Instruments: Disclosures – Servicing Contracts
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, Employee Benefits – regional market issue regarding discount rate
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Fair Value Measurement

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

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

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

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

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

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

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

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

Demand deposits, savings deposits, 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 current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

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

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

	September 30, 2015 (Unaudited)				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets measured at fair value					
Financial Assets					
HFT investments					
Government securities	₱ 2,377,757	₱2,377,757	₱–	₱–	₱2,377,757
Treasury Notes and Bonds	663,241	663,241	–	–	663,241
AFS investments					
Government debt securities	1,499,046	955,177	543,869	–	1,499,046
Private debt securities	3,494,597	3,494,597	–	–	3,494,597
Treasury Notes and Bonds	1,680,536	1,680,536	–	–	1,680,536
Quoted equity securities	2,925	2,925	–	–	2,925
	₱9,718,102	₱9,174,233	₱543,869	₱–	₱9,718,102
Assets for which fair values are disclosed					
Financial Assets					
HTM investments					
Government securities	₱3,636,552	₱3,499,573	₱–	₱–	₱3,499,573
Private debt securities	2,857,474	2,896,943	–	–	2,896,943
Treasury Notes and Bonds	8,466,563	8,329,138	–	–	8,329,138
Loans and receivables					
Receivables from customers					
Consumption loans	56,106,578	–	46,760,067	–	46,760,067
Real estate loans	38,682,314	–	35,504,020	–	35,504,020
Commercial loans	10,268,674	–	11,270,262	–	11,270,262
Personal loans	3,135,009	–	3,223,621	–	3,223,621
Other receivables					
Sales contract receivable	193,387	–	211,543	–	211,543
Other assets					
Security deposits	163,805	–	167,742	–	167,742
Shortages	824	–	824	–	824
Non-Financial Assets					
Investment properties	3,245,266	–	3,711,277	–	3,711,277
	₱126,746,446	₱14,725,654	₱100,849,356	₱–	₱115,575,010
Financial Liabilities					
Deposit liabilities					
Time	₱93,500,335	₱–	₱97,155,627	₱–	₱97,155,627
Bills Payable	1,869,600	–	1,869,600	–	1,869,600
Subordinated notes	5,950,736	–	5,747,686	–	5,747,686
Other Liabilities – Deposits on lease contracts	10,953	–	10,953	–	10,953
	₱101,331,624	₱–	₱104,783,866	₱–	₱104,783,866

	December 31, 2014 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVPL investments					
HFT - government securities	₱278,909	₱278,909	₱–	₱–	₱278,909
AFS investments					
Government debt securities	3,068,906	2,531,241	537,665	–	3,068,906
Private debt securities	3,010,068	3,010,068	–	–	3,010,068
Quoted equity securities	2,925	2,925	–	–	2,925
	₱6,360,808	₱5,823,143	₱537,665	₱–	₱6,360,808
Assets for which fair values are disclosed:					
Financial Assets					
HTM investments					
Private	₱1,683,128	₱1,648,500	₱–	₱–	₱1,648,500
Loans and receivables					
Receivables from customers					
Consumption loans	45,501,498	–	48,490,205	–	48,490,205
Real estate loans	33,992,035	–	36,757,985	–	36,757,985
Commercial loans	12,015,811	–	13,292,661	–	13,292,661
Personal loans	3,120,326	–	3,605,699	–	3,605,699
Other receivables					
Sales contract receivable	232,266	–	250,251	–	250,251
Other assets					
Security deposits	114,005	–	115,974	–	115,974
Non-Financial Assets					
Investment properties	2,933,069	–	3,372,177	–	3,372,177
	₱99,592,138	₱1,648,500	₱105,884,952	₱–	₱107,533,452
Financial Liabilities					
Deposit liabilities					
Time	₱87,415,706	₱–	₱91,696,880	₱–	₱91,696,880
Subordinated notes	5,946,901	–	5,785,495	–	5,785,495
	₱93,362,607	₱–	₱97,482,375	₱–	₱97,482,375

There have been no transfers between Level 1 and Level 2 in September 30, 2015 and December 31, 2014.

Financial Risk Management

Compared with December 31, 2014, there have been no significant changes in the financial risk exposures that materially affect the financial statements of the Bank as of September 30, 2015. The Bank has exposures to credit, market, and liquidity risks from its use of financial instruments. The following discussions should be read in conjunction with the Notes to the Bank's 2014 audited financial statements.

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

Credit Risk
Credit risk is the risk that counterparty will not settle its obligations in accordance with the agreed terms. The Bank's lending business follows credit policy guidelines set by the BOD and ROC. The

people engaged in the credit process are required to understand and adhere to these policies. Product manuals are in place and define the product, business plan, parameters, associated risks and mitigating controls. The system of checks includes multiple approval system, ROC review, Internal Audit, and the BOD - through the ExCom, CreCom and ROC, for sound credit policies and practices.

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

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

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

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

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

Market Risk - Banking Book (interest rate risk)
The Bank follows a prudent policy on managing its assets and liabilities to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. One method by which the Bank measures the sensitivity of its assets and liabilities to interest rate fluctuations is by way of gap analysis. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or repricing dates, whichever is earlier.

The difference in the amount of assets and liabilities maturing or being repriced in any time period category would then give the Bank an indication of the extent to which it is exposed to the risk of potential changes in net interest income. From the repricing gap, the Bank measures interest rate risk based on earnings perspective through Earnings-at-Risk ("EaR"). EaR is an interest rate risk measure of the Bank's earnings decline either immediately or over time as a result of a change in the volatility of interest rates. It is a management tool that evaluates the sensitivity of the accrual portfolio to expected change in interest rates over the next 12 months. The Bank also performs stress-testing analysis to estimate the impact of extreme interest rate movements.

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

Related Party Transactions

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

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

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

Transactions with the Retirement Plan

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

Under PFRS, certain post-employment benefit plans are considered as related parties. The Bank has business relationships with its retirement plan pursuant to which it provides trust and management services to the said plan. The retirement plan of the employees of the Bank is being managed and maintained by the Trust and Investment Division of the Bank. The total carrying amount and fair value of the retirement fund as of September 30, 2015 and December 31, 2014 amounted to ₱1.1 billion and ₱1.0 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, 2015 and December 31, 2014:

		September 30, 2015 (Unaudited)	
		Elements of Transaction	
Related Party	**Nature of Transaction**	**Statement of Condition**	**Statement of Income**
Philippine Savings Bank	Equity Investment*	₱479,715,288	
	Time Deposits**	771,238	
	Savings Deposit	1,032	
	Investment in Money Market Fund***	50,531,503	
	Receivables from brokers	265,064	
	Dividends Earned		₱10,426,528
	Interest Income		33,191
	Gain-Equity securities		1,095,302
	Income in Money Market Fund		644.906
Sumisho Motor Finance Corporation	Equity Investment	200,000,000	

*Includes fair value gains of ₱268.72 million
** Represents 1-day time deposit and bears interest of 1.00%
*** Includes fair value gains of ₱0.58 million

		December 31, 2014 (Audited)	
		Elements of Transaction	
Related Party	**Nature of Transaction**	**Statement of Condition**	**Statement of Income**
Philippine Savings Bank	Equity investment*	₱491,205,802	
	Investment in Money Market Fund**	74,455,986	
	Deposit liabilities***	8,663,348	
	Accrued interest income	6,738	
	Dividends earned		₱10,507,643
	Gain on sale of equity securities		6,541,334
	Interest income		38,235
	Income from Unit Investment Trust Fund (UITF)		155,041
Sumisho Motor Finance Corporation	Equity investment	200,000,000	

*Includes fair value gains of ₱279.2 million
**Includes fair value gains of ₱0.6 million
***Represents 30 days time deposit and bears interest of 2.00%

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

The Trust Division did not provide any allowance for impairment losses on investments managed for the Bank's retirement fund in September 30, 2015. However, as of December 31, 2014 allowance for impairment losses of ₱19.7 million was provided for its retirement fund's 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, 2015 (Unaudited)	December 31, 2014 (Audited)
Short-term employee benefits	₱ 140,637,568	₱203,553,036
Post-employment pension benefits	18,936,256	5,100,084
	₱159,573,824	₱208,653,120

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

Remunerations given to directors, as approved by the Board Remuneration Committee, amounted to ₱10.33 million and ₱16.27 million in September 30, 2015 and December 31, 2014, 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, 2015 (Unaudited)			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investor			
Interbank loans receivable		₱–	Dollar-denominated lending with 1.75% fixed interest rates and maturities ranging from 360 days; secured- ₱0.00
Deposits/placements	₱3,916,340		
Withdrawals/maturities	3,916,340		
Due from other banks	(23,492)	791,615	Secured – ₱791,615 Short-term peso and foreign currency-denominated deposits with fixed rates ranging from 0.00% to 5.00%
Accounts Receivable	(2,169)	5,535	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets		781	Security deposits on lease contracts
Miscellaneous liabilities		5,589	Advance payments of security deposits from various tenants
Accrued other expense payable		46,503	Outstanding information technology expense payable, charges on current and savings accounts processing
Guarantees and commitments	6,600		Letter of guarantee for loan take-out
Available-for-sale investments		50,000	Pledge for security of payroll account with MBTC
Interest income	15,283		Income from deposits and interbank loans receivables
Rental income	17,446		Income from leasing agreements with various lease terms ranging from 2 to 5 years
Information technology expense	126,187		Payment of information technology transactions
Trading gain/(loss)	(10,034)		Loss from securities transactions
Interest expense	139		Interest expense on IBCL borrowing
Securities transactions			
Outright purchases	10,474,820		Outright purchase of FVPL and AFS investments
Outright sales	7,655,277		Outright sale of FVPL and AFS investments
Joint Venture			
Investment in a joint venture		681,858	Outstanding balance of capital investment in SMFC
Accounts receivable		460	Outstanding rental and utility receivables, non-interest bearing
Deposit Liabilities	(59,232)	20,296	Demand and short term peso time-deposits with annual fixed rates ranging from 1.25% to 1.63%
Miscellaneous liabilities		2,610	Advance payment of security deposits
Rental income	8,553		Income from leasing agreements

	September 30, 2015 (Unaudited)		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Share in net earnings of a joint venture	13,251		40.00% share in net earnings of SMFC
Interest expense	498		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 3 days
Deposits/placements	112,227,000		
Withdrawals/maturities	112,227,000		
Receivable from Customers		382,232	Loans granted bearing an interest ranging from 7.0% to 19.14% with maturities ranging from 1 to 3 years;
Deposits/placements	4,729		Secured – ₱382,232; Unsecured – ₱0; impaired – ₱372,244
Withdrawals/maturities	25,561		
Miscellaneous assets		1,061	3 months advance security deposits
Accounts receivable	1,530	1,770	Outstanding ATM service fees, rental and utility receivables, non-interest bearing
Prepaid Expense-Others		11,414	Payment for various policy renewals
Deposit Liabilities	1,419,380	4,432,007	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 2.00%
Accrued other expense payable		2,209	Outstanding group life insurance
Accounts payable		170	Various personal and car insurance payable
Miscellaneous liabilities		2,136	Advance payment of security deposits from various tenants
Interest income	11,534		Income on receivables from customers and interbank loans receivables
Trading loss	(767)		Loss from securities transactions
Rental income	10,504		Income from leasing agreements with various lease terms
Bank commission	3,758		Commission income on ATM service fees
Interest expense	72,883		Interest on deposit liabilities
Rent expense	2,559		Payment of rent to various lessors
Insurance expense	36,478		Payment of insurance premium
Securities transactions			
Outright purchases	1,887,501		Outright purchase of FVPL and AFS investments
Outright sales	1,842,500		Outright sale of FVPL and AFS investments
Key Personnel			
Receivables from customers		11,562	Unsecured, no impairment, with annual fixed interest rates of 6.00% and maturities ranging from 2 to 10 years
Deposits/placements	1,621		
Withdrawals/maturities	1,749		
Interest income	479		Interest income from loans

	December 31, 2014 (Audited)		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investor			
Interbank loans receivable		₱1,386,320	Peso-denominated lending secured by government securities amounting to ₱1.8billion, with fixed interest rates ranging from 2.00% to 2.50% and maturities ranging from 1 to 360 days
Deposits/placements	₱143,386,320		
Withdrawals/maturities	142,000,000		
Due from other banks	(206,746)	815,107	Secured - ₱815,107 On demand Short-term peso and foreign currency-denominated deposits with fixed rates ranging from 0.00% to 2.50%
Accounts receivable	679	7,704	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Bills payable		–	Peso-denominated borrowing with fixed interest rates ranging from 2.00% to 2.50% and maturities ranging from 1 day to 5 days
Deposits/placements	5,800,000		
Withdrawals/maturities	5,800,000		
Accrued interest receivable		14,390	Accrual of interest on outstanding Interbank Loans Receivable
Miscellaneous assets		919	Security deposits on lease contracts
Accounts payable		1,733	Unpaid association dues and lease contract payable
Miscellaneous liabilities		6,100	Advance payments of security deposits from various tenants
Accrued other expense payable		116,302	Outstanding information technology expense payable, charges on current and savings accounts processing
Guarantees and commitments		–	Letter of guarantee for various loan take-out
AFS investments		50,000	Pledge for security of payroll account with MBTC
Interest income	28,307		Income from deposits and interbank loans receivables
Rental income	24,919		Income from leasing agreements with various lease terms ranging from 2 to 5 years
Information technology expense	108,956		Payment of information technology transactions
Trading loss	(44,209)		Loss from securities transactions
Interest expense	407		Interest expense on bills payable
Securities transactions			
Outright purchases	1,869,342		Outright purchase of FVPL and AFS investments
Outright sales	3,700,000		Outright sale of FVPL and AFS investments
Associate			
Deposit liabilities	560	2,735	Demand deposits with annual fixed rate of 1.25%
Share in net income of an associate	72,129		25.00% share in net income of TFSPC
Interest expense	32		Interest on deposit liabilities
Joint Venture			
Investment in a joint venture		₱668,607	Outstanding balance of capital investment in SMFC
Accounts receivable		46	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	(₱174,934)	79,528	Demand and short term peso time-deposits with annual fixed rates ranging from 1.00% to 3.65%
Miscellaneous liabilities		2,610	Advance payment of security deposits
Rental income	9,790		Income from leasing agreements
Share in net income of a joint venture	4,827		40.00% share in net income of SMFC
Interest expense	2,585		Interest on deposit liabilities
Other Related Parties			
Interbank loans receivable		–	Peso-denominated lending with 2.00% to 2.50% fixed interest rate and with maturities ranging from 1 to 4 days
Deposits/placements	46,694,000		
Withdrawals/maturities	46,694,000		
Receivable from customers		403,064	Loans granted bearing an interest ranging from 7.00% to10.00% with maturities ranging from 1 to 8 years; no impairment
Deposits/placements	4,200		
Withdrawals/maturities	54,479		Secured - ₱403,063,861; impaired -₱395,877,638
Miscellaneous assets		993	3 months advance security deposits
Accounts receivable	3,742	3,300	Outstanding rental and utility receivables, non-interest bearing
Prepaid insurance		6,904	Payment of various motor car vehicles, fire,

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
			December 31, 2014 (Audited)
			money, security, payroll and robbery insurance
Prepaid expense		13	Payment for various policy renewals
Deposit liabilities	5,847,793	5,851,387	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 2.40%
Bills payable		–	Peso denominated borrowing with 2.00%-2.50% fixed Interest rates and maturities ranging from 1 to 5 days
Deposits/placements	55,920,000		
Withdrawals/maturities	55,920,000		
Accrued other expense payable		5,165	Outstanding group life insurance payable
Accounts payable		130	Various personal and car insurance payable
Miscellaneous liabilities		2,107	Advance payment of security deposits from various tenants
Interest income	4,620		Income on receivables from customers and interbank loans receivables
Trading and securities loss	(6,627)		Loss from securities transactions
Rental income	8,946		Income from leasing agreements with various lease terms
Gain on sale of investment in an associate	558,163		Profit on sale of investment in associate
Bank commission	35,798		Commission income on ATM service fees
Insurance expense	37,172		Payment of insurance premium
Interest expense	95,846		Interest on deposit liabilities and bills payable
Rent expense	3,366		Payment of rent expense to various lessors
Securities transactions			
Outright purchases	1,031,278		Outright purchase of FVPL and AFS investments
Outright sales	1,894,720		Outright sale of FVPL and AFS investments
Key Personnel			
Receivables from customers		11,690	Unsecured, no impairment, with annual fixed interest
Deposits/placements	2,370		rates of 6.00% and maturities ranging from 2 to 10 years
Withdrawals/maturities	5,032		
Interest income	913		Interest income from loans

Regulatory Reporting

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

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said circular and new DOSRI loans and other credit accommodations granted under said circular as of September 30, 2015 and December 31, 2014:

	September 30, 2015 (Unaudited)	**December 31, 2014 (Audited)**
Total outstanding DOSRI accounts	₱ 1,423,904,759	₱2,802,720,372
Percent of DOSRI accounts granted under regulations existing prior to BSP Circular No. 423 to total loans	1.27%	2.82%
Percent of new DOSRI accounts granted under BSP Circular No. 423 to total loans	–	–
Percent of unsecured DOSRI accounts to total DOSRI accounts	14.23%	7.13%
Percent of past due DOSRI accounts to total DOSRI accounts	26.14%	14.12%
Percent of nonperforming DOSRI accounts to total DOSRI accounts	26.14%	14.12%

As of September 30, 2015 and December 31, 2014, the Bank has no loans, other credit accommodations and guarantees, as well as availments of previously approved loans and committed credit lines not considered DOSRI accounts prior to the issuance of said circular but are allowed a transition period of two years from the effectivity of the said circular until said circular or said loan, other credit accommodations and guarantees become past due, or are extended, renewed or restructured, whichever comes later.

As of September 30, 2015 and December 31, 2014, the Bank is in compliance with these requirements.

Total interest income from DOSRI loans amounted to ₱43.60 million and ₱49.46 million in September 30, 2015 and December 31, 2014, 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
October 23, 2012	0.75	180,189,368	November 21, 2012	December 27, 2012	January 14, 2013
January 22, 2013	0.75	180,189,368	February 8, 2013	March 5, 2013	March 20, 2013
April 19, 2013	0.75	180,189,368	May 28, 2013	June 18, 2013	July 3, 2013
July 18, 2013	0.75	180,189,368	August 8, 2013	September 4, 2013	September 19, 2013
October 22, 2013	0.75	180,189,368	November 12, 2013	November 29, 2013	December 16, 2013
October 22, 2013	3.00	720,757,473	November 12, 2013	November 29, 2013	December 16, 2013
January 24, 2014	0.75	180,189,368	February 12, 2014	March 5, 2014	March 20, 2014
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

PSBank stock price closed at ₱100.00 per share as of November 9, 2015.

d) No unregistered securities were sold or offered for sale by the Bank as of September 30, 2015.

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

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

Subsequent Events

The Bank's Board of Directors approved on October 29, 2015, the declaration of 7.5% Regular Cash Dividend for the third quarter of 2015 amounting to ₱180.19 million or ₱0.75 per share, payable to all common stockholders as of a Record Date of November 16, 2015 and will be paid no later than the payment date of November 27, 2015.

SIGNATURES

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

Philippine Savings Bank

VICENTE R. CUNA, JR.
President

PERFECTO RAMON Z. DIMAYUGA, JR.
Chief Finance Officer

Date: November 11, 2015

PHILIPPINE SAVINGS BANK

Interim Financial Statements

As of September 30, 2015 (Unaudited) and December 31, 2014 (Audited)
and for the nine months ended September 30, 2015 and 2014 (Unaudited)

PHILIPPINE SAVINGS BANK		Annex 1
STATEMENTS OF CONDITION		
	Unaudited	**Audited**
	September 30, 2015	**December 31, 2014**
ASSETS		
Cash and Other Cash Items	PHP 2,513,017,664	PHP 4,174,756,446
Due from Bangko Sentral ng Pilipinas	12,533,361,805	23,997,102,406
Due From Other Banks	1,286,647,296	3,382,662,578
Interbank Loans Receivable and Securities Purchased		
Under Resale Agreements	-	2,186,320,000
Financial Assets at FVPL	3,040,998,387	278,909,438
Available-for-Sale Investments	6,678,521,383	6,083,317,341
Held-to-Maturity Investments	14,960,588,731	1,683,128,162
Loans and Receivables	109,409,565,309	95,759,749,830
Investments in a Joint Venture	681,857,857	668,606,533
Property and Equipment	2,772,480,935	2,469,507,446
Investment Properties	3,245,265,746	2,933,068,849
Deferred Tax Asset	1,014,527,047	731,937,469
Goodwill and Other Intangible Assets	427,052,360	369,140,026
Other Assets	895,519,305	888,822,949
	PHP 159,459,403,824	**PHP 145,607,029,473**

LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities		
Demand	PHP 12,025,655,282	PHP 10,609,490,126
Savings	21,524,492,761	18,502,557,268
Time	93,500,334,725	87,415,706,427
	127,050,482,769	116,527,753,821
Subordinated Notes	5,950,736,196	5,946,901,321
Bills Payable	1,869,600,000	-
Treasurer's, Cashier's and Manager's Checks	1,279,267,485	1,253,781,718
Accrued Taxes, Interest and Other Expenses	1,138,815,875	1,128,438,120
Income Tax Payable	85,759,996	7,134,677
Other Liabilities	2,928,270,140	3,012,717,598
	140,302,932,461	**127,876,727,255**
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	13,175,902,356	11,803,283,969
Net Unrealized Gain/(loss) on Available-for-Sale Investments	81,938,154	26,600,463
Remeasurement Losses on Retirement Plan	(312,363,737)	(312,363,737)
Equity in Remeasurement Losses on Retirement Plan of a Joint Venture	(1,445,728)	(1,445,728)
Cumulative Translation Adjustment	(43,443,415)	(41,656,482)
	19,156,471,363	**17,730,302,218**
	PHP 159,459,403,824	**PHP 145,607,029,473**

Annex 2

PHILIPPINE SAVINGS BANK

STATEMENTS OF INCOME

	Unaudited		Unaudited	
	For the three months ended September 30 (July to September)		For the period ended September 30	
	2015	**2014**	**2015**	**2014**
INTEREST INCOME ON				
Loans and receivables	PHP 2,518,527,563	PHP 2,207,569,749	PHP 7,346,859,961	PHP 6,546,255,606
Interbank loans receivable and securities purchased under resale agreements	576,962	262,213,115	182,356,715	664,073,519
Investment securities	254,423,401	90,702,062	444,596,288	262,662,260
Due from BSP	15,352,885	11,426,353	135,113,903	41,090,199
Due from other banks	415,095	4,711,206	7,429,500	13,499,964
	2,789,295,905	2,576,622,484	8,116,356,366	7,527,581,548
INTEREST EXPENSE ON				
Deposit liabilities	545,925,544	545,124,082	1,628,015,613	1,577,352,893
Subordinated notes	85,671,661	89,929,734	256,959,875	201,621,224
Bills payable	2,192,743	-	2,192,743	-
	633,789,948	635,053,816	1,887,168,230	1,778,974,117
NET INTEREST INCOME	2,155,505,957	1,941,568,668	6,229,188,136	5,748,607,432
Service fees and commission income	335,000,965	287,087,416	982,018,569	851,071,660
Service fees and commission expense	27,467,081	17,543,317	68,480,605	54,974,061
NET SERVICE FEES AND COMMISSION INCOME	307,533,884	269,544,098	913,537,964	796,097,599
OTHER OPERATING INCOME (LOSS)				
Chattel Mortgage properties	117,990,790	86,353,550	276,259,752	255,163,196
Investment properties	90,002,301	91,709,455	220,239,298	249,189,283
Gain on sale of property and equipment	436,427	1,070,255	11,009,850	38,928,324
Foreign exchange gain (loss)	6,908,286	5,437,984	13,846,645	5,588,149
Trading and securities gains (loss) - net	(33,596,687)	473,614	(37,112,637)	203,641,587
Miscellaneous	119,768,333	646,371,914	399,149,587	777,716,930
	301,509,450	831,416,771	883,392,495	1,530,227,469
Total Operating Income	2,764,549,291	3,042,529,538	8,026,118,595	8,074,932,500
OTHER OPERATING EXPENSES				
Compensation and fringe benefits	645,825,151	615,362,833	1,962,510,987	1,838,068,165
Provision for impairment and credit losses	438,549,249	581,331,399	1,131,423,975	1,349,896,843
Taxes and licenses	236,756,399	368,109,819	740,089,632	841,731,552
Occupancy and equipment-related costs	171,800,882	160,505,742	503,218,274	463,402,656
Depreciation and amortization	126,557,524	122,084,116	365,163,801	378,552,008
Security, messengerial and janitorial services	89,322,721	72,226,074	248,121,673	211,780,660
Amortization of software costs	24,564,539	21,524,859	71,569,419	58,810,036
Miscellaneous	414,629,591	438,716,681	1,264,532,459	1,195,517,516
	2,148,006,057	2,379,861,524	6,286,630,219	6,337,759,434
INCOME BEFORE SHARE IN NET EARNINGS OF AN ASSOCIATE AND A JOINT VENTURE AND INCOME TAX	616,543,234	662,668,015	1,739,488,376	1,737,173,066
SHARE IN NET EARNINGS OF AN ASSOCIATE AND A JOINT VENTURE	4,437,097	20,996,094	13,251,324	66,321,180
INCOME BEFORE INCOME TAX	620,980,331	683,664,109	1,752,739,700	1,803,494,245
PROVISION FOR (BENEFIT FROM) INCOME TAX	18,612,764	(63,444,011)	19,742,578	(71,814,764)
NET INCOME	**PHP 602,367,568**	**PHP 747,108,120**	**PHP 1,732,997,122**	**PHP 1,875,309,009**
EARNINGS PER SHARE				
Net income	PHP 602,367,568	PHP 747,108,120	PHP 1,732,997,122	PHP 1,875,309,009
Weighted average number of outstanding common shares	240,252,491	240,252,491	240,252,491	240,252,491
Earnings per share	**PHP 2.51**	**PHP 3.11**	**PHP 7.21**	**PHP 7.81**

PHILIPPINE SAVINGS BANK **Annex 3**

STATEMENTS OF COMPREHENSIVE INCOME

	For the three months ended September 30 (July to September)		For the period ended September 30	
	2015	**2014**	**2015**	**2014**
NET INCOME	PHP 602,367,568	PHP 747,108,120	PHP 1,732,997,122	PHP 1,875,309,009
Other Comprehensive Income (Loss)				
Items that recycle to profit or loss in subsequent periods:				
Net Unrealized gains from AFS investments	(25,765,031)	(12,608,584)	55,337,691	19,779,967
Equity in net unrealized gain on available-for-sale investment of an associate	-	10,000	-	10,000
Equity in cash flow hedge reserve of an associate	-	335,158	-	335,158
Cumulative translation adjustment	(1,020,464)	(2,259,438)	(1,786,933)	(818,916)
	(PHP 26,785,495)	(PHP 14,522,864)	PHP 53,550,758	PHP 19,306,209
Items that do not recycle to profit or loss in subsequent periods:				
Remeasurement gains (losses) on retirement plan	-	(138,728,980)	-	(178,577,793)
Equity in remeasurement losses on retirement plan of a joint venture	-	500,962	-	500,962
Income Tax effect	-	-	-	39,848,813
	-	(138,228,018)	-	522,234
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**PHP 575,582,072**	**PHP 594,357,238**	**PHP 1,786,547,880**	**PHP 1,895,137,452**

PHILIPPINE SAVINGS BANK **Annex 4**

STATEMENTS OF CHANGES IN EQUITY

	Common Stock	Capital Paid in Excess of Par Value	Surplus Reserves	Surplus	Net Unrealized Gain (Loss) on Available-for-Sale Investments	Net Unrealized Gain (Loss) on remeasurement of retirement liability	Equity in Net Unrealized Gain on Availbale-for-Sale Investment of an Associate	Equity in Remeasurement Losses on Retirement Plan of a Joint Venture	Net Unrealized gain/(loss on cash flow hedge of associate and joint venture	Cumulative Translation Adjustment	Total
Balance at January 1, 2015	PHP 2,402,524,910	PHP 2,818,083,506	PHP 1,035,275,317	PHP 11,803,283,967	PHP 26,600,463	(PHP 312,363,737)	PHP 0	(PHP 1,445,728)	PHP 0	(PHP 41,656,482)	PHP 17,730,302,216
Total other comprehensive income (loss)	-	-	-	1,732,997,122	55,337,691	-	-	-	-	(1,786,933)	1,786,547,880
Cash dividends				(360,378,737)							(360,378,737)
Balance at September 30, 2015	**PHP 2,402,524,910**	**PHP 2,818,083,506**	**PHP 1,035,275,317**	**PHP 13,175,902,353**	**PHP 81,938,154**	**(PHP 312,363,737)**	**PHP 0**	**(PHP 1,445,728)**	**PHP 0**	**(PHP 43,443,415)**	**PHP 19,156,471,360**
Balance at January 1, 2014	PHP 2,402,524,910	PHP 2,818,083,506	PHP 1,035,275,317	PHP 10,205,364,825	PHP 22,289,515	(PHP 178,577,793)	PHP 25,000	(PHP 479,690)	(PHP 335,158)	(PHP 41,094,955)	PHP 16,263,075,477
Total other comprehensive income (loss)	-	-	-	1,875,309,009	19,779,967	21,272	10,000	500,962	335,158	(818,916)	1,895,137,452
Cash dividends				(540,568,105)							(540,568,105)
Balance at September 30, 2014	PHP 2,402,524,910	PHP 2,818,083,506	PHP 1,035,275,317	PHP 11,540,105,729	PHP 42,069,482	(PHP 178,556,521)	PHP 35,000	PHP 21,272	PHP 0	(41,913,871)	17,617,644,824
Balance at January 1, 2014	PHP 2,402,524,910	PHP 2,818,083,506	PHP 1,035,275,317	PHP 10,205,364,825	PHP 22,289,515	(PHP 178,577,793)	PHP 25,000	(PHP 479,690)	(PHP 335,158)	(PHP 41,094,955)	PHP 16,263,075,477
Total other comprehensive income (loss)	-	-	-	2,318,676,615	4,310,948	(133,785,944)	(25,000)	(966,038)	335,158	(561,527)	2,187,984,212
Cash dividends				(720,757,473)							(720,757,473)
Balance at December 31, 2014	PHP 2,402,524,910	PHP 2,818,083,506	PHP 1,035,275,317	PHP 11,803,283,967	PHP 26,600,463	(PHP 312,363,737)	PHP 0	(PHP 1,445,728)	PHP 0	(41,656,482)	17,730,302,216

PHILIPPINE SAVINGS BANK **Annex 5**

STATEMENTS OF CASH FLOWS

	Unaudited September 30, 2015	Unaudited September 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	PHP 1,752,739,700	PHP 1,803,494,245
Adjustments for:		
Provision for impairment and credit losses	1,131,423,975	1,349,896,843
Depreciation and amortization of bank premises	365,163,802	378,552,008
Amortization of software costs	71,569,419	58,810,036
Amortization of debt issuance costs	3,834,875	2,453,017
Unrealized trading (gain)/loss on fair value through profit or loss investments	40,704,163	(2,041,331)
Accretion of premium (discount) on available-for-sale investments	(23,378,790)	(83,558,301)
Share in net income of an associate and a joint venture	(13,251,324)	(66,321,180)
Loss from sale of property and equipment	(11,009,850)	-
Loss from sale of investment properties	3,310,567	(38,928,324)
Loss from sale of chattel	45,606,438	(26,893,666)
Loss on foreclosure of investment properties	(223,549,865)	43,361,660
Gain on foreclosure of chattel	(321,866,190)	(222,295,617)
Gain on sale of Investment in an associate	-	(298,524,856)
Realized gain on sale of AFS investments	(31,143,801)	99,761,580
Changes in operating assets and liabilities:		
Decrease (Increase) in amounts of:		
Fair value through Profit or Loss investments	(2,802,800,520)	135,256,178
Loans & Receivables	(16,209,129,534)	(11,812,548,356)
Other Assets	113,479,121	(174,376,463)
Increase (decrease) in amounts of:		
Deposit liabilities	10,521,524,274	16,170,584,686
Treasurer's, cashier's and manager's checks	25,485,767	85,396,163
Accrued taxes, interest and other expenses	(68,375,061)	27,998,614
Financial Liabilities at Fair Value Through Profit or Loss	-	2,865,842
Other liabilities	92,019,350	451,988,864
Cash generated from operations	(5,537,643,484)	7,884,931,640
Income taxes paid	(223,706,836)	(220,422,608)
Net cash provided by (used in) operating activities	(PHP 5,761,350,320)	PHP 7,664,509,032
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of:		
Other Intangible assets	(PHP 129,481,752)	(PHP 115,536,647)
Property and equipment	(563,520,982)	(354,744,115)
Held to maturity investments	(13,277,475,130)	(1,687,423,426)
Available for sale investments	(9,322,128,029)	(2,979,851,708)
Proceeds from sale of:		
Available for sale investments	8,836,777,007	1,403,926,257
Proceeds from sale/redemption of:		
Investment properties	391,363,993	410,386,254
Property and equipment	24,527,335	72,431,474
Chattel mortgage	1,061,144,150	926,284,740
Decrease in Interbank loans and receivables and securities purchased under resale agreements	1,386,320,000	-
Proceeds from sale of Investment in an associate	-	753,490,912
Net cash provided by (used in) investing activities	(PHP 11,592,473,408)	(PHP 1,571,036,258)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends declared/paid	(PHP 537,268,644)	(PHP 542,898,772)
Issuance of subordinated notes	-	2,970,840,205
Availments of bills payable	1,869,599,999	
Net cash provided by (used in) financing activities	1,332,331,355	2,427,941,434
Effect of exchage rate differences	(2,291)	(183,523)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(PHP 16,021,494,665)**	**PHP 8,521,230,684**
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	PHP 4,174,756,446	PHP 3,157,499,371
Due from Bangko Sentral ng Pilipinas	23,997,102,406	7,401,657,444
Due from other banks	3,382,662,578	8,491,340,954
Interbank loans and receivables and securities purchased under resale agreements	800,000,000	14,527,000,000
	32,354,521,429	33,577,497,769
CASH & CASH EQUIVALENTS AT END OF 3rd QUARTER		
Cash and other cash items	PHP 2,513,017,663	PHP 1,946,066,337
Due from Bangko Sentral ng Pilipinas	12,533,361,805	11,289,202,484
Due from other banks	1,286,647,296	3,523,584,632
Interbank loans and receivables and securities purchased under resale agreements	-	25,339,875,000
	PHP 16,333,026,764	PHP 42,098,728,453
	(PHP 16,021,494,665)	**PHP 8,521,230,684**

OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS

	September 30, 2015	September 30, 2014
Interest paid	PHP 1,924,144,268	PHP 1,770,546,067
Interest received	7,908,104,255	6,362,327,739

Annex 6

AGING OF RECEIVABLES

PHILIPPINE SAVINGS BANK

September 30, 2015

(in natural currency)

ACCOUNT TITLE	TOTAL LOAN PORTFOLIO	TOTAL CURRENT LOANS	TOTAL PAST DUE & ITEMS IN LIT.	PAST DUE 90 days or less	PAST DUE 91-180 DAYS	PAST DUE 181 DAYS TO 1 YEAR	PAST DUE MORE THAN 1 YEAR	ITEMS IN LITIGATION
1 -TRADE RECEIVABLES								
A. LOANS AND DISCOUNTS	PHP 111,052,380,896	PHP 107,377,811,958	PHP 3,674,568,938	PHP 1,132,903,162	PHP 378,294,083	PHP 337,483,147	PHP 341,601,898	PHP 1,484,286,647
B. AGRARIAN REFORM/OACL	394,263,720	342,803,154	51,460,566	31,133,153	2,764,268	63,754	14,210,549	3,288,843
C. BILLS PURCHASED	82,280,059	82,280,059	-					-
D. RESTRUCTURED LOANS	648,400,116	188,207,690	460,192,426	48,950,383	1,626,041	3,017,437	377,052,020	29,546,545
E. SPURA	-	-	-					-
Total Trade Receivables	112,177,324,790	107,991,102,861	4,186,221,929	1,212,986,698	382,684,392	340,564,338	732,864,467	1,517,122,035
LESS: ALLOWANCE FOR PROBABLE LOSSES	3,723,882,941							
UNEARNED DISCOUNT	260,604,661							
OTHER DEFERRED CREDITS	262,069							
NET TRADE RECEIVABLE	PHP 108,192,575,120							
ACCOUNTS RECEIVABLES	PHP 522,356,174	PHP 52,806,194	PHP 469,549,980	PHP 3,807,271	PHP 3,305,835	PHP 4,398,550	PHP 453,382,454	PHP 4,655,869
ACCRUED INTEREST RECEIVABLES	1,342,247,300	960,105,107	382,142,193	18,339,916	9,784,664	13,638,994	27,593,531	312,785,088
Total Non-Trade Receivables	1,864,603,473	1,012,911,301	851,692,173	22,147,187	13,090,499	18,037,544	480,975,985	317,440,957
LESS: ALLOWANCE FOR PROBABLE LOSSES	840,999,936							
NET NON-TRADE RECEIVABLE	1,023,603,537							
NET RECEIVABLES	PHP 109,216,178,657							

Annex 7

Philippine Savings Bank
Segment Information
(In Thousands)
As of September 30, 2015

	2015				
	Consumer Banking	**Corporate Banking**	**Branch Banking**	**Treasury**	**Total**
Operating income					
Interest income	PHP 1,849,998	PHP 352,557	PHP 4,883,900	PHP 1,029,902	**PHP 8,116,357**
Service fees and commission	246,258	29,093	706,668	-	**982,018**
Other operating income	270,309	21,854	614,495	(23,266)	**883,393**
Total operating income	**2,366,564**	**403,504**	**6,205,063**	**1,006,636**	**9,981,767**
Non-cash expenses					
Depreciation and amortization	67,978	4,406	292,641	140	**365,164**
Provision for credit and impairment losses	242,039	7,382	882,004	-	**1,131,424**
Amortization of other intangible assets	16,895	2,125	52,375	174	**71,569**
Total non-cash expenses	**326,912**	**13,913**	**1,227,020**	**314**	**1,568,157**
Interest expense	-	-	1,132,436	754,733	**1,887,168**
Service fees and commission expense	17,173	2,029	49,279	-	**68,481**
Subtotal	**17,173**	**2,029**	**1,181,715**	**754,733**	**1,955,649**
Compensation and fringe benefits	321,472	41,768	1,588,067	11,204	**1,962,511**
Taxes and licenses	121,086	14,663	408,543	195,799	**740,090**
Occupancy and equipment-related costs	25,543	1,240	476,434	2	**503,218**
Security, messengerial and janitorial services	35,307	2,526	209,833	454	**248,122**
Miscellaneous	202,494	28,037	973,020	60,982	**1,264,532**
Subtotal	**705,902**	**88,234**	**3,655,897**	**268,441**	**4,718,473**
Income (loss) before share in net income of an associate and a joint venture and income tax	**1,316,577**	**299,328**	**140,431**	**(16,852)**	**1,739,488**
Share in net income of an associate and a joint venture	-	13,251	-	-	**13,251**
	-	-	-	-	-
Income (loss) before income tax	**1,316,577**	**312,579**	**140,431**	**(16,852)**	**1,752,739**
Provision for income tax					**19,743**
Net income					**1,732,997**
Segment assets	**PHP 78,023,765**	**PHP 8,390,380**	**PHP 36,569,386**	**PHP 34,779,488**	**PHP 157,763,019**

	2015				
	Consumer Banking	**Corporate Banking**	**Branch Banking**	**Treasury**	**Total**
Investments in an associate and a joint venture					**681,858**
Deferred tax assets					**1,014,527**
Total assets					**159,459,404**
Segment liabilities	**PHP 1,089,239**	**PHP 90,402**	**PHP 95,965,795**	**PHP 43,157,497**	**PHP 140,302,933**

Annex 7A

PHILIPPINE SAVINGS BANK
BUSINESS SEGMENT INFORMATION
As of December 31, 2014 (Audited)
(In thousands)

	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱2,096,566	₱513,270	₱5,825,439	₱1,678,135	₱10,113,410
Service fees and commission	272,034	47,454	832,331	–	1,151,819
Other operating income	472,611	81,951	1,008,351	217,766	1,780,679
Total operating income	2,841,211	642,675	7,666,121	1,895,901	13,045,908
Non-cash expenses					
Provision for (reversal of) credit and impairment losses	992,493	(55,175)	850,325	(43,822)	1,743,821
Depreciation	107,781	8,429	387,800	619	504,629
Amortization of other intangible assets	22,430	3,171	56,437	330	82,368
Total non-cash expenses	1,122,704	(43,575)	1,294,562	(42,873)	2,330,818
Interest expense	–	–	1,558,925	844,103	2,403,028
Service fees and commission expense	17,460	3,046	53,423	–	73,929
Subtotal	17,460	3,046	1,612,348	844,103	2,476,957
Compensation and fringe benefits	480,544	88,291	1,815,143	11,973	2,395,951
Taxes and licenses	158,764	25,720	729,633	147,477	1,061,594
Occupancy and equipment-related costs	37,755	4,239	585,687	56	627,737
Security, messengerial and janitorial services	36,307	3,673	246,524	575	287,079
Miscellaneous	257,548	38,099	1,312,900	38,037	1,646,584
Subtotal	970,918	160,022	4,689,887	198,118	6,018,945
Income before share in net income of a joint venture and income tax	730,129	523,182	69,324	896,553	2,219,188
Share in net income of a joint venture	–	76,956	–	–	76,956
Income before income tax	730,129	600,138	69,324	896,553	2,296,144
Benefit from income tax					22,533
Net income					₱2,318,677
Segment assets	₱62,641,227	₱10,065,356	₱35,673,726	₱35,826,176	₱144,206,485
Investments in a joint venture					668,607
Deferred tax assets					731,937
Total assets					₱145,607,029
Segment liabilities	₱1,024,056	₱110,243	₱91,831,563	₱34,910,865	₱127,876,727

Philippine Savings Bank **Annex 8**

Financial Performance Indicators

	Unaudited	
	For the quarter ended September 30	
	2015	2014
Return on Assets		
Net Income / Average Total Resources	**1.51%**	**1.68%**
Return on Equity		
Net Income / Average Stockholders' Equity	**12.53%**	**13.94%**
Net Interest Margin		
Net Interest Income / Average Earning Assets	**6.37%**	**6.33%**
Cost to Income Ratio		
Operating Expenses Excluding Provision for Probable Losses and Income Taxes / Net Interest Income + Operating Income	**64.43%**	**61.53%**
Debt to Equity Ratio		
Total Liabilities / Total Stockholders' Equity	**732.40%**	**758.04%**
Asset-to-Equity Ratio		
Total Assets / Total Stockholders' Equity	**832.40%**	**858.04%**
Interest Rate Coverage Ratio		
Earnings Before Interest and Taxes / Interest Expense	**192.88%**	**201.38%**
Liquidity Ratio		
Current Assets / Current Liabilities	**28.28%**	**51.45%**
Loans to Deposit Ratio		
Gross Loans / Total Deposits	**88.02%**	**77.48%**