COVER SHEET

SEC Registration Number

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Company Name

EAST WEST BANKING CORPORATION
AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

The Beaufort, 5th Avenue
corner 23rd Street, Fort
Bonifacio Global City, Taguig
City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	575-3888	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Maria Alicia C. Arnaldo		**575-3887**	

Contact Person's Address

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2017**

2. Commission identification number **AS094-002733**

3. BIR Tax Identification No. **003-921-057-000**

4. Exact name of issuer as specified in its charter
   EAST WEST BANKING CORPORATION

5. Province, country or other jurisdiction of incorporation or organization **PHILIPPINES**

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office — Postal Code
   The Beaufort, 5th Avenue, Corner 23rd St. — **1634**
   Fort Bonifacio Global City, Taguig City

8. Issuer's telephone number, including area code
   +632 575 3888 Extension 3304

9. Former name, former address and former fiscal year, if changed since last report
   n/a

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares (Php 10 par)	**Total: 1,499,983,610 shares**
Subordinated Debt	**Php 6,220,994,564**

....

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

Yes [**X**] No [ ]

<u>The company was listed in the Philippine Stock Exchange on May 7, 2012.</u>

If yes, state the name of such Stock Exchange and the classes of securities listed therein:

Name of exchange: **<u>Philippine Stock Exchange</u>**
Class of securities: **<u>Common Shares</u>**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (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 ninety (90) days.

Yes [**X**] No []

PART I – FINANCIAL INFORMATION

Item I:

Management's Discussion & Analysis of Financial Position and Results of Operations

Item II:

Financial Statements (Attachment 1 - Unaudited Interim Financial Statements)

PART II – OTHER INFORMATION

Refer to the following:

Attachment 2 – Aging of Past Due Loans and Other Receivables
Attachment 3 – Consolidated Financial Ratios

There are no material disclosures that have not been reported under SEC Form 17-C during the period covered by this report.

SIGNATURES

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

East West Banking Corporation
Issuer

By:

Antonio C. Moncupa, Jr.
Chief Executive Officer

Maricel L. Madrid
Controller

August 1, 2017

Part I
Management's Discussion & Analysis of
Financial Position and Results of Operations

Financial Performance Highlights

The Bank's net income for the six months ended June 30, 2017 stood at ₱2.5 billion, 60% higher than first half (1H) of 2016. Core recurring income base (i.e. net revenues less trading income) posted a 25% growth. The Bank remained to be one of the most consumer focused banks in the industry. Net Interest Margin (NIM) remained at an industry leading level of 7.8%. NIM after provisions for loan losses, which gives a better competitive comparison as it lessens strategy differences, stood at 6.1% as of June 30, 2017. Industry average was around 3.3% based on 2016 audited year-end figures of industry peers. "Industry" refers to universal and commercial banks.

Total Assets stood at ₱309.6 billion as of June 30, 2017. This is 20% and 6.2% higher than June 30, 2016 and December 31, 2016, respectively. The growth was driven mainly by consumer loans. Consumer loans, which accounted for 71% of total loans, grew by 34% y/y and 10% from year-end 2016. Business loans, on the other hand, declined by 6% y/y and also declined by 5% from December 2016. Overall loan levels increased by 19% y/y.

Net Revenues increased by 16% to ₱12.1 billion from ₱10.4 billion in the same period last year with core recurring earnings growing by 25% to ₱11.8 billion from ₱9.5 billion year on year. The net revenue growth was mainly driven by consumer loans.

Securities trading gains declined by 94% y/y to ₱51.4 million, while FX gains increased by 66% to ₱211.2 million. These were due to the ebbs and flows inherent in the trading business.

Expenses on the other hand also increased by 14% to ₱6.5 billion. The increase in expenses were mostly related to asset and deposit growth such as higher PDIC fees, documentary stamp taxes, and supervision fees, as well as EMV re-carding expenses.

The decrease in provisions for credit losses y/y was due to the Bank's catch-up provisions in 2016 as it reviewed and fine-tuned its internal asset impairment model implemented beginning 2017. The Bank also completed the cycle of one of its marketing programs that produced good growth but also came with bigger credit costs. EW expects 2017 credit costs to be better than in 2016 as a result.

The above industry growth trend and the improving productivity, that saw revenues with its bigger base growing faster than expenses, were mostly a result of the maturity of its investments in infrastructure and organization that started in 2012. However, the Bank believes that it has yet to reached full productivity potentials even as economies of scale starts to kick in. Cost-income ratio improved from 55.6% to 54.5% y/y.

Financial Position

<u>Loans</u>

The Bank remained focused in growing its consumer and mid-market corporate loans, with consumer loans taking up a substantial 71% of total loans The Bank plans a new push to grow its business loans in the coming months. The target loan portfolio mix of low/specific risks (business loans) and economic risks based loans (consumer loans and smaller business loans) remains at 50%. The Bank expects to get to that level by increasing its business loans in 3 to 4 years time.

Deposits

Deposits stood at ₱254.9 billion as of June 30, 2017, up by 24% from the same period last year. The growth is largely attributable to the expanded store network as reflected in the growth of low cost deposits (CASA) which ended at ₱137.5 billion for an increase of 26% from the previous year. High cost deposits (inclusive of LTNCDs) on the other hand increased by 21% to end at ₱117.5 billion.

The Bank is very much aware that it still has lower average deposit level of ₱570.3 million per store compared to industry peers at ₱1.2 billion based on 2016 audited year-end figures. This is mainly because many of the Bank's stores are relatively new. The Bank aims to narrow the gap in the coming years.

Capital

The Bank's Capital Adequacy Ratio (CAR) under Basel 3, remained more than adequate at 13.7% as of June 30, 2017 while Tier-1 ratio stood at 10.4%. The Bank's Tier 1 capital is composed entirely of common equity. As the Bank mentioned in its 2015 stock rights offering, it may need to have another round of capital raising to sustain growth and optimize its infrastructure and organization capabilities. The Bank believes its Store and IT infrastructure and its present organizational size should be able to support around double its present balance sheet size. The Bank expects it may need to raise capital before 1H 2018.

Credit Quality

Overall NPL ratios improved as the Bank's NPL to Total Customer Loans, net of specific allowances, declined to 2.5%[1] in June 30, 2017 from 2.7%[1] as of June 30, 2016.

[1] Non-performing Loans net of specific allowance divided by Total Customer Loans

Result of Operations

Revenues

Net Revenues grew by 16% to ₱12.1 billion from ₱10.4 billion in the same period last year. Trading Income was at ₱262.6 million or 71% lower than the ₱918.2 million gains booked last year. Other operating income, exclusive of trading gains, increased by 33% to ₱2.8 billion.

Net Interest Income stood at ₱9.0 billion, 22% or ₱1.6 billion higher than the ₱7.3 billion posted last year driven primarily by consumer loans.

Fee Income

Other operating income, exclusive of trading revenues, was at ₱2.8 billion which is 33% higher than the ₱2.1 billion posted in the same period last year. The increase primarily came from ₱2.7 billion of service charges, fees, commissions and other charges booked for the period, which is

39% higher than the same period last year driven by CASA-related transactions and consumer loan-related fees.

Trading Income

Securities Trading and Foreign Exchange Gains was at ₱262.6 million as compared to the ₱918.2 million gains posted in same period last year. While the Bank focuses on its core banking business of loans and deposits, it still looks at opportunities in the fixed income and foreign exchange market to enhance its earnings. However, the Bank found fixed income rather difficult in 1H 2017.

Operating Costs

Total Operating Expenses, excluding Provision for loan losses, increased by 14% to ₱6.5 billion during the period, with compensation related expenses increasing by 9% to ₱2.2 billion. The increase in operating expenses were directly related to the growth of the different businesses. Productivity has been improving as operating expenses grew at a slower pace than core revenues. This reflected the maturation of the expansion efforts in the past 5 years.

Other Expenses related to business expansion has increased as follows: (i) Taxes and licenses grew by 22% to ₱948.6 million as a result of growth in revenue base; (ii) Depreciation and Amortization grew by 11% to ₱613.6 million coming from expansion in business and infrastructure; (iii) Rent grew by 12% to ₱458.3 million coming from branch store expansion; and (iv) Miscellaneous Expenses grew by 17% to ₱2.3 billion with the growth largely owed to the Consumer business and branch store expansion.

Summary of Key Financials and Ratios

Balance Sheet (in PHP billions)	June 30, 2017	June 30, 2016	y/y Growth %
Assets	309.6	257.4	20%
Consumer Loans	150.3	111.9	34%
Corporate Loans	61.6	65.7	(6%)
Low Cost Deposits (CASA)	137.5	109.3	26%
High Cost Deposits	117.5	97.0	21%
Capital	36.4	32.5	12%

Profitability (in PHP millions)	June 30, 2017	June 30, 2016	y/y Growth %
Net Interest Income	8,971.8	7,347.5	22%
Other Income	3,120.7	3,060.0	2%
Operating Expenses	6,500.0	5,713.7	14%
Provision for Losses	1,967.5	2,740.4	(28%)
Net Income After Tax	2,501.8	1,563.2	60%

Key Financial Ratios	June 30, 2017	June 30, 2016	Variance b/(w)
Return on Equity	14.1%	9.8%	4.3%
Return on Assets	1.7%	1.3%	0.4%
Net Interest Margin	7.8%	7.8%	-
Cost-to-Income Ratio	54.5%	55.6%	1.1%
Capital Adequacy Ratio	13.7%	14.2%	(0.5%)

Business Segment Performance

The Bank's recurring income base continued to post double-digit growth, coming from the efforts of Consumer Lending and Retail Banking segments. Net interest margin (NIM) continued to be more than double industry average at 7.8% as of 2Q2017. Fees excluding Trading Gains, likewise, recorded a strong growth of 33% y/y. This recurring income was largely attributable to the growing customer base and market share of the Bank.

Corporate Banking posted a y/y decline of 6%. The slight decrease in corporate loans was the result of clients choosing to pay off existing loans to take advantage of the low-interest rate environment. To ensure profitability, we continue to deepen our relationship with existing clients and further strengthen our operations and organization.

Consumer Loans grew by 34% y/y, driven mainly by auto, mortgage and personal loans. Credit cards, which remains to be the highest contributor for consumer lending's bottom-line, also grew significantly at 27% y/y to end at ₱27.9 billion largely due to the acquisition of Standard Chartered Bank's retail business in late 2016.

Treasury group's contribution to the Bank's bottom line in the first half of 2017 was lower than last year. The Bank posted ₱262.6 million of trading revenues.

On the cost side, the two largest teams in the Bank, Consumer lending and Retail banking, continued to contribute the most to operating expenses. This was largely due to the credit costs booked for Consumer loans and the expanded branch stores.

In summary, Consumer Lending business contributed the most to the Bank's bottom line, which is attributable to the Bank's conscious consumer thrust that established a reliable revenue base mainly from auto loans and credit cards. Retail Banking, while continuing to carry the burden of the expenses brought by the younger stores, is beginning to book earnings that are expected to grow exponentially in due time.

Other Information:

As of June 30, 2017, EastWest has a total of 389 branches, with 211 of these branch stores in Metro Manila. For the rest of the country, the Bank has 100 branches in other parts of Luzon, 39 branches in Visayas, and 39 branch stores in Mindanao. The total ATM network is 576, composed of 392 onsite ATMs and 184 off-site ATMs. Total headcount of EastWest is 5,626.

The Bank's subsidiaries has a total of 58 branches and 1,167 officers/staff, bringing the group store network total to 447 with 566 ATMs and combined manpower of 6,793.

Known trends, demands, commitments, events or uncertainties
There are no known demands, commitments, events or uncertainties that will have a material impact on the Bank's liquidity within the next twelve (12) months.

Events that will trigger direct or contingent financial obligation
There are no events that will trigger direct or contingent financial obligation that is material to the Bank, including any default or acceleration of an obligation.

Material off-balance sheet transactions, arrangements or obligations
There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Bank with unsolicited entities or other persons created during the reporting period other than those disclosed in the financial statements.

Capital Expenditures
The Bank has commitments for capital expenditures mainly for branch expansion and implementation of IT projects.

Significant Elements of Income or Loss
Significant elements of the consolidated net income of the Group for the six-months ended June 30, 2017 and 2016 came from its continuing operations.

Seasonal Aspects
There are no seasonal aspects that had a material effect on the Bank's financial condition and results of operations.

Vertical and Horizontal Analysis of Material Changes for the Period

The term "material" in this section shall refer to changes or items amounting to five percent (5%) of the relevant accounts or such lower amount, which the Bank deems material on the basis of other factors.

I. **Balance Sheet – June 30, 2017 vs. December 31, 2016**
   - Cash and cash equivalents decreased by 16% to ₱5.6 billion due to the leveling-off of cash in vault from the usual year-end build-up.
   - Due from BSP went up by 5% to ₱41.4 billion on higher deposit base and liquid funds place with BSP.
   - Due from other banks declined by 30% to ₱4.9 billion due to decreased levels of placements and working balances with counterparty banks.
   - Interbank loans increased by 29% to ₱9.7 billion coming from excess liquidity.
   - Financial Assets at Fair Value through Profit and Loss increased by 75% to ₱9.2 billion due to movements in the Bank's proprietary trading portfolio.
   - Investment Securities at Amortized Cost increased by 17% to ₱13.0 billion in line with the Bank's balance sheet strategy.
   - Investment in a Joint Venture account decreased by 26% to ₱459.3 million. The decrease represents the proportionate share of the Bank in the net loss of the Joint Venture with Ageas.
   - Investment Properties increased by 8% to ₱757.5 million on account of repossessed property (i.e. Land).

- Other assets increased by 28% to ₱3.2 billion on account of loan related settlements
- Deposit liabilities increased by 6% to ₱254.9 billion, largely coming from issuance of LTNCD and CASA growth which is attributable to the expanded branch store network.
- Bills and acceptance payables decreased by 58% to ₱916.5 million mainly from lower volume of interbank and other borrowings.
- Accrued Taxes, Interest and Other Expenses increased by 15% due to higher level of transactions on account of expanded stores.
- Cashier's Check and Demand Draft Payable decreased by 15% on account of lower level of outstanding manager's checks issued.
- Unsecured subordinated debt (UnSD) increased by 25% as the Bank issued ₱1.3 billion BASEL III compliant Tier 2 notes this year.
- Income tax payable increased by 71% to ₱630.7 million due to higher taxable income during the period.
- Other Liabilities increased by 12% to ₱7.5 billion due to higher bills purchased

II. Income Statement – June 30, 2017 vs. June 30, 2016

- Interest income increased by 23% to ₱10.7 billion from ₱8.7 billion in the same period last year primarily due to an increase in lending activities, largely driven by growth in auto loans, salary loans to teachers, and corporate loans.
- Interest expense increased by 26% to ₱1.7 billion primarily due to strong growth in deposits and other borrowings.
- Service charges, fees and commissions increased by 40% to ₱2.7 billion from ₱1.9 billion in the same period last year driven by branch store transaction and consumer loan-related charges.
- Trading and securities gain decreased by 94% to ₱51.4 million on normal fluctuations in market prices that turned unfavorable to the Bank's position. Foreign exchange gains increased by 66% to ₱211.2 million as the Bank's FX position benefitted from the currency movement during the period.
- Loss on sale of assets increased by 828% to ₱129.3 million as the Bank disposed portion of its repossessed assets at lower premiums compared to last year.
- Trust income increased by 181% to ₱22.1 million due to the migration of SCB's assets under management.
- Miscellaneous income also increased by 33% to ₱272.3 million due to higher recovery of asset written-off during the year.
- The Bank continues its conservative provisioning on account of its credit expansion, by setting aside ₱2.0 billion in corresponding provision for probable losses, a decrease of 28% from what was booked last year.
- Manpower costs continue to rise to ₱2.2 billion from ₱2.0 billion last year on account of expanded business and stores.
- Taxes and licenses, Depreciation and amortization, Rent and Miscellaneous expenses increased by 22%, 11%, 12% and 17%, respectively, on account of business expansion.

Attachment I

East West Banking Corporation and Subsidiaries

Interim Consolidated Financial Statements
As of June 30, 2017 (Unaudited) and December 31, 2016 (Audited)
And for the Six Months Ended June 30, 2017 and June 30, 2016

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION

As of June 30, 2017 (*With Comparative Figures for December 31, 2016)*

(Amounts in Thousands of Philippine Peso)

	2017 (Unaudited)	2016 (Audited)
ASSETS		
Cash and Other Cash Items	**₱5,572,843**	₱6,623,761
Due from Bangko Sentral ng Pilipinas	**41,374,381**	39,343,143
Due from Other Banks	**4,910,630**	6,970,645
Interbank Loans Receivable	**9,713,550**	7,502,748
Financial Assets at Fair Value Through Profit or Loss	**9,198,464**	5,267,750
Financial Assets at Fair Value Through Other Comprehensive Income (FVTOCI)	**2**	500
Investment Securities at Amortized Cost	**13,061,550**	11,129,509
Loans and Receivables	**209,064,791**	198,875,688
Investment in a Joint Venture	**459,271**	619,333
Property and Equipment	**3,231,528**	3,391,846
Investment Properties	**757,482**	699,667
Deferred Tax Assets	**1,995,239**	1,972,465
Goodwill and Other Intangible Assets	**7,090,792**	6,946,408
Other Assets	**3,163,075**	2,474,082
TOTAL ASSETS	**₱309,593,598**	₱291,817,545
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	**₱71,497,120**	₱70,301,898
Savings	**65,980,466**	58,771,622
Time	**103,159,077**	103,112,716
Long-term negotiable certificates of deposits	**14,296,520**	8,035,283
	254,933,183	240,221,519
Bills and Acceptances Payable	**916,540**	2,194,595
Accrued Taxes, Interest and Other Expenses	**2,153,310**	1,866,929
Cashier's Checks and Demand Draft Payable	**897,944**	1,059,178
Subordinated Debt	**6,220,995**	4,969,460
Income Tax Payable	**630,717**	369,508
Other Liabilities	**7,475,094**	6,686,985
TOTAL LIABILITIES	**273,227,783**	257,368,174
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		
Common Stock	**14,999,836**	14,999,836
Additional Paid-in Capital	**5,209,061**	5,209,061
Surplus Reserves	**47,467**	47,467
Surplus	**16,168,953**	14,167,106
Net unrealized Loss on FVTOCI	**(4,048)**	(4,060)
Remeasurement Losses on Retirement Plan	**(86,176)**	(69,082)
Cumulative Translation Adjustment	**30,722**	99,043
TOTAL EQUITY	**36,365,815**	34,449,371
TOTAL LIABILITIES AND EQUITY	**₱309,593,598**	₱291,817,545

See accompanying Notes to Unaudited Interim Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM STATEMENTS OF INCOME

For the periods ended June 30, 2017 and 2016

(Amounts in Thousands of Philippine Peso)

	June 30			
	2017	2016	**2017**	2016
	For the quarter ended	For the quarter ended	**For the Six months ended**	For the Six months ended
INTEREST INCOME				
Loans and receivables	**₱5,136,473**	₱4,208,507	**₱10,212,251**	₱8,245,581
Trading and investment securities	**208,267**	227,978	**400,819**	420,799
Due from other banks and interbank loans receivable and securities purchased under resale agreements	**22,355**	6,685	**38,838**	16,534
	5,367,095	4,443,170	**10,651,908**	8,682,914
INTEREST EXPENSE				
Deposit liabilities	**776,666**	616,905	**1,480,827**	1,156,984
Subordinated debt, bills payable and other borrowings	**122,697**	91,374	**199,320**	178,385
	899,363	708,279	**1,680,147**	1,335,369
NET INTEREST INCOME	**4,467,732**	3,734,891	**8,971,761**	7,347,545
Service charges, fees and commissions	**1,402,583**	954,565	**2,677,280**	1,913,739
Foreign exchange gain	**71,225**	36,543	**211,223**	127,336
Trading and securities gain (loss)	**24,915**	431,996	**51,400**	790,881
Trust income	**12,084**	4,022	**22,132**	7,879
Loss on sale of assets and asset foreclosure	**(76,370)**	33,188	**(113,648)**	15,618
Miscellaneous	**144,382**	105,829	**272,346**	204,666
TOTAL OPERATING INCOME	**6,046,551**	5,301,034	**12,092,494**	10,407,664
OPERATING EXPENSES				
Provision for impairment and credit losses	**866,929**	1,395,367	**1,967,536**	2,740,396
Compensation and fringe benefits	**1,157,583**	970,262	**2,162,610**	1,989,993
Taxes and licenses	**485,408**	375,206	**948,587**	775,237
Depreciation and amortization	**313,213**	276,880	**613,634**	552,035
Rent	**233,860**	199,521	**458,297**	409,506
Miscellaneous	**1,102,370**	1,043,495	**2,316,839**	1,986,895
TOTAL OPERATING EXPENSES	**4,159,363**	4,260,731	**8,467,503**	8,454,062
INCOME BEFORE SHARE IN NET INCOME OF JOINT VENTURE	**1,887,188**	1,040,303	**3,624,991**	1,953,602
SHARE IN NET LOSS OF JOINT VENTURE	**(80,513)**	(104,289)	**(160,062)**	(140,289)
INCOME BEFORE INCOME TAX	**1,806,675**	936,014	**3,464,929**	1,813,313
PROVISION FOR INCOME TAX	**514,110**	159,459	**963,082**	250,150
NET INCOME	**₱1,292,565**	₱776,555	**₱2,501,847**	₱1,563,163
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱1,292,565**	₱776,555	**₱2,501,847**	₱1,563,163
Non-controlling interest	**–**	–	**–**	–
NET INCOME	**₱1,292,565**	₱776,555	**₱2,501,847**	₱1,563,163
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company			**₱1.67**	₱1.04
Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company			**₱1.67**	₱1.04

See accompanying Notes to Unaudited Interim Financial Statements

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
For the periods ended June 30, 2017 and 2016
(Amounts in Thousands of Philippine Peso)

	June 30			
	2017	2016	**2017**	2016
	For the quarter ended	For the quarter ended	**For the Six months ended**	For theSix months ended
NET INCOME FOR THE PERIOD	**₱1,292,565**	₱776,555	**₱2,501,847**	₱1,563,163
OTHER COMPREHENSIVE INCOME				
Change in remeasurement loss of retirement liability	**(8,389)**	(5,879)	**(17,094)**	(11,758)
Unrealized Gain (loss) on financial assets at FVTOCI	–	(771)	**12**	(628)
Cumulative translation adjustment	**5,943**	(10,228)	**(68,321)**	(28,109)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(2,446)**	(16,878)	**(85,403)**	(40,495)
TOTAL COMPREHENSIVE INCOME	**₱1,290,119**	₱759,677	**₱2,416,444**	₱1,522,668
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱1,290,119**	₱759,677	**₱2,416,444**	₱1,522,668
Non-controlling interest	–	–	–	–
TOTAL COMPREHENSIVE INCOME	**₱1,290,119**	₱759,677	**₱2,416,444**	₱1,522,668

See accompanying Notes to Unaudited Interim Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY

For the periods ended June 30, 2017 and 2016

(Amounts in Thousands of Philippine Peso)

Consolidated

Six Months Ended June 30, 2017

Equity Attributable to Equity Holders of the Parent Company

	Common Stock	Additional Paid-in Capital	Surplus Reserves	Surplus	Net Unrealized Gain on Financial Assets at FVTOCI	Remeasurement Losses on Retirement Plan	Cumulative Translation Adjustment	Total	Non-Controlling Interest	Total Equity
	(Amounts in Thousands)									
Balances at January 1, 2017	**₱14,999,836**	**₱5,209,061**	**₱47,467**	**₱14,167,106**	**(₱4,060)**	**(₱69,082)**	**₱99,043**	**₱34,449,371**	**₱–**	**₱34,449,371**
Total comprehensive income (loss)	**–**	**–**	**–**	**2,501,847**	**12**	**(17,094)**	**(68,321)**	**2,416,444**	**–**	**2,416,444**
Dividend declaration	**–**	**–**	**–**	**(500,000)**	**–**	**–**	**–**	**(500,000)**	**–**	**(500,000)**
Balances at June 30, 2017	**₱14,999,836**	**₱5,209,061**	**₱47,467**	**₱16,168,953**	**(₱4,048)**	**(₱86,176)**	**₱30,722**	**₱36,365,815**	**₱–**	**₱36,365,815**

Consolidated

Six Months Ended June 30, 2016

Equity Attributable to Equity Holders of the Parent Company

	Common Stock	Additional Paid-in Capital	Surplus Reserves	Surplus	Net Unrealized Gain on Financial Assets at FVTOCI	Remeasurement Losses on Retirement Plan	Cumulative Translation Adjustment	Total	Non-Controlling Interest	Total Equity
	(Amounts in Thousands)									
Balances at January 1, 2016	₱14,999,836	₱5,209,061	₱45,607	₱11,161,210	(₱2,442)	(₱46,019)	₱35,494	₱31,402,747	₱–	₱31,402,747
Total comprehensive income (loss)	–	–	–	1,563,163	(628)	(11,758)	(28,109)	1,522,668	–	1,522,668
Dividend declaration	–	–	–	(400,000)	–	–	–	(400,000)	–	(400,000)
Balances at June 30, 2016	₱14,999,836	₱5,209,061	₱45,607	₱12,324,373	(₱3,070)	(₱57,777)	₱7,385	₱32,525,415	₱–	₱32,525,415

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2017 and 2016
(Amounts in Thousands of Philippine Peso)

	Six Months Ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱3,464,929**	₱1,813,313
Adjustments for:		
Provision for credit and impairment losses	**1,967,536**	2,740,396
Depreciation and amortization	**613,634**	552,035
Loss (Gain) on sale of assets	**113,648**	(15,618)
Share in net loss of joint venture	**160,062**	140,289
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets at fair value through profit or loss	**(3,930,714)**	(953,081)
Loans and receivables	**(13,354,186)**	(23,491,839)
Other assets	**(680,430)**	(97,224)
Increase (decrease) in:		
Deposit liabilities	**14,711,665**	22,124,875
Accounts payable and accrued expenses	**286,383**	265,007
Cashier's checks and demand draft payable	**(161,234)**	(275,884)
Other liabilities	**501,506**	1,878,707
Net cash provided by operations	**3,692,799**	4,680,976
Income taxes paid	**(723,980)**	(647,087)
Net cash provided in operating activities	**2,968,819**	4,033,889
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturity of:		
Investment securities at amortized cost	**860,393**	–
Investment properties and other repossessed assets	**843,837**	37,526
Property and equipment	**805**	–
Acquisitions of:		
Investment securities at amortized cost	**(2,792,434)**	(5,822,856)
Property and equipment	**(193,726)**	(264,276)
Capitalized software	**(28,533)**	(98,741)
Net cash provided/(used) in investing activities	**(1,309,658)**	(6,148,347)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in bills and acceptances payable	**(1,278,054)**	948,419
Issuance of subordinated debt	**1,250,000**	–
Payment of subordinated debt	–	(1,555,763)
Payment of dividends	**(500,000)**	(400,000)
Net cash provided/(used) in financing activities	**(528,054)**	(1,007,344)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**₱1,131,107**	(₱3,121,802)

(Forward)

	Six Months Ended June 30	
	2017	2016
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	**₱6,623,761**	₱5,899,131
Due from Bangko Sentral ng Pilipinas	**39,343,143**	30,908,680
Due from other banks	**6,970,645**	5,376,926
Interbank Loans Receivable	**7,502,748**	7,722,546
	₱60,440,297	₱49,907,283
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	**₱5,572,843**	₱4,914,436
Due from Bangko Sentral ng Pilipinas	**41,374,381**	34,053,972
Due from other banks	**4,910,630**	2,383,995
Interbank Loans Receivable	**9,713,550**	5,433,078
	₱61,571,404	₱46,785,481

OPERATIONAL CASH FLOWS FROM INTEREST

Interest received	**₱10,200,663**	₱7,925,482
Interest paid	**1,680,407**	1,412,908

See accompanying Notes to Financial Statements.

1. Corporate Information

East West Banking Corporation (EW or the Bank or the Parent Company) is a domestic universal bank which was registered with the SEC on March 22, 1994. The Bank was granted authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a commercial bank and operate an expanded foreign currency deposit unit in 1994. Subsequently in 2012, the Parent Company has been authorized by the BSP to operate as a universal bank. The Parent Company's common shares were listed and commenced trading in the Philippine Stock Exchange (PSE) on May 7, 2012.

As of June 30, 2017, the Parent Company is effectively 77.20% owned by Filinvest Development Corporation (FDC). The Parent Company's ultimate parent company is A.L. Gotianun, Inc. The Parent Company's head office is located at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.

Through its network of 447 branches as of June 30, 2017, the Bank and its subsidiaries (the Group) provides a wide range of financial services to consumer and corporate clients which includes deposit-taking, loan and trade finance, treasury, trust services, credit cards, cash management, custodial services, insurance services and leasing and finance.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and derivative financial instruments that have been measured at fair value. The financial statements are presented in Philippine peso and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements of the Parent Company include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and the FCDU is the Philippine peso and United States dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine peso, which is the Parent Company's presentation currency (see accounting policy on Foreign Currency Transactions and Translation). The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of all subsidiaries and the joint venture is the Philippine peso.

Statement of Compliance

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

Presentation of Financial Statements

The Group presents its statement of financial position broadly in order of liquidity.

Basis of Consolidation

The Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continue to be consolidated until the date when control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies. The following are the wholly-owned subsidiaries of the Parent Company as of June 30, 2017 and December 31, 2016:

	Principal Activities
East West Rural Bank, Inc. (EWRB)	Consumer banking
East West Insurance Brokerage, Inc. (EWIB)	Non-life insurance brokerage
East West Leasing and Finance Corporation (EWLFC)	Finance and leasing
Quest Marketing And Integrated Services, Inc.	Sales and marketing
Assurance Solutions Insurance Agency (ASIA)	General insurance and marketing

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in the consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. Control is achieved where the Parent Company is exposed, or has rights, to variable return from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company has power over the entity when it has existing rights that give it the current ability to direct relevant activities (i.e., activities that significantly affect the entity's returns). Consolidation of subsidiaries ceases when control is transferred out of the Parent Company. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended standards, which became effective beginning January 1, 2017. Unless otherwise indicated, adoption of these amended standards did not have material impact to the Group.

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

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

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

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

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

<u>Future Changes in Accounting Policies</u>
Standards issued up to the date of issuance of the financial statements but are not yet effective are listed below. This is a listing of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards to have a significant impact on the financial statements.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify

that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

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

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

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 was issued by IASB in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but

providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

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

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

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

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as these become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. **Financial Risk Management**

The risk exposure of the Parent Company and its subsidiary (the Group) in credit, market, interest rate, and liquidity remains contained within its risk limits and adequately covered by its available capital.

Specifically, notable risk exposures, where most emanate from the Parent Company, as of the end of second quarter of 2017 in the following areas are summarized below.

- Credit risk: Potential risk is well within regulatory capital as gleaned from the following indicators.
    - Credit quality of portfolio remains at a composite rating of 'Satisfactory' for its corporate portfolio, 'Standard' grade for most of its secured consumer portfolio, 'Substandard' grade for most of its unsecured consumer portfolio, and its non – tradable investment portfolio at 'A' composite rating.
    - Loan portfolio security profile is over 50% secured given the significant proportion of consumer lending business. For the portfolio of products that normally require collateral, the Bank remains healthy at over 70% secured.
    - No credit concentration in size, borrower, and industry as defined by BSP and internal risk policies.

- Market risk: Around 0.5% of the Parent Company's Qualifying Capital, or around 2% of the market value of the trading position is the potential expected loss on the Parent Company's trading book on account of potential adverse movements in interest rate and foreign exchange rate.

- Interest rate risk: At the consolidated basis of the banking book, maximum potential loss impact (for the rest of 2017) from adverse movement in interest rate is estimated to be marginally over 1% and 6% of the budgeted net interest income and net income for 2017, respectively.

- Liquidity risk: There is no imminent liquidity risk as the Group remains to be generally liquid, particularly in the near term or within the one-year horizon, with sufficient sources of funding as and when the need arises. Regulatory and internal risk limits are duly complied with.

Capital level, on the other hand, stands over P35 billion. Despite the tighter regulatory capital standards, this remains enough to comply with the regulatory minimum, in accordance with the supervisor's prescriptions, as well as cover for the above approximated risk exposures.

Thus, the Group's risk management policies remain generally the same as in 2016. The Group's 2016 audited financial statements discuss in detail its risk exposures and its related policies.

5. **Fair Value Measurement**

The Group measures certain financial instruments such as financial assets at FVTPL, financial assets at FVTOCI and derivative financial instruments, at fair value at each statement of financial position date. Also, fair values of financial instruments carried at amortized cost and investment properties carried at cost are measured for disclosure purposes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External appraisers are involved for valuation of significant non-financial assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

The following table in the succeeding page provides the fair value hierarchy of the Group's assets and liabilities measured at fair value and those for which fair values are required to be disclosed as of June 30, 2017 and December 31, 2016.

	Consolidated				
	June 30, 2017				
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
HFT investments:					
Government securities	**₱5,295,006**	**₱5,295,006**	**₱5,295,006**	**₱–**	**₱–**
Private bonds	**3,893,039**	**3,893,039**	**3,893,039**	–	–
Equity securities	**10,419**	**10,419**	**10,419**	–	–
	9,198,464	**9,198,464**	**9,198,464**	–	–
Derivative assets	**165,734**	**165,734**	–	**165,734**	–
Financial assets at FVTOCI	**2**	**2**	**2**	–	–
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	**3,763,627**	**3,853,800**	**3,853,800**	–	–
Private bonds	**9,297,923**	**9,522,526**	**9,522,526**	–	–
	13,061,550	**13,376,326**	**13,376,326**	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	**57,871,834**	**56,004,043**	–	–	**56,004,043**
Consumer lending	**148,048,375**	**126,055,605**	–	–	**126,055,605**
Unquoted debt securities	**324,669**	**394,177**	–	–	**394,177**
	206,244,878	**182,453,825**	–	–	**182,453,825**
Non-financial assets					
Investment properties	**757,482**	**1,242,263**			**1,242,263**
Total assets	**229,428,110**	**206,436,614**	**22,574,792**	**165,734**	**183,696,088**
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	**170,929**	**170,929**	–	**170,929**	–
(Forward)					
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	**103,159,077**	**104,524,569**	–	–	**104,524,569**
LTNCD	**14,296,520**	**15,254,536**	–	–	**15,254,536**
	117,455,597	**119,779,105**			**119,779,105**
Subordinated debt	**6,220,995**	**5,539,708**	–	–	**5,539,708**
Total liabilities	**123,847,521**	**125,489,742**	–	**170,929**	**125,318,813**

	Consolidated				
	December 31, 2016				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
HFT investments:					
Government securities	₱994,086	₱994,086	₱994,086	₱–	₱–
Private bonds	4,263,221	4,263,221	4,263,221	–	–
Equity securities	10,443	10,443	10,443	–	–
	5,267,750	5,267,750	5,267,750	–	–
Derivative assets	167,665	167,665	–	167,665	–
(Forward)					
Financial assets at FVTOCI	500	500	500	–	–
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	5,760,891	5,746,513	5,746,513	–	–
Private bonds	5,368,618	5,380,441	5,380,441	–	–
	11,129,509	11,126,954	11,126,954	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	61,431,319	59,498,698	–	–	59,498,698
Consumer lending	128,738,093	131,384,147	–	–	131,384,147
Unquoted debt securities	326,601	395,356	–	–	395,356
	190,496,013	191,278,201	–	–	191,278,201
Non-financial assets					
Investment properties	699,667	1,193,483	–	–	1,193,483
Total assets	₱207,761,104	₱209,034,553	₱16,395,204	₱167,665	₱192,471,684
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	₱194,164	₱194,164	₱–	₱194,164	₱–
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	103,112,716	104,417,148	–	–	104,417,148
LTNCD	8,035,283	8,543,046	–	–	8,543,046
	111,147,999	112,960,194	–	–	112,960,194
Subordinated debt	4,969,460	5,682,923	–	–	5,682,923
Total liabilities	₱116,311,623	₱118,837,281	₱–	₱194,164	₱118,643,117

6. Segment Reporting

The Group's main operating businesses are organized and managed primarily, according to the current organizational structure. Each segment represents a strategic business unit that caters to the bank's identified markets. The Group's business segments are:

(a) **Retail banking** - this segment mainly covers traditional branch banking products and services such as deposits, back-to-back/emerging market loans and other over-the-counter (OTC) transactions. It likewise caters to the needs of high net-worth clients for alternative investment channels. It includes entire transaction processing, service delivery and infrastructure consisting of the Group's network of branches, automated teller machines as well as its internet banking platform;

(b) **Corporate banking -** this segment handles lending and trade financing for both large corporations and middle market clients;

(c) **Consumer lending -** this segment primarily caters to loans for individuals;

(d) **Treasury and Trust -** this segment consists of Treasury and Trust operations of the Group. Treasury focuses on providing money market, trading and treasury services, as well as the management of the Group's funding operations through debt securities, placements and acceptances with other banks. Trust includes fund management, investment management services, custodianship, administration and collateral agency services, and stock and transfer agency services. In addition, the Parent Company through Trust, provides retail customers with alternative investment opportunities through its unit investment fund products.

The 'Elimination Items' includes the Group's executive office and elimination items related to the Group's segment reporting framework.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment assets are those operating assets employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense. The Group's revenue-producing assets are located in the Philippines (i.e., one geographical location); therefore, geographical segment information is no longer presented. The Group has no significant customers which contribute 10.00% or more of the consolidated revenue, net of interest expense.

The segment results include internal transfer pricing adjustments across business units as deemed appropriate by management. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to the business units based on a pool rate which approximates the marginal cost of funds.

Segment information of the Group as of and for the six months ended June 30, 2017
(in millions):

As of June 30, 2017	**Retail Banking**	**Corporate Banking**	**Consumer Banking**	**Treasury & Trust**	**Executive & Elimination Items**	**Total Bankwide**
Statement of Income						
Net Interest Income						
Third Party	**₱2,302**	**₱310**	**₱6,113**	**₱166**	**₱169**	**₱9,060**
Intersegment	–	**368**	–	–	**(456)**	**(88)**
	2,302	**678**	**6,113**	**166**	**(287)**	**8,972**
Noninterest Income	**817**	**129**	**2,244**	**(19)**	**(173)**	**2,998**
Revenue - Net of Interest Expense	**3,119**	**807**	**8,357**	**147**	**(460)**	**11,970**
Noninterest Expense	**(2,903)**	**(289)**	**(4,771)**	**(262)**	**(280)**	**(8,505)**
Income Before Income Tax	**216**	**518**	**3,586**	**(115)**	**(740)**	**3,465**

(Forward)

As of June 30, 2017	**Retail Banking**	**Corporate Banking**	**Consumer Banking**	**Treasury & Trust**	**Executive & Elimination Items**	**Total Bankwide**
Provision for Income Tax	**(136)**	**(155)**	**(666)**	**35**	**(41)**	**(963)**
Net Income for the Period	**₱80**	**₱363**	**₱2,920**	**(₱80)**	**(₱781)**	**₱2,502**
Statement of Financial Position						
Total Assets	**₱48,308**	**₱66,078**	**₱132,500**	**₱28,387**	**₱34,321**	**₱309,594**
Total Liabilities	**229,435**	**42,176**	**2,961**	**23,335**	**(24,679)**	**273,228**
Other Segment Information						
Depreciation and Amortization	**262**	**12**	**258**	**20**	**62**	**614**
Provision and Impairment Losses	**30**	**–**	**1,983**	**–**	**(45)**	**1,968**

Segment information of the Group as of and for the six months ended June 30, 2016 follow (in millions):

As of June 30, 2016	Retail Banking	Corporate Banking	Consumer Banking	Treasury & Trust	Executive & Elimination Items	Total Bankwide
Statement of Income						
Net Interest Income						
Third Party	₱1,852	₱326	₱4,536	₱121	₱512	₱7,347
Intersegment	3	228	–	–	(231)	–
	1,855	554	4,536	121	281	7,347
Noninterest Income	576	47	1,730	793	(226)	2,920
Revenue - Net of Interest Expense	2,431	601	6,266	914	55	10,267
Noninterest Expense	(2,743)	(257)	(4,566)	(127)	(761)	(8,454)
Income Before Income Tax	(312)	344	1,700	787	(706)	1,813
Provision for Income Tax	53	(103)	(316)	(237)	353	(250)
Net Income for the Period	(₱259)	₱241	₱1,384	₱550	(₱353)	₱1,563
Statement of Financial Position						
Total Assets	₱42,663	₱67,352	₱91,424	₱21,194	₱34,803	₱257,436
Total Liabilities	194,273	29,168	3,183	12,713	(14,426)	224,911
Other Segment Information						
Depreciation and Amortization	299	11	189	5	48	552
Provision and Impairment Losses	14	9	2,361	(7)	363	2,740

Noninterest income consists of service charges, fees and commissions, gain on sale of assets, gain on asset foreclosure and dacion transactions, trading and securities gain, gain on sale of investment securities at amortized cost, foreign exchange gain, trust income, share in net loss of a joint venture and miscellaneous income. The share in net loss of a joint venture has been presented as part of the elimination items in the Group's segment reporting framework. Noninterest expense consists of compensation and fringe benefits, taxes and licenses, depreciation and amortization, rent, amortization of intangible assets, provision for impairment and credit losses, and miscellaneous expenses.

7. Trading and Investment Securities

As of June 30, 2017, the Group's investments comprise of debt and equity securities.

The Bank has no significant derivative instruments which may impact its financial condition as of June 30, 2017.

8. Goodwill and Other Intangible Assets

This consists of goodwill, customer relationship, core deposits and branch licenses from its acquisition of East West Rural Bank, Green Bank, Inc., AIG Philam Savings Bank, Inc., and SCB Portfolio. Other intangible assets also include capitalized software used by the Bank.

As of June 30, 2017, goodwill and other intangible assets are not considered impaired, hence, no impairment has been recognized by the Bank.

9. Equity

Capital Management

The Bank actively manages its capital to comply with regulatory requirements, enable growth targets, withstand plausible stress events and be at par with the Bank's peers. The primary objective of the Bank's capital management is to ensure that it maintains adequate capital to cover risks inherent to its banking activities without prejudice to optimizing shareholders' value.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the 'unimpaired capital' (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based Capital Adequacy Ratio (CAR) of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (EW and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

Capital Stock

Capital stock consist of (amounts in thousands, except for par value and number of shares):

	Shares		**Amount**	
	June 30, 2017	December 31, 2016	**June 30, 2017**	December 31, 2016
Authorized:				
Common stock – 10.00 par value	**1,500,000,000**	1,500,000,000		
Preferred stock – 10.00 par value	**500,000,000**	500,000,000		
Common stock issued and outstanding:				
Balance at the beginning of the year	**1,499,983,610**	1,499,983,610	**₱14,999,836**	₱14,999,836
Issuance during the period	**-**	–	-	-
Balance at year end	**1,499,983,610**	1,499,983,610	**₱14,999,836**	₱14,999,836

10. **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 Group'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 members,
- subsidiaries, joint ventures and associates and their respective subsidiaries, and
- post-employment benefit plans for the benefit of the Group's employees.

The Group 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 collectability or present other unfavorable conditions.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24. The Group provides banking services to its key management personnel.

Other related parties pertain to the Group's affiliates (subsidiaries of FDC).

The Group and the Parent Company had no outright purchases and outright sale of debt securities with significant shareholders and key management personnel in 2017 and 2016.

No provision and allowance for loan losses was recognized by the Group for loans to significant investors, key management personnel and other related parties in 2017 and 2016.

The Parent Company's subsidiaries have no transactions with related parties outside of the Group.

11. **Commitments and Contingent Liabilities**

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. The Group does not anticipate material unreserved losses as a result of these transactions.

The Group has several loan related suits and claims that remain unsettled. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, the suits and claims, if decided adversely, will not involve sums having a material effect on the Group's financial statements.

12. **Financial Performance**

Earnings per share amounts were computed as follows:

		June 2017	June 2016
a.	Net income attributable to equity holders of the Parent Company	**₱2,501,847**	₱1,563,163
b.	Weighted average number of outstanding common shares by the Parent Company	**1,499,984**	1,499,984
c.	Basic and diluted EPS (a/d)	**₱1.67**	₱1.04

**The Bank has no potentially dilutive shares as of June 30, 2017, and 2016.*

13. **Subsequent Event**

The Board of Directors, in its special meeting held on July 13, 2017, approved the following subject to stockholders and regulatory approval:

- Increase in the Bank's Authorized Capital Stock from Twenty Billion Pesos (₱20,000,000,000.00) to Fifty Billion Pesos (₱50,000,000,000.00) consisting of additional Three Billion Common Shares of Stock with par value of Peso Ten per share (₱10.00/share). Upon the approval of the aforesaid increase, the Authorized Capital Stock of the Bank will consist of Four Billion Five Hundred Million (4,500,000,000) common shares with par value of ₱10.00 per share or a total par value of Forty Five Billion Pesos (₱45,000,000,000.00) and Five Hundred Million (500,000,000) preferred shares with par value of ₱10.00 per share or a total par value of Five Billion Pesos (₱5,000,000,000.00);

- Declaration of 50% Stock Dividend or Seven Hundred Fifty Million Common Shares (750,000,000) to cover the required minimum subscription and payment for the increase of authorized capital stock mentioned above. Record date for the stock dividends shall be fixed by the Securities and Exchange Commission.

ATTACHMENT 2

PAST DUE LOANS AND OTHER RECEIVABLES
June 30, 2017
(*Amounts in thousands of Philippine Peso)*

Particulars	Total	91-180 days	181-360 days	>360 days
Past Due Loans & other receivables	8,577,125	3,424,378	3,042,951	2,109,795
Allowance for credit losses	(5,814,747)			
Total	2,762,378			

ATTACHMENT 3

CONSOLIDATED FINANCIAL RATIOS
(As Required by SRC Rule 68.1)
June 30, 2017

	June 30, 2017	June 30, 2016
Current ratio(1)	**79.3%**	86.20%
Solvency ratio(2)	**113.3%**	114.5%
Debt-to-equity(3)	**7.5**	6.9
Asset-to-equity(4)	**8.5**	7.9
Interest rate coverage ratio(5)	**306.2%**	235.8
Profitability ratio		
Return on Equity (6)	**14.1%**	9.8%
Return on Assets (7)	**1.7%**	1.3%
Net Interest Margin (8)	**7.8%**	7.8%
Cost- to- Income Ratio (9)	**54.5%**	55.6%

Notes:
(1) Current assets divided by current liabilities

(2) Total assets divided by total liabilities

(3) Total liabilities divided by total equity

(4)Total assets divided by total equity

(5)Income before interest and taxes divided by interest expense

(6)Net income divided by average total equity for the periods indicated.

(7) Net income divided by average total assets for the periods indicated.

(8) Net interest income divided by average interest-earning assets (incl. interbank loans, trading and investment securities and loans).

(9) Other expenses (excl. provision for impairment and credit losses) divided by net interest and other income for the periods indicated.