COVER SHEET

SEC Registration Number

AS094-002733

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
Rhodora M. Lugay		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 **September 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 6,221,777,936**

....

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

Yes [**X**] No [ ]

The company was listed in the Philippine Stock Exchange on May 7, 2012.

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

Name of exchange: **Philippine Stock Exchange**
Class of securities: **Common Shares**

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

Rhodora M. Lugay
Chief Financial Officer

November 9, 2017

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

Financial Performance Highlights

The Bank's net income for the nine months ended September 30, 2017 stood at ₱3.75 billion, higher by 60% from the same period last year mainly from improving productivity and lower loan loss provisions. These two items more than offset the much lower trading revenues and the substantial increase in taxes.

Revenue growth, even with its bigger base outpaced the growth in expenses. Core recurring income (i.e. net revenues less trading income) posted a robust 24% growth. Net Interest Margin (NIM) was at 7.8%. NIM after provisions for loan losses, stood at 6.1% as of September 30, 2017.

Total Assets stood at ₱314.9 billion as of September 30, 2017. This is 17% and 8% higher than September 30, 2016 and December 31, 2016, respectively. The growth was driven mainly by consumer loans. Consumer loans, which accounted for 72% of total loans, grew by 29% y/y and 15% from year-end 2016. Business loans, on the other hand, declined by 4% y/y and also declined by 6% from December 2016. Overall loan levels increased by 18% y/y.

Net Revenues increased by 17% to ₱18.4 billion from ₱15.7 billion in the same period last year with core recurring earnings growing by 24% to ₱18.0 billion from ₱14.6 billion year on year. The net revenue growth was mainly driven by consumer loans.

Securities trading gains declined 92% y/y to ₱77.7 million, while FX gains increased by 92% to ₱ 257.9 million. These were due to the ebbs and flows inherent in the trading business.

Operating Expenses (ex. provisions for credit losses) increased by 16% to ₱9.9 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.

Provisions for credit losses decreased 27% y/y as the consumer loans growth rate stabilizes. Credit card and auto loans' high yield but high credit costs' businesses posted lower delinquencies as the portfolio matures. Despite lower provisions, NPL coverage in the first nine months of 2017 is much higher at 70% vs 60% in 2016.

Financial Position

<u>Loans</u>

The Bank remained focused in growing its consumer and mid-market corporate loans, with consumer loans making up 72% of total loans. The Bank plans to grow its business loans in the coming months.

<u>Deposits</u>

Deposits stood at ₱257.1 billion as of September 30, 2017, up by 19% 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 ₱143.8 billion for an increase of 26% from the previous year. High cost deposits (inclusive of LTNCDs) increased by 14% to end at ₱113.4 billion.

Capital

The Bank's Capital Adequacy Ratio (CAR) under Basel 3, remained more than adequate at 12.6% as of September 30, 2017. Tier-1 ratio stood at 10.6%, also well within regulatory minimum. The Bank's Tier 1 capital is composed entirely of common equity.

Credit Quality

Overall NPL ratios improved as the Bank's NPL to Total Customer Loans, net of specific allowances, declined to 1.5%[1] in September 30, 2017 from 2.7%[1] as of September 30, 2016.

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

Result of Operations

Revenues

Net Revenues grew by 17% to ₱18.4 billion from ₱15.7 billion in the same period last year. Trading Income was at ₱335.6 million or 70% lower than the ₱1.1 billion gains booked last year. Other operating income, exclusive of trading gains, increased by 30% to ₱4.4 billion.

Net Interest Income stood at ₱13.7 billion, 22% or ₱2.5 billion higher than the ₱11.2 billion posted last year driven primarily by consumer loans.

Fee Income

Other operating income, exclusive of trading revenues, was at ₱4.4 billion which is 30% higher than the ₱3.4 billion posted in the same period last year. The increase primarily came from ₱4.1 billion of service charges, fees, commissions and other charges booked for the period, which is 35% 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 ₱335.6 million as compared to the ₱1.1 billion gain posted in same period last year. While the Bank focuses on its core banking business of loans and deposits, it's trading units has taken a more conservative market risk position this year.

Operating Costs

Total Operating Expenses, excluding Provision for credit losses, increased by 16% to ₱9.9 billion during the period, with compensation related expenses increasing by 11% to ₱3.3 billion. Cost to Income went down from 55.1% to 54.7 y/y as productivity continues to improve as the expansion efforts in the last five years mature.

Other Expenses have increased as follows: (i) Taxes and licenses grew by 30% or by ₱954 million to ₱1.4 billion; (ii) Depreciation and Amortization grew by 12% to ₱935.1 million; (iii) Rent grew by 12% to ₱701.7 million; and (iv) Miscellaneous Expenses grew by 17% to ₱3.5 billion.

Summary of Key Financials and Ratios

Balance Sheet (in PHP billions)	**September 30, 2017**	**September 30, 2016**	**y/y Growth %**
Assets	314.9	268.8	17%
Consumer Loans	157.9	122.6	29%
Corporate Loans	61.0	63.6	(4%)
Low Cost Deposits (CASA)	143.8	116.9	23%
High Cost Deposits	113.4	99.1	14%
Capital	37.6	33.3	13%

Profitability (in PHP millions)	**September 30, 2017**	**September 30, 2016**	**y/y Growth %**
Net Interest Income	13,660.2	11,214.3	22%
Trading Income	335.6	1,111.4	(70%)
Fees & Other Income	4,382.7	3,378.7	30%
Operating Expenses	9,865.7	8,523.5	16%
Provision for Losses	3,007.4	4,131.6	(27%)
Provision for Taxes	1,450.2	496.1	192%
Net Income After Tax	3,752.2	2,326.5	60%

Key Financial Ratios	**September 30, 2017**	**September 30, 2016**	**Variance b/(w)**
Return on Equity	13.8%	9.6%	4.2%
Return on Assets	1.7%	1.3%	0.4%
Net Interest Margin	7.8%	7.8%	-
Cost-to-Income Ratio	54.7%	55.1%	0.4%
Capital Adequacy Ratio	12.6%	14.0%	(1.4%)

Business Segment Performance

The Bank’s recurring income base continued to post strong 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 September 30, 2017. Fees excluding Trading Gains, likewise, recorded a strong growth of 30% 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 4%. The slight decrease in corporate loans was the result of optimizing our portfolio amidst the low-interest rate environment.

Consumer Loans grew by 29% y/y, driven mainly by auto, mortgage and personal loans. Credit cards, the highest contributor for consumer lending’s bottom-line, also grew significantly at 28% y/y to end at ₱28.0 billion. The acquisition of Standard Chartered Bank’s retail business in late 2016 significantly contributed to the growth of the cards portfolio.

Treasury group’s contribution to the Bank’s bottom line during the period was lower than last year. The Bank posted ₱335.6 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 additional branch stores.

In summary, Consumer Lending business contributed the most to the Bank’s bottom line, which is attributable to the Bank’s consumer thrust that established a reliable revenue base mainly from auto loans, credit cards and personal loans. 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 in due time.

Other Information:

As of September 30, 2017, EastWest has a total of 389 branch stores, with 211 of these stores in Metro Manila.

The Bank’s subsidiaries have a total of 58 stores, bringing the group store network total to 447 with 579 ATMs and combined manpower of 6,986.

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 estimates capital expenditures mainly for implementation of IT projects.

Significant Elements of Income or Loss
Significant elements of the consolidated net income of the Group for the nine-months ended September 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 – September 30, 2017 vs. December 31, 2016

- Cash and cash equivalents decreased by 22% to ₱5.2 billion due to the leveling-off of cash in vault from the usual year-end build-up.
- Due from other banks declined by 13% to ₱6.1 billion due to decreased levels of placements and working balances with counterparty banks.
- Interbank loans increased by 24% to ₱5.7 billion coming from excess liquidity.
- Financial Assets at Fair Value through Profit and Loss increased by 62% to ₱8.5 billion due to movements in the Bank's proprietary trading portfolio.
- Investment Securities at Amortized Cost increased by 54% to ₱17.2 billion in line with the Bank's balance sheet strategy.
- Investment in a Joint Venture account decreased by 53% to ₱289.3 million. The decrease represents the proportionate share of the Bank in the net loss of the Joint Venture with Ageas.
- Property and Equipment decreased by 8% to ₱3.1 billion due to this year's depreciation and amortization.
- Investment Properties increased by 9% to ₱765.6 million on account of repossessed property (i.e. Land).
- Other assets increased by 12% to ₱2.8 billion on account of loan related settlements.
- Deposit liabilities increased by 7% to ₱257.1 billion, largely coming from issuance of LTNCD and CASA growth which is attributable to the expanded store network.
- Bills and acceptance payables increased by 43% to ₱3.1 billion mainly from higher volume of interbank and other borrowings.
- Accrued Taxes, Interest and Other Expenses increased by 18% due to higher level of transactions on account of expanded stores.
- Cashier's Check and Demand Draft Payable decreased by 12% 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 99% to ₱734.3 million due to higher taxable income during the period.

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

- Interest income increased by 23% to ₱16.2 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 and salary loans to teachers.
- Interest expense increased by 28% to ₱2.6 billion primarily due to strong growth in deposits and other borrowings.
- Service charges, fees and commissions increased by 35% to ₱4.1 billion from ₱3.0 billion in the same period last year driven by branch store transaction and consumer loan-related charges.
- Trading and securities gain decreased by 92% to ₱77.7 million on normal fluctuations in market prices that turned unfavorable to the Bank's position. Foreign exchange gains increased by 92% to ₱257.9 million as the Bank's FX position benefitted from the currency movement during the period.
- Loss on sale of assets and asset foreclosures ended at ₱140.4 million from last year's gain of ₱4.3 million as the Bank disposed a sizeable portion of its repossessed assets at lower premiums compared to last year.
- Trust income increased by 172% to ₱34.9 million due to the migration of SCB's assets under management.
- Miscellaneous income also increased by 24% to ₱426.2 million due to higher recovery of assets written-off during the year.
- The Bank continues its conservative provisioning on account of its credit expansion, by setting aside ₱3.0 billion in corresponding provision for probable losses, a decrease of 27% from what was booked last year.
- Manpower costs continue to rise to ₱3.3 billion from ₱2.9 billion last year on account of expanded business and stores.
- Taxes and licenses, Depreciation and amortization, Rent and Miscellaneous expenses increased by 30%, 12%, 12% and 17%, respectively, on account of business expansion.

Attachment I

East West Banking Corporation and Subsidiaries

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

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION
As of September 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	**₱5,197,671**	₱6,623,761
Due from Bangko Sentral ng Pilipinas	**39,789,441**	39,343,143
Due from Other Banks	**6,055,998**	6,970,645
Interbank Loans Receivable	**5,714,614**	7,502,748
Financial Assets at Fair Value Through Profit or Loss	**8,529,985**	5,267,750
Financial Assets at Fair Value Through Other Comprehensive Income (FVTOCI)	**2**	500
Investment Securities at Amortized Cost	**17,181,658**	11,129,509
Loans and Receivables	**216,291,594**	198,875,688
Investment in a Joint Venture	**289,333**	619,333
Property and Equipment	**3,105,634**	3,391,846
Investment Properties	**765,635**	699,667
Deferred Tax Assets	**2,080,251**	1,972,465
Goodwill and Other Intangible Assets	**7,068,642**	6,946,408
Other Assets	**2,782,253**	2,474,082
TOTAL ASSETS	**₱314,852,711**	₱291,817,545
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	**₱73,841,129**	₱70,301,898
Savings	**69,939,599**	58,771,622
Time	**95,371,107**	103,112,716
Long-term negotiable certificates of deposits	**17,989,018**	8,035,283
	257,140,853	240,221,519
Bills and Acceptances Payable	**3,145,978**	2,194,595
Accrued Taxes, Interest and Other Expenses	**2,208,399**	1,866,929
Cashier's Checks and Demand Draft Payable	**932,816**	1,059,178
Subordinated Debt	**6,221,778**	4,969,460
Income Tax Payable	**734,253**	369,508
Other Liabilities	**6,880,961**	6,686,985
TOTAL LIABILITIES	**277,265,038**	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	**17,392,347**	14,167,106
Net unrealized Loss on FVTOCI	**(4,048)**	(4,060)
Remeasurement Losses on Retirement Plan	**(94,882)**	(69,082)
Cumulative Translation Adjustment	**37,892**	99,043
TOTAL EQUITY	**37,587,673**	34,449,371
TOTAL LIABILITIES AND EQUITY	**₱314,852,711**	₱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 September 30, 2017 and 2016

(Amounts in Thousands of Philippine Peso)

	September 30			
	2017	2016	**2017**	2016
	For the quarter ended	For the quarter ended	**For the Nine months ended**	For the Nine months ended
INTEREST INCOME				
Loans and receivables	**₱5,349,994**	₱4,349,831	**₱15,562,245**	₱12,595,412
Trading and investment securities	**225,720**	211,143	**626,539**	631,942
Due from other banks and interbank loans receivable and securities purchased under resale agreements	**44,362**	10,975	**83,200**	27,509
	5,620,076	4,571,949	**16,271,984**	13,254,863
INTEREST EXPENSE				
Deposit liabilities	**837,636**	618,727	**2,318,463**	1,775,711
Subordinated debt, bills payable and other borrowings	**93,981**	86,502	**293,301**	264,887
	931,617	705,229	**2,611,764**	2,040,598
NET INTEREST INCOME	**4,688,459**	3,866,720	**13,660,220**	11,214,265
Service charges, fees and commissions	**1,384,492**	1,104,382	**4,061,772**	3,018,121
Foreign exchange gain	**46,696**	7,103	**257,919**	134,439
Trading and securities gain (loss)	**26,274**	186,059	**77,674**	976,941
Trust income	**12,728**	4,947	**34,860**	12,826
Loss on sale of assets and asset foreclosure	**(26,450)**	(11,320)	**(140,098)**	4,298
Miscellaneous	**153,812**	138,820	**426,158**	343,486
TOTAL OPERATING INCOME	**6,286,011**	5,296,711	**18,378,505**	15,704,376
OPERATING EXPENSES				
Provision for impairment and credit losses	**1,039,877**	1,391,211	**3,007,413**	4,131,607
Compensation and fringe benefits	**1,104,782**	952,629	**3,267,392**	2,942,622
Taxes and licenses	**500,254**	337,120	**1,448,841**	1,112,357
Depreciation and amortization	**321,476**	281,687	**935,110**	833,722
Rent	**243,434**	214,569	**701,731**	624,075
Miscellaneous	**1,195,771**	1,023,866	**3,512,610**	3,010,761
TOTAL OPERATING EXPENSES	**4,405,594**	4,201,082	**12,873,097**	12,655,144
INCOME BEFORE SHARE IN NET INCOME OF JOINT VENTURE	**1,880,417**	1,095,629	**5,505,408**	3,049,232
SHARE IN NET LOSS OF JOINT VENTURE	**(169,938)**	(86,311)	**(330,000)**	(226,600)
INCOME BEFORE INCOME TAX	**1,710,479**	1,009,318	**5,175,408**	2,822,632
PROVISION FOR INCOME TAX	**487,085**	245,997	**1,450,167**	496,147
NET INCOME	**₱1,223,394**	₱763,321	**₱3,725,241**	₱2,326,485
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱1,223,394**	₱763,321	**₱3,725,241**	₱2,326,485
Non-controlling interest	**–**	–	**–**	–
NET INCOME	**₱1,223,394**	₱763,321	**₱3,725,241**	₱2,326,485
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company			**₱2.48**	₱1.55
Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company			**₱2.48**	₱1.55

See accompanying Notes to Unaudited Interim Financial Statements

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended September 30, 2017 and 2016

(Amounts in Thousands of Philippine Peso)

	September 30			
	2017	2016	**2017**	2016
	For the quarter ended	For the quarter ended	**For the Nine months ended**	For the Nine months ended
NET INCOME FOR THE PERIOD	**₱1,223,394**	₱763,321	**₱3,725,241**	₱2,326,485
OTHER COMPREHENSIVE INCOME				
Change in remeasurement loss of retirement liability	**(8,706)**	(5,879)	**(25,800)**	(17,637)
Unrealized Gain (loss) on financial assets at FVTOCI	–	(450)	**12**	(1,078)
Cumulative translation adjustment	**7,170**	49,110	**(61,151)**	21,000
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(1,536)**	42,781	**(86,939)**	2,285
TOTAL COMPREHENSIVE INCOME	**₱1,221,858**	₱806,102	**₱3,638,302**	₱2,328,770
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱1,221,858**	₱806,102	**₱3,638,302**	₱2,328,770
Non-controlling interest	–	–	–	–
TOTAL COMPREHENSIVE INCOME	**₱1,221,858**	₱806,102	**₱3,638,302**	₱2,328,770

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 September 30, 2017 and 2016

(Amounts in Thousands of Philippine Peso)

Consolidated

Nine Months Ended September 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)	**–**	**–**	**–**	**3,725,241**	**12**	**(25,800)**	**(61,151)**	**3,638,302**	**–**	**3,638,302**
Dividend declaration	**–**	**–**	**–**	**(500,000)**	**–**	**–**	**–**	**(500,000)**	**–**	**(500,000)**
Balances at September 30, 2017	**₱14,999,836**	**₱5,209,061**	**₱47,467**	**₱17,392,347**	**(₱4,048)**	**(₱94,882)**	**₱37,892**	**₱37,587,673**	**₱–**	**₱37,587,673**

Consolidated

Nine Months Ended September 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)	–	–	–	2,326,485	(1,078)	(17,637)	21,000	2,328,770	–	2,328,770
Dividend declaration	–	–	–	(400,000)	–	–	–	(400,000)	–	(400,000)
Balances at September 30, 2016	₱14,999,836	₱5,209,061	₱45,607	₱13,087,695	(₱3,520)	(₱63,656)	₱56,494	₱33,331,517	₱–	₱33,331,517

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

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

	Nine Months Ended September 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱5,175,408**	₱2,822,632
Adjustments for:		
Provision for credit and impairment losses	**3,007,413**	4,131,607
Depreciation and amortization	**935,110**	833,722
Loss (Gain) on sale of assets and asset foreclosure	**140,098**	(4,298)
Share in net loss of joint venture	**330,000**	226,600
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets at fair value through profit or loss	**(3,261,725)**	2,654,089
Loans and receivables	**(22,325,649)**	(33,729,026)
Other assets	**(314,384)**	(614,251)
Increase (decrease) in:		
Deposit liabilities	**16,919,335**	31,845,718
Accounts payable and accrued expenses	**341,472**	394,654
Cashier's checks and demand draft payable	**(126,363)**	(240,137)
Other liabilities	**(93,494)**	2,385,949
Net cash provided by operations	**727,221**	10,707,259
Income taxes paid	**(1,193,209)**	(868,692)
Net cash provided in operating activities	**(465,988)**	9,838,567
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturity of:		
Investment securities at amortized cost	**860,393**	–
Investment properties and other repossessed assets	**1,446,082**	50,043
Property and equipment	**8,891**	–
Acquisitions of:		
Investment securities at amortized cost	**(6,912,542)**	(7,631,500)
Property and equipment	**(261,992)**	(392,352)
Capitalized software	**(58,801)**	(143,539)
Net cash provided/(used) in investing activities	**(4,917,969)**	(8,117,348)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in bills and acceptances payable	**951,384**	1,044,974
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	**1,701,384**	(910,789)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(₱3,682,573)**	(₱810,430)

(Forward)

	Nine Months Ended September 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	**₱5,197,671**	₱4,781,255
Due from Bangko Sentral ng Pilipinas	**39,789,441**	35,214,842
Due from other banks	**6,055,998**	7,316,916
Interbank Loans Receivable	**5,714,614**	3,404,700
	₱56,757,724	₱50,717,713

OPERATIONAL CASH FLOWS FROM INTEREST

Interest received	**₱15,207,095**	₱12,252,927
Interest paid	**2,648,936**	2,154,576

See accompanying Notes to Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
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 September 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 September 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 September 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.

Future Changes in Accounting Policies

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 third 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: Marginally over 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 3% 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 P34 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 September 30, 2017 and December 31, 2016.

	Consolidated				
	September 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	**₱4,953,955**	**₱4,953,955**	**₱4,953,955**	**₱–**	**₱–**
Private bonds	**3,565,639**	**3,565,639**	**3,565,639**	–	–
Equity securities	**10,391**	**10,391**	**10,391**	–	–
	8,529,985	**8,529,985**	**8,529,985**	–	–
Derivative assets	**160,093**	**160,093**	–	**160,093**	–
Financial assets at FVTOCI	**2**	**2**	**2**	–	–
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	**7,062,596**	**7,319,142**	**7,319,142**	–	–
Private bonds	**10,119,062**	**10,345,792**	**10,345,792**	–	–
	17,181,658	**17,664,934**	**17,664,934**	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	**57,614,676**	**55,763,125**	–	–	**55,763,125**
Consumer lending	**155,117,262**	**149,972,050**	–	–	**149,972,050**
Unquoted debt securities	**325,718**	**395,573**	–	–	**395,573**
	213,057,656	**206,130,748**	–	–	**206,130,748**
Non-financial assets					
Investment properties	**765,635**	**1,470,363**			**1,470,363**
Total assets	**239,695,029**	**233,956,125**	**26,194,921**	**160,093**	**207,601,111**
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	**170,680**	**170,680**	–	**170,680**	–
(Forward)					
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	**95,371,107**	**96,851,059**	–	–	**96,851,059**
LTNCD	**17,989,018**	**19,247,512**	–	–	**19,247,512**
	113,360,125	**116,098,571**			**116,098,571**
Subordinated debt	**6,221,778**	**6,933,591**	–	–	**6,933,591**
Total liabilities	**119,752,583**	**123,202,842**	–	**170,680**	**123,032,162**

	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 Nine months ended September 30, 2017 (in millions):

As of September 30, 2017	**Retail Banking**	**Corporate Banking**	**Consumer Banking**	**Treasury & Trust**	**Executive & Elimination Items**	**Total Bankwide**
Statement of Income						
Net Interest Income						
Third Party	**₱3,507**	**₱451**	**₱9,239**	**₱272**	**₱328**	**₱13,797**
Intersegment	–	**587**	–	–	**(724)**	**(137)**
	3,507	**1,038**	**9,239**	**272**	**(396)**	**13,660**
Noninterest Income	**1,237**	**152**	**3,325**	**(130)**	**(195)**	**4,388**
Revenue - Net of Interest Expense	**4,744**	**1,190**	**12,564**	**143**	**(591)**	**18,048**
Noninterest Expense	**(4,402)**	**(449)**	**(7,302)**	**(417)**	**(303)**	**(12,873)**
Income Before Income Tax	**342**	**740**	**5,261**	**(274)**	**(894)**	**5,175**

(Forward)

As of September 30, 2017	Retail Banking	Corporate Banking	Consumer Banking	Treasury & Trust	Executive & Elimination Items	Total Bankwide
Provision for Income Tax	**(217)**	**(222)**	**(928)**	**83**	**(166)**	**(1,450)**
Net Income for the Period	**₱125**	**₱518**	**₱4,333**	**(₱191)**	**(₱1,060)**	**₱3,725**
Statement of Financial Position						
Total Assets	**₱46,187**	**₱65,877**	**₱138,589**	**₱24,576**	**₱39,624**	**₱314,853**
Total Liabilities	**226,041**	**43,095**	**3,057**	**30,857**	**(25,785)**	**277,265**
Other Segment Information						
Depreciation and Amortization	**395**	**19**	**411**	**30**	**80**	**935**
Provision and Impairment Losses	**48**	**5**	**3,063**	**–**	**(109)**	**3,007**

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

As of September 30, 2016	Retail Banking	Corporate Banking	Consumer Banking	Treasury & Trust	Executive & Elimination Items	Total Bankwide
Statement of Income						
Net Interest Income						
Third Party	2,837	481	6,824	151	914	11,207
Intersegment	4	391	–	–	(388)	7
	2,841	872	6,824	151	526	11,214
Noninterest Income	913	68	2,744	908	(370)	4,263
Revenue - Net of Interest Expense	3,754	940	9,568	1,059	156	15,477
Noninterest Expense	(4,101)	(431)	(6,706)	(185)	(1,232)	(12,655)
Income Before Income Tax	(347)	509	2,862	874	(1,076)	2,822
Provision for Income Tax	38	(153)	(541)	(262)	422	(496)
Net Income for the Period	(309)	356	2,321	612	(654)	2,326
Statement of Financial Position						
Total Assets	43,802	66,194	97,622	20,477	40,681	268,776
Total Liabilities	202,680	33,070	3,294	13,249	(16,848)	235,445
Other Segment Information						
Depreciation and Amortization	439	16	291	8	80	834
Provision and Impairment Losses	29	48	3,381	(7)	681	4,132

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 September 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 September 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 September 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	
	September 30, 2017	December 31, 2016	**September 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:

		September 2017	September 2016
a.	Net income attributable to equity holders of the Parent Company	**₱3,725,241**	₱2,326,484
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)	**₱2.48**	₱1.55

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

ATTACHMENT 2

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

Particulars	Total	91-180 days	181-360 days	>360 days
Past Due Loans & other receivables	7,889,485	3,330,251	1,458,868	3,100,366
Allowance for credit losses	(5,781,579)			
Total	2,107,906			

ATTACHMENT 3

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

	September 30, 2017	September 30, 2016
Current ratio[(1)]	**76.67%**	84.83%
Solvency ratio[(2)]	**113.6%**	114.2%
Debt-to-equity[(3)]	**7.4**	7.1
Asset-to-equity[(4)]	**8.4**	8.1
Interest rate coverage ratio[(5)]	**298.2%**	238.3%
Profitability ratio		
Return on Equity [(6)]	**13.8%**	9.6%
Return on Assets [(7)]	**1.7%**	1.3%
Net Interest Margin [(8)]	**7.8%**	7.8%
Cost- to- Income Ratio [(9)]	**54.7%**	55.1%

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.