COVER SHEET

SEC Registration Number

A	S	0	9	4	-	0	0	2	7	3	3

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
Renato K. De Borja, Jr.		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 **March 31, 2016**

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 3390

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 5,675,014,000	

....

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.
President and Chief Executive Officer

Renato K. De Borja, Jr.
Senior Vice-President and Chief Finance Officer

May 13, 2016

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

Financial Performance Highlights

The Bank's net income as of March 31, 2016 stood at ₱786.6 million, higher by 31% from the same period last year. Core recurring income base (i.e. net revenues less trading income and other one-off items) continue to post double-digit growth as the Bank starts to see the result of its expansion project. Net Interest Margin (NIM) remains at an industry leading level of 8.0% as the Bank remains one of the most consumer focused bank in the industry. For better comparison, we look at NIM after provisions for loan losses which stood at 5.0% as of March 31, 2016 while industry average NIM is around 2.9%. We define industry here as universal and commercial banks.

Total Assets stood at ₱240.0 billion as of March 31, 2016. This is 30% and 3% higher than March 31, 2015 and December 31, 2015, respectively. The growth was driven mainly by the 33% growth in customer loans. Consumer loans, which accounts for 61% of total loans, grew by 44% y/y and 11% from year-end 2015. Business loans, on the other hand, grew by 19% y/y but declined by 4% from December 2015.

Net Revenues increased by 22% to ₱5.1 billion from ₱4.1 billion in the same period last year with core recurring earnings grew by 20% to ₱4.6 billion from ₱3.9 billion year on year. The growth should have been higher at 33%, if not for the 9% decline in fee income to ₱1.0 billion. There was an over accrual of ₱336.5 million in late payment charges last year as the bank adjusted to its new core banking system. If not for that, fees and commissions would have grown by 30%. The revenue expansion was all across the different business units – consumer, business loans, and deposits. These, in our view, are the fruits of the expansion program the Bank undertook starting in 2012.

Securities trading gains grew by 52% y/y to ₱358.9 million, while FX gains increased by 48% to ₱90.8 million.

Expenses on the other hand also increased by 18% to ₱2.8 billion. The increase in expenses was driven mainly by manpower and infrastructure related expenses associated with the expansion in branch store network.

The increase in provisions for credit losses was driven mainly by credit cards and auto loans as the bank continues to push its consumer business. The Bank believes that the country's economy still has some years to go on its expansion path. While provisions continue to increase, at the margin, the Bank continues to generate positive returns. It is important to note that this is able to provide for future recurring revenue stream.

Overall, we note that core revenues continue to increase at a faster rate than operating expenses. While competition is showing no sign of abating, we believe that the Bank is making some progress in improving its productivity and now has a good base in terms of infrastructure to improve its competitive position.

Financial Position

Loans

The Bank remains focused in growing its consumer and mid-market corporate loans, with consumer loans still taking up more than half of total customer loans at 61%. The Bank continue to sustain its momentum on consumer loans business.

Deposits

Deposits stood at ₱189.0 billion as of March 31, 2016, up by 29% 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 ₱95.6 billion for an increase of 32% from the previous year. High cost deposits (inclusive of LTNCDs) on the other hand increased by 26% to end at ₱93.4 billion. On average, the Bank still has lower average deposit level per store compared to industry peers at ₱435.5 million vs. ₱1.2 billion. This is mainly because most of the Bank's stores are new, with 132 of the 378 stores less than 3 years old.

Capital

The Bank's Capital Adequacy Ratio (CAR) under Basel 3, remain more than adequate at 14.9% as of March 31, 2016 while Tier-1 ratio stood at 11.8%. The Bank's Tier 1 capital is composed entirely of common equity.

Credit Quality

Overall NPL ratios improved at the Bank's NPL to Total Customer Loans, net of fully provided NPLs, declined to 3.12%[1] in March 31, 2016 from 4.30%[1] as of March 31, 2015.

[1] Total NPLs less: 100% covered NPLs divided by Total Customer Loans less: 100% covered NPLs (at Group level)

Result of Operations

Revenues

Net Revenues grew by 22% to ₱5.1 billion from ₱4.1 billion in the same period last year. Trading Income was at ₱449.7 million or 52% higher than the ₱296.7 million gains booked last year. Other operating income, exclusive of trading gains, decreased by 9% to ₱1.0 billion.

Net Interest Income stood at ₱3.6 billion, 32% or ₱874.1 million higher than the ₱2.7 billion posted last year driven by the growth in earning assets.

Fee Income

Fees excluding Trading Gains, largely coming from transactional and service fees of consumer lending and the branch stores declined by 9% at ₱1.0 billion. In Q12015, the Bank over-accrued late fees amounting to ₱336.5 million. On a like for like basis, considering the impact of this one-off adjustment, fee income in Q12016 grew by 30% vs. 2015 driven by branch store transaction and consumer loan-related fees.

Trading Income

Securities Trading and Foreign Exchange Gains was at ₱449.7 million as compared to the ₱296.7 million gains posted in same period last year.

Operating Costs

Total Operating Expenses, excluding Provision for loan losses, increased by 18% to ₱2.8 billion during the period. Compensation related expenses increased by 13% to ₱1.0 billion, while Provision for loan losses grew by 37% to ₱1.3 billion on account of aggressive loan portfolio growth particularly in consumer loans. The increase in operating expenses reflected the growth of the different businesses. Productivity is improving as operating expenses grew at a slower pace than core revenues. This appears to reflect the maturation process of the expansion efforts started in 2012.

Other Expenses related to business expansion has increased as follows: (i) Taxes and licenses grew by 71% to ₱400.0 million as a result of growth in revenue base; (ii) Depreciation and Amortization grew by 33% to ₱275.2 million coming from expansion in business and infrastructure; (iii) Rent grew by 23% to ₱210.0 million coming from branch store expansion; and (iv) Miscellaneous Expenses grew by 4% to ₱943.4 million with the growth largely coming from higher Consumer business and branch store expansion.

Summary of Key Financials and Ratios

Balance Sheet (in PHP billions)	**March 31, 2016**	**March 31, 2015**	**y/y Growth %**
Assets	240.0	184.7	30%
Consumer Loans	100.8	70.1	44%
Corporate Loans	63.8	53.7	19%
Low Cost Deposits (CASA)	95.6	72.4	32%
High Cost Deposits	93.4	74.4	26%
Capital	32.2	22.0	46%

Profitability (in PHP millions)	**March 31, 2016**	**March 31, 2015**	**y/y Growth %**
Net Interest Income	3,612.6	2,738.5	32%
Other Income	1,458.0	1,408.6	4%
Operating Expenses	2,848.3	2,423.6	18%
Provision for Losses	1,345.0	984.8	37%
Net Income After Tax	786.6	600.2	31%

Key Financial Ratios	March 31, 2016	March 31, 2015	Variance b/(w)
Return on Equity	9.9%	11.1%	(1.2%)
Return on Assets	1.3%	1.3%	-
Net Interest Margin	8.0%	7.8%	0.2%
Cost-to-Income Ratio	56.2	58.4%	2.2%
Capital Adequacy Ratio	14.9%	13.5%	1.4%

Business Segment Performance

The Bank's recurring income base continues to post double-digit growth, coming from the efforts of Consumer Lending, Retail Banking and Corporate Banking business segments. Net interest margin (NIM) continue to be more than double industry average at 8.0% as of 1Q2016. Normalized Fees excluding Trading Gains, likewise, recorded a strong growth of 30% y/y. This recurring income is largely attributable to the growing customer base and market share of the Bank.

Corporate Banking posted a y/y growth of 19%. The increase in corporate loan releases somehow mitigated the effects of thinner spreads in this business segment.

Consumer Loans grew by 44% 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, grew at a modest pace of 4% y/y to end at ₱22.1 billion.

Treasury group's contribution to the Bank's bottom line in the first quarter of 2016 was higher than last year. The Bank was able to take advantage of market opportunities and posted ₱449.7 million of trading revenues.

On the cost side, the headcount heavy Consumer lending and Retail banking continue to lead all business segments in terms of operating expenses. This was largely due to the expanded branch stores and the credit costs booked for Consumer loans.

In summary, Consumer Lending business contributed the most to the Bank's bottom line, which is attributable to the stable revenue base coming from auto loans as well as the stronger growth in mortgage loans. This was followed by Treasury's contribution coming from trading revenues. Corporate banking, likewise, managed to contribute despite thinning spreads, as a result of its expanded loan portfolio. Retail Banking continues to carry the burden of the expenses brought by the new stores opened in the last 3 years.

Other Information:

As of March 31, 2016, EastWest has a total of 378 branches, with 166 of these branch stores in the restricted areas and a total of 207 of these branch stores in all of Metro Manila. For the rest of the country, the Bank has 96 branches in other parts of Luzon, 39 branches in Visayas, and 36 branch stores in Mindanao. The total ATM network is 588, composed of 374 onsite ATMs and 214 off-site ATMs. Total headcount of EastWest is 5,175.

The Bank's subsidiaries has a total of 56 branches and 939 officers/staff, bringing the group store network total to 434 with 579 ATMs and combined manpower of 6,114.

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 bank's 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 12 months ended March 31, 2016 and 2015 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 – March 31, 2016 vs. December 31, 2015**
   - Cash and cash equivalents decreased by 20% to ₱4.7 billion due to the leveling-off of cash in vault from the usual year-end build-up.
   - Due from other banks declined by 72% to ₱1.5 billion due to decreased levels of placements and working balances with counterparty banks.

- Interbank loans receivable and Securities Purchased Under Resale Agreements (SPURA) decreased by 56% to ₱3.4 billion as more funds were placed in higher-yielding liquid assets.
- Financial Assets at Fair Value through Profit and Loss increased by 25% to ₱13.2 billion due to movements in the Bank's proprietary trading portfolio.
- Investment Securities at Amortized Cost increased by 107% to ₱9.5 billion in line with the Bank's balance sheet strategy.
- Loans and Receivables-Net grew by 5% to ₱162.9 billion driven by high growth in consumer and corporate loans.
- Investment in a Joint Venture account declined by 8% to ₱435.3 million. The decrease represent the proportionate share of the Bank in the net loss of the Joint Venture with Ageas.
- Deferred tax asset increased by 14% to ₱1.5 billion on account of higher provisioning set-up, net of write-off, during the period.
- Other assets increased by 14% to ₱2.3 billion as prepaid assets and other repossessed assets grew by 183% and 14%, respectively.
- Bills and acceptance payables increased by 28% to ₱3.9 billion mainly from higher volume of interbank and other borrowings.
- Accrued Taxes, Interest and Other Expenses and Cashier's Check and Demand Draft Payable increased by 16% and 48%, respectively, due to higher level of transactions on account of expanded stores.
- Unsecured subordinated debt (UnSD) decreased by 23% as the Bank retired ₱1.5 billion non-BASEL III compliant Tier 2 notes in January 2016.
- Income tax payable declined by 25% to ₱367.0 million due to lower taxable income during the period.
- Other liabilities increased by 32% to ₱6.3 billion on account of business expansion.

II. Income Statement – March 31, 2016 vs. March 31, 2015

- Interest income increased by 29% to ₱4.2 billion from ₱3.3 billion in the same period last year primarily due to an increase in lending activities, largely driven by growth in auto loans, corporate loan and salary loans to public school teachers.
- Interest expense increased by 12% to ₱627.1 million primarily due to strong growth in deposits and other borrowings.
- Service charges, fees and commissions decreased by 8% to ₱959.2 million. In Q12015, the Bank over-accrued late fees amounting to ₱336.5 million. On a like for like basis, considering the impact of this one-off adjustment, fee income in Q12016 grew by 36% vs. 2015 driven by branch store transaction and consumer loan-related fees.
- Trading and securities gain and Foreign exchange gains increased by 52% and 48%, respectively, as the Bank took advantage of the favorable market conditions during the 1st quarter of the year.
- Loss on sale of assets increased by 174% to ₱17.6 million as the Bank was able to disposed sizable portion of its repossessed assets.
- Trust income dropped by 13% to ₱3.9 million due to the decline in assets under management account.
- Miscellaneous income also increased by 34% to ₱98.8 million due to higher recovery of asset written-off during the year.
- Manpower costs continue to rise from ₱902.9 million last year to ₱1.0 billion this year on account of expanded business and stores.

- The Bank continued its conservative provisioning on account of its credit expansion, by setting aside ₱1.3 billion in provision for probable losses, an increase of 37% from what was booked last year.
- Taxes and licenses, Depreciation and amortization, Rent and Miscellaneous expenses increased by 71%, 33%, 23% and 4%, respectively, on account of business expansion.

Attachment I

East West Banking Corporation and Subsidiaries

Interim Consolidated Financial Statements
As of March 31, 2016 (Unaudited) and December 31, 2015 (Audited)
And for the Three Months Ended March 31, 2016 and March 31, 2015

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION
As of March 31, 2016 (*With Comparative Figures for December 31, 2015)*
(Amounts in Thousands of Philippine Peso)

	2016 (Unaudited)	2015 (Audited)
ASSETS		
Cash and Other Cash Items	**₱4,728,765**	₱5,899,131
Due from Bangko Sentral ng Pilipinas	**31,866,746**	30,908,680
Due from Other Banks	**1,530,840**	5,376,926
Interbank Loans Receivable	**3,366,799**	7,722,546
Financial Assets at Fair Value Through Profit or Loss	**13,160,713**	10,540,806
Financial Assets at Fair Value Through Other Comprehensive Income (FVTOCI)	**6,397**	6,255
Investment Securities at Amortized Cost	**9,543,296**	4,617,898
Loans and Receivables	**162,922,705**	155,276,237
Investment in a Joint Venture	**435,287**	471,287
Property and Equipment	**3,489,203**	3,523,169
Investment Properties	**724,816**	727,613
Deferred Tax Assets	**1,502,017**	1,322,271
Goodwill and Other Intangible Assets	**4,449,621**	4,446,622
Other Assets	**2,302,124**	2,016,910
TOTAL ASSETS	**₱240,029,329**	₱232,856,351
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	**₱51,884,077**	₱55,537,930
Savings	**43,702,282**	37,705,245
Time	**85,395,358**	82,866,306
Long-term negotiable certificates of deposits	**8,034,719**	8,034,515
	189,016,436	184,143,996
Bills and Acceptances Payable	**3,934,230**	3,073,523
Accrued Taxes, Interest and Other Expenses	**1,522,639**	1,317,163
Cashier’s Checks and Demand Draft Payable	**1,801,869**	1,217,741
Subordinated Debt	**4,967,237**	6,466,516
Income Tax Payable	**367,012**	486,390
Other Liabilities	**6,254,108**	4,748,275
TOTAL LIABILITIES	**207,863,531**	201,453,604
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	**45,607**	45,607
Surplus	**11,947,818**	11,161,210
Net unrealized Gains on FVTOCI	**(2,299)**	(2,442)
Remeasurement Losses on Retirement Plan	**(51,898)**	(46,019)
Cumulative Translation Adjustment	**17,673**	35,494
TOTAL EQUITY	**32,165,798**	31,402,747
TOTAL LIABILITIES AND EQUITY	**₱240,029,329**	₱232,856,351

See accompanying Notes to Unaudited Interim Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM STATEMENTS OF INCOME

For the periods ended March 31, 2016 and 2015

(Amounts in Thousands of Philippine Peso)

	March 31			
	2016	2015	**2016**	2015
	For the quarter ended	For the quarter ended	**For the three months ended**	For the three months ended
INTEREST INCOME				
Loans and receivables	**₱4,037,074**	₱3,106,967	**₱4,037,074**	₱3,106,967
Trading and investment securities	**192,821**	179,960	**192,821**	179,960
Due from other banks and interbank loans receivable	**9,849**	9,385	**9,849**	9,385
	4,239,744	3,296,312	**4,239,744**	3,296,312
INTEREST EXPENSE				
Deposit liabilities	**540,079**	453,378	**540,079**	453,378
Subordinated debt, bills payable and other borrowings	**87,011**	104,476	**87,011**	104,476
	627,090	557,854	**627,090**	557,854
NET INTEREST INCOME	**3,612,654**	2,738,458	**3,612,654**	2,738,458
Service charges, fees and commissions	**959,174**	1,040,177	**959,174**	1,040,177
Trading and securities gain	**358,886**	235,467	**358,886**	235,467
Foreign exchange gain	**90,793**	61,264	**90,793**	61,264
Trust income	**3,857**	4,482	**3,857**	4,482
Loss on sale of assets and asset foreclosure	**(17,570)**	(6,418)	**(17,570)**	(6,418)
Miscellaneous	**98,836**	73,641	**98,836**	73,641
TOTAL OPERATING INCOME	**5,106,630**	4,147,071	**5,106,630**	4,147,071
OPERATING EXPENSES				
Compensation and fringe benefits	**1,019,731**	902,934	**1,019,731**	902,934
Provision for impairment and credit losses	**1,345,029**	984,819	**1,345,029**	984,819
Taxes and licenses	**400,031**	234,111	**400,031**	234,111
Depreciation and amortization	**275,155**	206,326	**275,155**	206,326
Rent	**209,985**	171,291	**209,985**	171,291
Miscellaneous	**943,400**	908,891	**943,400**	908,891
TOTAL OPERATING EXPENSES	**4,193,331**	3,408,372	**4,193,331**	3,408,372
INCOME BEFORE SHARE IN NET INCOME OF JOINT VENTURE	**913,299**	738,699	**913,299**	738,699
SHARE IN NET LOSS OF JOINT VENTURE	**(36,000)**	–	**(36,000)**	–
INCOME BEFORE INCOME TAX	**877,299**		**877,299**	
PROVISION FOR INCOME TAX	**90,691**	138,541	**90,691**	138,541
NET INCOME	**₱786,608**	₱600,158	**₱786,608**	₱600,158
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱786,608**	₱600,158	**₱786,608**	₱600,158
Non-controlling interest	–	–	–	–
NET INCOME	**₱786,608**	₱600,158	**₱786,608**	₱600,158
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company			**₱0.52**	₱0.52
Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company			**₱0.52**	₱0.52

See accompanying Notes to Unaudited Interim Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2016 and 2015

(Amounts in Thousands of Philippine Peso)

	March 31			
	2016	2015	**2016**	2015
	For the quarter ended	For the quarter ended	**For the three months ended**	For the three months ended
NET INCOME FOR THE PERIOD	**₱786,608**	₱600,158	**₱786,608**	₱600,158
OTHER COMPREHENSIVE INCOME				
Change in remeasurement loss of retirement liability	**(5,879)**	(35,850)	**(5,879)**	(35,850)
Unrealized gain on financial assets at FVTOCI	**143**	701	**143**	701
Cumulative translation adjustment	**(17,821)**	(2,907)	**(17,821)**	(2,907)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(23,557)**	(38,056)	**(23,557)**	(38,056)
TOTAL COMPREHENSIVE INCOME	**₱763,051**	₱562,102	**₱763,051**	₱562,102
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱763,051**	₱562,102	**₱763,051**	₱562,102
Non-controlling interest	–	–	–	–
TOTAL COMPREHENSIVE INCOME	**₱763,051**	₱562,102	**₱763,051**	₱562,102

See accompanying Notes to Unaudited Interim Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY
For the Three Months Ended March 31, 2016 and 2015
(Amounts in Thousands of Philippine Peso)

Consolidated

Three Months Ended March 31, 2016 and 2015

	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 Gains (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)	**–**	**–**	**–**	**786,608**	**143**	**(5,879)**	**(17,821)**	**763,051**	**–**	**763,051**
Balances at March 31, 2016	**14,999,836**	**5,209,061**	**45,607**	**11,947,818**	**(2,299)**	**(51,898)**	**17,673**	**32,165,798**	**–**	**32,165,798**

	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 Gains (Losses) on Retirement Plan	Cumulative Translation Adjustment	Total	Non-Controlling Interest	Total Equity
					(Amounts in Thousands)					
Balances at January 1, 2015	₱11,284,096	₱978,721	₱43,906	₱9,158,976	₱5,722	(₱31,394)	₱7,780	₱21,447,807	₱–	₱21,447,807
Total comprehensive income (loss)	–	–	–	600,158	701	(35,850)	(2,907)	562,102	–	562,102
Balances at March 31, 2015	₱11,284,096	₱978,721	₱43,906	₱9,759,134	₱6,423	(₱67,244)	₱4,873	₱22,009,909	₱–	₱22,009,909

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2016 and 2015
(Amounts in Thousands of Philippine Peso)

	Three Months Ended March 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱877,298**	₱738,699
Adjustments for:		
Depreciation and amortization	**275,155**	206,326
Provision for credit and impairment losses	**1,345,029**	984,819
Loss (Gain) on sale of assets	**17,570**	(6,418)
Share in net loss of joint venture	**36,000**	–
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets at fair value through profit or loss	**(2,619,907)**	2,934,557
Loans and receivables	**(9,258,833)**	(2,033,952)
Other assets	**(101,344)**	(37,773)
Increase (decrease) in:		
Deposit liabilities	**4,872,441**	(828,603)
Accounts payable and accrued expenses	**261,239**	149,034
Cashier's checks and demand draft payable	**584,128**	(357,064)
Other liabilities	**1,482,855**	4,959
Net cash provided by operations	**(2,228,369)**	1,754,584
Income taxes paid	**(389,814)**	(142,770)
Net cash used in operating activities	**(2,618,183)**	1,611,814
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturity of :		
Investment properties and other repossessed assets	**3,990**	19,192
Acquisitions of:		
Investment securities at amortized cost	**(4,925,398)**	–
Property and equipment	**(128,950)**	(105,878)
Branch licenses	**–**	(200)
Capitalized software	**(50,536)**	(65,500)
Net cash used in investing activities	**(5,100,894)**	(152,386)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in bills and acceptances payable	**860,707**	(3,239,231)
Payment of subordinated debt	**(1,555,763)**	–
Net cash used in financing activities	**(695,056)**	(3,239,231)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(₱8,414,133)**	(₱1,779,803)

(Forward)

	Three Months Ended March 31	
	2016	2015
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	**₱5,899,131**	₱5,993,499
Due from Bangko Sentral ng Pilipinas	**30,908,680**	23,128,678
Due from other banks	**5,376,926**	3,580,528
Interbank Loans Receivable	**7,722,546**	2,893,384
	₱49,907,283	₱35,596,089
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	**₱4,728,765**	₱4,186,062
Due from Bangko Sentral ng Pilipinas	**31,866,746**	20,224,296
Due from other banks	**1,530,840**	4,656,878
Interbank Loans Receivable	**3,366,799**	4,749,050
	₱41,493,150	₱33,816,286

OPERATIONAL CASH FLOWS FROM INTEREST

Interest received	**₱4,011,573**	₱3,121,329
Interest paid	**754,456**	534,567

See accompanying Notes to Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

East West Banking Corporation (the Parent Company or EW) was granted authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a commercial bank under Monetary Board (MB) Resolution No. 101 dated July 6, 1994, and commenced operations on July 8, 1994. The Parent Company was also granted authority by the BSP to operate an expanded foreign currency deposit unit under MB Resolution No. 832 dated August 31, 1994. On July 31, 2012, the Parent Company received the approval of the BSP to operate as a universal bank. As of March 31, 2016, the Parent Company is effectively 77.18% 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.

The Parent Company is a domestic corporation registered with the Securities and Exchange Commission (SEC) on March 22, 1994. The Parent Company's common shares were listed and commenced trading in the Philippine Stock Exchange (PSE) on May 7, 2012.

Through its network of 378 branches as of March 31, 2016, the Parent Company provides a wide range of financial services to consumer and corporate clients. The Parent Company's principal banking products and services include deposit-taking, loan and trade finance, treasury, trust services, credit cards, cash management and custodial services.

Investments in Subsidiaries and Joint Venture

As of March 31, 2106, EW owns 100% of voting shares of East West Rural Bank and East West Insurance Brokerage, Inc. and 50% of voting shares of East West Ageas Life Insurance Corporation.

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 both subsidiaries 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.

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.

Non-Controlling Interest
Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity attributable to the equity holders of the Parent Company. Any losses applicable to the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests that does not result in a loss of control are accounted for as equity transaction, whereby the difference between the consideration and the fair value of the share of net assets acquired is recognized as an equity transaction and attributed to the owners of the Parent Company.

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 new and amended standards and interpretations, which became effective beginning January 1, 2015. Unless otherwise indicated, adoption of these new and amended standards and interpretations did not have material impact to the Group.

Amendments to PAS 19, *Defined Benefit Plans: Employee Contributions*
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Annual Improvements to PFRSs (2010-2012 Cycle)
The Group has applied these amendments for the first time in these consolidated financial statements. Unless otherwise stated, these amendments have no impact on the Group's consolidated financial statements. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

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

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

  The amendments are applied retrospectively and clarify that:

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

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

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 Cycle)
The Group has applied these amendments for the first time in these consolidated financial statements. Unless otherwise stated, these amendments have no impact on the Group's consolidated financial statements. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

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

- PAS 40, *Investment Property*
  The description of ancillary services in PAS 40 differentiates between the investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

<u>Future Changes in Accounting Policies</u>
Standards issued but are not yet effective up to the date of issuance of the financial statements 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.

PFRS 9, *Financial Instruments* - Classification and Measurement (2010 version)
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. As the Group had early adopted PFRS 9 (2009 version) effective January 1, 2011, adoption of PFRS 9 (2010 version) is not expected to have significant impact on the Group’s financial position and performance.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC).

Deferred

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Effective January 1, 2016

PFRS 10, *Consolidated Financial Statements, and PAS 28, Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (Amendments)
These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. The amendments also allow the investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

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

PAS 1, *Presentation of Financial Statements - Disclosure* (Amendments)
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

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

PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture*: Bearer Plants
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* will apply.

PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

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

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

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

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

PAS 19, *Employee Benefits - Regional Market Issue regarding Discount Rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

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

Effective January 1, 2018

PFRS 9, *Financial Instruments*
In July 2014, the IASB issued the final version of PFRS 9, *Financial Instruments* which reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

The adoption of the final version of PFRS 9 will have an effect on the impairment methodology for financial assets. The adoption will also have an effect on the Group's application of hedge accounting. The Group is currently assessing the impact of adopting this standard.

IFRS 15, *Revenue from Contracts with Customers*
IFRS 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 IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

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

IFRS 16, *Leases*
On January 13, 2016, the IASB issued its new standard, IFRS 16, Leases, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most lease 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 IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual period beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted, IFRS 15, Revenue from Contracts with Customers. When adopting IFRS 16, an entity is permitted to use whether a full retrospective of a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effected date once adopted locally.

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 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 first quarter of 2016 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 'BBB' composite rating.
    - Loan portfolio security profile is over 40% secured given the significant proportion of consumer lending business. For the portfolio of products that normally require collateral, the Bank remains healthy at approximately 55% secured.
    - No credit concentration in size, borrower, and industry as defined by BSP and internal risk policies.

- Market risk: Around 0.8% of the Parent Company's Qualifying Capital or 2% of the market value of the trading position is the value-at-risk on the Parent Company's trading book for potential adverse movements in interest rate, foreign exchange rate, and equity prices.

- Interest rate risk: On the Parent Company's banking book, maximum potential loss impact (for the rest of 2016) from adverse movement in interest rate is estimated to be around 7% and 33% of the budgeted net interest income and net income for 2016, respectively.

- Liquidity risk: There is no imminent liquidity risk as the Parent Company remains to be generally liquid 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 a little over P30 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 2015. The Group's 2015 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 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 March 31, 2016 and December 31, 2015 as follows:

	Consolidated				
	March 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	**₱ 7,395,529**	**₱7,395,529**	**₱7,395,529**	₱–	₱–
Private bonds	**5,754,733**	**5,754,733**	**5,754,733**	–	–
Equity securities	**10,449**	**10,449**	**10,449**	–	–
	13,160,711	**13,160,711**	**13,160,711**	–	–
Derivative assets	**127,649**	**127,649**	–	**127,649**	–
Financial assets at FVTOCI	**6,396**	**6,396**	**6,396**	–	–
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	**4,618,619**	**4,746,068**	**4,746,068**	–	–
Private bonds	**4,924,680**	**5,164,855**	**5,164,855**	–	–
	9,543,299	**9,910,923**	**9,910,923**	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	**58,979,825**	**60,802,043**	–	–	**60,802,043**
Consumer lending	**91,893,590**	**91,920,903**	–	–	**91,920,903**
Unquoted debt securities	**329,820**	**329,820**	–	–	**329,820**
	151,203,235	**153,052,766**	–	–	**153,052,766**
Non-financial assets					
Investment properties	**724,816**	**1,439,377**			**1,439,377**
Total assets	**174,766,106**	**177,697,822**	**23,078,030**	**127,649**	**154,492,143**
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	**193,071**	**193,071**	–	**193,071**	–

	Consolidated				
	March 31, 2016				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	**85,395,358**	**89,383,872**	–	–	**89,383,872**
LTNCD	**8,034,719**	**8,663,307**	–	–	**8,663,307**
	93,430,077	**98,047,179**			**98,047,179**
Subordinated debt	**4,967,237**	**5,675,014**	–	–	**5,675,014**
Total liabilities	**98,590,385**	**103,915,264**	–	**193,071**	**103,722,193**

	Consolidated				
	December 31, 2015				
		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	₱4,344,376	₱4,344,376	₱4,344,376	₱–	₱–
Private bonds	6,185,982	6,185,982	6,185,982	–	–
Equity securities	10,448	10,448	10,448	–	–
	10,540,806	10,540,806	10,540,806	–	–
Derivative assets	167,491	167,491	–	167,491	–
Financial assets at FVTOCI	6,255	6,255	6,255	–	–
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	4,046,482	4,184,434	4,184,434	–	–
Private bonds	571,416	568,725	568,725	–	–
	4,617,898	4,753,159	4,753,159	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	63,181,881	63,946,546	–	–	63,946,546
Consumer lending	86,185,338	85,167,292	–	–	85,167,292
Unquoted debt securities	330,761	443,668	–	–	443,668
	149,697,980	149,557,506	–	–	149,557,506
Non-financial assets					
Investment properties	727,613	1,177,473	–	–	1,177,473
Total assets	165,758,043	166,202,690	15,300,220	167,491	150,734,979
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities	183,755	183,755	–	₱183,755	–

	Consolidated				
	December 31, 2015				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservabl e inputs (Level 3)
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	82,866,306	82,934,373	–	–	82,934,373
LTNCD	8,034,515	8,689,919	–	–	8,689,919
	90,900,821	91,624,292	–	–	91,624,292
Subordinated debt	6,466,516	7,412,376	–	–	7,412,376
Total liabilities	97,551,092	99,220,423	–	183,755	99,036,668

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 three months ended March 31, 2016 (in millions):

As of March 31, 2016	**Retail Banking**	**Corporate Banking**	**Consumer Banking**	**Treasury & Trust**	**Executive & Elimination Items**	**Total Bankwide**
Statement of Income						
Net Interest Income						
Third Party	**924**	**175**	**2,239**	**53**	**222**	**3,613**
Intersegment	**1**	**103**	**–**	**–**	**(104)**	**–**
	925	**278**	**2,239**	**53**	**118**	**3,613**
Noninterest Income	**257**	**22**	**882**	**398**	**(102)**	**1,457**
Revenue - Net of Interest Expense	**1,182**	**300**	**3,121**	**451**	**16**	**5,070**
Noninterest Expense	**(1,358)**	**(126)**	**(2,240)**	**(71)**	**(398)**	**(4,193)**
Income Before Income Tax	**(176)**	**174**	**881**	**380**	**(382)**	**877**
Provision for Income Tax	**34**	**(52)**	**(170)**	**(114)**	**212**	**(90)**
Net Income for the Period	**(142)**	**122**	**711**	**266**	**170**	**787**
Statement of Financial Position						
Total Assets	**39,047**	**66,042**	**84,017**	**20,357**	**30,566**	**240,029**
Total Liabilities	**178,674**	**26,681**	**2,973**	**12,678**	**(13,142)**	**207,864**
Other Segment Information						
Depreciation and Amortization	**150**	**5**	**98**	**3**	**20**	**275**
Provision for Credit and Impairment Losses	**–**	**–**	**1,122**	**–**	**223**	**1,345**

Segment information of the Group as of and for the three months ended March 31, 2015 follow (in millions):

As of March 31, 2015	**Retail Banking**	**Corporate Banking**	**Consumer Banking**	**Treasury & Trust**	**Executive & Elimination Items**	**Total Bankwide**
Statement of Income						
Net Interest Income						
Third Party	718	155	1,745	39	81	2,738
Intersegment	24	134	-	-	(159)	-
	743	289	1,745	39	(78)	2,738
Noninterest Income	182	124	859	264	(20)	1,409
Revenue - Net of Interest Expense	924	414	2,604	303	(98)	4,147
Noninterest Expense	(1,122)	(152)	(1,681)	(80)	(374)	(3,408)
Income Before Income Tax	(197)	262	923	224	(472)	739
Provision for Income Tax	-	-	-	-	(139)	(139)
Net Income for the Period	(197)	262	923	224	(611)	600
Statement of Financial Position						
Total Assets	36,296	57,243	60,579	15,546	15,073	184,738
Total Liabilities	150,899	34,317	2,346	10,833	(35,668)	162,728
Other Segment Information						
Depreciation and Amortization	133	5	52	4	12	206
Provision for Credit and Impairment Losses	–	29	771	-	184	985

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 March 31, 2016, 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 March 31, 2016 and December 31, 2015.

8. Goodwill and Other Intangible Assets

This consists of goodwill, customer relationship, core deposits, branch licenses and capitalized software.

EW recognized goodwill and other intangible assets from its acquisition of East West Rural Bank, Green Bank, Inc., and AIG Philam Savings Bank, Inc.

As of March 31, 2016, goodwill is not considered impaired, hence, no impairment has been recognized by EW.

9. Equity

Capital Management

The Parent Company actively manages its capital to comply with regulatory requirements, enable growth targets, withstand plausible stress events and be at par with the Parent Company's peers. The primary objective of the Parent Company'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 Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's '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 (Parent Company 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	
	March 31, 2016	December 31, 2015	**March 31, 2016**	December 31, 2015
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	**1,128,409,610**	1,128,409,610	**₱11,284,096**	₱11,284,096
Issuance of stock rights	**371,574,000**	371,574,000	**3,715,740**	3,715,740
Balance at year end	**1,499,983,610**	1,499,983,610	**₱14,999,836**	₱14,999,836

On January 29, 2015, the BOD approved the common shares rights offering. In March 2015, the BOD approved the application of the Parent Company to list up to 371,574,000 common shares with par value of ₱10 per share to cover its stock rights offering. Details of the offer are as follows:

Entitlement Ratio	32.929 right shares for every 100 shares
Offer Price	₱21.53
Number of shares to be offered	371,574,000 shares
Ex-rights date	April 16, 2015
Record date	April 21, 2015
Start of offer period	April 24, 2015
End of Offer Period	April 30, 2015

The offer price was computed based on the volume-weighted average price of the Parent Company's common shares traded in the PSE for each of the 15 consecutive trading days immediately prior to (and excluding) the pricing date, subject to a discount rate of 12.80%.

On May 8, 2015, a total of 371,574,000 common shares were listed at the PSE with ₱10.00 par value per share. The total proceeds raised by the Parent Company from the sale of the said shares amounted to ₱8.00 billion while the net proceeds (after deduction of direct costs related to equity issuance) amounted to ₱7.95 billion. The net proceeds were used to invest in securities allowed under BSP regulation and to fuel growth in loans.

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 2016 and 2015.

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 2016 and 2015.

The Parent Company's subsidiaries have no transactions with related parties outside of the Group. The transactions disclosed above are the same for the Group and the Parent Company.

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:

		March 2016	March 2015
a.	Net income attributable to equity holders of the Parent Company	**₱786,608**	₱600,158
b.	Weighted average number of outstanding common shares (as previously reported)		1,128,410
c.	Basic and diluted EPS, as previously reported (a/b)		₱0.53
d.	Weighted average number of outstanding common shares by the Parent Company, including effect of stock rights issued in 2015	**1,499,984**	1,161,738
e.	Basic and diluted EPS (a/d)	**₱0.52**	₱0.52

**The Bank has no potentially dilutive shares as of March 31, 2016 and 2015.*

13. **Subsequent Event**

On April 15, 2016, the board approved the declaration of cash dividends amounting to ₱400 million or ₱0.26667 per share on the outstanding capital stock of the Bank of 1,499,983,610 shares with a record date of April 29, 2016 and payment date of May 13, 2016.

ATTACHMENT 2

PAST DUE LOANS AND OTHER RECEIVABLES
MARCH 31, 2016
(*Amounts in thousands of Philippine Peso)*

Particulars	Total	1-90 days	91-180 days	181-360 days	>360 days
Past Due Loans & other receivables	117,896,230	112,214,469	1,994,646	988,813	2,698,301
Allowance for credit losses	(4,974,477)				
Total	112,921,753				

ATTACHMENT 3

CONSOLIDATED FINANCIAL RATIOS
(As Required by SRC Rule 68.1)
March 31, 2016

	March 31, 2016	March 31, 2015
Current ratio [(1)]	111.9%	126.3%
Solvency ratio [(2)]	1.15	1.1
Debt-to-equity [(3)]	6.46	7.39
Asset-to-equity [(4)]	7.46	8.39
Interest rate coverage ratio [(5)]	239.9%	232.4%
Return on Equity [(6)]	9.9%	11.1%
Return on Assets [(7)]	1.3%	1.3%
Net Interest Margin [(8)]	8.0%	7.8%
Cost- to- Income Ratio [(9)]	56.2%	58.4%

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.