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

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
Minda L. Cayabyab	**MLCayabyab@eastwestbanker.com**	**8575-3390**	

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	**Corporate Finance Dept.**	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
107	**April 23**	**December 31**

To be accomplished by SEC Personnel concerned

File Number

LGU

Document ID

Cashier

STAMPS

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, 2021**
2. Commission Identification Number	:	**AS094-002733**
3. BIR Tax Identification Number	:	**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	:	**The Beaufort, 5th Avenue, Corner 23rd St. Fort Bonifacio Global City, Taguig City** Postal Code **1634**
8. Issuer's telephone number, including area code	:	**+632 8575 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 stock and amount of debt outstanding
Common Shares (Php 10 par)	**2,249,975,411 shares**
Subordinated Debt	**Php 1,241,663,379.56**

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

Yes [✓] 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 [✓] No [ ]

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

Yes [✓] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. **Management's Discussion & Analysis of Consolidated Financial Position and Result of Operations** - Annex 1

Item 2. **Financial Statements**

Attached are the following:

Interim Consolidated Statements of Financial Position	-	Annex 2
Interim Consolidated Statements of Income	-	Annex 3*(page 1 of 2)*
Interim Consolidated Statements of Comprehensive Income	-	Annex 3*(page 2 of 2)*
Interim Consolidated Statements of Changes in Equity	-	Annex 4
Interim Consolidated Statements of Cash Flows	-	Annex 5
General Notes to Interim Consolidated Financial Statements	-	Annex 6
Financial Indicators	-	Annex 7
Aging of Loans and Receivables	-	Annex 8

PART II – OTHER INFORMATION

I. Control of Registrant

The following stockholders own more than 5% of the total outstanding number of shares issued as of September 30, 2021:

Name of Stockholder	Number of Shares Held	Percent of Total of Number of Shared Issued
Filinvest Development Corporation	900,136,017	40.0%
Filinvest Development Corporation Forex	849,517,164	37.8%
PCD Nominee Corporation*	418,245,923	18.6%

**As of September 30, 2021, none among the stockholders under the PCD Nominee Corporation holds 5% of more of the Bank's securities.*

II. Pending Legal Proceedings

The Bank is involved in various legal proceedings in connection with the ordinary course of its business. The Bank believes that these cases will not have a material adverse effect on its financial position.

III. Board Resolutions

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

SIGNATURE

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:

Minda L. Cayabyab
Financial Controller

November 05, 2021

Annex 1

EAST WEST BANKING CORPORATION
SEC FORM 17 - Q
FOR THE PERIOD ENDED SEPTEMBER 30, 2021

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

Financial Performance Highlights

EastWest Bank (the Bank or EW) booked a net income of ₱5.1 billion as of September 30, 2021, 14% lower from last year's ₱5.9 billion. The lower income was mainly due to lower net interest income (NII) and trading gains. Return on equity (ROE) was at 11.7%. Total assets stood at ₱399.1 billion.

Total revenues for the first nine months of the year declined by ₱4.9 billion or 18% to ₱21.8 billion, primarily due to lower NII and trading gains. NII or the difference between interest income and interest expense, was down by ₱3.7 billion or 18% to ₱16.4 billion, due to lower loan levels and the faster run-offs of the higher yielding consumer loans, particularly auto and personal loans. These, together with the interest rate cap on credit cards starting in November 2020, resulted in lower volumes and pushed average loan yields lower. Fixed income securities' volumes and yields were also lower from the substantial sales in 2020 and the first half of this year. On the other hand, interest rates were already low that the decline in deposit interest cost only partly cushioned the lower volume and yields on the asset side. Net interest margin (NIM) ended at 6.9% for the first nine months of 2021 from 8.3% in the same period in 2020.

Trading gains of ₱2.3 billion was 33% or ₱1.1 billion lower than last year as the drop in interest rates started to taper in 2021. Fee income, meanwhile, was lower by 4% to ₱2.8 billion from the lower loan releases and transaction levels.

Meanwhile, provisions for losses were lower by 72% to ₱2.1 billion as most of the pandemic-induced provisions have been recognized in 2020 and expected loan losses started to stabilize. The lower bookings of new consumer loans since the pandemic started also contributed to the lower provisions. Consumer loans provisions are typically heavy upfront. The Bank believes that we are way past the peak of the pandemic-induced higher loan losses and provisions will continue to be at lower levels until the next cycle of recovery and higher consumer loan bookings.

Taxes, on the other hand, increased mainly from the one-time adjustment as a result of the CREATE bill that reduced the corporate income tax rate from 30% to 25%. Deferred tax assets (DTA) from its accumulated provisions booked under the old tax rate of 30% had to be adjusted down by ₱640.9 million to reflect the new tax rate.

EW's total loans were lower by 10% to ₱220.9 billion, mostly from the consumer segments weak demand. Deposits, meanwhile, had a slight decline of 2% to ₱318.6 billion as funding needs declined. The decline was mainly from the higher-cost time deposits, which decreased by 23%. CASA deposits, however, increased by 9% to ₱231.5 billion. CASA ratio improved to 73%, from the previous year's 65%.

The Bank is preparing for the return to more normal business conditions to recoup lost business volumes.

Financial Position

Loans
Total gross loans decreased by 11% to ₱222.0 billion, mainly due to weak overall demand from businesses and households, and the prudent risk-taking of the Bank resulting from its pandemic response.

Securities
The Bank's total securities portfolio decreased by 11% to ₱55.7 billion. Hold-To-Collect (HTC) securities portfolio decreased by 76% to ₱8.7 billion from the same period last year as the Bank sold a portion of the portfolio to provide additional capital buffers for the challenges of the pandemic.

Deposits
Total deposits stood at ₱318.6 billion or 2% lower from the same period last year. This was driven by time deposits declining by 23% to ₱87.1 billion from the lower funding requirements of the Bank. In contrast, CASA deposits increased by 9% to ₱231.5.

Capital
The Bank's Capital Adequacy Ratio (CAR) under Basel III, remained more than adequate at 15.1% as of September 30, 2021 while CET-1 ratio stood at 14.0%. The Bank's Tier 1 capital is composed entirely of common equity. Capital ratios continue to be above BSP standards.

Credit Quality
The Bank's total non-performing loans (NPL) to total gross loans, stood at 11.3% as of end-September, from last year's 7.4% due to the impact of the pandemic to borrowers in meeting their obligations. Through its credit and impairment policy, the Bank ensures that the expected credit losses of its loan portfolio are adequately provisioned for and aligned with regulatory standards.

Result of Operations

Revenues
Revenues declined by 18% to ₱21.8 billion from ₱26.7 billion in the same period last year. Net interest income stood at ₱16.4 billion, declining by 18% or ₱3.7 billion from last year's ₱ 20.1 billion. The 23% or ₱5.5 billion decline in interest income was partly offset by the reduction in interest expense of 51% or ₱1.8 billion, to end at ₱1.7 billion. Fees and other income, excluding trading gains, decreased by 3% to ₱3.1 billion. Securities and foreign exchange trading gains, on the other hand, were at ₱2.3 billion, or only a third of last year's.

Fees and Other Income excluding Trading Gains

Fees and other income, excluding trading gains, was at ₱3.1 billion which was 3% lower than last year's. This is mainly driven by lower loan volume and transaction levels, partly offset by recoveries from written-off assets and reversal of modification losses as some accounts opted out of loan deferments.

Trading Income/(Loss)

Securities trading and foreign exchange gains were at ₱2.3 billion compared to ₱3.4 billion last year. Securities trading gains ended at ₱1.2 billion, lower by ₱1.9 billion from the ₱3.1 billion last year, due to lower gains on sale and mark-to-market losses on the Bank's trading portfolio. Foreign Exchange gains ended at ₱1.1 billion, from the ₱272.6 million gain last year. The sharp increase in Foreign Exchange gains is caused by translation adjustment of the Bank's foreign currency position and mark-to-market valuation accounting on third currency swap transactions which also forms part of equity while the swap is outstanding. Total gain or loss of the transaction is realized upon maturity.

Operating Expenses excluding Provisions for Losses

Total operating expenses, excluding provisions for losses, grew by 6% to ₱12.7 billion. Manpower expenses went up by 8% to ₱4.4 billion on account of higher salaries and wages to compensate for inflation and regular provision for bonuses. Other operating expenses similarly grew by 5% to ₱8.3 billion from collection costs, offset by lower costs of doing business including gross receipts tax (GRT) and less advertising and marketing campaigns.

Provisions for Losses

Provisions for losses, dropped by 72% to ₱2.1 billion from the ₱7.7 billion provisions booked last year. The Bank continues to be prudent on account of uncertainties brought by the pandemic with the recent surge in cases these past few months. Provisions (annualized) as a percentage of gross loans is currently at 1.2%, compared to 3.9% in the same period last year.

Summary of Key Financials and Ratios

Balance Sheet (in Php billions)	September 30, 2021	September 30, 2020	y/y Growth %
Assets	399.1	403.7	-1%
Consumer Loans	161.5	193.0	-16%
Corporate Loans	60.5	56.1	8%
Low Cost Deposits (CASA)	231.5	211.5	9%
High Cost Deposits	87.1	112.8	-23%
Capital	59.5	55.2	8%

Profitability (in Php millions)	September 30, 2021	September 30, 2020	y/y Growth %
Net Interest Income	16,403.7	20,117.3	-18%
Trading Income / (Loss)	2,264.0	3,371.4	-33%
Fees & Other Income	3,134.3	3,217.7	-3%
Fees	*2,831.1*	*2,935.4*	*-4%*
Other Income	*303.2*	*282.3*	*7%*

Net Revenues	21,802.1	26,706.4	-18%
Operating Expenses	12,698.2	12,018.2	6%
Provision for Losses	2,146.7	7,690.7	-72%
Provision for Taxes	1,667.4	864.0	93%
Net Income After Tax	5,098.4	5,924.7	-14%

Key Financial Ratios	**September 30, 2021**	**September 30, 2020**	**Variance b/(w)**
Return on Equity[1]	11.7%	15.1%	-3.4%
Return on Assets[2]	1.7%	2.0%	-0.3%
Net Interest Margin[3]	6.9%	8.3%	-1.4%
Cost-to-Income Ratio[4]	58.2%	45.0%	-13.2%
Capital Adequacy Ratio[5]	15.1%	13.4%	1.7%
Tier-1 Ratio[6]	14.0%	12.2%	1.8%

[1] *Net income divided by average total equity*
[2] *Net income divided by average total assets*
[3] *Net interest income divided by average interest-earning assets*
[4] *Operating expenses divided by net revenues*
[5] *Total qualifying capital divided by total risk-weighted assets*
[6] *Net tier-1 capital divided by total risk-weighted assets*

Business Segment Performance

EastWest's industry leading net interest margin (NIM) is a result of its position in the high margin Consumer Lending segment. Despite lower volumes, NIM was at 6.9% as of reporting period.

Consumer Lending was down by 16% to ₱161.5 billion as run-offs outpaced new loan releases due to weak demand and prudent risk-taking. Corporate Banking, posted an increase of 8% to ₱60.5 billion.

Other Information:

As of September 30, 2021, EastWest Bank has a total of 392 stores, with 213 of these stores in Metro Manila. For the rest of the country, the Bank has 100 stores in other parts of Luzon, 40 branches in Visayas, and 39 stores in Mindanao. The total ATM network is 586, composed of 475 on-site ATMs and 111 off-site ATMs. Total headcount of EastWest is 5,971.

The Bank's subsidiaries have a total of 76 stores and 1,508 officers/staff, bringing the group store network total to 468 with 586 ATMs and a combined manpower complement of 7,479.

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 implementation of IT projects. These are not expected to significantly affect the Bank's cash or liquidity position.

Significant Elements of Income or Loss
Significant elements of the consolidated net income of the Bank for the nine (9) months ended September 30, 2021 and 2020 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, 2021 vs. December 31, 2020

- Cash and cash equivalents decreased by 21% to ₱6.5 billion due to the leveling-off of cash in vault from the usual year-end build-up.
- Due from BSP increased by 7% to ₱52.3 billion due to deposits with the BSP in the Overnight Deposit Facility (ODF) and Term Deposit Auction Facility (TDAF).
- Due from other banks increased by 81% to ₱20.7 billion due to nostro placements in foreign currency accounts.
- Interbank loans receivable increased by 24% to ₱21.3 billion coming from excess liquidity.
- Financial assets at fair value through profit and loss increased by 11% to ₱8.3 billion due to movements in the Bank's proprietary trading portfolio.
- Financial assets at fair value through other comprehensive income increased by 31% to ₱38.7 billion due to movements in the Bank's proprietary trading portfolio.
- Investment securities at amortized cost decreased by 58% to ₱8.7 billion due to the sale securities in line with conditions set on the Bank's business models.
- Property and equipment decreased by 11% to ₱4.5 billion due to depreciation of right-of-use assets.
- Deferred tax assets decreased by 24% to ₱4.0 billion mainly from the reversal of previously booked deferred taxes set-up using the 30% tax rate with the implementation of CREATE bill and lower recognition of tax benefits on provisions, net of write-offs during the period.
- Other assets increased by 113% to ₱5.0 billion on account of repossessed vehicles.
- Bills and acceptance payables decreased by 94% to ₱209.0 million mainly from lower volume of interbank borrowings and repo borrowings.
- Accrued taxes, interest and other expenses increased by 23% to ₱3.6 billion due to accrued commissions on accounts endorsed for collection to agencies and the regular accrual of bonuses for the year.

- Cashier's checks and demand draft payable increased by 15% to ₱779.2 million on account of higher level of outstanding manager's checksissued.
- Income tax payable decreased by 94% to ₱24.3 million due to settlement of 1st and 2nd quarter tax dues during the 3rd quarter.
- Other liabilities increased by 8% to ₱8.3 billion due to normal timing differences on settlement of various miscellaneous liability accounts.

II. Income Statement – September 30, 2021 vs. September 30, 2020

- Interest income decreased by 23% to ₱18.1 billion primarily due to a lower asset base brought about by muted lending activities as well as the impact of the credit cards rate cap that started in November last year.
- Interest expense decreased by 51% to ₱1.7 billion primarily due to lower interest rates and shift towards low-cost deposits.
- Service charges, fees and commissions decreased by 4% to ₱2.8 billion, mainly from less business.
- Securities trading gains were at ₱1.2 billion due to lower gains on sale and mark-to-market losses on the Bank's trading portfolio
- Foreign exchange income amounted to ₱1.1 billion due to revaluation gains on outstanding FX position.
- Trust income increased by 27% to ₱72.3 million due to the growth in the Bank's assets under management.
- Loss on sale of acquired assets and foreclosures were higher by 643% ending at ₱ 550.3 million due to losses from the higher number of foreclosed units for the period.
- Miscellaneous income was higher by 161% to ₱781.2 million mainly from reversals of modification loss recognized last year as some accounts opted out of loan deferments.
- Compensation and fringe benefits increased by 8% to ₱4.4 billion on account of higher salaries to compensate for inflation and regular provision for bonuses.
- Taxes and licenses decreased by 23% to ₱1.5 billion on account of lower transaction taxes such as Gross Receipts Tax and Documentary Stamp Tax.
- Rent increased by 162% to ₱179.0 million due to additional warehouse leases for storage of auto ROPA as foreclosures were higher this year.
- Miscellaneous expenses increased by 14% to ₱4.8 billion mainly from collections expenses.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

Interim Consolidated Financial Statements
As of September 30, 2021 (Unaudited) and December 31, 2020 (Audited)
and for the quarters ended September 30, 2021 and September 30, 2020 (Unaudited)

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of September 30, 2021 (*With Comparative Figures for December 31, 2020)*

(Amounts in Thousands of Philippine Peso)

	2021 (Unaudited)	2020 (Audited)
ASSETS		
Cash and Other Cash Items	**₱6,467,593**	₱8,148,882
Due from Bangko Sentral ng Pilipinas	**52,324,632**	48,892,706
Due from Other Banks	**20,669,793**	11,392,088
Interbank Loans Receivables and Securities Purchased Under Resale Agreements	**21,250,099**	17,111,092
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 7)	**8,333,619**	7,523,592
Financial Assets at Fair Value Through Other Comprehensive Income (FVTOCI) (Note 7)	**38,691,115**	29,471,707
Investment Securities at Amortized Cost (Note 7)	**8,677,864**	20,899,699
Loans and Receivables (Note 8)	**220,852,268**	243,716,429
Investment in a Joint Venture	**659,545**	665,313
Property, Equipment and Right-of-Use Assets	**4,544,604**	5,089,529
Investment Properties	**949,249**	981,147
Deferred Tax Assets	**3,951,230**	5,169,692
Goodwill and Other Intangible Assets (Note 9)	**6,757,707**	6,792,893
Other Assets	**4,989,099**	2,347,231
TOTAL ASSETS	**₱399,118,417**	₱408,202,000
LIABILITIES AND EQUITY		
LIABILITIES		
Deposit Liabilities		
Demand	**₱ 109,842,185**	₱106,938,343
Savings	**121,669,075**	121,848,341
Time	**74,646,344**	87,846,290
Long-term negotiable certificates of deposits	**12,432,870**	12,422,976
	318,590,474	329,055,950
Lease Liability (Note 12)	**3,171,466**	3,466,742
Bills and Acceptances Payable	**208,956**	3,568,803
Accrued Taxes, Interest and Other Expenses	**3,622,297**	2,947,250
Cashier's Checks and Demand Draft Payable	**779,240**	678,795
Bonds Payable (Note 10)	**3,685,077**	3,677,434
Subordinated Debt (Note 11)	**1,241,663**	1,240,785
Income Tax Payable	**24,327**	402,325
Other Liabilities	**8,281,241**	7,681,373
TOTAL LIABILITIES	**339,604,741**	352,719,457
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		
Common Stock (Note 14)	**22,499,754**	22,499,754
Additional Paid-in Capital	**5,065,059**	5,065,059
Surplus Reserves	**936,635**	936,635
Surplus	**32,179,003**	27,080,613
Fair Value Reserves on Financial Assets at FVTOCI	**20,799**	189,936
Remeasurement Losses on Retirement Plans	**(403,823)**	(402,661)
Cumulative Translation Adjustment	**(783,751)**	113,207
TOTAL EQUITY	**59,513,676**	55,482,543
TOTAL LIABILITIES AND EQUITY	**₱399,118,417**	₱408,202,000

See accompanying Notes to Unaudited Interim Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME
For the periods ended September 30, 2021 and 2020
(Amounts in Thousands of Philippine Peso)

	(Unaudited)			
	September 30			
	2021	2020	**2021**	2020
	For the quarter ended	For the quarter ended	**For the nine months ended**	For the nine months ended
INTEREST INCOME				
Loans and receivables	**₱4,930,999**	₱6,939,317	**₱16,564,028**	₱21,542,299
Financial assets at fair value through other comprehensive income and investment securities at amortized cost	**259,583**	453,227	**844,011**	1,476,337
Financial assets at fair value through profit or loss	**107,969**	99,387	**279,519**	397,063
Due from BSP and other banks and interbank loans receivables and securities purchased under resale agreement	**156,755**	125,698	**409,485**	172,112
	5,455,306	7,617,629	**18,097,043**	23,587,811
INTEREST EXPENSE				
Deposit liabilities	**427,400**	773,992	**1,346,237**	2,952,553
Bills and acceptances payable and SSURA, bonds payable, subordinated debt and other borrowings	**59,510**	73,758	**178,604**	336,403
Lease liability	**57,817**	61,863	**168,455**	181,533
	544,727	909,614	**1,693,296**	3,470,488
NET INTEREST INCOME	**4,910,579**	6,708,015	**16,403,747**	20,117,322
Service charges, fees and commissions	**642,114**	1,147,495	**2,831,054**	2,935,433
Trading and securities gain (loss)	**(129,467)**	166,160	**(682,489)**	1,270,832
Foreign exchange gain	**835,462**	95,230	**1,096,109**	272,586
Gain (loss) on sale of asset	**(81,404)**	32,104	**(134,387)**	12,500
Loss on asset foreclosure and dacion transactions	**139,372**	(29,877)	**(415,913)**	(86,590)
Trust income	**25,187**	20,094	**72,296**	57,119
Gain on sale of investment securities at amortized cost	**-**	-	**1,850,425**	1,827,981
Miscellaneous	**464,552**	146,675	**781,241**	299,249
TOTAL OPERATING INCOME	**6,806,395**	8,285,895	**21,802,082**	26,706,433
OPERATING EXPENSES				
Compensation and fringe benefits	**1,415,898**	1,406,802	**4,435,082**	4,125,432
Provision for impairment and credit losses	**718,008**	2,223,520	**2,146,739**	7,690,669
Taxes and licenses	**464,571**	685,547	**1,538,624**	2,000,601
Depreciation and amortization	**628,781**	490,305	**1,638,570**	1,500,032
Rent	**61,245**	22,178	**178,998**	68,354
Amortization of intangible assets	**44,727**	38,541	**122,156**	135,398
Miscellaneous	**1,680,369**	1,352,578	**4,784,736**	4,188,371
TOTAL OPERATING EXPENSES	**5,013,599**	6,219,471	**14,844,904**	19,708,858
INCOME BEFORE SHARE IN NET INCOME OF JOINT VENTURE	**1,792,796**	2,066,424	**6,957,177**	6,997,575
SHARE IN NET LOSS OF JOINT VENTURE	**(73,474)**	(55,743)	**(191,407)**	(208,819)
INCOME BEFORE INCOME TAX	**1,719,322**	2,010,681	**6,765,770**	6,788,756
PROVISION FOR INCOME TAX	**424,133**	538,776	**1,667,381**	864,045
NET INCOME	**₱1,295,189**	₱1,471,905	**₱5,098,389**	₱5,924,711
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱1,295,189**	1,471,905	**₱5,098,389**	5,924,711
Non-controlling interest				
NET INCOME	**₱1,295,189**	1,471,905	**₱5,098,389**	5,924,711
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company	**₱0.58**	0.65	**₱2.27**	2.63
Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	**₱0.58**	0.65	**₱2.27**	2.63

See accompanying Notes to Unaudited Interim Financial Statements

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

INTERIM STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended September 30, 2021 and 2020

(Amounts in Thousands of Philippine Peso)

	(Unaudited)			
	September 30			
	2021	**2020**	**2021**	2020
	For the quarter ended	For the quarter ended	**For the nine months ended**	For the nine months ended
NET INCOME FOR THE PERIOD	**₱1,295,190**	₱1,471,904	**₱5,098,389**	₱5,924,711
OTHER COMPREHENSIVE INCOME				
Change in remeasurement loss of retirement liability	**111**	(456)	**(1,162)**	(456)
Change in fair value reserves on equity securities at FVTOCI	**(459)**	19,685	**(14,361)**	13,815
Change in fair value reserves on debt securities at FVTOCI	**(46,014)**	(172,343)	**(154,776)**	165,717
Cumulative translation adjustment	**(732,047)**	4,650	**(896,958)**	1,333
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(778,409)**	(148,464)	**(1,067,257)**	180,409
TOTAL COMPREHENSIVE INCOME	**₱516,781**	₱1,323,440	**₱4,031,132**	₱6,105,120
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱516,781**	₱1,323,440	**₱4,031,132**	₱6,105,120
Non-controlling interest	**–**	–	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱516,781**	₱1,323,440	**₱4,031,132**	₱6,105,120

See accompanying Notes to Unaudited Interim Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the periods ended September 30, 2021 and 2020

(Amounts in Thousands of Philippines Peso)

	(Unaudited)							
	Nine Months Ended September 30, 2021							
	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 Equity
Balances at January 1, 2021	**₱22,499,754**	**₱5,065,059**	**₱936,635**	**₱27,080,614**	**₱189,936**	**(₱402,661)**	**₱113,207**	**₱55,482,544**
Net Income	**–**	**–**	**–**	**5,098,389**	**–**	**–**	**–**	**5,098,389**
Other Comprehensive Income	**–**	**–**	**–**	**–**	**(169,137)**	**(1,162)**	**(896,958)**	**(1,067,257)**
Total comprehensive income (loss)	**–**	**–**	**–**	**5,098,389**	**(169,137)**	**(1,162)**	**(896,958)**	**4,031,132**
Balances at September 30, 2021	**₱22,499,754**	**₱5,065,059**	**₱936,635**	**₱32,179,003**	**₱20,799**	**(₱403,823)**	**(₱783,751)**	**₱59,513,676**

	(Unaudited)							
	Nine Months Ended September 30, 2020							
	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 Equity
Balances at January 1, 2020	**₱22,499,754**	**₱5,065,058**	**₱928,708**	**₱20,580,707**	**₱28,328**	**(₱124,788)**	**₱89,565**	**₱49,067,332**
Net Income	**–**	**–**	**–**	**5,924,712**	**–**	**–**	**–**	**5,924,712**
Other Comprehensive Income	**–**	**–**	**–**	**–**	**179,532**	**(456)**	**1,333**	**180,409**
Total comprehensive income (loss)	**–**	**–**	**–**	**5,924,712**	**179,532**	**(456)**	**1,333**	**6,105,120**
Balances at September 30, 2020	**₱22,499,754**	**₱5,065,059**	**₱928,708**	**₱26,505,419**	**₱207,860**	**(₱125,244)**	**₱90,898**	**₱55,172,453**

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2021 and 2020
(Amounts in Thousands of Philippine Peso)

	(Unaudited) Nine Months Ended September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱6,765,771**	₱6,788,755
Adjustments for:		
Provision for credit and impairment losses	**2,146,739**	7,690,669
Depreciation and amortization	**1,638,570**	1,500,032
Loss (gain) on sale and foreclosure of assets	**550,300**	74,090
Gain on sale of investment securities at amortized cost	**(1,850,425)**	(1,827,981)
Share in net loss (gain) of joint venture	**191,407**	(47,051)
Amortization of intangible assets	**122,156**	135,398
Amortization of debt issuance costs	**878**	–
Amortization of bond issuance cost	**7,643**	5,934
Amortization of FVOCI and Investment at amortized cost	**(864,980)**	(2,448,933)
Accretion of lease liability	**168,455**	181,533
Loss on modification on loans	**(313,408)**	–
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets at fair value through profit or loss	**(810,027)**	4,666,317
Loans and receivables	**15,500,746**	12,284,940
Other assets	**(2,056,221)**	(690,542)
Increase (decrease) in:		
Deposit liabilities	**(10,465,475)**	19,600,922
Accrued taxes, interest and other expenses	**675,047**	156,011
Cashier's checks and demand draft payable	**100,445**	166,598
Other liabilities	**599,866**	485,386
Net cash generated from (used in) operations	**12,107,487**	48,722,079
Income taxes paid	**(841,855)**	(1,938,352)
Net cash provided in operating activities	**11,265,632**	46,783,727
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturity of:		
Investment securities at amortized cost	**14,471,884**	17,817,438
Financial Assets at fair value through OCI	**134,829,514**	5,825,361
Investment properties and other repossessed assets	**2,968,484**	1,390,958
Property and equipment	**8,863**	(10,481)
Acquisitions of:		
Financial asset at fair value through OCI	**(143,614,636)**	(15,306,573)
Property and equipment	**(202,852)**	(831,332)
Investment securities at amortized cost	**(99,335)**	–
Capitalized software	**(87,402)**	(42,948)
Additional capital infusion in a joint venture	**(200,000)**	–
Net cash used in investing activities	**8,074,520**	8,842,423
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in bills and acceptances payable	**(3,359,847)**	(27,676,791)
Proceeds from issuance of bonds payable	**–**	3,669,013
Payment on lease liability	**(812,955)**	(765,548)
Payment of subordinated debt	**–**	(4,978,510)
Net cash provided by financing activities	**(4,172,802)**	(29,751,836)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**15,167,350**	25,874,314

(Forward)

	Nine Months Ended September 30	
	2021	2020
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	**₱8,148,882**	₱7,454,625
Due from Bangko Sentral ng Pilipinas	**48,892,706**	34,287,302
Due from other banks	**11,392,088**	3,403,926
Interbank Loans Receivable	**17,111,092**	2,691,882
	85,544,768	47,837,735
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	**₱6,467,593**	₱6,446,484
Due from Bangko Sentral ng Pilipinas	**52,324,632**	41,593,699
Due from other banks	**20,669,793**	11,611,187
Interbank Loans Receivable	**21,250,099**	14,060,679
	100,712,117	73,712,049
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	**₱18,611,433**	₱19,765,637
Interest paid	**1,738,165**	3,863,924
Dividend received	**663**	2,524

See accompanying Notes to Unaudited Interim Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

GENERAL NOTES TO INTERIM CONDENSED CONSOLIDATED 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, 2021, the Parent Company is effectively 77.85% 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 468 branches as of September 30, 2021, 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

<u>Basis of Presentation</u>

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 (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.

<u>Statement of Compliance</u>

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. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 22.

Basis of Consolidation
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, 2021 and 2020:

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

** Non-operational since 2017*

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

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continues to be consolidated until the date when control ceases. Control is achieved when 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.

Adoption of New and Amended PFRS

(a) Standards effective in 2020 that are Relevant to the Group

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 3, *Business Combinations*, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also added guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  These amendments will apply on future business combinations of the Group.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9*, Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8*, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*.

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *Corona virus disease-19 (COVID-19)-Related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning or after June 1, 2020. Early adoption is permitted.

The Group adopted the amendments beginning January 1, 2020. The Group determined that the impact of the rent concessions is not material to the consolidated and parent company financial statements.

(b) Standards Issued but not yet Effective

There are new PFRS, amendments, interpretation and annual improvements, to existing standards effective for annual periods subsequent to 2020 which were adopted by the Financial Reporting Standards Council (FRSC). The Group will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements:

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
  - Relief from discontinuing hedging relationships; and
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

  The Group shall also disclose information about:
  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets or Philippine IFRIC 21, Levies, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before intended use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

- Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the Parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements, 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. 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 FRSC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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 Group's financial statements in compliance with PFRS requires the management 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. Actual results may ultimately differ from these estimates.

4. Financial Risk Management

The risk exposure of the Parent Company and its subsidiary (the Group) in credit, market, interest rate, and liquidity remain 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 2021 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 consumer loans portfolio, and its non – tradable investment portfolio at ‘BBB’ composite rating.

Loan portfolio security profile is over 55% secured given the significant proportion of consumer lending business. For the portfolio of products that normally require collateral, the Bank remains healthy at over 70% secured.

No credit concentration in size, borrower, and industry as defined by BSP and internal risk policies.

Market risk: Around 1% of the Parent Company’s Qualifying Capital or around 5% of the market value of the trading position is the potential loss on the Parent Company’s trading book on account of potential adverse movements in interest rate and foreign exchange rate.

Interest rate risk: The interest rate risk impact given a potential adverse movement remains compliant with the minimum internal Earnings-at-Risk (EaR) limit. At the consolidated level of the banking book, given the view of interest rate being stable, an average of ~35 bps movement in interest rate will reduce the budgeted Net Interest Income and Net Income for 2021 by ~0.5% and ~2.0%, 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.

In anticipation of the further fallout from the COVID19 pandemic, where its full impact remains to be seen, the Group responded by setting aside loss reserves and will continue to do so as impact of said pandemic continue to unfold.

With capital level, after the abovementioned loss reserves, standing over P51 billion, the Group remains to be capital accretive on a net basis and compliant with the regulatory minimum, in accordance with the supervisor’s prescriptions, as well as cover for the above approximated risk exposures.

Thus, except for the meantime tempered risk-taking as a consequence of the pandemic, the Group’s risk management policies remain generally the same as in 2020. The Group’s 2020 audited financial statements discuss in detail its risk exposures and its related policies.

5. Fair Value Measurement

The Group has assets and liabilities in the consolidated and Parent Company statements of financial position that are measured at fair value on a recurring and non-recurring basis after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized on the statements of financial position at the end of the year. These include financial assets and liabilities at FVTPL and Financial assets at FVTOCI.

The methods and assumptions used by the Group in estimating the fair values of the financial instruments are:

Cash and other cash items, due from BSP and other banks, Interbank loans receivables and SPURA and accrued interest receivables – The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

Debt securities - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using the discounted cash flow methodology.

Equity securities - Fair values of quoted equity securities are based on quoted market prices.

Derivative instruments (presented as other financial assets and liabilities in 'Other assets' and 'Other liabilities') - Fair values of derivative instruments, mainly currency forwards and swaps and interest rate swaps, are valued using a valuation technique using market observable inputs. The valuation technique applied includes forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, yield curves of the respective currencies and interest rate curves prevailing at the statement of financial position date. For futures, these are valued considering the prevailing futures prices on the exchange as of the statement of financial position date.

Receivable from customers and unquoted debt securities classified as loans - Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

Accounts receivable, sales contract receivable and other financial assets included in other assets – quoted market prices are not readily available for these assets. These are reported at cost and are not significant in relation to the Group's total portfolio of securities.

Investment properties – Fair value of investment properties are determined by independent or in-house appraisers using the market data approach. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made, and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining fair values include the following:

- **Location**: Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
- **Size**: Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
- **Time element**: An n adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current data is superior to historic data.
- **Discount**: Generally, asking prices in advertisements posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Deposit liabilities (demand, savings and time) – For demand and savings deposit, carrying amounts approximate fair values considering that these are due and demandable. Fair value of time deposit liabilities is estimated using the discounted cash flow methodology using the Group's incremental borrowing rates for similar borrowing with maturities consistent with those for the liabilities being valued.

LTNCDs and subordinated debt - Fair values of LTNCD and subordinated debt are estimated using adjusted quoted market prices of comparable investments. The adjustments on market quoted prices are unobservable inputs.

Bonds Payable – Fair value of Bonds Payable are measured using the Present Value (PV) of the computed cash flows by the PV factor.

Lease Liabilities – Fair value of lease liabilities are measured using the Bloomberg valuation (Bval) rate as of the reporting period plus the spread which is the derived difference between the actual market rate and the Bval rate.

Bills and acceptances payable, cashier's checks and demand draft payable – Carrying amounts approximate fair values due to the short-term nature of the accounts.

Other financial liabilities included in 'Other liabilities' – Quoted market prices are not readily available for these liabilities. These are reported at cost and are not significant in relation to the Group's total portfolio.

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 September 30, 2021 and December 31, 2020 as follows:

	Consolidated				
	September 30, 2021 (Unaudited)				
		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:					
Government securities	**₱7,800,587**	**₱7,800,587**	**₱7,800,587**	**₱–**	**₱–**
Private bonds	**522,696**	**522,696**	**522,696**	**–**	**–**
Equity securities	**10,336**	**10,336**	**10,336**	**–**	**–**
	8,333,619	**8,333,619**	**8,333,619**	**–**	**–**
Derivative assets*	**388,216**	**388,216**	**–**	**388,216**	**–**
Financial assets at FVTOCI:					
Government securities	**30,214,090**	**30,214,090**	**30,214,090**	**–**	**–**
Private bonds	**8,477,024**	**8,477,024**	**8,477,024**	**–**	**–**
Equity Securities	**1**	**1**	**1**	**–**	**–**
	38,691,115	**38,691,115**	**38,691,115**	**–**	**–**
	47,412,950	**47,412,950**	**47,024,734**	**388,216**	**–**

	Consolidated				
	September 30, 2021 (Unaudited)				
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	**₱6,836,927**	**₱6,843,378**	**₱6,843,378**	**₱–**	**₱–**
Private bonds	**1,840,937**	**1,841,048**	**1,841,048**	**–**	**–**
	8,677,864	**8,684,426**	**8,684,426**	**–**	**–**
Loans and receivables					
Receivable from customers:					
Corporate lending	**58,890,119**	**62,706,395**	**–**	**–**	**62,706,395**
Consumer lending	**152,814,168**	**187,997,463**	**–**	**–**	**187,997,463**
Unquoted debt securities	**255,359**	**325,399**	**–**	**–**	**325,399**
Other receivables	**8,892,622**	**10,131,521**	**–**	**–**	**10,131,521**
	220,852,268	**261,160,778**	**–**	**–**	**261,160,778**
Other financial assets	**444,072**	**444,072**	**–**	**–**	**444,072**
Non-financial assets					
Investment properties	**949,249**	**2,046,470**	**–**	**–**	**2,046,470**
	₱278,336,403	**₱319,748,696**	**₱55,709,161**	**₱388,216**	**263,651,320**
Financial liabilities					
Derivative liabilities**	**₱137,252**	**₱137,252**	**₱–**	**₱137,252**	**₱–**
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Demand	**₱109,842,185**	**₱109,842,185**	**₱ –**	**₱ –**	**109,842,185**
Savings	**121,669,075**	**121,669,075**	**–**	**–**	**121,669,075**
Time	**74,646,344**	**74,879,584**	**–**	**–**	**74,879,584**
LTNCD	**12,432,870**	**15,283,150**	**–**	**–**	**15,283,150**
	318,590,474	**321,673,994**	**–**	**–**	**321,673,994**
Lease liability	**3,171,466**	**3,343,994**	**–**	**–**	**3,343,994**
Bills and acceptances payable and SSURA	**208,956**	**208,956**	**–**	**–**	**208,956**
Bonds payable	**3,685,077**	**3,685,077**	**–**	**–**	**3,685,077**
Subordinated debt	**1,241,663**	**1,382,712**	**–**	**–**	**1,382,712**
	₱ 327,034,888	**₱330,431,985**	**₱ –**	**₱137,252**	**₱330,294,733**

**Presented under 'Other Assets'*
***Presented under 'Other Liabilities'*

	Consolidated				
	December 31, 2020 (Audited)				
		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:					
Government securities	₱7,475,347	₱7,475,347	₱7,475,347	₱–	₱–
Private bonds	37,907	37,907	37,907	–	–
Equity securities	10,338	10,338	10,338	–	–
	7,523,592	7,523,592	7,523,592	-	
Derivative assets*	30,037	30,037		30,037	–
Financial assets at FVTOCI:					
Government securities	29,021,536	29,021,536	29,021,536	–	–
Private bonds	450,170	450,170	450,170	–	–
Equity Securities	1	1	1	–	–
	29,471,707	29,471,707	29,471,707	–	–
	37,025,336	37,025,336	36,995,299	30,037	-

	Consolidated				
	December 31, 2020 (Audited)				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	₱14,842,794	₱17,504,706	₱17,504,706	₱–	₱–
Private bonds	6,056,905	6,882,745	6,882,745	–	–
	20,899,699	24,387,451	24,387,451	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	57,753,293	62,098,219	–	–	62,098,219
Consumer lending	176,062,128	229,498,619	–	–	229,498,619
Unquoted debt securities	258,617	335,668	–	–	335,668
Other receivables	9,642,391	11,145,731	–	–	11,145,731
	243,716,429	303,078,237	–	–	303,078,237
Other financial assets	391,658	391,658	–	–	391,658
Non-financial assets					
Investment properties	981,147	2,011,997			2,011,997
	₱303,014,269	₱366,894,679	₱61,382,750	₱30,037	₱305,481,892
Financial liabilities					
Derivative liabilities**	₱97,042	₱97,042	₱–	₱97,042	₱–
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Demand	106,938,343	106,938,343	–	–	106,938,343
Savings	121,848,341	121,848,341	–	–	121,848,341
Time	87,846,290	88,107,593	–	–	88,107,593
LTNCD	12,422,976	15,507,275	–	–	15,507,275
	329,055,950	332,401,552	–	–	332,401,552
Lease liability	3,466,742	3,565,459	–	–	3,565,459
Bills and acceptances payable and SSURA	3,568,803	3,568,803	–	–	3,568,803
Bonds payable	3,677,434	3,705,248	–	–	3,705,248
Subordinated debt	1,240,785	1,465,592	–	–	1,465,592
	₱341,106,756	₱344,803,696	₱–	₱97,042	₱344,706,654

**Presented under 'Other Assets'*
***Presented under 'Other Liabilities'*

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 Group'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 banking* - this segment primarily caters to loans for individuals; and

(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.

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, 2021 (in millions):

	Retail Banking	Corporate Banking	Consumer Banking	Treasury & Trust	Executive & Elimination Items	Total Bankwide
Statement of Income						
Net Interest Income						
Third Party	**₱4,943**	**₱1,092**	**₱9,003**	**₱33**	**₱1,332**	**₱16,404**
Intersegment	**-**	**552**	**-**	**260**	**(812)**	**-**
	4,943	**1,644**	**9,003**	**293**	**520**	**16,404**
Noninterest Income	**861**	**149**	**2,129**	**462**	**1,605**	**5,208**
Revenue - Net of Interest Expense	**5,804**	**1,793**	**11,132**	**755**	**2,125**	**21,610**
Noninterest Expense	**(5,130)**	**(944)**	**(7,472)**	**(564)**	**(734)**	**(14,844)**
Income Before Income Tax	**674**	**849**	**3,661**	**191**	**1,391**	**6,765**
Provision for Income Tax	**(300)**	**(213)**	**(439)**	**(40)**	**(675)**	**(1,667)**
Net Income for the Period	**374**	**636**	**3,221**	**151**	**716**	**5,098**
Statement of Financial Position						
Total Assets	**39,236**	**65,176**	**142,043**	**116,096**	**36,568**	**399,119**
Total Liabilities	**289,311**	**53,249**	**5,829**	**36,995**	**(45,779)**	**339,605**
Other Segment Information						
Depreciation and Amortization	**792**	**16**	**765**	**41**	**146**	**1,761**
Provision for Credit and Impairment Losses	**-**	**477**	**1,616**	**9**	**45**	**2,147**

Segment information of the Group as of and for the Nine Months Ended September 30, 2020 follow (in millions):

	Retail Banking	Corporate Banking	Consumer Banking	Treasury & Trust	Executive & Elimination Items	Total Bankwide
Statement of Income						
Net Interest Income						
Third Party	₱4,724	₱744	₱11,397	(₱1)	₱3,253	₱20,117
Intersegment	–	764	–	401	(1,165)	–
	4,724	1,508	11,397	400	2,088	20,117
Noninterest Income	1,167	21	2,009	1,591	1,592	6,380
Revenue - Net of Interest Expense	5,891	1,529	13,406	1,992	3,680	26,498
Noninterest Expense	(5,034)	(744)	(11,173)	(741)	(2,017)	(19,709)
Income Before Income Tax	857	784	2,234	1,251	1,662	6,789
Provision for Income Tax	(402)	(197)	(74)	(309)	118	(864)
Net Income for the Period	456	588	2,160	942	1,780	5,925
Statement of Financial Position						
Total Assets	40,912	61,067	171,929	66,634	63,188	403,729
Total Liabilities	286,972	42,380	5,150	49,685	(35,630)	348,557
Other Segment Information						
Depreciation and Amortization	816	16	602	47	155	1,635
Provision for Credit and Impairment Losses	(1)	306	6,040	2	1,344	7,691

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

Non-interest income consists of service charges, fees and commissions, gain on sale of assets, gain (loss) on asset foreclosure and dacion transactions, trading and securities gain (loss), 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. Non-interest 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

The Group and the Parent Company have the following trading and investment securities:

	30-September-21	31-Dec-20
	(Unaudited)	(Audited)
Financial assets at FVTPL	**₱8,333,619**	₱7,523,592
Financial assets at FVTOCI	**38,691,115**	29,471,707
Investment securities at amortized cost	**8,677,864**	20,899,699

	₱55,702,598	₱57,894,998

Financial assets at FVTPL
Financial assets at FVTPL of the Group and of the Parent Company consist of:

	30-September-21	31-Dec-20
	(Unaudited)	(Audited)
Government securities	**₱7,800,586**	₱7,475,347
Private bonds	**522,697**	37,907
Equity securities	**10,336**	10,338
	₱8,333,619	₱7,523,592

In the third quarter of 2021 and 2020, the yield rates ranges from 0.11% to 5.31% and 1.32% to 5.30% respectively.

Financial assets at FVTOCI
Financial assets at FVTOCI of the Group and of the Parent Company consists of:

	30-September-21	31-Dec-20
	(Unaudited)	(Audited)
Government debt securities	**₱30,214,090**	₱29,021,536
Private bonds	**8,477,024**	450,170
Private equity securities	**1**	1
	₱38,691,115	₱29,471,707

In the third quarter of 2021 and 2020, the interest rates of financial assets at FVTOCI range from 0.02% to 6.22% and 0.23% to 5.25% respectively.

Investment securities at amortized cost
Investment securities at amortized cost of the Group and of the Parent Company consist of:

	30-September-21	31-Dec-20
	(Unaudited)	(Audited)
Government securities	**₱6,333,498**	₱14,863,467
Private bonds	**2,350,927**	6,067,164
Carrying value, gross of allowance for impairment losses	**8,684,425**	20,930,631
Allowance for impairment losses	**(6,561)**	(30,932)
	₱8,677,864	₱20,899,699

Peso-denominated government bonds have effective interest rates ranging from 4.94% to 8.11% in 2021 and 2020. Foreign currency-denominated government and private bonds have effective interest rates ranging from 2.76% to 7.82% in 2021 and 2020.

As of September 30, 2021, the Parent Company sold investment securities classified as Investment securities at amortized cost with total carrying amount of ₱11.26 billion resulting in gain on sale of investment securities at amortized cost totaling to ₱1.85 billion. The sales were made as part of the Group's capital raising activities.

In aggregate, the sales in 2021 are considered to be more than insignificant but not more than infrequent as this was in response to an extraordinary event that prevented the Parent Company from raising capital through more conventional means. Further, the Parent Company assessed that the sales do not reflect a change in the Group's objectives for the hold-to-collect business model. Accordingly, the remaining investment securities in the affected hold-to-collect portfolio are continued to be measured at amortized cost.

Interest Income on Trading and Investment Securities
This account consists of:

	30-September-21	**30-September-20**
	(Unaudited)	**(Unaudited)**
Financial assets at FVTPL	**₱279,519**	₱397,063
Financial assets at FVTOCI	**425,578**	158,379
Investment securities at amortized cost	**418,433**	1,317,958
	₱1,123,530	₱1,873,400

Trading and Securities Gains (Losses)
Trading and securities gains (losses) of the Group and of the Parent Company consists of:

	30-September-21	**30-September-20**
	(Unaudited)	**(Unaudited)**
Financial assets at FVTPL	**(₱607,231)**	₱1,026,860
Financial assets at FVTOCI	**(77,696)**	434,705
US Treasury futures (Note 5)	**(69,684)**	(119,022)
Interest rate swaps (Note 5)	**72,122**	(71,711)
	(₱682,489)	₱1,270,832

8. Loans and Receivables

Loans and receivables consist of:

	Consolidated	
	30-September-21 (Unaudited)	31-Dec-20 (Audited)
Receivables from customers:		
Corporate lending*	**₱60,682,772**	₱59,165,727
Consumer lending	**157,870,404**	180,099,881
	218,553,176	239,265,608
Unamortized premium	**3,463,506**	6,261,342
	222,016,682	245,526,950
Unquoted debt securities:		
Private bonds	**325,399**	335,668
	325,399	335,668
Other receivables:		
Accrued interest receivable	**8,216,016**	8,730,407
Accounts receivable	**1,774,880**	2,262,869
Sales contracts receivable	**140,625**	152,455

	Consolidated	
	30-September-21 (Unaudited)	31-Dec-20 (Audited)
	10,131,522	11,145,731
	232,473,602	257,008,349
Allowance for credit and impairment losses	**(11,621,334)**	(13,291,920)
	₱220,852,268	₱243,716,429

**Include Corporate loans, Branch loans and Emerging enterprise loans*

Interest income on loans and receivables consist of:

	For the Nine Months Ended September 30	
	2021 (Unaudited)	2020 (Unaudited)
Receivables from customers	**₱16,563,363**	₱21,541,352
Unquoted debt securities	**664**	947
	₱16,564,028	₱21,542,299

9. Goodwill and Other Intangible Assets

Goodwill

Goodwill represents the excess of the acquisitions cost over the fair value arising from acquisition of (a) Ecology Savings Bank, Inc. ("ESBI") in 2002; (b) American International Group, Inc. Philam Savings Bank (AIGPASB) Group in 2009; (c) EWRB in 2012; (d) Green Bank, Inc. ("GBI") in 2014; and (e) Standard Chartered Bank ("SCB") in 2016.

The carrying amounts of the resulting goodwill in the acquisitions above in the books of the Parent Company are as follows:

Acquisitions	**CGU**	**Consolidated**
SCB	Treasury and Trust; Consumer banking	₱2,560,513
AIG	Consumer Banking	769,042
GBI	Consumer Banking	373,996
ESBI	Retail Banking	173,690
		₱3,877,241

As of September 30, 2021, goodwill is not considered impaired, hence, no impairment has been recognized by the Bank.

Branch Licenses

Branch licenses of the Group amounting to ₱2.17 billion represents: one branch license acquired by the Parent Company from the BSP amounting to ₱0.20 million in 2015, 25 branch licenses acquired by the Parent Company from the BSP amounting to ₱505.20 million in 2014, 10 branch licenses acquired by the Parent Company from the BSP amounting to ₱214.80 million in 2013, 42 branch licenses acquired by the Parent Company from the BSP amounting to ₱822.00 million in 2012, and 46 branch licenses acquired by the Parent Company from the acquisition of GBI amounting to ₱625.40 million in 2011.

Customer Relationship and Core Deposits

The business combination between the Parent Company and AIGPASB Group in 2009 resulted in the acquisition of customer relationship and core deposits amounting to₱154.63 million and ₱40.43 million, respectively.

The business combination between the Parent Company and SCB in 2016 resulted in the acquisition of core deposits amounting to ₱64.70 million.

Capitalized Software

Capitalized software pertains to computer software licenses and programs acquired by the Group and the Parent Company for its banking operations.

10. Bonds Payable

This account consists of bonds payable due in 2023 with a face value of ₱3.70 billion and carrying value of ₱3.69 billion as of September 30, 2021.

On February 10, 2020, the Parent Company issued 4.50% fixed-rate bonds with issue price at 100.00% face value. The bonds will bear interest at the rate of 4.50% per annum from and including February 21, 2020 to but excluding: (a) February 21, 2023, such date being the maturity date (if the pre-termination option is not exercised); or (b) the pre-termination date (if the pre-termination option is exercised), and the interest will be payable quarterly in arrears at the end of each interest period on February 21, August 21 and November 21 of each year commencing on 2020.

Unless the 2023 Bonds are previously redeemed, the Bonds are repayable to the Bond Holders at 100.00% of their face value on the maturity date or February 21, 2023. As of September 30, 2021, bonds issuance cost amounted to ₱14.92 million. For the period ended September 30, 2021, the Group recognized interest expense on bonds payable amounting to ₱125.67 million.

Reserve requirement

Peso-denominated bonds are subject to reserves equivalent to 3.00% in 2021 and 2020. The Parent Company was in compliance with such requirements as of September 30, 2021.

11. Subordinated Debt

This account consists of:

		Consolidated	
		(Unaudited)	(Audited)
	Face Value	**30-September-21**	31-Dec-20
Lower Tier 2 unsecured subordinated notes due 2027	1,250,000	**1,241,663**	1,240,785
	₱1,250,000	**₱1,241,663**	₱1,240,785

Lower Tier 2 unsecured subordinated notes due 2027

On February 20, 2017, EWRB issued a 5.50% coupon rate Lower Tier 2 unsecured subordinated note (the 2027 Notes) with par value of ₱1.25 billion, maturing on August 20, 2027 but callable on August 20, 2022.

Unless the 2027 Notes are previously redeemed, the 2027 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of August 20, 2027.

From and including the issue date to, but excluding the optional redemption date of August 20, 2022, the 2027 Notes bear interest at the rate of 5.50% per annum and shall be payable quarterly in arrears on February 20, May 20, August 20, and November 20 of each year, which commenced on February 20, 2017. Unless the 2027 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year BVAL at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year BVAL at the pricing date of the initial tranche), commencing on August 20, 2022.

12. Leases

The Group leases several premises occupied by its head office and branches. Some leases are subject to annual escalation of 5.00% to 10.00% and for periods ranging from 5 to 15 years, renewable upon mutual agreement of both parties.

Adoption of PFRS 16

As discussed in Note 2, the Group adopted PFRS 16. The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for all leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Shown below is the maturity analysis of the undiscounted lease payments as of September 30, 2021 and December 31, 2020, as required by PFRS 16:

	Consolidated	
	30-Sep-21	31-Dec-20
Within one year	**₱1,042,462**	₱1,192,929
After one year but not more than five years	**1,942,618**	2,186,023
More than five years	**770,752**	767,189
	₱3,755,832	₱4,146,141

Set out below is the carrying amount of lease liabilities and the movements during the nine months ended September 30, 2021:

Balance at beginning of the year	**₱3,466,742**
Additions/Adjustments	**349,224**
Payments and terminations	**(812,955)**
Accretion of interest	**168,455**
As of September 30, 2021	**₱3,171,466**

In the third quarter of 2021 and 2020, the interest expense on lease liabilities of the Group (included in 'Interest expense' in the statements of income) amounted to ₱168.45 million and ₱181.53 million, respectively. Rent expense from short-term leases and leases of low-value assets of the Group amounted to ₱179.00 million and ₱68.35 million in September 30, 2021 and 2020, respectively.

In the third quarter of 2021 and 2020, the Group's rental income amounted to ₱36.76 million, ₱ 27.61 million, respectively. As of September 30, 2021, and 2020, the Group has no contingent rental income.

13. Maturity Analysis of Assets and Liabilities

The following tables show an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of financial position date:

	Consolidated					
	30-September-2021 (Unaudited)			31-Dec-2020 (Audited)		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Financial assets:						
Cash and other cash items	**₱6,467,593**	**₱–**	**₱6,467,593**	₱8,148,882	₱–	₱8,148,882
Due from BSP	**52,324,632**	**–**	**52,324,632**	48,892,706	–	48,892,706
Due from other banks - gross	**20,673,885**	**–**	**20,673,885**	11,392,198	–	11,392,198
Interbank loans receivables and SPURA	**21,250,099**	**–**	**21,250,099**	17,111,092	–	17,111,092
Financial assets at FVTPL	**8,333,619**	**–**	**8,333,619**	7,523,592	–	7,523,592
Financial assets at FVTOCI	**38,691,115**	**–**	**38,691,115**	29,471,707	–	29,471,707
Investment securities at amortized cost - gross	**103,005**	**8,581,421**	**8,684,426**	567,413	20,363,218	20,930,631
Loans and receivables - gross	**90,339,353**	**138,670,744**	**229,010,097**	92,753,482	157,993,525	250,747,007
Other assets - gross	**513,590**	**315,578**	**829,168**	140,536	281,159	421,695
	238,696,891	**147,567,743**	**386,264,634**	216,001,608	178,637,902	394,639,510
Nonfinancial assets:						
Investment in a joint venture	**–**	**659,545**	**659,545**	–	665,313	665,313
Property and equipment – gross	**–**	**9,685,345**	**9,685,345**	–	12,444,220	12,444,220
Investment properties - gross	**–**	**1,421,259**	**1,421,259**	–	1,432,327	1,432,327
Deferred tax assets	**–**	**3,951,230**	**3,951,230**	–	5,169,692	5,169,692
Goodwill and other intangible assets - gross	**–**	**8,355,277**	**8,355,277**	–	8,695,090	8,695,090
Other assets - gross	**1,418,697**	**2,795,951**	**4,214,648**	805,532	1,383,908	2,189,440
	1,418,697	**26,868,607**	**28,287,304**	805,532	29,790,550	30,596,082
	240,115,588	**174,436,350**	**414,551,938**	216,807,140	208,428,452	425,235,592
Allowances for impairment and credit losses	–	**(11,772,590)**	**(11,772,590)**	–	(13,456,184)	(13,456,184)
Unamortized premium/discount	**(372,271)**	**3,835,776**	**3,463,505**	(570,816)	6,832,158	6,261,342
Accumulated depreciation and amortization	–	**(7,124,436)**	**(7,124,436)**	–	(9,838,750)	(9,838,750)
	₱239,743,318	**₱159,375,099**	**399,118,417**	₱216,236,324	₱191,965,676	₱408,202,000
Financial liabilities:						
Deposit liabilities	**₱305,323,084**	**₱13,267,390**	**₱318,590,474**	₱310,991,010	₱18,064,940	₱ 329,055,950
Bills and acceptances payable	**208,956**	**-**	**208,956**	3,568,803	–	3,568,803
Cashiers' checks and demand drafts payable	**779,240**	**-**	**779,240**	678,795	–	678,795
Subordinated debt	**-**	**1,241,663**	**1,241,663**	–	1,240,785	1,240,785
Bonds Payable	**-**	**3,685,077**	**3,685,077**	–	3,677,434	3,677,434
Accrued interest, taxes and other expenses	**3,301,118**	**-**	**3,301,118**	2,548,209	–	2,548,209
Lease liability	**913,024**	**2,258,442**	**3,171,466**	827,605	2,639,137	3,466,742
Other liabilities	**5,313,508**	**40,180**	**5,353,688**	5,143,228	40,794	5,184,022
	315,838,930	**20,492,752**	**336,331,682**	323,757,650	25,663,090	349,420,740
Nonfinancial liabilities:						
Income tax payable	**24,327**	**-**	**24,327**	402,325	–	402,325
Accrued interest, taxes and other expenses	**321,179**	**-**	**321,179**	399,041	–	399,041
Other liabilities	**1,371,524**	**1,556,029**	**2,927,553**	1,101,261	1,396,090	2,497,351
	1,717,030	**1,556,029**	**3,273,059**	1,902,627	1,396,090	3,298,717
	₱317,555,960	**₱22,048,781**	**₱339,604,741**	₱325,660,277	₱27,059,180	₱352,719,457

14. **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.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies, and processes from the previous year.

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 consists of (amounts in thousands, except for par value and number of shares):

	Shares		**Amount**	
	September 30, 2021	December 31, 2020	**September 30, 2021**	December 31, 2020
Authorized:				
Common stock – 10.00 par value	**4,500,000,000**	4,500,000,000		
Preferred stock – 10.00 par value	**500,000,000**	500,000,000		
Common stock issued and outstanding:				
Balance at the beginning of the year	**2,249,975,411**	2,249,975,411	**₱22,499,754**	₱22,499,754
Issuance of stock dividends	**-**	-	**-**	-
Balance at year end	**2,249,975,411**	2,249,975,411	**₱22,499,754**	₱22,499,754

With the approvals by the PSE of the Parent Company's application for listing and by the SEC for the Registration Statement both on March 14, 2012, a total of 245,316,200 common shares, with ₱10.00 par value per share, representing 21.70% of outstanding capital stock, were offered and subscribed through an initial public offering at ₱18.50 per share on April 20 to 26, 2012. The common shares comprise of (a) 141,056,800 new shares issued by the Parent Company by way of a primary offer, and (b) 104,259,400 existing shares offered by FDC, the selling shareholder, pursuant to a secondary offer. Subsequently, on September 5, 2012, 36,715,300 shares under the over-allotment option were exercised at a price of ₱18.50 per share that brought the subscriptions to 25.00% of the outstanding capital stock. The Parent Company's common shares were listed and commenced trading in the PSE on May 7, 2012.

The preferred shares are perpetual non-voting and non-convertible to common shares. The dividends of the preferred shares shall be non-cumulative and to be fixed by the BOD at an annual dividend rate prior to the date of issue.

The total proceeds raised by the Parent Company from the sale of primary offer shares amounted to ₱2.61 billion while the net proceeds (after deduction of direct costs related to equity issuance) amounted to ₱2.39 billion.

On February 1, 2018, the BSP approved the following amendments to the Parent Company's Articles of Incorporation, which were approved and confirmed by the Parent Company's BOD at its special meeting on July 13, 2017, to provide flexibility for future capital requirements:

a. Increase of the Parent Company's authorized capital stock from ₱20.00 billion to ₱50.00 billion consisting of 4.50 billion common shares with par value of ₱10.00 per share or a total par value of ₱45.00 billion and ₱0.50 billion preferred shares with par value of ₱10.00 per share or a total par value of ₱5.00 billion.

b. Declaration of 50.00% stock dividends equivalent to ₱7.50 billion from the Parent Company's unrestricted retained earnings as of December 31, 2016 to meet the required subscribed and paid amount of capital stock per Corporation Code after the increase in the authorized capital of the Parent Company. The increase in the Parent Company's authorized capital stock and stock dividend declaration were subsequently approved by BSP on September 29, 2017 and by SEC on February 28, 2018.

On April 16, 2018, a total of 749,991,801 common shares were listed at the PSE.

The portion of the Parent Company's retained earnings pertaining to the accumulated earnings of the subsidiaries amounting to ₱3.90 billion and ₱3.69 billion as of December 31, 2019 and December 31, 2018, respectively, are not available for dividend declaration until declared as dividends by subsidiaries.

In 2018, upon the full adoption of PFRS 9, the BSP through BSP Circular No. 1011 has required the appropriation for the difference of the 1% general loan loss provision over the computed ECL related to Stage 1 accounts. As of March 31, 2020, the amount of appropriation made in 2019 is still sufficient to cover the difference of the required BSP provision over the computed ECL related to Stage 1 accounts.

Dividend

As approved by the Parent Company's BOD in its special meeting on July 13, 2017, 50.00% stock dividend equivalent to ₱7.50 billion was declared to stockholders on record as of March 30, 2018, to cover the required 25.00% minimum subscription and payment for the increase of authorized capital of the Parent Company. The stock dividends were issued on April 16, 2018. Direct issuance costs amounting to ₱144.00 million were paid in 2018.

15. 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.

The Group's significant investors pertain to FDC, the immediate Parent Company of the Group, and FDC Forex Corporation (a company under common control of FDC).

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, *Related Party Disclosures*. 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 2021 and 2020.

No specific provision and allowance for loan losses was recognized by the Group for loans to significant investors, key management personnel and other related parties in 2021 and 2020.

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

The amounts and the balances arising from significant related party transactions of the Group are as follows:

	September 30, 2021 (Unaudited)		
Category	**Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions/Nature**
Significant investors: FDC			
Loans receivable	**₱–**	**₱4,842,800**	Loans granted with a term of five years, interest of 4.75%, secured with deposit holdout, no impairment
Releases			
Collection			
Deposit liabilities	–	**2,051,144**	Earns interest at the respective bank deposit rates
Deposits	**8,100,052**		
Withdrawals	**8,029,790**		
Accrued interest receivable	**–**	**113,441**	Interest income accrued on outstanding loans receivable
Accrued expenses	**–**	**22,667**	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	**–**	**4,843**	Unused credit line (omnibus facility) with term of 10 months
Interest income	**57,508**	–	Interest income on loans receivable
Interest expense	**2,626**	–	Interest expense on deposit liabilities
Key management personnel:			
Deposit liabilities	**₱–**	**₱ 427,061**	Earns interest at the respective bank deposit rates
Deposits	**258,418**	–	
Withdrawals	**216,908**	–	
Interest income	–	**4**	Interest income on loans receivable
Interest expense	–	**618**	Interest expense on deposit liabilities

	September 30, 2021 (Unaudited)		
Category	**Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions/Nature**
Other related parties:			
Loans receivable	**₱–**	**₱ 7,289,491**	Loans granted with terms ranging from five days to thirteen and a half years, interest ranging from 2.45% to 17.07%, secured by chattel and real estate mortgage, no impairment
Releases	**529,188**	–	
Collection	**613,890**	–	
Receivables purchased (booked under 'Loans Receivable')	–	**2,652,774**	Receivables purchased by the Parent Company from FLI
Accounts receivable	–	**9,235**	Receivables from EW Ageas Life which represent expenses shouldered by the Parent Company
Deposit liabilities	–	**4,867,372**	Earns interest at the respective bank deposit rates
Deposits	**33,553,386**	–	
Withdrawals	**32,396,270**	–	
Accounts payable	–	**47,417**	Collection of loan insurance on behalf of EW Ageas Life that remained unremitted
Guarantees and commitments	–	**7,282**	Unused credit lines
Accrued interest receivable	–	**39,534**	Interest income accrued on outstanding loans receivable
Interest income	**94,493**	–	Interest income on loans receivable
Interest expense	**4,654**	–	Interest expense on deposit liabilities
Commission fees	**22,433**	–	Commission fees received from EW Ageas Life
Service fee expense	**83**	–	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company
Rent expense	**60,585**	–	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, FAI and FLI

	December 31, 2020 (Audited)		
Category	**Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions/Nature**
Significant investors:			
Loans receivable	₱–	₱4,842,800	Loans granted with a term of five years, interest of 4.75%, secured with deposit holdout, no impairment
Releases	4,842,800	–	
Collection	5,621,850	–	
Deposit liabilities	–	4,801,396	Earns interest at the respective bank deposit rates
Deposits	52,945,744	–	
Withdrawals	49,758,767	–	
Accrued interest receivable	–	54,830	Interest income accrued on outstanding loans receivable
Accrued expenses	–	17,409	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	–	4,843	Unused credit line (omnibus facility) with term of 10 months
Interest income	230,033	–	Interest income on loans receivable
Interest expense	8,035	–	Interest expense on deposit liabilities
Key management personnel:			
Deposit liabilities	₱–	₱529,486	Earns interest at the respective bank deposit rates
Deposits	1,168,949	–	
Withdrawals	1,164,132	–	
Interest income	29	–	Interest income on loans receivable
Interest expense	2,044	–	Interest expense on deposit liabilities
Other related parties:			
Loans receivable	₱–	₱7,966,525	Loans granted with terms ranging from six days to thirteen and a half years, interest ranging from 4.42% to 17.07%, secured by chattel and real estate mortgage, no impairment
Releases	589,930	–	
Collection	250,070	–	
Receivables purchased (booked under 'Loans Receivable')	–	2,652,774	Receivables purchased by the Parent Company from FLI (Note 9)
Releases	–		
Collections	269,337		
Accounts receivable	–	19,525	Receivables from EW Ageas Life which represent expenses shouldered by the Parent Company
Deposit liabilities	–	1,208,170	Earns interest at the respective bank deposit rates
Deposits	68,272,184	–	
Withdrawals	67,507,251	–	

Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
	December 31, 2020 (Audited)		
Accounts payable	−	42,291	Collection of loan insurance on behalf of EW Ageas Life that remained unremitted
Guarantees and commitments	−	7,471	Unused credit lines
Accrued interest receivable	−	40,757	Interest income accrued on outstanding loans receivable
Interest income	384,096	−	Interest income on loans receivable
Interest expense	16,345	−	Interest expense on deposit liabilities
Commission fees	37,282	−	Commission fees received from EW Ageas Life
Service fee expense	60	−	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company
Rent expense	79,292	−	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, FAI and FLI
Commission expense	123,577	−	Commission expense paid by the Parent Company to QMIS
Rent income	18,296	−	Rent of office space leased to subsidiaries

Parent Company Related Party Transactions

Transactions between the Parent Company and its subsidiaries meet the definition of related party transactions.

In addition to the transactions discussed above, the following are the transactions between the Parent Company and its subsidiaries that are recognized in the Parent Company's statements of financial position and statements of income and eliminated in the consolidated financial statements:

Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/ Nature
	September 30, 2021 (Unaudited)		
Subsidiaries:			
Receivables purchased	−	**₱3,404,491**	Receivables purchased by the Parent Company from EWRB
Receivable sold	−	**423,255**	Employee loans sold by the Parent Company to EWRB
Accounts receivable	−	**91,618**	Amount collected by EWRB from borrowers on behalf of the Parent Company that remained unremitted and other related expenses shouldered by the Parent Company on behalf of the Subsidiaries
Accounts receivable	−	**188,711**	Receivables from subsidiaries which represent expenses shouldered by Parent Company
Deposit liabilities	−	**779,020**	Earns interest at the respective bank deposit rates
Deposits	**25,545,178**		
Withdrawals	**25,673,817**		
Accounts payable		**52,403**	Cash reloading transactions between EWRB and the Parent Company
Service fee expense	**12,971**	−	Service fees paid to EWRB for account servicing equivalent to 0.37% of loan amounts collected by EWRB on behalf of the Parent Company for the receivables purchased and for collection of credit card payments
Service fee income	**666**	−	Service fees paid by EWRB for account servicing equivalent to 0.37% of loan amounts collected by the Parent Company on behalf of EWRB for the receivables sold
Commission expense	**120,896**	−	Commission expense paid by the Parent Company to QMIS
Rent income	**31,010**	−	Rent of office space leased to subsidiaries

	December 31, 2020 (Audited)		
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/ Nature
Subsidiaries:			
Receivables purchased	₱–	₱4,957,722	Receivables purchased by the Parent Company from EWRB
Acquisitions	3,089,371		
Collections	109,630		
Receivable sold	–	418,216	Employee loans sold by the Parent Company to EWRB
Accounts receivable	–	54,740	Amount collected by EWRB from borrowers on behalf of the Parent Company that remained unremitted and other related expenses shouldered by the Parent Company on behalf of the Subsidiaries
Accounts receivable	–	77,356	Receivables from subsidiaries which represent expenses shouldered by Parent Company
Deposit liabilities	–	984,198	Earns interest at the respective bank deposit rates
Deposits	108,799,303	–	
Withdrawals	108,759,456	–	
Accounts payable	–	132,638	Cash reloading transactions between EWRB and the Parent Company
Interest expense	3,756	–	Interest expense on deposits of EWRB and EWIB
Interest income	2,062	–	Interest income on loans receivable
Service fee expense	9,959	–	Service fees paid to EWRB for account servicing equivalent to 0.37% of loan amounts collected by EWRB on behalf of the Parent Company for the receivables purchased and for collection of credit card payments
Service fee income	649	–	Service fees paid by EWRB for account servicing equivalent to 0.37% of loan amounts collected by the Parent Company on behalf of EWRB for the receivables sold
Commission expense	123,577	–	Commission expense paid by the Parent Company to QMIS
Rent income	18,296	–	Rent of office space leased to subsidiaries

16. 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.

Commitments and Contingencies

The following is a summary of commitments and contingencies of the Parent Company at their peso-equivalent contractual amounts arising from off-balance sheet items:

	30-September-21	31-Dec-20
Unused credit line - credit cards	**₱60,867,640**	₱67,145,794
Trust department accounts	**41,770,707**	38,954,320
Forward exchange sold	**29,611,314**	6,015,611
Forward exchange bought	**19,558,723**	1,208,306
Outstanding guarantees	**8,093,777**	5,987,675
Financial futures sold	**5,372,691**	-
Spot exchange sold	**4,664,369**	3,208,171
Spot exchange bought	**4,469,239**	1,138,347
Unused commercial letters of credit	**3,043,924**	1,793,888
Interest Rate Swap	**2,040,000**	1,920,920

	30-September-21	31-Dec-20
Financial futures bought	**970,399**	816,061
Inward bills for collection	**749,783**	692,281
Late deposits/payments received	**31,046**	8,176
Treasurer/cashier/manager's checks	**21,240**	22,883
Outward bills for collection	**24,383**	657,318
Items held for safekeeping	**1,255**	1,669
Others	**870**	826

17. **Financial Performance**

Earnings per share amounts were computed as follows:

		(Unaudited)	
		September 30, 2021	September 30, 2020
a.	Net income attributable to equity holders of the Parent Company	**₱5,098,389**	₱5,098,389
b.	Weighted average number of outstanding common shares by the Parent Company, including effect of stock dividends issued in 2018	**2,249,975**	2,249,975
c.	Basic and diluted EPS (a/d)	**₱2.27**	**₱2.63**

**The Bank has no potentially dilutive shares as of September 30, 2021 and 2020.*

18. **Subsequent Event**

In March 2020, the board approved HTC sales to support the parent company's capital requirements. Consequently, as of May 2021, after selling securities carried at amortized cost with a total carrying amount of ₱35.75 billion from its FCDU and RBU portfolios, and exceeding the capital targets that it set, the Bank officially ended its HTC sales. Beginning October 2021, in consideration of the Bank's sizeable excess liquidity, the pandemic's effect on the loan portfolio, and the limited options for asset build-up without significantly increasing credit risk, the Bank initiated the purchase of securities for HTC. Also, the build-up of securities in HTC intends to replenish the Bank's stack of High-Quality Liquid Assets (HQLA). As of October 31, 2021, the Bank has bought HTC securities with the carrying amount of ₱2.61 billion.

EAST WEST BANKING CORPORATION
CONSOLIDATED FINANCIAL RATIOS
(As Required by SRC Rule 68.1)
For the period ended September 30, 2021 and 2020

	September 30, 2021	September 30, 2020
Current ratio [1]	**75.5%**	58.8%
Solvency ratio [2]	**1.2**	1.2
Debt-to-equity [3]	**5.7**	6.3
Asset-to-equity [4]	**6.7**	7.3
Interest rate coverage ratio [5]	**439.6%**	295.6%
Return on Equity [6]	**11.7%**	15.1%
Return on Assets [7]	**1.7%**	2.0%
Net Interest Margin [8]	**6.9%**	8.3%
Cost-to- Income Ratio [9]	**58.2%**	45.0%
Debt Ratio [10]	**85.09%**	86.3%

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.

(10) Total liabilities divided by total assets

EAST WEST BANKING CORPORATION
AGING OF LOANS AND RECEIVABLE
For the period ended September 30, 2021 and December 31, 2020
(*Amounts in thousands of Philippine Peso)*

September 30, 2021

	TOTAL LOAN PORTFOLIO	CURRENT	PAST DUE	NON-PERFORMING LOANS			
			90 Days or less	91-180 Days	181 Days to 1 Year	More Than 1 Year	ITEMS IN LITIGATION
Loans and discounts	₱222,016,682	₱189,403,382	₱7,494,802	₱7,233,373	₱4,435,579	₱13,161,458	₱288,089
Accounts Receivable	1,774,880	486,577	51,029	154,454	209,584	873,235	–
Accrued Interest Receivable	8,216,016	7,632,888	458,223	23,207	10,328	87,776	3,594
Sales Contract Receivable	140,625	102,290	–	20,352	6,978	11,005	-
Unquoted Debt Securities	325,399	–	325,399	–	–	–	–
Allowance for Probable Losses	(11,621,334)	–	–	–	–	–	–
Loans and Receivables, net	₱220,852,268	₱197,625,137	₱8,329,454	₱7,431,386	₱4,662,469	₱14,133,474	₱291,683

December 31, 2020

	TOTAL LOAN PORTFOLIO	CURRENT	PAST DUE	NON-PERFORMING LOANS			
			90 Days or less	91-180 Days	181 Days to 1 Year	More Than 1 Year	ITEMS IN LITIGATION
Loans and discounts	₱245,526,950	₱213,415,644	₱11,587,103	₱11,607,658	₱4,873,149	₱3,922,796	₱120,600
Accounts Receivable	2,262,869	122,425	32,424	58,578	612,358	1,437,083	–
Accrued Interest Receivable	8,730,407	7,851,486	531,427	218,465	45,046	83,579	404
Sales Contract Receivable	152,455	138,156	–	3,331	1,364	9,604	–
Unquoted Debt Securities	335,668	–	335,668	–	–	–	–
Allowance for Probable Losses	(13,291,920)	–	–	–	–	–	–
Loans and Receivables, net	₱243,716,429	₱221,527,711	₱12,486,623	₱11,888,031	₱5,531,917	₱5,453,062	₱121,004