

SEC Number PW-686  
Company TIN 000-263-340

PHILIPPINE BANK OF COMMUNICATIONS  
(Company's Full Name)

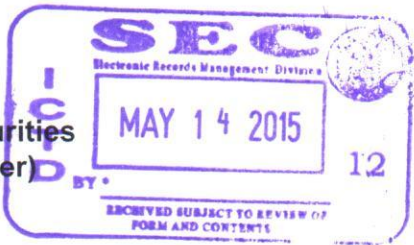
PBCOM Tower, 6795 Ayala Ave. cor. V.A. Rufino St., Makati City  
(Company's Address: No. Street City/Town/Province)

830-7000  
(Company's Telephone Number)

December 31  
(Fiscal Year Ending)  
(Month & Day)

3rd Tuesday of June  
Annual Meeting

SEC Form 17-Q  
(Quarterly Report Pursuant to Section 17 of the Securities  
Regulation Code and SRC Rule 17(2)(b) Thereunder)  
(FORM TYPE)



N/A  
Amendment Designation (If Applicable)

None  
(Secondary License Type. If any)

Atty. Angelo Patrick F. Advincula (Company Representative)	904-193-248 (TIN)	June 26, 1970 (Birth Date)
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Cashier

File Number

Central Receiving Unit

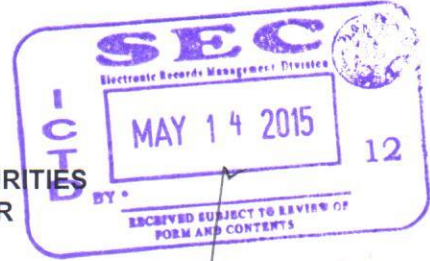
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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



1. For the quarterly period ended March 31, 2015.
2. Commission identification number PW-686 3. BIR Tax Identification No. 000-263-340.
4. Exact name of issuer as specified in its charter  
Philippine Bank of Communications.
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 PBCOM Tower 6795 Ayala Ave., Cor. V.A. Rufino St., Makati City Postal Code 1226.
8. Issuer's telephone number, including area code  
(632) 830-7000.
9. Former name, former address and former fiscal year, if changed since last report  
\_\_\_\_\_
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<u>PBCOM Common Shares</u>	<u>480,645,164 shares</u>
_____	_____
11. Are any or all of the securities listed on a Stock Exchange?  
Yes [ ☒ ] No [ ☐ ]  
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:  
Philippine Stock Exchange Common Stock  
\_\_\_\_\_  
\_\_\_\_\_

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. Financial Statements.**

Please see attached

##### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

Please see attached

#### **PART II--OTHER INFORMATION**

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

#### **SIGNATURES**

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

#### **PHILIPPINE BANK OF COMMUNICATIONS**

By:

  
**ARLENE M. DATU**  
SVP & Comptroller  
(Controller & Principal Accounting Officer) ↴

May 14, 2015



**PHILIPPINE BANK OF COMMUNICATIONS**  
**STATEMENTS OF CONDITION**  
(In Thousands)

	<i>Consolidated</i>		<i>Parent</i>	
	<b>MARCH</b>	<b>DECEMBER</b>	<b>MARCH</b>	<b>DECEMBER</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>
<b>ASSETS</b>				
Cash and Other Cash Items	876,548	1,181,592	848,175	1,153,418
Due from Bangko Sentral ng Pilipinas	15,273,040	12,522,613	15,221,686	12,463,067
Due from Other Banks	1,872,446	1,636,641	1,669,048	1,375,645
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	162,751	832,604	212,751	832,604
Financial assets at Fair Value through Profit or Loss	1,154,398	684,219	1,154,398	684,219
Equity Securities at Fair Value through				
Other Comprehensive Income	42,975	42,975	42,975	42,975
Investment Securities at Amortized Cost	14,276,371	13,270,864	14,261,817	13,256,310
Loans and Receivables	33,633,074	33,545,766	32,298,814	32,306,710
Investment in Subsidiaries and Associate	11,668	11,645	854,841	854,841
Property and Equipment	1,870,381	1,891,030	1,744,610	1,762,005
Investment Properties				
Condominium units for lease	3,959,178	3,959,178	3,959,178	3,959,178
Foreclosed properties	778,622	780,036	563,881	566,058
Goodwill	162,548	162,547	-	-
Intangible Assets	855,100	823,392	586,450	554,742
Other Assets	662,431	589,624	655,882	579,546
	<b>75,591,531</b>	<b>71,934,726</b>	<b>74,074,508</b>	<b>70,391,318</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Deposit Liabilities				
Demand	10,730,728	9,221,026	10,949,157	9,450,291
Savings	5,191,295	4,228,369	4,491,264	3,487,510
Time	46,567,559	45,661,826	45,825,409	44,818,420
	62,489,582	59,111,221	61,265,830	57,756,221
Bills Payable	3,623,230	3,425,427	3,522,585	3,421,652
Outstanding Acceptances	7,412	25,620	7,412	25,620
Manager's checks	203,819	211,130	203,819	211,130
Accrued Interest, Taxes and Other Expenses	600,576	557,061	562,719	530,443
Deferred Tax Liabilities - Net	746,555	746,556	621,893	621,893
Other Liabilities	678,757	636,272	651,407	600,824
	<b>68,349,931</b>	<b>64,713,287</b>	<b>66,835,665</b>	<b>63,167,783</b>
<b>Equity</b>				
Common stock	7,489,114	7,489,114	7,489,114	7,489,114
Subscribed common stock - net	1,792,698	1,792,698	1,792,698	1,792,698
Additional paid-in capital	813,601	813,601	813,601	813,601
Surplus reserves	105,772	105,772	105,772	105,772
Deficit	(2,929,923)	(2,947,623)	(2,939,225)	(2,951,928)
Unrealized gain on equity securities carried at fair				
value through other comprehensive income	24,355	24,354	24,354	24,354
Revaluation increment on land and condo properties	247,743	247,743	247,743	247,743
Cumulative translation adjustment	(24,787)	(27,392)	(24,787)	(27,392)
Remeasurement losses on defined benefit liability	(271,353)	(271,352)	(270,427)	(270,427)
Non-controlling interest	(5,620)	(5,476)	-	-
	7,241,600	7,221,439	7,238,844	7,223,535
	<b>75,591,531</b>	<b>71,934,726</b>	<b>74,074,508</b>	<b>70,391,318</b>

**PHILIPPINE BANK OF COMMUNICATIONS**  
**STATEMENTS OF INCOME AND EXPENSES**  
(In Thousands, except earnings per share)

	<i>Consolidated</i>		<i>Parent</i>	
	<b>UNAUDITED FOR THE QUARTER</b>		<b>UNAUDITED FOR THE QUARTER</b>	
	<b>MAR 2015</b>	<b>MAR 2014</b>	<b>MAR 2015</b>	<b>MAR 2014</b>
<b>INTEREST INCOME</b>				
Investment securities	149,287	320,150	149,287	320,150
Loans and receivables	652,198	454,485	597,509	454,485
Interbank loans receivable and securities purchased under resale agreements	6,709	2,253	6,709	2,253
Deposits with other banks and others	19,047	5,396	18,523	5,396
	<b>827,242</b>	<b>782,285</b>	<b>772,029</b>	<b>782,285</b>
<b>INTEREST AND FINANCE CHARGES</b>				
Deposit liabilities	241,933	190,561	228,822	190,561
Bills payable, borrowings and others	16,211	34,319	16,164	34,319
	<b>258,144</b>	<b>224,880</b>	<b>244,986</b>	<b>224,880</b>
<b>NET INTEREST INCOME</b>	<b>569,098</b>	<b>557,405</b>	<b>527,043</b>	<b>557,405</b>
Trading and securities gain - net	16,530	17,783	16,530	17,783
Rent Income	99,637	74,852	99,562	74,852
Service charges, fees and commissions	119,434	85,616	102,473	85,616
Foreign exchange gain (loss) - net	10,506	24,413	10,506	24,413
Profit/(Loss) from Assets Sold/Exchanged	256	3,355	210	3,355
Income from Trust Operations	5,115	4,434	5,115	4,434
Miscellaneous	14,827	1,758	5,749	1,735
<b>TOTAL OPERATING INCOME</b>	<b>835,403</b>	<b>769,617</b>	<b>767,187</b>	<b>769,594</b>
Compensation and fringe benefits	348,498	314,697	328,014	314,697
Taxes and licenses	116,880	95,518	109,893	95,518
Depreciation and amortization	65,548	43,483	60,517	43,483
Occupancy and other equipment - related costs	51,764	41,905	48,721	41,905
Provision for impairment losses	10,668	721	1,517	721
Miscellaneous	179,730	161,288	169,095	161,288
<b>TOTAL OPERATING EXPENSES</b>	<b>773,088</b>	<b>657,611</b>	<b>717,757</b>	<b>657,611</b>
<b>NET INCOME BEFORE TAX</b>	<b>62,315</b>	<b>112,006</b>	<b>49,430</b>	<b>111,982</b>
<b>PROVISION FOR INCOME TAX</b>	<b>44,759</b>	<b>74,629</b>	<b>36,726</b>	<b>74,629</b>
<b>NET INCOME</b>	<b>17,556</b>	<b>37,377</b>	<b>12,703</b>	<b>37,353</b>
Attributable to:				
Equity holders of the Parent Company	17,700	37,377		
Non-controlling interest	(144)	-		
	<b>17,556</b>	<b>37,377</b>		
Basic Earnings Per Share			0.06	0.12
Diluted Earnings Per Share			0.06	0.12



**PHILIPPINE BANK OF COMMUNICATIONS**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
(In Thousands)

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE QUARTER		UNAUDITED FOR THE QUARTER	
	MAR 2015	MAR 2014	MAR 2015	MAR 2014
NET INCOME	17,556	37,377	12,703	37,353
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cumulative translation adjustment	2,605	(61,053)	2,605	(61,053)
Changes in net unrealized gain (loss) on available-for-sale investments	-	(307,000)	-	(307,000)
<i>Items that may not be reclassified to profit or loss in subsequent periods:</i>				
Remeasurements of defined benefit liabilities	-	-	-	-
Net movement in revaluation increment	-	-	-	-
OTHER COMPREHENSIVE INCOME (LOSS)	2,605	(368,053)	2,605	(368,053)
TOTAL COMPREHENSIVE INCOME (LOSS)	20,161	(330,676)	15,308	(330,699)

**PHILIPPINE BANK OF COMMUNICATIONS**  
**STATEMENT OF CASH FLOWS**  
(In Thousands)

	<i>Consolidated</i>		<i>Parent</i>	
	<b>UNAUDITED FOR THE QUARTER</b>		<b>UNAUDITED FOR THE QUARTER</b>	
	<b>MAR 2015</b>	<b>MAR 2014</b>	<b>MAR 2015</b>	<b>MAR 2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	62,315	112,006	49,430	111,982
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Accretion of interest on bills payable	-	3,209	-	3,209
Depreciation and amortization	65,548	43,483	60,517	43,483
Provision for (reversal of ) impairment losses	10,668	721	1,517	721
Profit from asset sold or exchange	(256)	(3,355)	(210)	(3,355)
Securities gains from sale of available-for sale investments	(22,989)	(5,946)	(22,989)	(5,946)
Equity in net earnings of an associates	(23)	(24)	-	-
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Loans and Receivable	(87,308)	(1,652,307)	7,896	(1,652,307)
Other Assets	(83,475)	(682,648)	(77,853)	(682,648)
Financial assets at FVTPL	(447,191)	(158,377)	(447,191)	(158,377)
Increase (decrease) in the amounts of:				
Deposit liabilities	3,378,361	1,014,565	3,509,609	1,014,565
Manager's checks	(7,311)	91,739	(7,311)	91,739
Accrued interest, taxes and other expenses	43,515	(20,176)	32,276	(20,176)
Other liabilities	42,484	(313,423)	50,583	(313,423)
Net cash generated from operations	2,954,337	(1,570,532)	3,156,274	(1,570,532)
Income taxes paid	(44,759)	(74,629)	(36,726)	(74,629)
Net cash provided (used) by operating activities	2,909,579	(1,645,161)	3,119,548	(1,645,161)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net decrease (increase) in:				
Available-for-sale securities	-	6,636,418	-	6,636,418
Investment Securities at amortized cost	(1,005,507)	-	(1,005,507)	-
Property and equipment	(35,511)	(219,990)	(33,735)	(219,990)
Investment properties	1,670	(2,235)	2,386	(2,235)
Software cost	(41,096)	(48,993)	(41,095)	(48,993)
Net cash provided (used) by investing activities	(1,080,444)	6,365,200	(1,077,951)	6,365,200
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net increase (decrease) in:				
Bills payable	197,803	(6,222,388)	100,933	(6,222,388)
Outstanding acceptance	(18,208)	(11,485)	(18,208)	(11,485)
Net cash provided (used) by financing activities	179,594	(6,233,873)	82,725	(6,233,873)
<b>EFFECTS OF FXCY TRANSLATION ADJUSTMENTS</b>	<b>2,605</b>	<b>(61,053)</b>	<b>2,605</b>	<b>(61,053)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,011,334</b>	<b>(1,574,886)</b>	<b>2,126,927</b>	<b>(1,574,886)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>				
Cash and Other Cash Items	1,181,592	740,012	1,153,418	740,012
Due from Bangko Sentral ng Pilipinas	12,522,613	9,573,408	12,463,067	9,573,408
Due from Other Banks	1,636,641	661,308	1,375,645	661,308
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	832,604	202,550	832,604	202,550
	<b>16,173,450</b>	<b>11,177,278</b>	<b>15,824,734</b>	<b>11,177,278</b>
<b>CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD</b>				
Cash and Other Cash Items	876,548	451,272	848,175	451,272
Due from Bangko Sentral ng Pilipinas	15,273,040	8,137,716	15,221,686	8,137,716
Due from Other Banks	1,872,446	713,348	1,669,048	713,348
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	162,751	300,055	212,751	300,055
	<b>18,184,785</b>	<b>9,602,391</b>	<b>17,951,660</b>	<b>9,602,391</b>

PHILIPPINE BANK OF COMMUNICATIONS  
STATEMENTS OF CHANGES IN CAPITAL FUNDS  
(In Thousands)

	Common Stock	Subscribed common stock - net	Additional Paid-in Capital	Surplus reserves	Deficit	Net unrealized gain on available-for- sale investments	Unrealized gain on equity securities carried at fair value through other comprehensive income	Revaluation increment on land and building	Cumulative translation adjustment	Remeasurement losses on defined benefit liability	Minority Interest	Total Equity
<b>Consolidated</b>												
Balance at January 1, 2015	7,489,114	1,792,698	813,601	105,772	(2,947,623)		24,354	247,743	(27,392)	(271,352)	(5,476.00)	7,221,439
Total comprehensive income (loss) for the period					17,700			-	2,605	-	(144)	20,161
<b>Balance at March 31, 2015</b>	<b>7,489,114</b>	<b>1,792,698</b>	<b>813,601</b>	<b>105,772</b>	<b>(2,929,923)</b>	<b>-</b>		<b>247,743</b>	<b>(24,787)</b>	<b>(271,352)</b>	<b>(5,620)</b>	<b>7,241,600</b>
Balance at January 1, 2014	7,489,114	-	813,601	105,772	(3,076,034)	(1,219,413)	0	209,546	(11,612)	(237,360)	-	4,073,615
Total comprehensive income (loss) for the period					37,377	(307,000)		-	(61,053)	-	0	(330,676)
<b>Balance at March 31, 2014</b>	<b>7,489,114</b>	<b>-</b>	<b>813,601</b>	<b>105,772</b>	<b>(3,038,657)</b>	<b>(1,526,413)</b>		<b>209,546</b>	<b>(72,664)</b>	<b>(237,360)</b>	<b>-</b>	<b>3,742,939</b>
<b>Parent</b>												
Balance at January 1, 2015	7,489,114	1,792,698	813,601	105,772	(2,951,928)	0	24,354	247,743	(27,392)	(270,427)	0	7,223,535
Total comprehensive income (loss) for the period					12,703			-	2,605	-		15,308
<b>Balance at March 31, 2015</b>	<b>7,489,114</b>	<b>1,792,698</b>	<b>813,601</b>	<b>105,772</b>	<b>(2,939,225)</b>	<b>-</b>		<b>247,743</b>	<b>(24,787)</b>	<b>(270,427)</b>		<b>7,238,843</b>
Balance at January 1, 2014	7,489,114	-	813,601	105,772	(3,085,318)	(1,219,413)	0	209,546	(11,612)	(237,360)		4,064,330
Total comprehensive income (loss) for the period					37,353	(307,000)			(61,053)			(330,699)
<b>Balance at March 31, 2014</b>	<b>7,489,114</b>	<b>-</b>	<b>813,601</b>	<b>105,772</b>	<b>(3,047,965)</b>	<b>(1,526,413)</b>	<b>-</b>	<b>209,546</b>	<b>(72,664)</b>	<b>(237,360)</b>	<b>-</b>	<b>3,733,631</b>



**PHILIPPINE BANK OF COMMUNICATIONS**  
**AGING OF LOANS & SELECTED RECEIVABLES**  
As of March 31, 2015

TYPE OF LOAN/PARTICULARS	OUTSTANDING BALANCE	CURRENT	P A S T D U E F O R			
			90 DAYS OR LESS	91 TO 180 DAYS	181 DAYS - 1 YR.	MORE THAN 1 YR.
Interbank Loans Receivable	50,000,000	50,000,000				
Loans and Discounts	19,353,469,551	17,878,928,818	919,127,974	108,749,790	275,076,580	171,586,388
Agrarian Reform/Other Agricultural Credit Loans	1,668,865,291	1,611,688,754	37,459,077	5,000,000	729,960	13,987,500
Bills Purchased	2,844,609,404	2,746,216,417	8,727,565	-	22,802,503	66,862,918
Customers' Liability on Drafts under LC/TR	3,321,096,883	3,053,390,915	5,738,684			261,967,284
Customers' Liab. for this Bank's Acceptances	7,411,523	7,411,523				
Restructured Loans	43,321,174	28,537,130	-	982,878	564,828	13,236,338
Items in Litigation	751,003,843		16,972,224	-	2,964,459	731,067,159
<b>S U B T O T A L</b>	28,039,777,669					
Accounts Receivable	650,074,615	555,843,969	9,971,200	6,851,935	3,639,977	73,767,535
Accrued Interest Receivable	615,559,548	252,542,835	3,561,600	93,504	254,386	359,107,224
<b>G R A N D T O T A L</b>	<b>29,305,411,832</b>	<b>808,386,803</b>	<b>13,532,800</b>	<b>6,945,438</b>	<b>3,894,363</b>	<b>432,874,759</b>

**PHILIPPINE BANK OF COMMUNICATIONS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED MARCH 31, 2015**

1. The Bank's Interim Financial Statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), equity securities at fair value through other comprehensive income (FVTOCI), available-for-sale (AFS) investments and investment properties that are measured at fair value, and land classified as 'Property and equipment' that is measured at appraised value.
2. The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The same accounting policies and methods of computation are followed in the Interim Financial Statements as compared with the most recent Annual Financial Statements.

3. Subsidiaries and Associates

On February 26, 2014, the Bank's Board Of Directors (BOD) approved the acquisition of the Rural Bank of Nagcarlan, Inc. (RBNI) and Banco Dipolog, Inc. (BDI). The acquisitions were completed in 2014 and both rural banks were consolidated with the Parent from the time the latter gained control.

On May 9, 2014, the SEC approved the incorporation of the Parent's wholly-owned subsidiaries, PBCOM Insurance Services Agency, Inc. (PISAI).

The Parent's subsidiaries and associates are engaged in the following businesses:

Entity	Effective percentage ownership	Line of business
<b>Subsidiaries</b>		
RBNI	96.32%	Rural Bank
BDI	99.80%	Rural Bank
PISAI	100.00%	Insurance Agent
<b>Associate</b>		
PBCom Finance Corp	40.00%	Financing Company

Parent Bank obtained control of RBNI on September 1, 2014 through purchase of outstanding capital stock for ₱48.3million. On September 18, 2014, Parent Bank entered into SPA with the shareholders of BDI and obtained control of the latter. For convenience, Parent Bank designated October 1, 2014 as the acquisition date.

4. The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries.
5. On February 8, 2013, BSP issued Certificate of Authority to register its Amended Articles of Incorporation and Amended By-Laws with SEC. This was after the Bank obtained approval from SEC for quasi-reorganization and increased in authorized capital stock on March 8, 2012. The Articles of Incorporation were then amended as follow:
  - a. Reclassification of Bank's existing 120,000,000 preferred shares to common shares;



- b. Reduction of the par value of all its common shares from ₱100 per share to ₱25 per share; and
- c. Increase in authorized capital stock to ₱19,000,000,000 divided into 760,000 common shares with a par value of ₱25 per share.

The Bank requested for a voluntary trading suspension of its common (PBC) and preferred (PBCP) shares. In response to the request, the PSE suspended trading of PBC and PBCP shares effective March 12, 2013. The trading of the Bank's common shares under the stock symbol PBC resumed on March 19, 2013 upon effecting the above-mentioned changes. Further, the reclassification of the said PBCP shares to PBC shares took effect on March 19, 2013. Hence the stock symbol of PBCP was removed from the Official Registry of the Exchange on the same day.

On February 3, 2014, the Bank migrated its core banking system and ATM systems from Silverlake Integrated Banking System to Temenos T24 Core Banking System and HPS Powercard Management Systems, respectively. This is in line with the Bank's objective to implement a Core Banking Platform that will enable technologies required to support the Bank's business transformation initiatives such as the following:

- a. Reduce cycle time to market new products and services.
- b. Re-engineer operations with Straight-Through-Processing to improve turnaround time and achieve efficiencies.
- c. Implement system support for new technologies that will enable our clients to bank anytime, anywhere.

On March 26, 2014, the Bank exited the 10-year Financial Assistance Agreement (FAA) with the Philippine Deposit Insurance Corp. (PDIC) by settling the loan of ₱7.6 Billion which represented the amount extended by the latter as financial assistance to the Bank in 2004. As a consequence of the exit, four PDIC-nominees in the Bank's board of directors, namely Mr. Roberto M. Macasaet, Mr. Raul O. Serrano, Ms. Teresita Ang See and Ms. Imelda S. Singzon tendered their resignation from the Bank's Board of Directors. Their resignation was formally accepted by the Board during the board meeting held on March 28, 2014.

On August 5, 2014, the Bank signed a subscription agreement with P.G. Holdings Inc. (PGH) for the latter's subscription of 181,080,608 the Bank's common shares at Php33.00 per share. These shares will be issued out of the unissued portion of the Bank's authorized capital stock. On August 6, 2014, in compliance with banking law and regulations, the Bank and P.G. Holdings Inc. submitted the subscription agreement to the Bangko Sentral ng Pilipinas (BSP) for its approval.

On September 18, 2014, the Monetary Board of BSP approved the subscription of P.G. Holdings Inc of 181,080,608 common shares at P33.00 per shares which will be issued out of the unissued portion of the Bank's authorized capital stock. The aggregate subscription price of P5.975B will be paid to the Bank in four installments. The first installment, which is 30% or P1.792B of the subscribed amount, was received by the Bank on September 25, 2014. The balance will be paid in three (3) equal installments every twelve (12) months from the date of payment of the most recent prior installment, or may be accelerated to address the capital needs of the Bank, as determined by the board of directors. The subscription is a result of capital raising activities to strengthen the Bank's capital base for its expansion plans especially under the Basel III standards. Also, given the breadth of Mr. Lucio Co's business enterprise, the strategic investment will enable synergies between Mr. Co's portfolio of businesses and the Bank. Mr. Co's retail network complements PBCOM's own expansion and distribution efforts, and their focus on the small business segment is very much aligned with the Bank's thrust to grow its SME banking business.



On September 29, 2014, PBCOM held a special Board of Director's meeting. Mr. Lucio L. Co, Mrs. Susan P. Co and Mr. Leonardo B. Dayao were elected members of the Board to fill-in the three existing board seats vacated by Mr. Mario J. Locsin, Ms. Teresita Ang See and Mr. Edgar J. Sia, Jr. Further, the Board appointed Mr. Co as member of Executive Committee, to fill-in a vacancy on the Committee. These appointments took effect on September 30, 2014.

As of March 31, 2015, the Parent Bank had a total network of 79 branches, 10 Other Banking Offices (OBO) and 171 ATMs. Three branches and one OBO were opened for business during the first three months of 2015, namely:

Type	Address
<b>Branch</b>	
Tomas Morato	Unit 2 #12-B GF, Atherton Place, Tomas Morato Ave., cor Don A. Roces Avenue, Quezon City
Timog	GF Preciosa Bldg 2, No. 75 Timog Ave., Quezon City
Tagbilaran	GF LTS Bldg Carlos P. Garcia Ave., Tagbilaran City, Bohol
<b>Other Banking office</b>	
C5 Pasig	E. Rodriguez Jr. Avenue cor Atis Street, Valle Verde 1, Brg Ugong, Pasig City

6. Financial Risk Management

The Bank is exposed to financial risks such as (a) credit risk, (b) liquidity risk and (c) market risk. These risks are managed through process of identification, measurement and monitoring, subject to limits and other controls. The risk information on the interim financial statement should be read in conjunction with the most recent Annual Financial Statements which contains the Bank's detailed risk disclosure. As of March 31, 2015, there are no changes in the Bank's risk management policies.

7. PFRS 9, Financial Instruments

On July 30, 2014, the Bank's BOD approved the early adoption of PFRS 9 (2010 version) with initial application date of January 1, 2014. The effect of early adoption in the financial statements was presented in details in the Bank's 2014 Audited Financial Statements.

8. Fair Value Measurement

The interim financial statement is consistent with the most recent Annual Financial Statement on its fair value measurement.

The Bank uses three level hierarchies as a valuation technique in determining and disclosing the fair value of financial instruments:

- Level 1 – quoted (unadjusted) market prices in active market for identical assets or liabilities.
- Level 2 – valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable ie not based on observable market data.

As of March 31, 2015, the Bank used Level 1 measurements of financial assets in FVTPL and investment in securities at amortized cost amounting ₱1.15B and ₱14.27B, respectively and Level 2 measurements used in equity securities at FVOCI amounting to ₱ 31.7M. The Bank

used Level 3 fair value measurements for its land classified under Property and Equipment and on Investment Properties. There are no transfers between Levels 1 and 2 and no transfers into and out of Level 3.

The Bank evaluates and classifies financial instruments whether it is quoted or not in an active market. Quoted prices in an active market are readily and regularly available and represent actual and regularly occurring market transactions on arm's length basis.

9. The Bank has no investment in foreign securities as of the reporting period.
10. There are no other items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.
11. There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that had a material effect in the current interim period.
12. There were no dividends paid as of March 31, 2015.
13. Financial Information by Segment (In Thousands)

AS OF MARCH 31, 2015

Particulars	Branch Banking Group	Corporate Banking Group	Treasury Group	Consumer Finance Group	Trust Group	Leasing & Shared cost	Total
<b>Segment results</b>							
Net Interest Income	231,332	119,058	71,992	180,982	871	(77,193)	527,043
Trading and securities gain-net	1,402	3,874	15,949	-	(2)	(4,694)	16,530
Rent income						99,562	99,562
Service charges, fees and commissions	13,276	61,005	5	33,891	-	(5,705)	102,473
Foreign Exchange gain (loss) - net	(19)	-	(395)	-	-	10,920	10,506
Profit /loss) from Asset Sold/Exchange						210	210
Income from Trust Operations	1,547	319	667	-	2,582	0	5,115
Miscellaneous	2,011	1,143	-	1,134	-	1,461	5,749
<b>Total Operating Income</b>	<b>249,550</b>	<b>185,400</b>	<b>88,218</b>	<b>216,008</b>	<b>3,451</b>	<b>24,560</b>	<b>767,187</b>
Compensation and Fringe benefits	95,345	28,873	6,753	36,777	10,081	150,186	328,014
Taxes and licenses	52,207	19,525	14,346	400	228	23,187	109,893
Occupancy and Other equipment-related cost	34,332	511	232	2,300	362	10,985	48,721
Depreciation and amortization	27,591	1,460	516	2,134	769	28,047	60,517
Provision for impairment losses	-	-	-	1,517	-	(0)	1,517
Other operating expense	81,110	9,962	11,023	68,951	2,175	(4,126)	169,095
<b>Total Operating Expense</b>	<b>290,585</b>	<b>60,331</b>	<b>32,870</b>	<b>112,078</b>	<b>13,614</b>	<b>208,279</b>	<b>717,757</b>
Segment profit (loss)	(41,034)	125,069	55,348	103,930	(10,163)	(183,719)	49,430
Provision for income Tax	2	5,156	36,387			(4,819)	36,726
<b>Net Income (loss)</b>	<b>(41,037)</b>	<b>119,913</b>	<b>18,961</b>	<b>103,930</b>	<b>(10,163)</b>	<b>(178,900)</b>	<b>12,703</b>
<b>Total segment assets</b>	<b>11,114,016</b>	<b>23,570,710</b>	<b>24,232,093</b>	<b>5,516,200</b>	<b>74,755</b>	<b>9,566,733</b>	<b>74,074,508</b>
<b>Total segment liabilities</b>	<b>57,293,175</b>	<b>19,827</b>	<b>7,657,076</b>	<b>-</b>	<b>100,000</b>	<b>1,765,586</b>	<b>66,835,665</b>



AS OF MARCH 31, 2014

Particulars	Branch Banking Group	Corporate Banking Group	Treasury Group	Consumer Finance Group	Trust Group	Leasing & Shared cost	Total
<b>Segment results</b>							
Net Interest Income	136,771	80,338	113,891	98,847	631	126,928	557,405
Trading and securities gain-net	-	-	18,885			(1,102)	17,783
Rent income						74,852	74,852
Service charges, fees and commissions	15,521	50,040	2	29,016	-	(8,963)	85,616
Foreign Exchange gain (loss) - net	3,405	2,332	(1,806)	-	3	20,480	24,413
Profit /loss) from Asset Sold/Exchange			-			3,355	3,355
Income from Trust Operations	1,545	883	-	-	1,994	12	4,434
Miscellaneous	1,867	244	-	360	-	(712)	1,758
<b>Total Operating Income</b>	<b>159,109</b>	<b>133,836</b>	<b>130,973</b>	<b>128,223</b>	<b>2,627</b>	<b>214,849</b>	<b>769,617</b>
Compensation and Fringe benefits	98,134	28,677	5,610	25,259	12,303	144,715	314,697
Taxes and licenses	41,298	16,818	22,462	816	319	13,805	95,518
Occupancy and Other equipment-related cost	28,925	136	58	434	43	12,309	41,905
Depreciation and amortization	14,955	1,760	569	1,571	800	23,828	43,483
Provision for impairment	49	91	-	67	-	514	721
Other operating expense	61,656	13,303	9,922	21,525	2,629	52,253	161,288
<b>Total Operating Expense</b>	<b>245,017</b>	<b>60,785</b>	<b>38,620</b>	<b>49,671</b>	<b>16,093</b>	<b>247,425</b>	<b>657,611</b>
Segment profit (loss)	(85,908)	73,052	92,353	78,552	(13,466)	(32,576)	112,006
Provision for income Tax		1,806	39,377			33,446	74,629
<b>Net Income (loss)</b>	<b>(85,908)</b>	<b>71,246</b>	<b>52,976</b>	<b>78,552</b>	<b>(13,466)</b>	<b>(66,022)</b>	<b>37,377</b>
<b>Total segment assets</b>	<b>10,995,232</b>	<b>19,128,434</b>	<b>18,714,412</b>	<b>1,257,428</b>	<b>80,639</b>	<b>6,633,878</b>	<b>56,810,022</b>
<b>Total segment liabilities</b>	<b>47,228,487</b>	<b>32,230</b>	<b>5,455,542</b>	<b>-</b>	<b>-</b>	<b>350,824</b>	<b>53,067,083</b>

Efforts to expand the Bank's core banking business led to a year-over-year operating income growth of 57% for Branch Banking and 68% for Consumer Finance. Costs of Branch Banking Group and Consumer Finance increased by 19% and 46%, respectively, compared to the same period last year as the Bank increased its staff complement to support the rapid growth of the businesses.

- With the BSP's approval in 2014 for the Parent Bank to acquire RBNI and BDI, as well as it's investment in PBCom Insurance Agency, Inc. (PISAI), the Parent Bank issued it's first consolidated financial statements. This is also the first time that the Parent Bank/Company is presenting Parent-only financial statements.

As to long-term investments, the bank continues to maintain holdings on marketable long-term bonds.

- The following is a comparative summary of the Bank's commitments and contingent liabilities at their equivalent peso amounts (In thousands):

	March 2015	December 2014
Trust department accounts	6,067,002	5,930,414
Standby LC	1,704,771	1,123,767
Spot exchange:		
Sold	608,367	134,160
Bought	518,869	134,259
Sight import LC outstanding	330,784	516,252
Usance import LC outstanding	35,063	144,901
Deficiency claims receivable	27,498	27,498
Inward bills for collection	40,715	46,921
Outstanding shipping guarantees	654,652	596,145
Outward bills for collection	17,253	26,312



Items held for safekeeping	299	411
Items held as collateral	5	5
Other contingent	34,675	32,330

Any changes in the above figures are part of the regular operations of the Bank.

16. There are no contingencies and any other events or transactions that are material to an understanding of the current interim period.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Group's total assets as of March 31, 2015 stood at ₱75.592 Billion while total liabilities and equity amounted to ₱68.350 Billion and ₱7.242 Billion, respectively. Total assets improved by 5.08% or ₱3.657 Billion from year-end level of ₱71.935 Billion largely attributable to increase in Due from BSP and Investment Securities at Amortized Cost. Liquid assets improved by ₱2.011 Billion or 12.44% from year-end level of ₱16.173 Billion. Investment Securities likewise, went up by 7.58% or ₱1.006 Billion while loans and receivable slightly improved by ₱87 Million. Intangible assets and other assets, increased by ₱32 Million and ₱73 Million, respectively. On the liability side, deposits went up by ₱3.378 Billion from the year-end level of ₱59.111 Billion to ₱62.490 Billion. Bills Payable, on the other hand, increased by ₱197 Million due to higher deposit substitutes placements for the quarter. Accrued interest, taxes and other expenses went up by ₱44 Million or 7.81%. Other liabilities were up 6.68% or ₱42 Million from year-end level of ₱0.636 Billion. Meanwhile, the Group's capital base slightly improved by ₱20 Million from last year's level of ₱7.221 Billion. The Risk-Based Capital Adequacy Ratio of PBCom Group is 14.57%, well above the 10% minimum capital requirement. The ratio covers credit, market and operational risk for the first quarter of 2015.

The Bank's earnings slightly increase year on year by 5.75% as interest income from loans grew by 43.50% or ₱197.7 Million mainly due to lower income from trading and investment securities by 53.37% or ₱171 Million. The lower trading income was due to the impact of matured government securities with higher yields. Interest and Finance Charges increased by 14.79% or ₱33 Million from previous level of ₱224 Million to ₱258 Million mainly from interest expense on deposits in the amount of ₱51.3 Million or 26.96%. Operating income slightly improved by ₱66 Million due to the increase in rental income and service charges by ₱25 Million and ₱34 Million, respectively. Said improvement, however, was offset by lower foreign exchange gain by ₱14 Million and Profit from Assets Sold/Exchanged by ₱3 Million. Operating expenses increased by ₱115 Million largely due to increase in compensation and fringe benefits, taxes and licenses and depreciation and amortization by ₱33.8 Million, ₱21.36 Million and ₱22.06 Million, respectively. The increase in expenses was a result of expanding our network, branch transformation, migration to a new system and hiring of the appropriate resources to support the businesses. Net income for the group deteriorated by 53.03%, ₱37.4 Million to ₱17.5 Million, from prior period.

Total assets of the group went up by ₱18.781 Billion mainly due to higher liquid assets by ₱8.582 Billion. Loans and Receivable increased by 26.21% or 6.98 Billion from ₱26.649 Billion level in March 2014 because of higher consumer loans. The Group's total liabilities increased by ₱15.282 Billion or 28.8% to ₱68.350 Billion in the current period. Total deposits rose by ₱14.194 Billion from ₱48.295 Billion in the same period last year while total borrowings went up by ₱384 Million from ₱3.239 Billion in March 2014 to ₱3.623 Billion in March 2015. Accrued interest, taxes and other expenses, Deferred tax liabilities and Other liabilities likewise increase by ₱113 Million, ₱222 Million and ₱454 Million, respectively. Moreover, the Bank's equity improved by 93.47% or ₱3.497 Billion, brought about by the subscription of PG Holdings, Inc. of ₱1.792 Billion and the impact of the early adoption of PFRS 9 resulting to higher equity of ₱1.52 Billion.

On a parent-only basis, total assets increased by ₱3.68 Billion or 5.23% from December 2014 level of ₱70.39 Billion to ₱74.07 Billion mainly due to higher Due from BSP and Investment Securities at Amortized cost by ₱2.75 Billion and ₱1.005 Billion, respectively. Likewise, total liabilities increased by ₱3.667 Billion mainly due to higher deposits, by ₱3.509 Billion as of March 2015. Total NPL in the first quarter of year 2015 is 1.77% while Parent's RBCAR stood at 14.60%.

**2. Discussion of various key indicators:**

**A. Key Financial Performance**

Ratio	March 2015	December 2014	Remarks
Net Profit Margin (Net income divided by Gross income)	2.10%	4.86%*	Net Profit Margin decreased by 2.76% due to lower net income as a result of lower income from trading and investment securities during the current quarter.
Return on Average Asset (Net income divided by Average assets)	0.02%	0.16%	The reduced net income during the current period coupled with the increase in Average Assets, has resulted in a decrease in ROA versus Dec 2014
Return on Average Equity (Net income divided by Average equity)	0.24%	1.76%	The reduction in net income for the year has caused a decline in the Bank's return on average equity ratio
Capital Adequacy Ratio (Basel 3) (Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)	14.57%	15.91%	Lower CAR ratio during the quarter resulted from higher provisioning requirement based on previous BSP examination in RAP books.
Basic Earnings per share (Net income divided by average no. of common shares)	0.06	0.12*	The reduced net income versus 2014, which is driven primarily by lower interest income from securities and higher operating expenses, has resulted in a lower earnings per share

\* As of Mar 2014



## B. Financial Soundness

Ratio	March 2015	December 2014	Remarks
<b>Liquidity Ratio</b> (Liquid Assets to Total Deposits) <i>Liquid Assets include cash, due from banks, interbank loans, and trading and inv. Securities Total deposit refers to the total of peso and foreign currency deposits.</i>	53.79%	50.97%	The Bank's liquidity ratio slightly increased by 2.82%, as a result of collective efforts to grow its deposit base by 5% from P59.1B to P62.48B for the first quarter of 2015.
<b>Debt Ratio</b> (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	90.42%	89.96%	A minimal increase in the Bank's debt ratio has been observed due to growth in deposit base and liquid assets.
<b>Asset to Equity Ratio</b> (Total Asset to Total Equity)	1,043.85%	996.13%	Higher Total asset that grew by P3.6B mostly funded from deposit intake resulted to higher asset-to-equity ratio during the quarter.
<b>Interest Rate Coverage Ratio</b> (Earnings before interest & taxes to Interest Expense)	124.14%	149.81%*	The Bank's interest rate coverage declined as a result of lower earnings from securities and the higher interest expense brought on by the growth in deposits.
<b>Net Interest Margin</b> Net interest income over Average Earning assets	4.59%	3.99%	With growth of its securities portfolio, the Bank enjoyed an increase in net interest income, along with lower average earning asset of P2.4B for the period

\* As of Mar 2014

### 3. Discussion and Analysis of Material Event/s and Uncertainties

- The Bank does not foresee any event that will trigger direct or contingent financial obligation that is material to the company.
- The Bank does not have any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- As of March 31, 2015, unspent amount of capital expenditures was P283.3M from the prior year's approved budget and additional projects this quarter. The projects include technology, computer and communication upgrades as well as the renovation of certain business centers / branches.
- There are no known trends, events or uncertainties that are expected to have a material impact on net sales or revenues of the Bank in the near future.
- There were no recorded significant income or losses during the quarter that did not arise from the Bank's regular operations.
- Interest income on non-discounted loans are recognized based on the accrual method of accounting while unearned discounts are amortized to income over the terms of the loans. As such, there is no seasonal aspect that has a material impact on the Bank's interest revenues. Non-interest revenues, on the other hand, are largely dependent on market dynamics and economic trends rather than on seasonal factors.

**Statement of Condition: March 2015 vs. December 2014 (conso)**

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(305,044)	-25.82%	Effective cash management strategies have led to a small decrease in the Bank's cash balance.
Due from BSP	2,750,427	21.96%	An increase in reserve requirements and growth in deposit base.
Due from Other Banks	235,805	14.41%	There has been an increase in the balance of settlement accounts maintained with correspondent banks versus the comparable period.
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	(669,853)	-80.45%	Lower investment in interbank loans during the period.
Financial assets at Fair Value through Profit or Loss	470,179	68.72%	Inventory of held for trading securities increased during the reporting period.
Investment securities at Amortized Cost	1,005,507	7.58%	Inventory of held for securities classified at amortized cost increased during the reporting period.
Loans and Receivables	87,308	0.26%	Loans and discounts slightly increased by P87M during the reporting period.
Investment in Subsidiaries and Associate	23	0.20%	Share in net income of affiliates during the quarter.
Property and Equipment	(20,649)	-1.09%	Depreciation and amortization of fixed assets for the period.
Investment Properties	(1,414)	-0.03%	The successful sale mostly by Parent Bank of the ROPA properties during the period led to a reduction in Investment Properties.
Intangible Assets	31,708	3.85%	Higher capitalized software cost from various projects of the Parent Bank during the quarter.
Other Assets	72,807	12.35%	An increase in miscellaneous assets due to prepaid expenses capitalized and will be amortize during the year.
Demand Deposits	1,509,702	16.37%	Continued deposit generation efforts has led to an increase in deposits
Savings Deposits	962,926	22.77%	
Time Deposits	905,733	1.98%	
Bills Payable	197,803	5.77%	Increase in Bills Payable obtained by Parent Bank during the period
Outstanding Acceptances	(18,208)	-71.07%	The reduction in outstanding acceptances is due to a decrease in bills of exchange accepted by the Bank
Manager's Checks	(7,311)	-3.46%	There was a decrease in un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	43,515	7.81%	There was an increase in interest accruals on deposits.
Other Liabilities	42,485	6.68%	There was an increase in rental deposits, withholding tax payable and other miscellaneous liability account.



**Statement of Income and Expenses : Jan-Mar 2015 vs Jan-Mar 2014 (conso)**

	<b>Increase (Decrease)</b>	<b>Percentage</b>	<b>Remarks</b>
Interest Income on investment securities	(170,863)	-53.37%	There was a decline in interest income earned due to the maturity of government securities in March 2014 which provide higher yield that were purchased from the proceeds of the loan extended by the PDIC as part of the Financial Assistance Agreement.
Interest Income on Loans and receivable	197,713	43.50%	Parent Bank enjoyed higher interest income from loans and discount from its growing consumer loans that contribute P140M increase during the comparative quarter
Interest Income on IBCL & SPURA	4,457	197.81%	Higher average volume on interbank loans during the quarter
Interest Income on Deposit with other Banks and others	13,650	5.75%	Interest income from Due from BSP increased by P5M for Parent Bank while remaining increase from subsidiaries during the period.
Interest Expense on Deposit Liabilities	51,372	26.96%	Time deposit volume grew by P905M, resulting in a P47M increase in interest expense versus same period last year
Interest Expense on Bills payable, borrowings and others	(18,108)	-52.76%	There was a P18M reduction in interest expense on BP-PDIC, as the loan matured in March 2014.
Trading and Securities Gain – net	(1,254)	-7.05%	There was a reduction in trading income due to the impact of rising market rates on bond prices.
Service Charges, Fees & Commissions	33,818	39.50%	The Bank collected higher participation fees and bank commissions versus the comparable period in the prior year
Income from Trust Operations	681	15.36%	The Bank registered higher trust fees in 2015 during the comparative period
Rent Income	24,785	33.11%	The escalation of rental rates in 2015 has generated increased income from rent.
Profit/(Loss) from Assets Sold/Exchanged	(3,099)	-92.36%	The Bank has recognized minor losses from the sale of ROPA properties during the reporting period.
Foreign Exchange Gain (Loss) –Net	(13,907)	-56.97%	A combination of lower revaluation income and actual/realized gain from foreign exchange trading has led to a decline in foreign exchange gains during the period
Miscellaneous Other Income	13,069	743.19%	Higher ancillary income generated for the period
Compensation and Fringe Benefits	33,801	10.74%	As the Bank continued efforts to build its talent base and strengthen its manpower complement, there was an increase in manpower cost and accrual of additional employee benefits for the period
Depreciation & Amortization	22,065	50.74%	The upgrade of various premises, furniture and equipment of the bank led to higher depreciation costs.
Occupancy and other equipment- related costs	9,859	23.53%	During the reporting period, the Bank saw an increase in rental expenses and lower reimbursements received from tenants of PBCOM Tower on utilities and repairs due to changes in reallocation of expenses
Taxes and Licenses	21,363	22.37%	The increase in expenses mainly from higher documentary stamp taxes on time deposits.
Provision for (Recovery of) impairment losses	9,947	1379.45%	This reflects the recognition of additional provision by rural bank for the quarter.
Miscellaneous	(29,870)	-40.02%	There was a decrease in various expense for the quarter such as utility services, representation and litigation expenses.