

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)

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

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Cashier

File Number

Central Receiving Unit

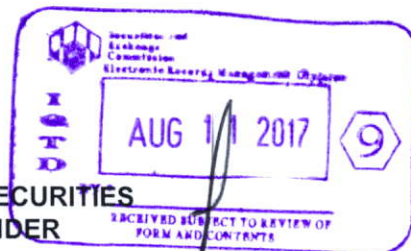
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SECURITIES AND EXCHANGE COMMISSION

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 June 30, 2017.
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
NA
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>480,645,163 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

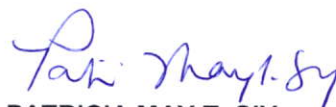
The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such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



PATRICIA MAY T. SIY
President



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

August 10, 2017

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CONDITION
(In Thousands)

	Consolidated		Parent	
	JUN 2017	DEC 2016	JUN 2017	DEC 2016
	Unaudited	Audited	Unaudited	Audited
ASSETS				
Cash and Other Cash Items	953,536	1,042,611	920,559	1,011,756
Due from Bangko Sentral ng Pilipinas	14,522,005	13,356,075	14,453,625	13,276,681
Due from Other Banks	1,752,933	2,996,758	1,448,007	2,631,497
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	728,805	310,131	728,805	310,131
Financial assets at Fair Value through Profit or Loss	3,945,618	300,483	3,945,618	300,483
Equity Securities at Fair Value through				
Other Comprehensive Income	52,242	52,242	52,242	52,242
Investment Securities at Amortized Cost	13,102,760	13,135,494	13,102,760	13,135,494
Loans and Receivables	47,456,559	46,089,437	45,627,616	44,303,654
Investment in Subsidiaries and Associate	12,489	12,376	1,046,962	1,023,334
Property and Equipment	1,553,477	1,649,044	1,443,709	1,536,701
Investment Properties				
Condominium units for lease	5,055,423	5,044,552	5,055,423	5,044,552
Foreclosed properties	957,146	957,000	731,404	721,780
Office units for lease	23,858	23,858	23,858	23,858
Goodwill	178,456	178,456	-	-
Intangible Assets	766,122	781,166	501,970	516,008
Deferred Tax Assets	68,481	59,717	-	-
Other Assets	624,887	509,333	608,358	493,863
	91,754,797	86,498,733	89,690,916	84,382,034
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities				
Demand	16,824,736	15,464,230	16,910,441	15,571,988
Savings	6,918,601	6,943,767	6,361,148	6,400,070
Time	40,200,201	40,737,984	38,770,224	39,227,043
	63,943,538	63,145,981	62,041,813	61,199,101
Bills Payable	13,789,508	10,099,384	13,789,508	10,099,384
Outstanding Acceptances	59,001	34,357	59,001	34,357
Manager's checks	566,432	300,385	566,432	300,385
Accrued Interest, Taxes and Other Expenses	495,139	414,815	463,120	382,634
Deferred Tax Liabilities - Net	1,105,523	1,105,523	974,865	974,865
Other Liabilities	739,491	616,552	731,613	601,293
	80,698,632	75,716,997	78,626,352	73,592,019
Equity				
Common stock	7,489,114	7,489,114	7,489,114	7,489,114
Subscribed common stock - net	4,581,340	4,581,340	4,581,340	4,581,340
Additional paid-in capital	813,515	813,515	813,601	813,601
Surplus reserves	105,772	105,772	105,772	105,772
Deficit	(2,018,645)	(2,345,243)	(2,018,645)	(2,345,243)
Unrealized gain on equity securities carried at fair value through other comprehensive income	33,621	33,621	33,621	33,621
Revaluation increment on land and condo properties	280,228	280,228	280,228	280,228
Cumulative translation adjustment	(124,788)	(72,739)	(124,788)	(72,739)
Remeasurement losses on defined benefit liability	(95,679)	(95,679)	(95,679)	(95,679)
Non-controlling interest	(8,313)	(8,193)	-	-
	11,056,165	10,781,736	11,064,564	10,790,015
	91,754,797	86,498,733	89,690,916	84,382,034

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

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE PERIOD		UNAUDITED FOR THE PERIOD	
	JUN 2017	JUN 2016	JUN 2017	JUN 2016
INTEREST INCOME				
Investment securities	387,311	346,765	387,311	346,765
Loans and receivables	1,487,699	1,379,542	1,378,726	1,231,405
Interbank loans receivable and securities purchased under resale agreements	22,012	6,585	22,012	6,585
Deposits with other banks and others	8,411	24,193	6,642	22,052
	1,905,433	1,757,085	1,794,691	1,606,807
INTEREST AND FINANCE CHARGES				
Deposit liabilities	389,009	452,777	358,634	415,316
Bills payable, borrowings and others	107,805	80,099	107,806	79,465
	496,814	532,876	466,440	494,781
NET INTEREST INCOME	1,408,619	1,224,209	1,328,251	1,112,026
Trading and securities gain (loss) - net	(10,316)	62,084	(10,316)	62,084
Rent Income	279,135	212,487	279,266	211,614
Service charges, fees and commissions	219,776	203,547	158,778	163,197
Foreign exchange gain - net	31,559	23,988	31,559	23,988
Profit from assets sold/ exchange	14,500	(5,106)	6,507	(6,380)
Income from trust operations	7,839	8,782	7,839	8,782
Share in net income of subsidiaries and an associate	113	268	23,628	19,518
Miscellaneous	60,800	25,721	58,230	12,777
TOTAL OPERATING INCOME	2,012,025	1,755,980	1,883,742	1,607,606
Compensation and fringe benefits	577,190	600,740	525,729	540,891
Taxes and licenses	223,863	209,508	209,026	195,525
Depreciation and amortization	165,812	181,604	155,476	170,940
Occupancy and other equipment - related costs	117,400	100,043	110,852	93,420
Provision for impairment losses	81,468	67,882	70,272	54,934
Miscellaneous	420,025	424,870	387,394	399,041
TOTAL OPERATING EXPENSES	1,585,758	1,584,647	1,458,749	1,454,751
NET INCOME BEFORE TAX	426,267	171,333	424,993	152,855
PROVISION FOR INCOME TAX	99,789	113,462	98,395	94,958
NET INCOME	326,478	57,871	326,598	57,897
Attributable to:				
Equity holders of the Parent Company	326,598	57,897		
Non-controlling interest	(120)	(26)		
	326,478	57,871		

Basic Earnings Per Share

2.18

0.39

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

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE QUARTER		UNAUDITED FOR THE QUARTER	
	JUN 2017	JUN 2016	JUN 2017	JUN 2016
INTEREST INCOME				
Investment securities	158,284	179,993	158,284	179,993
Loans and receivables	748,572	717,639	695,906	641,975
Interbank loans receivable and securities purchased under resale agreements	6,425	4,754	6,425	4,754
Deposits with other banks and others	3,380	11,299	2,474	10,140
	916,660	913,685	863,089	836,862
INTEREST AND FINANCE CHARGES				
Deposit liabilities	195,432	236,179	180,312	217,542
Bills payable, borrowings and others	53,514	43,327	53,515	43,323
	248,947	279,507	233,827	260,865
NET INTEREST INCOME	667,713	634,178	629,262	575,998
Trading and securities gain - net	3,221	6,850	3,221	6,850
Rent Income	138,518	110,207	138,694	109,371
Service charges, fees and commissions	126,289	108,501	86,034	88,279
Foreign exchange gain (loss) - net	11,074	20,799	11,074	20,799
Profit/(Loss) from Assets Sold/Exchanged	11,025	(6,054)	4,368	(7,047)
Income from Trust Operations	3,911	4,016	3,911	4,016
Share in net income of subsidiaries and an associate	56	190	20,029	11,871
Miscellaneous	46,344	12,962	50,930	5,949
TOTAL OPERATING INCOME	1,008,152	891,649	947,524	816,086
Compensation and fringe benefits	287,434	288,869	262,151	258,406
Taxes and licenses	111,447	106,059	104,197	99,766
Depreciation and amortization	80,011	95,510	74,978	90,227
Occupancy and other equipment - related costs	79,034	47,672	75,637	44,351
Provision for impairment losses	35,994	45,369	31,738	37,594
Miscellaneous	210,977	221,757	194,437	209,341
TOTAL OPERATING EXPENSES	804,898	805,236	743,138	739,685
NET INCOME BEFORE TAX	203,254	86,413	204,386	76,401
PROVISION FOR INCOME TAX	23,413	56,605	24,540	46,673
NET INCOME	179,841	29,807	179,845	29,727
Attributable to:				
Equity holders of the Parent Company	179,845	29,727		
Non-controlling interest	(5)	80		
	179,841	29,807		

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

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE PERIOD		UNAUDITED FOR THE PERIOD	
	JUN 2017	JUN 2016	JUN 2017	JUN 2016
NET INCOME	326,478	57,871	326,598	57,897
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cumulative translation adjustment	(52,049)	(9,570)	(52,049)	(9,570)
<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)	(52,049)	(9,570)	(52,049)	(9,570)
TOTAL COMPREHENSIVE INCOME	274,429	48,301	274,549	48,327

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

	Consolidated		Parent	
	UNAUDITED FOR THE PERIOD		UNAUDITED FOR THE PERIOD	
	JUN 2017	JUN 2016	JUN 2017	JUN 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	426,267	171,333	424,993	152,855
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Depreciation and amortization	165,812	181,604	155,476	170,940
Provision for impairment losses	81,468	67,882	70,272	54,934
Profit from asset sold or exchange	(14,500)	5,106	(6,507)	6,380
Unrealized (gain) loss on financial assets at FVTPL	8,189	(17,144)	8,189	(17,144)
Equity in net earnings of subsidiaries and an associate	(113)	(268)	(23,628)	(19,518)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Loans and Receivable	(1,367,122)	(4,776,061)	(1,323,962)	(4,653,061)
Other Assets	(197,022)	(105,332)	(184,767)	(86,687)
Financial assets at FVTPL	(3,653,324)	(2,884,761)	(3,653,324)	(2,884,761)
Increase (decrease) in the amounts of:				
Deposit liabilities	797,557	7,222,064	842,712	6,872,387
Manager's checks	266,047	183,418	266,047	183,418
Accrued interest, taxes and other expenses	80,324	58,804	80,486	64,056
Other liabilities	122,939	84,939	130,320	85,397
Net cash generated from (used for) operations	(3,283,478)	191,584	(3,213,693)	(70,804)
Income taxes paid	(108,553)	(113,462)	(98,395)	(94,958)
Net cash provided (used) by operating activities	(3,392,031)	78,122	(3,312,088)	(165,762)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in:				
Investment Securities at amortized cost	32,734	(2,273,659)	32,734	(2,273,659)
Property and equipment	(70,245)	(138,481)	(62,484)	(131,324)
Investment properties	3,483	13,850	(13,988)	8,154
Subsidiaries	-	-	-	(942)
Software cost	15,044	8,446	14,038	7,496
Net cash used by investing activities	(18,984)	(2,389,844)	(29,700)	(2,390,275)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in:				
Bills payable	3,690,124	2,237,584	3,690,124	2,422,309
Outstanding acceptance	24,644	87,877	24,644	87,877
Net cash provided (used) by financing activities	3,714,768	3,719,782	3,714,768	3,904,507
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(52,049)	(9,571)	(52,049)	(9,571)
NET DECREASE IN CASH AND CASH EQUIVALENTS	251,704	1,398,489	320,931	1,338,899
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD				
Cash and Other Cash Items	1,042,611	1,343,340	1,011,756	1,311,615
Due from Bangko Sentral ng Pilipinas	13,356,075	11,909,774	13,276,681	11,839,461
Due from Other Banks	2,996,758	2,008,522	2,631,497	1,786,592
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	310,131	229,281	310,131	229,281
	17,705,575	15,490,917	17,230,065	15,166,949
CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD				
Cash and Other Cash Items	953,536	938,416	920,559	907,161
Due from Bangko Sentral ng Pilipinas	14,522,005	13,176,130	14,453,625	13,094,150
Due from Other Banks	1,752,933	1,840,226	1,448,007	1,569,903
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	728,805	934,634	728,805	934,634
	17,957,279	16,889,406	17,550,996	16,505,848

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

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE QUARTER		UNAUDITED FOR THE QUARTER	
	JUN 2017	JUN 2016	JUN 2017	JUN 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	203,254	86,413	204,386	76,401
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Depreciation and amortization	80,011	95,510	74,978	90,227
Provision for impairment losses	35,994	45,369	31,738	37,594
Profit from asset sold or exchange	(11,025)	6,054	(4,368)	7,047
Unrealized (gain) loss on financial assets at FVTPL	4,120	(12,379)	4,120	(12,379)
Equity in net earnings of subsidiaries and an associate	(57)	(190)	(20,029)	(11,873)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Loans and Receivable	(192,139)	(802,373)	(175,645)	(840,651)
Other Assets	(24,307)	(99,628)	(26,845)	(88,862)
Financial assets at FVTPL	(2,636,147)	(1,293,903)	(2,636,147)	(1,293,903)
Increase (decrease) in the amounts of:				
Deposit liabilities	401,473	3,532,723	397,139	3,558,473
Manager's checks	44,287	79,451	44,287	79,451
Accrued interest, taxes and other expenses	(15,842)	12,648	(5,803)	27,948
Other liabilities	55,275	31,486	55,225	33,703
Net cash generated from operations	(2,055,103)	1,681,181	(2,056,964)	1,663,176
Income taxes paid	(29,014)	(56,605)	(24,540)	(46,673)
Net cash provided (used) by operating activities	(2,084,117)	1,624,575	(2,081,505)	1,616,502
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in:				
Investment Securities at amortized cost	17,118	(1,506,632)	17,118	(1,506,632)
Property and equipment	(27,939)	(33,298)	(25,276)	(30,684)
Investment properties	3,424	3,952	(3,807)	(104)
Subsidiaries	-	-	-	-
Software cost	6,821	23,429	6,318	22,954
Net cash provided (used) by investing activities	(576)	(1,512,549)	(5,647)	(1,514,466)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from shares subscription	-	1,394,321	-	1,394,321
Net increase (decrease) in:				
Bills payable	3,872,035	2,109,342	3,872,035	2,109,666
Outstanding acceptance	25,937	118,088	25,937	118,088
Net cash provided (used) by financing activities	3,897,972	3,621,751	3,897,972	3,622,075
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	7,817	(13,759)	7,817	(13,759)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,821,096	3,720,018	1,818,637	3,710,352
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE QUARTER				
Cash and Other Cash Items	872,574	901,768	840,341	871,739
Due from Bangko Sentral ng Pilipinas	12,483,188	11,006,761	12,413,696	10,925,156
Due from Other Banks	2,538,984	896,204	2,236,885	633,944
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	241,437	364,653	241,437	364,653
	16,136,183	13,169,386	15,732,359	12,795,492
CASH AND CASH EQUIVALENTS AT ENDING OF THE QUARTER				
Cash and Other Cash Items	953,536	938,416	920,559	907,161
Due from Bangko Sentral ng Pilipinas	14,522,005	13,176,130	14,453,625	13,094,150
Due from Other Banks	1,752,933	1,840,226	1,448,007	1,569,903
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	728,805	934,634	728,805	934,634
	17,957,279	16,889,406	17,550,996	16,505,848

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	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
Consolidated											
Balance at January 1, 2017	7,489,114	4,581,340	813,515	105,772	(2,345,243)	33,621	280,228	(72,739)	(95,679)	(8,193)	10,781,736
Total comprehensive income (loss) for the period					326,598		-	(52,049)	-	(120)	274,429
Balance at June 30, 2017	7,489,114	4,581,340	813,515	105,772	(2,018,645)	33,621	280,228	(124,788)	(95,679)	(8,313)	11,056,165
Balance at January 1, 2016	7,489,114	3,187,019	813,601	105,772	(2,745,295)	25,831	280,228	(52,394)	(172,665)	(7,188)	8,924,023
Subscription of common stock Total comprehensive income (loss) for the period		1,394,321								1,394,321	
					57,897		-	(9,570)	-	(26)	48,301
Balance at June 30, 2016	7,489,114	4,581,340	813,601	105,772	(2,687,398)	25,831	280,228	(61,964)	(172,665)	(7,214)	10,366,645
Parent											
Balance at January 1, 2017	7,489,114	4,581,340	813,601	105,772	(2,345,243)	33,621	280,228	(72,739)	(95,679)	-	10,790,015
Total comprehensive income for the period					326,598		-	(52,049)	-		274,549
Balance at June 30, 2017	7,489,114	4,581,340	813,601	105,772	(2,018,645)	33,621	280,228	(124,788)	(95,679)	-	11,064,564
Balance at January 1, 2016	7,489,114	3,187,019	813,601	105,772	(2,819,842)	25,831	279,442	(52,394)	(170,647)	-	8,857,896
Subscription of common stock Effect of the adoption of equity method in investment in subsidiaries and an associate		1,394,321								1,394,321	
Balance at January 1, 2016, as restated					(19,518)						(19,518)
Total comprehensive income for the period					57,897					0	10,232,699
Balance at June 30, 2016	7,489,114	4,581,340	813,601	105,772	(2,781,463)	25,831	279,442	(61,964)	(170,647)	-	10,281,026

PHILIPPINE BANK OF COMMUNICATIONS
AGING OF LOANS & SELECTED RECEIVABLES

As of June 30, 2017
(In thousands)

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.
Loans and Discounts	34,314,815	32,889,790	564,740	94,335	160,708	605,242
Agrarian Reform/Other Agricultural Credit Loans	2,978,126	2,896,515	32,589			49,022
Bills Purchased	2,232,209	2,069,703	15,645	9,850	11,747	125,263
Customers' Liability on Drafts under LC/TR	3,487,581	3,196,913		27,817		262,851
Customers' Liab. for this Bank's Acceptances	59,001	59,001				
Restructured Loans	121,090	104,701		4,217	691	11,480
Items in Litigation	832,962			0	40,173	792,790
SUB TOTAL	44,025,784	41,216,623	612,974	136,219	213,319	1,846,648
Accounts Receivable	231,912	155,598	471	2,605	4,048	69,190
Accrued Interest Receivable	747,652	385,674	147	28	364	361,439
GRAND TOTAL	45,005,348	41,757,896	613,592	138,852	217,731	2,277,277

PHILIPPINE BANK OF COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2017

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) 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 an Associate**

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 ownership	Line of business
<i>Subsidiaries</i>		
RBNI	96.32%	Rural Bank
BDI	99.99%	Rural Bank
PISAI	100.00%	Insurance Agent
<i>Associate</i>		
PBCom Finance Corp	40.00%	Financing Company

Parent Bank obtained control of RBNI on September 1, 2014 through purchase of outstanding capital stock for ₱48.3 Million. On September 18, 2014, Parent Bank entered into SPA with the shareholders of BDI and obtained control of the latter. 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 PBCom's 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 follows:
 - 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 760,000,000 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 on March 11, 2013. 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 System. 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. (PGHI) for the latter's subscription of 181,080,608 of the Bank's common shares at ₱33.00 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 ₱ 33.00 per share which will be issued out of the unissued portion of the Bank's authorized capital stock. The aggregate subscription price of ₱5.975 Billion will be paid to the Bank in four (4) installments. The first installment, which is 30% or ₱1.792 Billion 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 MSME banking business.

On September 29, 2014, PBCOM held a special Board of Director's meeting. Mr. Lucio Co, Mrs. Susan Co and Mr. Leonardo Dayao were elected members of the Board to fill-in the three existing board seats vacated by Mr. Mario Locsin, Ms. Teresita Ang See and Mr. Edgar 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.

On September 22, 2015, the Bank received the second installment payment amounting to P1.39 Billion for the subscribed shares of PG Holdings, Inc.

On May 5, 2016, the Monetary Board of BSP approved the transfer of 59,241,438 PBCOM shares from ISM Communications Corporation in favor of VFC Land Resources, Inc. representing 12.3% of the voting shares of the bank.

On May 25, 2016, Board of Directors approved the Bank's amendment to the third article of its Articles of Incorporation and first article of its By-Laws. The change was on the place of principal office which is located at PBCOM, PBCOM Tower, 6795 Ayala Avenue corner V.A. Rufino St., Makati City. This is in compliance with SEC Memorandum Circular No. 6, series of 2014 to specify the complete address of the Bank.

On June 29, 2016, the Bank received the third installment payment amounting to P1.39 Billion for the subscribed shares of PG Holdings, Inc.

On February 22, 2017, the Bank on its regular meeting approved the endorsement of the Governance/Nomination Committee to elect Ms. Gilda Pico as an independent member of the Board and designated Director Levi Labra as a regular member of the Board. Likewise, the Board approved the composition of the board committees for Audit, Governance, Risk Oversight Committee and Related Party Transactions Committee

On March 30, 2017, the Monetary Board of BSP in its resolution no. 544 approved the three-way merger between BDI, RBNI and Rural Bank of Kabasalan, Inc. (RBKI), with BDI as the surviving entity which the three rural banks entered into a Plan of Merger agreement on December 15, 2015. It is currently under evaluation by the Financial Analysis and Audit Division (FAAD) of the Securities and Exchange Commission for its approval.

On July 6, 2017, the Bank held its annual stockholders. In the meeting, there was a re-election of members of the BOD for year 2017-2018, election of corporate officers, appointment of members in the committees and re-appointment of SGV & Co. as external auditors of the Bank for the year 2017

As of June 30, 2017, the Parent Bank had a total network of 82 branches and 140 ATMs (82 onsite and 58 offsite). BDI has 12 branches, 8 Other Banking Offices (OBO) and 1 onsite ATM while RBNI has 6 branches and 1 offsite ATM.

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 June 30, 2017, there are no changes in the Bank's risk management policies.

13. Financial Information by Segment (In Thousands)

Particulars	Branch Banking	Corporate Banking	Treasury Segment	Consumer Finance Segment *	Trust and Wealth Management Segment	Rentals & Headquarters	Total
Segment results							
Net Interest Income	389,917	409,966	176,634	285,863	(387)	146,626	1,408,619
Trading and securities gain (loss) - net	-	-	(10,316)	-	-	-	(10,316)
Rent income	-	-	-	(131)	-	279,266	279,135
Service charges, fees and commissions	41,053	86,486	0	91,272	-	964	219,776
Foreign Exchange gain - net	6,534	2,978	22,047	-	-	-	31,559
Fair value gain	-	-	-	-	-	-	-
Profit from asset sold/ exchange	-	-	-	7,993	-	6,507	14,500
Income from Trust Operations	-	-	-	-	7,839	-	7,839
Miscellaneous	8,502	5,419	(3,651)	2,569	-	48,074	60,914
Total Operating Income	446,006	504,850	184,714	387,566	7,452	481,436	2,012,025
Compensation and Fringe benefits	146,516	39,193	26,434	109,060	5,012	250,975	577,190
Taxes and licenses	64,329	56,184	28,815	45,558	1,084	27,892	223,863
Depreciation and amortization	60,146	1,311	769	13,956	412	89,218	165,812
Occupancy and Other equipment-related cost	93,201	3,071	430	10,601	413	9,684	117,400
Provision for impairment losses	(7,629)	4,026	-	85,072	-	-	81,468
Other operating expense	133,723	24,747	40,588	63,671	1,414	155,882	420,025
Total Operating Expense	490,286	128,531	97,036	327,918	8,337	533,651	1,585,758
Segment profit (loss)	(44,280)	376,319	87,679	59,648	(884)	(52,215)	426,267
Provision for income Tax	-	4,360	65,353	1,394	-	28,681	99,789
Net Income (loss)	(44,280)	371,958	22,325	58,254	(884)	(80,896)	326,478
Total segment assets	9,593,168	35,498,990	26,021,724	11,083,508	69,909	9,487,498	91,754,797
Total segment liabilities	50,624,310	3,601,893	21,903,356	2,072,280	-	2,496,792	80,698,632

AS OF JUNE 30, 2016

Particulars	Branch Banking	Corporate Banking	Treasury Segment	Consumer Finance Segment *	Trust and Wealth Management Segment	Rentals & Headquarters	Total
Segment results							
Net Interest Income	286,562	315,936	187,944	398,540	1,009	34,219	1,224,209
Trading and securities gain (loss) - net	-	-	62,084	-	-	-	62,084
Rent income	-	-	-	873	-	211,614	212,487
Service charges, fees and commissions	28,414	98,750	84	66,539	-	9,760	203,547
Foreign Exchange gain - net	-	-	23,988	-	-	-	23,988
Fair value gain	-	-	-	-	-	-	-
Profit from asset sold/ exchange	-	-	-	1,274	-	(6,380)	(5,106)
Income from Trust Operations	-	-	-	-	8,782	-	8,782
Miscellaneous	6,632	2,714	(2,472)	6,866	63	12,185	25,989
Total Operating Income	321,608	417,400	271,628	474,091	9,853	261,397	1,755,979
Compensation and Fringe benefits	151,825	39,774	26,081	120,195	6,875	255,990	600,740
Taxes and licenses	82,727	43,404	31,780	39,391	659	11,547	209,508
Depreciation and amortization	72,246	1,778	1,296	22,437	753	83,094	181,604
Occupancy and Other equipment-related cost	84,720	5,904	412	14,484	769	(6,246)	100,043
Provision for impairment	-	30,199	-	37,535	-	149	67,882
Other operating expense	117,416	22,908	45,663	47,759	1,432	189,693	424,870
Total Operating Expense	508,934	143,965	105,232	281,802	10,487	534,227	1,584,647
Segment profit (loss)	(187,326)	273,435	166,396	192,290	(633)	(272,830)	171,332
Provision for income Tax	-	852	72,016	18,503	-	22,090	113,461
Net Income (loss)	(187,326)	272,583	94,380	173,787	(633)	(294,920)	57,871
Total segment assets	11,441,442	30,695,381	27,537,277	8,604,385	70,307	9,044,830	87,393,622
Total segment liabilities	54,290,482	131,802	18,086,404	2,278,694	-	2,239,597	77,026,979

* include rural bank subsidiaries

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 detail in the 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 i.e. not based on observable market data.

As of June 30, 2017, the Bank used Level 1 measurements of Financial assets at FVTPL and Investment securities at amortized cost amounting to ₱3.94 Billion and ₱13.10 Billion, respectively and Level 2 measurements used in equity securities at FVOCI amounting to ₱52.2 Million. 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 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 declared or paid as of June 30, 2017 by the Parent Bank.

On March 9, 2016, the Board of BDI, Parent Bank's subsidiary has approved the declaration of cash dividends of ₱25.1 Million for common and preferred stockholders as at record date of February 29, 2016, payable on March 14, 2016. The Parent Bank signed a subscription agreement with BDI for subscription of latter's one million common shares at ₱100 per share and assigned ₱25.0 Million dividends as partial payment for the subscription.

Bank's core banking business expands year-on-year as net income from Branch Banking and Corporate Banking improved by 76% and 36%, respectively. Likewise Operating costs related to these segments decreased by 3.66% and 10.72%, respectively, compared to the same period last year.

14. With the BSP's approval in 2014 for PBCom to acquire RBNI and BDI, as well as its investment in PBCom Insurance Agency, Inc. (PISAI), the Parent Bank is presenting consolidated financial statements.

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

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

	June 2017	December 2016
Trust department accounts	5,276,565	5,683,734
Standby LC	1,654,416	2,222,648
Spot exchange:		
Bought	885,735	422,620
Sold	1,012,279	234,497
Sight LC outstanding	679,979	277,937
Usance LC outstanding	63,088	117,196
Deficiency claims receivable	27,498	27,498
Inward bills for collection	98,244	75,654
Outstanding shipping guarantees	1,037,763	1,241,238
Currency forwards:		
Bought	475,679	236,463
Sold	478,635	484,239
Outward bills for collection	7,560	24,890
Items held for safekeeping	142	100
Items held as collateral	13	6
Other contingent	38,364	56,592

Any changes on 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 for the current interim period.

SEC Form 17-Q

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

PBCom posted a net income of ₱326.48 Million as of the end of the first semester of year 2017, it is an increase of 464.15% from ₱57.9 Million registered same period last year. Net interest income in 2017 improved by ₱184.41 Million which is 15.06% better than the ₱1.22 Billion last year's level. The increase was mainly brought about by higher income from Investment securities and Loans and receivable by ₱40.50 Million and ₱108.2 Million, respectively. Total operating income likewise improved by ₱256.0 Million of which can be attributed to the increase on Rental income, Service charges, fees and commission, Foreign exchange gain and Profit from assets sold/ exchange by ₱66.6 Million, ₱16.2 Million, ₱7.6 Million and ₱19.6 Million respectively. Total operating expenses remain flat at ₱1.58 Billion for the period. Taxes and Licenses and Occupancy cost increased by ₱14.3 Million and ₱17.4 Million, respectively, but was negated by a decline in Compensation and fringe benefits by ₱23.5 Million and Depreciation and amortization of bank premises and software by ₱15.8 Million. Meanwhile, Provision for income tax likewise went down by ₱13.67 Million from ₱113.46 Million in June 2016 to ₱99.8 Million in Jun 2017 brought mainly from recognition of tax benefit from write-off of certain accounts.

On a quarter to quarter basis, net interest margins went up by 5.29% or ₱33.5 Million as a result of increase on interest income by ₱2.97 Million and decline in Interest expense and Finance charges by ₱30.6 Million mainly from lower Interest expense on deposits by ₱40.7 Million. Operating income improved by 13.07% which can be attributed to the increase in Rental income, Service charges, fees and commissions and Profit from assets sold/exchange by the total amount of ₱63.2 Million. Meanwhile, total operating expenses was flat at ₱805 Million for the quarter.

The Bank's consolidated capital base stood at ₱11.06 Billion from ₱10.78 Billion as of year-end 2017. Increase in Bank's equity was mainly on net income registered for the period. The Bank's Risk Based Capital Adequacy Ratio of 14.83% under the new BASLE 3 guidelines (BSP Circular 781) covering credit, market and operational risk as of June 2017 is well above the 10% minimum requirement.

PBCom Group's total assets stood at ₱91.75 Billion while total liabilities and equity amounted to ₱80.70 Billion and ₱11.06 Billion, respectively, as of 30 June 2017. Comparing June 2017 from the year-end 2016 level of ₱86.50 Billion, total assets improved by 6.08% or ₱5.26 Billion. Total liquid assets and Loans and receivable expanded by ₱3.86 Billion and ₱1.37 Billion, respectively to maximize the usage of funds generated from Deposits and Deposit substitutes. The growth in lending activities consequently increases the NPL ratio to 1.15% as against year-end level of 1.10%. PBCom's liquidity position continued to remain stable as the Bank comfortably met all its financial obligations and loan commitments and likewise fully complied with the regulatory reserve requirements on continuing basis. Meanwhile, total liabilities for the period went up by 6.58% or ₱4.98 Billion from year-end of ₱75.72 Billion to ₱80.70 Billion. Deposit and Bills payable expanded by a total of ₱4.5 Billion. Outstanding acceptances and manager's checks likewise went up by ₱24.64 Million and ₱266.05 Million, respectively. Moreover, accrued interest, taxes and other expenses and other liabilities increase by ₱80.32 Million and ₱122.94 Million, respectively.

On period-to-period basis, total assets improved by 6.04% or ₱4.36 Billion compared to same period of last year's level of ₱87.39 Billion. Total liquid assets declined by ₱1.92 Billion from last year's level of ₱36.97 Billion as a result of lower Investment securities at amortized cost that decline by ₱3.64 Billion. Meanwhile, Loans and receivable went up by 14.97% or ₱6.18 Billion from previous year's first semester level of ₱41.28 Billion. Total liabilities increased by ₱3.67 Billion from the same period of last year's level of ₱77.03 Billion. Deposit liabilities dropped by 2.79% or ₱1.58 Billion while Bills Payable when up by ₱5.07 Billion due to higher deposit substitute placements and repurchased agreement and BSP overnight lending facilities. Manager's check and Other liabilities likewise rose by ₱274.10 Million and ₱39.7 Million,

respectively. Deferred tax liabilities increased by ₱71.98 Million due to recognition of Fair Value Gain on Investment Properties.

2. Discussion of various key indicators:

A. Key Financial Performance (consolidated)

Ratio	June 2017	December 2016	Remarks
Net Profit Margin (Net income divided by Gross income)	16.23%	3.30%*	Ratio increased by 12.93% due to higher net income from Investment securities and Loans and receivables which grew by 11.69% and 7.84%, respectively while total Operating expenses was at relatively flat to last year's amount.
Return on Average Asset (Net income divided by Average assets)	0.73%	0.49%	Higher annualized net income during the current period and increase in average Assets resulted to higher ROA versus Dec 2016.
Return on Average Equity (Net income divided by Average equity)	5.98%	4.06%	Return on Average Equity increased due to combination of higher annualized net income and Average Equity by 63% and 11%, respectively.
Capital Adequacy Ratio (Basel 3) (Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)	14.83%	14.67%	CAR improved by 0.16% due to higher qualifying capital for the period that increased by ₱272.3 Million. The growth in capital however outweighs the increase Total Risk-Weighted Assets.
Basic Earnings per share (Net income divided by average no. of common shares)	2.18	0.39*	A result of increased net income for the current period.

* As of June 2016

B. Financial Soundness (consolidated)

Ratio	June 2017	December 2016	Remarks
Liquidity Ratio (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>	54.83%	49.40%	Ratio improved by 5.43%, resulting from higher liquid assets particularly on FVTPL investment by P3.6 Billion while deposit base remain same level at ₱63 Billion.
Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	87.95%	87.54%	Debt ratio is relatively flat vs Dec 2016.
Asset to Equity Ratio (Total Asset to Total Equity)	829.90%	802.27%	Ratio is higher resulted from ₱ 274 Million increase in Equity while asset base improved by ₱5.3 Billion.
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	185.80%	132.15%*	The Bank's interest rate coverage improved as a result higher interest income registered in 2017.
Net Interest Margin Net interest income over Average Earning assets	4.34%	4.42%	Ratio slightly dropped by 0.08% as both interest income and average earning assets improved for the period.

* As of June 2016

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

- a. The Bank does not foresee any event that will trigger direct or contingent financial obligation that is material to the company.
- b. 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.
- c. As of June 30, 2017, unspent amount of 2017 approved capital expenditures budget on technology enhancement, realignment and facility improvement is ₱399 Million.
- d. 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.
- e. There was no recorded significant income or losses during the quarter that did not come from the Bank's regular operations.
- f. Interest income on non-discounted loan was recognized based on the accrual method of accounting while unearned discounts were amortized to income over the term 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: June 2017 vs. December 2016 (conso)

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(89,075)	-8.54%	Lower Cash on Hand
Due from BSP	1,165,930	8.73%	Lower reserves requirement
Due from Other Banks	(1,243,825)	-41.51%	Lower USD investment in DFOB's
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	418,674	135.00%	Higher USD investment in interbank loans during the period
Financial assets at Fair Value through Profit or Loss	3,645,135	1,213.09%	Dec16 balance was low because of the unloading of securities during the month
Investment securities at Amortized Cost	(32,734)	-0.25%	Lower mainly due to amortization of bond premium
Loans and Receivables	1,367,122	2.97%	Increase in loan volume during the reporting period
Investment in Subsidiaries and Associate	113	0.91%	Share in net income of affiliate (PBCOM Finance) during the period
Property and Equipment	(95,567)	-5.80%	Depreciation recognized for the period
Investment Properties	11,017	0.18%	Increase in cost of PBCOM Tower from improvements booked and foreclosed properties
Intangible Assets	(15,044)	-1.93%	Lower due to amortization of software during the period partially offset by acquisitions
Deferred Tax Assets	8,764	14.68%	Recognized deferred tax of BDI for the period
Other Assets	115,554	22.69%	Higher mostly due to prepaid expenses on the 1 st quarter of the year (PDIC insurance, manpower benefits, etc.) and higher CWT carry-over
Demand Deposits	1,360,506	8.80%	Higher CASA volume due to Save and Sail promo and other efforts to increase volume. TD volume is lower from efforts to reduce high cost deposits
Savings Deposits	(25,166)	-0.36%	
Time Deposits	(537,783)	-1.32%	
Bills Payable	3,690,124	36.54%	Higher volume of bills payable from BSP overnight lending
Outstanding Acceptances	24,644	71.73%	Due to higher bills of exchange accepted by the Bank
Manager's Checks	266,047	88.57%	Increase in un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	80,324	19.36%	Increase in expense accruals mainly due to accrued bonuses
Other Liabilities	122,939	19.94%	Increase mainly from advance rentals and security deposits related to PBCOM Tower leasing, higher withholding taxes payable, etc.

Statement of Income and Expenses : January-June 2017 vs January-June 2016 (conso)

	Increase (Decrease)	Percentage	Remarks
Interest Income on investment securities	40,546	11.69%	Higher interest income mainly due to interest income accrual on Peace bonds withheld funds offset by lower volume from sale of HTC as part of the Bank's change in business model
Interest Income on Loans and receivable	108,157	7.84%	Higher interest income mainly due to increase in volume
Interest Income on IBCL & SPURA	15,427	234.27%	Higher income due to increase in volume
Interest Income on Deposit with other Banks and others	(15,782)	-65.23%	Lower investment in SDA with BSP
Interest Expense on Deposit Liabilities	(63,768)	-14.08%	Lower despite higher volume from improved deposit mix due to the bank's conscious effort to focus on low cost deposits.
Interest Expense on Bills payable, borrowings and others	27,706	34.59%	Increase in interest expense mainly due to higher volume from REPO product
Trading and Securities Gain – net	(72,400)	-116.62%	Lower realized and unrealized trading gains
Rent Income	66,648	31.37%	Rental from new tenants in 2017 and higher rent extension charges
Service Charges, Fees & Commissions	16,229	7.97%	Higher mainly due to higher SBLC fees and auto and home loan fees from higher volume
Foreign Exchange Gain (Loss) –Net	7,571	31.56%	Higher revaluation and realized income.
Profit/(Loss) from Assets Sold/Exchanged	19,606	-383.98%	The Bank has recognized higher net gains from the sale of ROPA properties during the reporting period
Income from Trust Operations	(943)	-10.74%	The Bank registered lower trust fees during the comparative period
Share in net income of subsidiaries and an associate	(155)	-57.84%	Lower income registered by PBCom Finance for the period.
Miscellaneous Income	35,079	136.38%	Higher due to rental income received from ROPA
Compensation and Fringe Benefits	(23,355)	6.85%	Due to decrease in headcount
Taxes and Licenses	14,355	6.85%	Higher GRT accrued and paid as a result of increase in income during the quarter
Depreciation & Amortization	(15,792)	-8.70%	Lower mainly from derecognition of leasehold assets from OBO closure, offset by increase in software amortization and depreciation on computers, FFE, etc
Occupancy and other equipment-related costs	17,357	17.35%	Higher power costs due to higher consumption and higher repairs & maintenance costs
Provision (reversal) for impairment losses	13,586	20.01%	Higher provision mainly for consumer loans
Miscellaneous	(4,845)	-1.14%	Lower mainly due to lower management and professional fees
Provision for income tax	(13,673)	-12.05%	Lower mainly from write-off and recognition of deferred tax benefit of BDI