

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

Document ID

LCU

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 September 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>
<u></u>	<u></u>

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

Yes [X] 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)

November 9, 2017

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CONDITION
(In Thousands)

	Consolidated		Parent	
	SEP 2017	DEC 2016	SEP 2017	DEC 2016
	Unaudited	Audited	Unaudited	Audited
ASSETS				
Cash and Other Cash Items	871,163	1,042,611	835,826	1,011,756
Due from Bangko Sentral ng Pilipinas	12,265,169	13,356,075	12,201,064	13,276,681
Due from Other Banks	2,049,131	2,996,758	1,799,196	2,631,497
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	352,192	310,131	352,192	310,131
Financial assets at Fair Value through Profit or Loss	1,102,148	300,483	1,102,148	300,483
Equity Securities at Fair Value through				
Other Comprehensive Income	52,242	52,242	52,242	52,242
Investment Securities at Amortized Cost	14,515,364	13,135,494	14,515,364	13,135,494
Loans and Receivables	52,010,364	46,089,437	50,174,006	44,303,654
Investment in Subsidiaries and Associate	13,047	12,376	1,055,787	1,023,334
Property and Equipment	1,502,113	1,649,044	1,396,818	1,536,701
Investment Properties				
Condominium units for lease	5,050,384	5,044,552	5,050,384	5,044,552
Foreclosed properties	971,433	957,000	745,035	721,780
Office units for lease	23,858	23,858	23,858	23,858
Goodwill	178,456	178,456	-	-
Intangible Assets	751,324	781,166	487,375	516,008
Deferred Tax Assets	70,276	59,717	-	-
Other Assets	681,935	509,333	667,297	493,863
	92,460,599	86,498,733	90,458,592	84,382,034
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities				
Demand	17,179,535	15,464,230	17,254,601	15,571,988
Savings	7,567,919	6,943,767	7,008,431	6,400,070
Time	41,271,386	40,737,984	39,920,171	39,227,043
	66,018,840	63,145,981	64,183,203	61,199,101
Bills Payable	10,535,617	10,099,384	10,535,617	10,099,384
Outstanding Acceptances	34,842	34,357	34,842	34,357
Manager's checks	721,761	300,385	721,761	300,385
Accrued Interest, Taxes and Other Expenses	572,227	414,815	537,103	382,634
Deferred Tax Liabilities - Net	1,105,523	1,105,523	974,865	974,865
Other Liabilities	799,177	616,552	790,083	601,293
	79,787,987	75,716,997	77,777,474	73,592,019
Equity				
Common stock	12,016,129	7,489,114	12,016,129	7,489,114
Subscribed common stock - net	-	4,581,340	-	4,581,340
Additional paid-in capital	2,262,160	813,515	2,262,246	813,601
Surplus reserves	105,772	105,772	105,772	105,772
Deficit	(1,793,951)	(2,345,243)	(1,793,951)	(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	(127,248)	(72,739)	(127,248)	(72,739)
Remeasurement losses on defined benefit liability	(95,679)	(95,679)	(95,679)	(95,679)
Non-controlling interest	(8,420)	(8,193)	-	-
	12,672,612	10,781,736	12,681,118	10,790,015
	92,460,599	86,498,733	90,458,592	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		UNAUDITED FOR THE	
	PERIOD		PERIOD	
	SEP 2017	SEP 2016	SEP 2017	SEP 2016
INTEREST INCOME				
Investment securities	535,790	531,790	535,790	531,790
Loans and receivables	2,297,595	2,097,802	2,129,249	1,873,561
Interbank loans receivable and securities purchased under resale agreements	29,817	12,975	29,817	12,975
Deposits with other banks and others	12,866	31,229	10,154	28,504
	2,876,068	2,673,796	2,705,010	2,446,830
INTEREST AND FINANCE CHARGES				
Deposit liabilities	603,819	668,561	558,424	613,357
Bills payable, borrowings and others	161,379	122,273	161,379	121,639
	765,198	790,834	719,803	734,996
NET INTEREST INCOME	2,110,870	1,882,962	1,985,207	1,711,834
Trading and securities gain (loss) - net	4,076	60,462	4,076	60,462
Rent Income	419,802	336,122	420,005	334,815
Service charges, fees and commissions	330,599	306,372	240,125	244,008
Foreign exchange gain - net	39,505	44,105	39,505	44,105
Profit from assets sold/ exchange	16,553	(7,352)	4,344	(8,835)
Income from trust operations	11,612	12,894	11,612	12,894
Share in net income of subsidiaries and an associate	671	311	32,453	30,335
Miscellaneous	67,889	43,472	65,090	24,153
TOTAL OPERATING INCOME	3,001,577	2,679,348	2,802,417	2,453,771
Compensation and fringe benefits	860,975	879,176	782,292	796,292
Taxes and licenses	344,572	307,751	321,612	285,427
Depreciation and amortization	244,272	263,415	229,278	247,487
Occupancy and other equipment - related costs	168,687	145,986	158,601	135,843
Provision for impairment losses	49,906	115,190	32,649	89,215
Miscellaneous	628,015	607,011	578,007	567,965
TOTAL OPERATING EXPENSES	2,296,427	2,318,529	2,102,439	2,122,229
NET INCOME BEFORE TAX	705,150	360,819	699,978	331,542
PROVISION FOR INCOME TAX	154,085	171,746	148,686	142,374
NET INCOME	551,065	189,073	551,292	189,168
Attributable to:				
Equity holders of the Parent Company	551,292	189,168		
Non-controlling interest	(227)	(95)		
	551,065	189,073		

Basic Earnings Per Share

2.30

0.84

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	
	SEP 2017	SEP 2016	SEP 2017	SEP 2016
INTEREST INCOME				
Investment securities	148,479	185,025	148,479	185,025
Loans and receivables	809,897	718,260	750,523	642,156
Interbank loans receivable and securities purchased under resale agreements	7,805	6,390	7,805	6,390
Deposits with other banks and others	4,454	7,036	3,511	6,452
	970,636	916,711	910,319	840,023
INTEREST AND FINANCE CHARGES				
Deposit liabilities	214,810	215,784	199,790	198,041
Bills payable, borrowings and others	53,573	42,174	53,573	42,174
	268,383	257,958	253,363	240,215
NET INTEREST INCOME	702,253	658,753	656,956	599,808
Trading and securities gain - net	14,392	(1,622)	14,392	(1,622)
Rent Income	140,667	123,635	140,739	123,201
Service charges, fees and commissions	110,823	102,825	81,347	80,811
Foreign exchange gain (loss) - net	7,946	20,117	7,946	20,117
Profit/(Loss) from Assets Sold/Exchanged	2,053	(2,246)	(2,163)	(2,455)
Income from Trust Operations	3,773	4,112	3,773	4,112
Share in net income of subsidiaries and an associate	558	43	8,825	10,817
Miscellaneous	7,088	17,751	6,859	11,376
TOTAL OPERATING INCOME	989,552	923,368	918,675	846,165
Compensation and fringe benefits	283,785	278,436	256,563	255,401
Taxes and licenses	120,709	98,243	112,586	89,902
Depreciation and amortization	78,460	81,811	73,802	76,547
Occupancy and other equipment - related costs	51,287	45,943	47,749	42,423
Provision for impairment losses	(31,562)	47,308	(37,623)	34,281
Miscellaneous	207,990	182,141	190,613	168,924
TOTAL OPERATING EXPENSES	710,669	733,882	643,690	667,478
NET INCOME BEFORE TAX	278,883	189,486	274,985	178,687
PROVISION FOR INCOME TAX	54,296	58,284	50,291	47,416
NET INCOME	224,587	131,202	224,694	131,271
Attributable to:				
Equity holders of the Parent Company	224,694	131,271		
Non-controlling interest	(107)	(69)		
	224,587	131,202		

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

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE PERIOD		UNAUDITED FOR THE PERIOD	
	SEP 2017	SEP 2016	SEP 2017	SEP 2016
NET INCOME	551,065	189,073	551,292	189,168
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cumulative translation adjustment	(54,509)	(19,184)	(54,509)	(19,184)
<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)	(54,509)	(19,184)	(54,509)	(19,184)
TOTAL COMPREHENSIVE INCOME	496,556	169,889	496,783	169,984

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

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE PERIOD		UNAUDITED FOR THE PERIOD	
	SEP 2017	SEP 2016	SEP 2017	SEP 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	705,150	360,819	699,978	331,542
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Depreciation and amortization	244,272	263,415	229,278	247,487
Provision for impairment losses	49,906	115,190	32,649	89,215
Profit from asset sold or exchange	(16,553)	7,352	(4,344)	8,835
Unrealized (gain) loss on financial assets at FVTPL	(1,233)	(5,183)	(1,233)	(5,183)
Equity in net earnings of subsidiaries and an associate	(671)	(310)	(32,453)	(30,335)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Loans and Receivable	(5,920,927)	(5,668,497)	(5,870,352)	(5,676,375)
Other Assets	(222,508)	(96,289)	(206,083)	(63,926)
Financial assets at FVTPL	(800,432)	179,150	(800,432)	179,150
Increase (decrease) in the amounts of:				
Deposit liabilities	2,872,859	5,081,315	2,984,102	4,800,692
Manager's checks	421,376	305,661	421,376	305,661
Accrued interest, taxes and other expenses	157,412	30,909	154,469	37,668
Other liabilities	182,625	122,302	188,790	123,614
Net cash generated from (used for) operations	(2,328,724)	695,834	(2,204,255)	348,045
Income taxes paid	(164,644)	(171,745)	(148,686)	(142,374)
Net cash provided (used) by operating activities	(2,493,368)	524,089	(2,352,941)	205,671
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in:				
Investment Securities at amortized cost	(1,379,870)	(2,422,187)	(1,379,870)	(2,422,187)
Property and equipment	(97,341)	(165,581)	(89,395)	(155,064)
Investment properties	(3,712)	6,954	(24,743)	1,759
Subsidiaries	-	-	-	(942)
Software cost	29,842	27,295	28,633	25,870
Net cash used by investing activities	(1,451,081)	(2,553,519)	(1,465,375)	(2,550,564)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from shares subscription	1,394,320	1,394,320	1,394,320	1,394,320
Net increase (decrease) in:				
Bills payable	436,233	1,317,943	436,233	1,502,701
Outstanding acceptance	485	18,154	485	18,154
Net cash provided by financing activities	1,831,038	2,730,417	1,831,038	2,915,175
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(54,509)	(19,184)	(54,509)	(19,184)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	(2,167,920)	681,803	(2,041,787)	551,098
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	871,163	871,890	835,826	842,349
Due from Bangko Sentral ng Pilipinas	12,265,169	12,861,076	12,201,064	12,776,757
Due from Other Banks	2,049,131	2,302,853	1,799,196	1,962,041
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	352,192	136,900	352,192	136,900
	15,537,655	16,172,720	15,188,278	15,718,047

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

	<i>Consolidated</i>		<i>Parent</i>	
	UNAUDITED FOR THE QUARTER		UNAUDITED FOR THE QUARTER	
	SEP 2017	SEP 2016	SEP 2017	SEP 2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	278,883	189,486	274,985	178,687
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Depreciation and amortization	78,460	81,811	73,802	76,547
Provision for impairment losses	(31,562)	47,308	(37,623)	34,281
Profit from asset sold or exchange	(2,053)	2,246	2,163	2,455
Unrealized (gain) loss on financial assets at FVTPL	(9,422)	11,961	(9,422)	11,961
Equity in net earnings of subsidiaries and an associate	(558)	(42)	(8,825)	(10,817)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Loans and Receivable	(4,553,805)	(892,436)	(4,546,390)	(1,023,314)
Other Assets	(25,485)	9,043	(21,316)	22,761
Financial assets at FVTPL	2,852,892	3,063,911	2,852,892	3,063,911
Increase (decrease) in the amounts of:				
Deposit liabilities	2,075,302	(2,140,749)	2,141,390	(2,071,695)
Manager's checks	155,329	122,243	155,329	122,243
Accrued interest, taxes and other expenses	77,088	(27,895)	73,983	(26,388)
Other liabilities	59,685	37,363	58,470	38,217
Net cash generated from operations	954,754	504,250	1,009,438	418,849
Income taxes paid	(56,091)	(58,284)	(50,291)	(47,416)
Net cash provided by operating activities	898,663	445,966	959,147	371,433
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in:				
Investment Securities at amortized cost	(1,412,604)	(148,528)	(1,412,604)	(148,528)
Property and equipment	(27,096)	(27,100)	(26,911)	(23,740)
Investment properties	(7,195)	(6,896)	(10,755)	(6,395)
Subsidiaries	-	-	-	-
Software cost	14,798	18,849	14,595	18,374
Net cash used by investing activities	(1,432,097)	(163,675)	(1,435,675)	(160,289)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from shares subscription	1,394,320	-	1,394,320	-
Net increase (decrease) in:				
Bills payable	(3,253,891)	(919,642)	(3,253,891)	(919,609)
Outstanding acceptance	(24,159)	(69,723)	(24,159)	(69,723)
Net cash used by financing activities	(1,883,730)	(989,365)	(1,883,730)	(989,332)
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(2,460)	(9,613)	(2,460)	(9,613)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,419,624)	(716,687)	(2,362,718)	(787,801)
CASH AND CASH EQUIVALENTS AT BEGINNING 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
CASH AND CASH EQUIVALENTS AT ENDING OF THE QUARTER				
Cash and Other Cash Items	871,163	871,890	835,826	842,349
Due from Bangko Sentral ng Pilipinas	12,265,169	12,861,076	12,201,064	12,776,757
Due from Other Banks	2,049,131	2,302,853	1,799,196	1,962,041
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	352,192	136,900	352,192	136,900
	15,537,655	16,172,719	15,188,278	15,718,047

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
Subscription of common stock	4,527,015	(4,581,340)	1,448,645								1,394,320
Total comprehensive income (loss) for the period					551,292		-	(54,509)	-	(227)	496,556
Balance at September 30, 2017	12,016,129	-	2,262,160	105,772	(1,793,951)	33,621	280,228	(127,248)	(95,679)	(8,420)	12,672,612
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		1,394,321									1,394,321
Total comprehensive income (loss) for the period					189,168		-	(19,184)	-	(95)	169,889
Balance at September 30, 2016	7,489,114	4,581,340	813,601	105,772	(2,556,127)	25,831	280,228	(71,578)	(172,665)	(7,283)	10,488,233
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
Subscription of common stock	4,527,015	(4,581,340)	1,448,645								1,394,320
Total comprehensive income for the period					551,292		-	(54,509)	-		496,783
Balance at September 30, 2017	12,016,129	-	2,262,246	105,772	(1,793,951)	33,621	280,228	(127,248)	(95,679)	-	12,681,118
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		1,394,321									1,394,321
Effect of the adoption of equity method in investment in subsidiaries and an associate					(30,335)						(30,335)
Balance at January 1, 2016, as restated	7,489,114	4,581,340	813,601	105,772	(2,850,177)	25,831	279,442	(52,394)	(170,647)	0	10,221,882
Total comprehensive income for the period					189,168			(19,184)			169,984
Balance at September 30, 2016	7,489,114	4,581,340	813,601	105,772	(2,661,009)	25,831	279,442	(71,578)	(170,647)	-	10,391,866

PHILIPPINE BANK OF COMMUNICATIONS
AGING OF LOANS & SELECTED RECEIVABLES
As of September 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	38,839,908	37,303,521	603,299	169,581	116,275	647,231
Agrarian Reform/Other Agricultural Credit Loans	2,861,690	2,812,899	0			48,792
Bills Purchased	2,273,602	2,091,614	22,449		23,417	136,122
Customers' Liability on Drafts under LC/TR	3,056,655	2,767,615		0	26,189	262,851
Customers' Liab. for this Bank's Acceptances	34,842	34,842				
Restructured Loans	129,512	110,861	4,653	1,130	1,184	11,683
Items in Litigation	769,301		229	4,007	7,536	757,529
SUB TOTAL	47,965,510	45,121,352	630,630	174,719	174,602	1,864,207
Accounts Receivable	318,906	240,632	1,174	3,811	4,906	68,384
Accrued Interest Receivable	682,928	316,362	4,289	280	812	361,185
GRAND TOTAL	48,967,344	45,678,346	636,093	178,809	180,320	2,293,776

PHILIPPINE BANK OF COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 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

On September 11, 2017, the Bank received the fourth and final installment payment amounting to P1.39 Billion for the subscribed shares of 181,080,608 by PG Holdings, Inc.

As of September 30, 2017, the Parent Bank had a total network of 84 branches and 145 ATMs (83 onsite and 62 offsite). BDI has 12 branches, 8 Other Banking Offices (OBO) and 4 onsite ATM while RBNI has 6 branches and 1 offsite ATM. Additional two branches that were opened this year as follows:

Branch name	Address	Date Opened
Inoza Tower branch	GF Unit D, 40 th St., Bonifacio Global City, Taguig City	Aug 7, 2017
Divisoria Mall branch	3 rd Flr., Divisoria Mall, Tabora St., Manila	Aug 8, 2017

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 September 30, 2017, 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 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 September 30, 2017, the Bank used Level 1 measurements of Financial assets at FVTPL and Investment securities at amortized cost amounting to ₱1.10 Billion and ₱14.52 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 September 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.

13. Financial Information by Segment (In Thousands)

AS OF SEPTEMBER 30, 2017

Particulars	Branch Banking	Corporate Banking	Treasury Segment	Consumer Finance Segment *	Trust and Wealth Management Segment	Rentals & Headquarters	Total
Segment results							
Net Interest Income	592,285	611,532	310,374	422,930	(529)	174,278	2,110,870
Trading and securities gain (loss) - net	-	-	4,076	-	-	-	4,076
Rent income	-	-	-	(203)	-	420,005	419,802
Service charges, fees and commissions	61,441	132,531	3	134,773	-	1,851	330,599
Foreign Exchange gain - net	12,891	5,030	21,583	-	-	-	39,505
Profit from asset sold/ exchange	-	-	-	12,209	-	4,344	16,553
Income from Trust Operations	-	-	-	-	11,612	-	11,612
Miscellaneous	12,745	6,315	(4,842)	2,777	107	51,460	68,561
Total Operating Income	679,362	755,408	331,194	572,487	11,189	651,938	3,001,578
Compensation and Fringe benefits	216,685	58,909	38,808	165,495	7,497	373,583	860,975
Taxes and licenses	134,455	75,341	38,956	64,751	852	30,216	344,572
Depreciation and amortization	87,743	2,856	1,607	20,331	523	131,212	244,272
Occupancy and Other equipment-related cos	118,225	16,437	612	21,443	1,320	10,650	168,687
Provision for impairment losses	(7,629)	(10,339)	-	120,164	-	(52,289)	49,906
Other operating expense	197,402	38,054	65,573	99,173	2,114	225,699	628,015
Total Operating Expense	746,880	181,257	145,556	491,357	12,306	719,072	2,296,428
Segment profit (loss)	(67,518)	574,151	185,638	81,130	(1,116)	(67,134)	705,150
Provision for income Tax	8	7,682	98,899	5,399	-	42,097	154,085
Net Income (loss)	(67,526)	566,468	86,740	75,731	(1,116)	(109,231)	551,065
Total segment assets	10,500,955	37,705,587	21,269,192	13,085,704	70,992	9,828,169	92,460,599
Total segment liabilities	53,902,085	4,043,389	17,169,697	2,017,315	-	2,655,502	79,787,987

AS OF SEPTEMBER 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	438,570	489,450	283,133	597,951	1,213	72,644	1,882,962
Trading and securities gain (loss) - net	-	-	60,462	-	-	-	60,462
Rent income	-	-	-	1,307	-	334,815	336,122
Service charges, fees and commissions	40,877	150,070	87	99,242	-	16,094	306,372
Foreign Exchange gain - net	-	-	44,105	-	-	-	44,105
Profit from asset sold/ exchange	-	-	-	1,483	-	(8,835)	(7,352)
Income from Trust Operations	-	-	-	-	12,894	-	12,894
Miscellaneous	10,499	4,413	(4,105)	13,370	95	19,513	43,784
Total Operating Income	489,947	643,933	383,682	713,353	14,202	434,231	2,679,348
Compensation and Fringe benefits	224,350	57,827	38,303	169,487	9,041	380,167	879,176
Taxes and licenses	119,708	67,026	45,989	60,408	979	13,641	307,751
Depreciation and amortization	103,452	2,468	1,757	32,080	1,138	122,520	263,415
Occupancy and Other equipment-related cos	126,805	8,355	623	21,438	972	(12,206)	145,986
Provision for impairment	-	55,518	-	61,325	-	(1,652)	115,190
Other operating expense	169,608	35,249	62,617	72,575	2,047	264,915	607,011
Total Operating Expense	743,923	226,442	149,290	417,313	14,177	767,383	2,318,529
Segment profit (loss)	(253,976)	417,491	234,391	296,041	25	(333,152)	360,819
Provision for income Tax	-	1,220	107,299	29,372	-	33,855	171,746
Net Income (loss)	(253,976)	416,271	127,092	266,669	25	(367,007)	189,073
Total segment assets	11,024,819	31,189,556	24,488,906	9,130,189	69,104	8,614,234	84,516,809
Total segment liabilities	51,246,448	58,659	18,394,047	2,207,245	-	2,122,177	74,028,576

* include rural bank subsidiaries

Bank's core banking business expands year-on-year as net income from Branch Banking and Corporate Banking improved by 73% and 36%, respectively. Likewise Operating costs related to Corporate Banking decreased by 20%, 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):

	September 2017	December 2016
Trust department accounts	5,237,851	5,683,734
Standby LC	1,992,000	2,222,648
Spot exchange:		
Bought	355,705	422,620
Sold	431,928	234,497
Sight LC outstanding	828,631	277,937
Usance LC outstanding	129,825	117,196
Deficiency claims receivable	27,498	27,498
Inward bills for collection	48,932	75,654
Outstanding shipping guarantees	1,011,621	1,241,238
Currency forwards:		
Bought	261,760	236,463
Sold	258,647	484,239
Outward bills for collection	19,963	24,890
Items held for safekeeping	161	100
Items held as collateral	15	6
Other contingent	38,821	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.

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

PBCom was able to sustain its business focus as it posted a net income of ₱551.07 Million in the first three quarters of 2017 which is 191.46% higher than last year's level of ₱189.07 Million. The increase was brought about by Interest on loans and receivable that improved by 9.52% or ₱199.79 Million from same period of last year's level of ₱2.10 Billion to ₱2.30 Billion of the current year. Interest income on Interbank loans receivable and Securities purchased under resale agreements likewise increased by 129.80% or ₱16.84 Million which was offset by the decline on Interest on deposit with other bank of ₱18.36 Million as the Bank register lower SDA investment with BSP. Deposit liabilities declined by ₱64.74 Million as the Bank's market niche shifted from CASA volume due to Save and Sail promotion and other efforts to increase volume. On the other hand, interest on bills payable rose by ₱39.11 Million from last year's level of ₱122.27 Million to ₱161.38 Million due to higher volume of REPO transaction. Total operating income improved by 12.03% which includes increase in rental income and service charges, fees and commissions by ₱83.68 Million and ₱24.23 Million, respectively. Meanwhile, income on trading and securities gain and foreign exchange gain dropped by ₱56.39 Million and ₱4.60 Million respectively. Total operating expenses slightly declined by ₱22.10 Million mainly brought about by the reversal of provision of impairment losses which represents the recognition of recoveries from various accounts. Depreciation and amortization likewise dropped by ₱19.14 Million due to derecognition of Leasehold assets from OBO closure and Wynsum lease. However these was partially offset by the increase in taxes and licenses and occupancy and other equipment related costs by ₱36.82 Million and ₱22.70 Million respectively.

On the quarter to quarter basis, net income improved by ₱93.39 Million from last year's level of ₱131.20 Million to ₱224.59 Million. Net interest income improved by 5.88% or ₱43.50 Million due to higher Interest income from Loans and receivable and Interbank loans receivable which was partially offset by the increase in Interest expense of Bills payable, borrowings and others. Total operating income rose by ₱66.18 Million and it includes increase in rental income and service charges, fees and commissions. On the other hand, total operating expenses dropped by ₱23.21 Million mainly due to the reversal of provision of impairment losses and it was partially offset by increase in Taxes and licenses and Miscellaneous expense.

Total assets of PBCom Group stood at ₱92.46 Billion while total liabilities and capital amounted to ₱79.79 Billion and ₱12.67 Billion, respectively. Comparing 2016 year-end level against September 2017, the Bank's total asset improved by ₱5.96 Billion. Liquid assets minimally increased by ₱13.61 Million. Loans and receivable were up by ₱5.92 Billion as a result of continuing sales effort to improve the volume during the year. NPL ratio for the period is 1.03% compared to year-end ratio of 1.10%. Deferred tax asset went up by ₱10.56 Million while Other assets improved by ₱172.60 Million due to higher prepaid expense that includes PDIC insurance and manpower benefits for the year. On the liability side, Bank's deposit liabilities increased by ₱2.87 Billion compared to year-end level of ₱63.14 Billion. Moreover, bills payable went up by ₱436.23 Million due mainly on availment of BSP overnight lending facility. Accrued interest, taxes and other expenses similarly increased by ₱157.41 Million or 37.95%. Manager's check and other liabilities, likewise, went up by ₱421.38 Million and ₱182.63 Million, respectively.

The Bank's capital based improved by ₱1.89 Billion from last year's level of ₱10.78 Billion to ₱12.67 Billion due to improved Bank's operational income resulting to a decline in total deficit by ₱551.29 Million and receipt of fourth and final installment payment of subscribed shares of ₱1.39 Billion. The Group's consolidated Risk-Based Capital Adequacy ratio is 16.04% is well above the

10% minimum requirement. The ratio covers credit, market and operational risk for the third quarter of 2017.

On period-to-period basis, total assets went up by ₱7.94 Billion compared to same period of last year's level of ₱84.52 Billion to ₱92.46 Billion. Liquid assets dropped by 6.37% or ₱2.12 Billion mainly from lower Investment securities at amortized cost. Loans and receivable improved by ₱9.84 Billion from the same period of last year's level of ₱42.17 Billion to ₱52.01 Billion of this year, as the Bank pursued its lending activities to generate profits. NPL ratio for the period is lower by 0.38% compared to September 2016 ratio of 1.41%. Property and equipment dropped by 11.27% or ₱190.86 Million while Investment Properties went up by 6.35% or ₱360.97 Million due to fair value adjustments taken up in the current period coupled with the increase in foreclosed properties. Deferred tax assets and other assets went up by ₱20.73 Million and ₱80.42 Million respectively. On the liability side, total liabilities increased by ₱5.76 Billion from the same period of last year's level of ₱74.03 Billion to ₱79.79 Billion. Deposit liabilities rose by 4.16% or ₱2.64 Billion brought about by marketing strategy of the Bank to improve deposit. Likewise, Bank's total borrowings increased by ₱2.74 Billion due to higher REPO transactions. Deferred tax liabilities and other liabilities were up by ₱71.98 Million and ₱62.03 Million, respectively.

2. Discussion of various key indicators:

A. Key Financial Performance (consolidated)

Ratio	September 2017	December 2016	Remarks
Net Profit Margin (Net income divided by Gross income)	18.36%	7.06%*	Ratio improved by 11.30% due to higher net income from Loans and receivables which grew by 9.52% or ₱199.7 Million while Interest and Finance charges and total Operating expenses shrink by 3.24% and 0.95%, respectively from last year's amount.
Return on Average Asset (Net income divided by Average assets)	0.82%	0.31%	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)	6.27%	2.60%	Return on Average Equity increased due to combination of higher annualized net income and Average Equity by 84% and 19%, respectively.
Capital Adequacy Ratio (Basel 3) (Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)	16.04%	14.67%	CAR improved by 1.37% due to higher qualifying capital for the period that increased by ₱1.7 Billion as a result of the combined net income for the period and receipt of fourth and final installment payment of capital infusion. 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)	2.30	0.84*	A result of increased net income for the current period by 191.46%.

* As of September 2016

B. Financial Soundness (consolidated)

Ratio	September 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>	47.27%	49.40%	Ratio declined by 2.13%, resulting from higher deposit based which increased by ₱2.8 Billion for 9 months period.

Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	86.29%	87.54%	Debt ratio is slightly lower by 1.24% vs Dec 2016.
Asset to Equity Ratio (Total Asset to Total Equity)	729.61%	802.27%	Ratio is lower as resulted from ₱ 5.9 Billion increase in Total Assets which outpace the improvement in Equity.
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	192.15%	145.63%*	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	4.23%	4.42%	Ratio slightly dropped by 0.18% as both interest income and average earning assets improved for the period.

* As of September 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 September 30, 2017, unspent amount of 2017 approved capital expenditures budget on technology enhancement, realignment and facility improvement is ₱388.1 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: September 2017 vs. December 2016 (conso)

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(171,448)	-16.44%	Lower cash on hand
Due from BSP	(1,090,906)	-8.17%	Lower reserves requirement
Due from Other Banks	(947,627)	-31.62%	Lower investment in DFOB's
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	42,061	13.56%	Higher investment in interbank loans during the period
Financial assets at Fair Value through Profit or Loss	801,665	266.79%	Dec16 balance was low because of the unloading of securities during the month
Investment securities at Amortized Cost	1,379,870	10.50%	Higher because of purchase of securities in 3Q 2017
Loans and Receivables	5,920,927	12.85%	Increase in loan volume during the reporting period
Investment in Subsidiaries and Associate	671	5.42%	Share in net income of affiliate (PBCOM Finance) during the period
Property and Equipment	(146,931)	-8.91%	Depreciation recognized for the period, write-off of leasehold improvements
Investment Properties	20,265	0.34%	Increase in cost of PBCOM Tower from improvements booked and ROPA acquisitions
Intangible Assets	(29,842)	-3.82%	Lower due to amortization of software during the period partially offset by acquisitions
Deferred Tax Assets	10,559	17.68%	
Other Assets	172,602	33.89%	Higher mostly due to higher prepaid expenses on the 1 st quarter of the year (PDIC insurance, manpower benefits, etc.)
Demand Deposits	1,715,305	11.09%	Higher CASA volume due to Save and Sail promo and other efforts to increase volume.
Savings Deposits	624,152	8.99%	
Time Deposits	533,402	1.31%	
Bills Payable	436,233	4.32%	Higher due to placements in BSP OLF
Outstanding Acceptances	485	1.41%	Due to higher bills of exchange accepted by the Bank
Manager's Checks	421,376	140.28%	Increase in un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	157,412	37.95%	Increase in expense accruals mainly due to accrued bonuses
Other Liabilities	182,625	29.62%	Increase mainly from advance rentals and security deposits related to PBCOM Tower leasing, higher withholding taxes payable, etc.

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

	Increase (Decrease)	Percentage	Remarks
Interest Income on investment securities	4,000	0.75%	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	199,793	9.52%	Higher interest income mainly due to increase in volume
Interest Income on IBCL & SPURA	16,842	129.80%	Higher income due to increase in volume
Interest Income on Deposit with other Banks and others	(18,363)	-58.80%	Lower investment in SDA with BSP
Interest Expense on Deposit Liabilities	(64,742)	-9.68%	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	39,106	31.98%	Increase in interest expense mainly due to higher volume from REPO product
Trading and Securities Gain – net	(56,386)	-93.26%	Lower trading gains
Rent Income	83,680	24.90%	Rental from new tenants in 2017 and higher rent extension charges
Service Charges, Fees & Commissions	24,227	7.91%	Higher mainly due to higher SBLC fees and auto and home loan fees from higher volume
Foreign Exchange Gain (Loss) –Net	(4,600)	-10.43%	Lower fx gains
Profit/(Loss) from Assets Sold/Exchanged	23,905	-325.15%	The Bank has recognized higher net gains from the sale of ROPA properties during the reporting period
Income from Trust Operations	(1,282)	-9.94%	The Bank registered lower trust fees during the comparative period
Share in net income of subsidiaries and an associate	360	115.76%	Higher income registered by PBCOM Finance for the period.
Miscellaneous Income	24,417	56.17%	Higher mainly due to higher allocation to income for utilities charged to PBCOM Tower tenants
Compensation and Fringe Benefits	(18,201)	-2.07%	Due to decrease in headcount
Taxes and Licenses	36,821	11.96%	Higher GRT accrued and paid
Depreciation & Amortization	(19,143)	-7.27%	Lower mainly from derecognition of leasehold assets from OBO closure & Wynsum lease, offset by increase in software amortization and depreciation on computers, FFE, etc
Occupancy and other equipment-related costs	22,701	15.55%	Higher mainly because of higher allocation to income for utilities charged to PBCOM Tower tenants
Provision (reversal) for impairment losses	(65,284)	-56.68%	Decrease mainly from the release of allowance on AR-BIR for refunds claimed due to favorable CTA decision
Miscellaneous	21,004	3.46%	Higher mainly from collection fees, PDIC insurance, litigation expenses, etc.
Provision for income tax	(17,661)	-10.28%	Lower mainly from write-off and recognition of deferred tax benefit of BDI