



September 6, 2012

Ms. Janet A. Encarnacion
Head, Disclosure Department
Philippine Stock Exchange, Inc.
3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Dear Ms. Encarnacion,

We are submitting herewith the Amended SEC Form 17-Q report for the quarter ended June 30, 2012 of the Bank, incorporating the additional disclosures and updates required by the Securities and Exchange Commission on its letter dated August 24, 2012.

For easy reference of the changes, please refer to pages 10 (4) (5), 11 (6) (7) (8) (9) and 15 as highlighted in bold format.

Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Rodolfo Ma. A. Ponferrada', is written over the typed name.

RODOLFO MA. A. PONFERRADA
Corporate Information Officer

COVER SHEET

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SEC Registration Number

P H I L I P P I N E B A N K O F C O M M U N I C A T I O N S

(Company's Full Name)

P B C o m T o w e r , 6 7 9 5 A y a l a A v e n u e c o

r n e r V . A . R u f i n o S t r e e t , M a k a t i

C i t y

(Business Address: No. Street City/Town/Province)

Suzanne B. Mondonede

(Contact Person)

830-7000

(Company Telephone Number)

1 2 3 1

Month Day
(Fiscal Year)

'A' 1 7 - Q

(Form Type)

Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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

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

N/A
Amendment Designation (If Applicable)

None
(Secondary License Type. If any)

Atty. Rodolfo Ma. A. Ponferrada
(Company Representative)

215-793-472
(TIN)

December 26, 1976
(Birth Date)

-----Do not fill below this line-----

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 June 30, 2012.
2. Commission identification number PW-686 3. BIR Tax Identification No. 000-263-340.
4. Exact name of issuer as specified in its charter
Philippine Bank of Communications.
5. Province, country or other jurisdiction of incorporation or organization Philippines.
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office PBCOM Tower 6795 Ayala Ave., Cor. V.A. Rufino St., Makati City Postal Code 1226.
8. Issuer's telephone number, including area code
(632) 830-7000.
9. Former name, former address and former fiscal year, if changed since last report
_____.
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<u>PBCom Common Shares</u>	<u>52,598,965 shares</u>
<u>PBCom Preferred Shares</u>	<u>120,000,000 shares</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
Philippine Stock Exchange Preferred 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:


SUZANNE B. MONDONEDO, FVP
Controller


ALEXIE H. ARIOLA, SM
Financial Systems and Reports Division

September 5, 2012

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CONDITION
(In Thousands)

	<i>Unaudited</i> JUNE 2012	<i>Audited</i> DECEMBER 2011
ASSETS		
Cash and Other Cash Items	345,126	369,164
Due from Bangko Sentral ng Pilipinas	4,833,894	6,040,783
Due from Other Banks	692,899	514,812
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	1,422,509	2,830,082
Available-For-Sale Investments	17,544,624	16,143,745
Loans and Receivables	11,924,986	10,521,538
Investment in an Associate	11,914	11,710
Property and Equipment	985,509	952,068
Investment Properties Condominium units for lease Foreclosed properties	3,473,608	3,466,408
403,544	432,234	
Other Assets	156,061	138,490
	41,794,672	41,421,034
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities		
Demand	4,868,263	4,883,897
Savings	2,248,927	2,424,175
Time	20,084,305	20,509,819
	27,201,495	27,817,892
Bills Payable	7,585,966	7,355,846
Outstanding Acceptances	45,806	57,006
Manager's checks	83,305	33,800
Accrued Interest, Taxes and Other Expenses	202,649	275,087
Deferred Tax Liabilities - Net	428,223	428,223
Other Liabilities	1,676,443	2,019,950
	37,223,888	37,987,805
Equity		
Preferred Stock	3,000,000	3,000,000
Common stock	5,259,897	5,259,897
Deposit for future stock subscription	3,522,598	2,373,033
Additional paid-in capital	476,012	476,012
Surplus reserves	105,772	105,772
Deficit	(8,971,059)	(9,655,255)
Net unrealized gain on available-for-sale investments	1,034,209	1,723,163
Revaluation increment on land	173,261	173,261
Gain/(Loss) on FV adj of Hedging Instrument	85	-
Cumulative translation adjustment	(29,991)	(22,653)
	4,570,784	3,433,229
	41,794,672	41,421,034

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF INCOME AND EXPENSES
(In Thousands)

	<i>Unaudited</i>		<i>Unaudited</i>	
	FOR THE PERIOD ENDED JUNE 30		FOR THE QUARTER ENDED JUNE 30	
	2012	2011	2012	2011
INTEREST INCOME				
Trading and investment securities	665,678	635,857	317,735	314,370
Loans and receivables	412,122	508,254	212,265	261,521
Interbank loans receivable and securities purchased under resale agreements	23,033	11,399	10,109	6,327
Deposits with other banks and others	12,307	15,626	1,576	7,470
Others	-	-	(6,946)	-
	1,113,140	1,171,136	534,739	589,688
INTEREST AND FINANCE CHARGES				
Deposit liabilities	399,587	388,877	191,215	200,298
Bills payable, borrowings and others	74,666	77,891	40,374	39,884
	474,253	466,769	231,588	240,182
NET INTEREST INCOME	638,887	704,367	303,151	349,506
Trading and securities gain - net	592,466	35,912	103,435	9,410
Rent Income	146,119	137,966	76,995	69,412
Service charges, fees and commissions	76,948	71,867	46,550	35,244
Foreign exchange gain (loss) - net	12,438	53,500	3,866	63,534
Profit/(Loss) from Assets Sold/Exchanged	109,488	37,314	108,863	13,194
Income from Trust Operations	8,450	9,323	4,029	4,725
Miscellaneous	4,873	17,986	4,431	16,206
TOTAL OPERATING INCOME	1,589,670	1,068,236	651,320	561,232
Compensation and fringe benefits	325,582	286,654	172,286	144,443
Taxes and licenses	182,469	143,537	79,585	72,701
Depreciation and amortization	30,128	61,020	15,208	30,021
Occupancy and other equipment - related costs	44,499	40,102	25,043	21,390
Provision for impairment losses	953	88,390	953	35,356
Miscellaneous	176,023	124,168	95,650	64,311
TOTAL OPERATING EXPENSES	759,655	743,872	388,726	368,221
NET INCOME BEFORE TAX	830,015	324,364	262,594	193,010
PROVISION FOR INCOME TAX	145,819	121,080	71,430	60,806
NET INCOME (a)	684,196	203,284	191,164	132,205
Basic/ Diluted Earnings Per Share (a/b or c)	3.96	1.18	1.11	0.77
No. of Common/Preferred Shares (b)		172,598,965		
No. of Dilutive Potential Common/Preferred Shares (c)		172,598,965		

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

	<i>Unaudited</i>		<i>Unaudited</i>	
	FOR THE PERIOD ENDED		FOR THE QUARTER ENDED	
	JUNE 30		JUNE 30	
	2012	2011	2012	2011
NET INCOME	684,196	203,284	191,164	132,205
OTHER COMPREHENSIVE INCOME:				
Changes in net unrealized gain (loss) on available-for-sale investments	(688,954)	(47,866)	(170,450)	232,240
Net movement in revaluation increment	-	-	-	-
Net movement in cumulative translation adjustment	(7,338)	(51,608)	(2,439)	(59,557)
Net movement of Gain/(Loss) on FV adjustment of Hedging Instrument	85	-	(364)	-
OTHER COMPREHENSIVE INCOME (LOSS)	(696,207)	(99,474)	(173,253)	172,683
TOTAL COMPREHENSIVE INCOME (LOSS)	(12,011)	103,810	17,912	304,888

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

	<i>Unaudited</i> FOR THE PERIOD ENDED JUNE 30		<i>Unaudited</i> FOR THE QUARTER ENDED JUNE 30	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	830,015	324,364	262,594	193,010
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Accretion of interest on bills payable	8,342	-	8,342	-
Depreciation and amortization	30,128	61,020	15,208	30,021
Provision for impairment losses	953	88,390	953	35,356
Profit from asset sold or exchange	109,488	37,314	108,863	13,194
Securities gains from sale of available-for sale investments	53,898	27,361	6,553	7,110
Equity in net loss (earnings) of an associates	(204)	(145)	(108)	(87)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Loans and Receivable	(1,403,447)	(943,686)	(1,569,612)	(772,155)
Other Assets	(19,858)	31,323	1,245	51,701
Increase (decrease) in the amounts of:				
Deposit liabilities	(616,396)	(429,552)	(779,993)	1,078,596
Manager's checks	49,505	32,828	4,025	30,770
Accrued interest, taxes and other expenses	(72,437)	22,798	(42,567)	49,076
Other liabilities	(343,507)	(338,438)	(176,799)	(200,778)
Net cash generated from (used in) operations	(1,373,521)	(1,086,423)	(2,161,297)	515,813
Income taxes paid	(145,819)	(121,080)	(71,430)	(60,806)
Net cash provided by (used in) operating activities	(1,519,341)	(1,207,503)	(2,232,726)	455,008
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in:				
Financial Assets at FVTL	-	1,278	-	1,278
Available-for-sale securities	(2,144,599)	560,822	770,903	(116,759)
Held to maturity	-	549	-	3,148
Property and equipment	(61,436)	(16,017)	(39,218)	(11,130)
Investment properties	(87,842)	(86,833)	(82,920)	(97,323)
Net cash provided by (used in) investing activities	(2,293,877)	459,799	648,765	(220,786)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from deposit for future stock subscription	1,149,566	-	741,722	-
Net increase (decrease) in:				
Bills payable	221,778	19,428	49,196	(58,268)
Outstanding acceptance	(11,200)	27,939	5,010	58,191
Net cash provided by (used in) financing activities	1,360,143	47,367	795,927	(77)
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(7,338)	(51,608)	(2,439)	(59,557)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,460,413)	(751,945)	(790,473)	174,588
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD				
Cash and Other Cash Items	369,164	379,604	365,982	329,502
Due from Bangko Sentral ng Pilipinas	6,040,783	2,439,554	3,993,386	695,980
Due from Other Banks	514,812	556,587	797,992	788,659
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	2,830,082	1,149,282	2,927,541	1,784,352
	9,754,841	4,525,027	8,084,901	3,598,493
CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD				
Cash and Other Cash Items	345,126	342,330	345,126	342,330
Due from Bangko Sentral ng Pilipinas	4,833,894	1,380,700	4,833,894	1,380,700
Due from Other Banks	692,899	496,618	692,899	496,618
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	1,422,509	1,553,434	1,422,509	1,553,434
	7,294,428	3,773,081	7,294,428	3,773,081

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

	Preferred Stock	Common Stock	Deposit for Future Subscription	Additional Paid-in Capital	Surplus reserves	Deficit	Net unrealized gain on available for-sale investments	Revaluation increment on land	Gain/(Loss) on FV adj of Hedging Instrument	Cumulative translation adjustment	Total Equity
Balance at January 1, 2012	3,000,000	5,259,897	2,373,033	476,012	105,772	(9,655,255)	1,723,163	173,261	-	(22,653)	3,433,229
Adjustments											0
Balance at January 1, 2012, as restated	3,000,000	5,259,897	2,373,033	476,012	105,772	(9,655,255)	1,723,163	173,261	-	(22,653)	3,433,229
Proceeds from deposit for future stock subscription			1,149,566								1,149,566
Total Comprehensive income (loss) for the year						684,196	(688,954)		85	(7,338)	(12,011)
Balance at June 30, 2012	3,000,000	5,259,897	3,522,598	476,012	105,772	(8,971,059)	1,034,209	173,261	85	(29,991)	4,570,784
Balance at January 1, 2011	3,000,000	5,259,897	-	476,012	105,772	(5,383,740)	(100,329)	192,512	-	24,797	3,574,921
Adjustments						(538,276)					(538,276)
Balance at January 1, 2012, as restated	3,000,000	5,259,897	-	476,012	105,772	(5,922,017)	(100,329)	192,512	-	24,797	3,036,644
Proceeds from deposit for future stock subscription											0
Total Comprehensive income (loss) for the year						203,284	(47,866)		-	(51,608)	103,810
Balance at June 30, 2011	3,000,000	5,259,897	-	476,012	105,772	(5,718,732)	(148,195)	192,512	-	(26,811)	3,140,455

PHILIPPINE BANK OF COMMUNICATIONS
AGING OF LOANS & SELECTED RECEIVABLES
As of June 30, 2012

TYPE OF LOAN/PARTICULARS	OUTSTANDING BALANCE	CURRENT	P A S T D U E F O R			
			90 DAYS OR LESS	91 TO 180 DAYS	181 DAYS-1 YR.	MORE THAN 1 YR.
Interbank Loans Receivable	294,967,764	294,967,764				
Loans and Discounts	5,086,749,774	4,770,157,476	4,638,788	5,558,445	141,473	306,253,592
Agrarian Reform/Other Agricultural Credit Loans	990,253,408	941,752,711	-	-	-	48,500,697
Bills Purchased	676,888,782	676,331,607	-	-	-	557,175
Customers' Liability on Drafts under LC/TR	2,215,212,368	1,738,596,192	-	-	-	476,616,175
Customers' Liab. for this Bank's Acceptances	45,805,860	45,805,860	-	-	-	-
Trading Account Securities - Loans	800,000,000	800,000,000	-	-	-	-
Underwriting Accounts - Loans	-	-	-	-	-	-
Restructured Loans	260,191,188	248,935,651	-	5,536	-	11,250,001
Items in Litigation	432,999,964	-	-	-	-	432,999,964
SUB TOTAL	10,803,069,108	9,516,547,261	4,638,788	5,563,981	141,473	1,276,177,605
Accounts Receivable	919,663,338	44,279,496	25,512,396	368,458	425,855,248	423,647,739
Accrued Interest Receivable	1,267,120,323	346,504,937	3,651	893	504	920,610,338
GRAND TOTAL	12,989,852,769	9,907,331,694	30,154,835	5,933,333	425,997,225	2,620,435,682

PHILIPPINE BANK OF COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 2012

1. The Bank's Interim Financial Statements have been prepared on a historical cost basis except for derivatives instruments, available-for-sale (AFS) investments and investment properties that are measured at fair value and land, classified as 'Property and equipment', that is measured at appraised value.

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

2. 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. On July 26, 2011, the major shareholders of the Bank, namely the Chung, Luy, and Nubla Groups, signed a Memorandum of Agreement (MOA) with a group of investors led by ISM Communications Corporation (the "ISM Group"), involving the sale of their entire stake in the Bank to the ISM Group and the commitment of the Chung and Nubla groups to reinvest the proceeds of the sale of their respective shares amounting to approximately ₱2.8 Billion in the Bank.

On October 13, 2011, the Monetary Board approved the ISM Group's acquisition of the controlling interest in the Bank.

On December 23, 2011, the transaction involving the acquisition by the ISM Group of a controlling interest in the Bank was successfully transacted through the facilities of the Philippine Stock Exchange.

On December 27, 2011, the Chung and Nubla Groups reinvested ₱2.37 Billion as advance subscription to PBCom capital with the balance of ₱0.4 Billion paid in March of 2012.

On June 4, 2012, LFM Properties Group invested P719M as advances for stock subscription to the Bank's capital.

4. **Financial Risk Management**

The Bank is exposed to financial risk 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 Statement since the same contain detailed risk disclosure. As of June 30, 2012, there are no changes in the Bank's risk management policies.

5. **PFRS 9, Financial Instruments**

The Bank opted not to early adopt PFRS 9 on its 2012 financial statements. An evaluation was conducted to determine the impact of early adoption of this standard and the accounts affected are Available-for sale investments, Investment in non-marketable equity securities, Unquoted debt securities classified as loans and receivable from customers.

6. 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 prices in active market for identical assets or liabilities.
- Level 2 – those involving inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices)
- Level 3 – those inputs for the asset or liability that are not based on observable market data

As of June 30, 2012, the Bank used level 1 and level 2 measurements of financial assets amounting to P17.4B (AFS) and P0.7M (Other assets) respectively. There are no transfers between levels.

7. The interim financial statement is consistent with the most recent Annual Financial Statement on its fair value measurement. Carrying values of financial asset at fair values are P15.2B and P13B as of June 30, 2012 and 2011, its related trading gains of P72M and P35M and net of unrealized gains (loss) of P1.0B and (P148M), respectively.
8. The Bank evaluates and classify financial instruments whether it is quoted or not in an active market. Quoted prices in an active market are readily and regularly available and represent actual and regularly occurring market transactions on arm's length basis.
9. The Bank has no investment in foreign securities as of the reporting period.
10. There are no other items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.
11. There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that had a material effect in the current interim period.
12. There were no dividends paid as of June 30, 2012.

13. Financial Information by Segment (In Thousand)

Particulars	Retail Banking Segment	Institutional Banking Segment	Treasury Segment	Unallocated	Total
Segment results					
Net Interest Income	175,820	64,732	52,014	346,322	638,887
Trading and securities gain-net	0	-	306,385	286,082	592,466
Rent income				146,119	146,119
Service charges, fees and commissions	20,011	51,427	32	5,479	76,948
Foreign Exchange gain (loss) - net	947	701	(5,050)	15,840	12,438
Profit /loss) from Asset Sold/Exchange	-	187	-	109,301	109,488
Income from Trust Operations	1,814	39	-	6,597	8,450
Miscellaneous	6,883	259	(0)	(2,268)	4,873
Total Operating Income	205,474	117,344	353,381	913,471	1,589,670
Compensation and Fringe benefits	129,113	21,398	8,954	166,116	325,582
Taxes and licenses	42,101	15,949	91,163	33,256	182,469
Occupancy and Other equipment-related costs	55,817	1,327	720	(13,364)	44,499
Depreciation and amortization	17,140	1,552	543	10,893	30,128
Other operating expense	77,937	4,030	20,088	74,921	176,976
Total Operating Expense	322,109	44,256	121,468	271,822	759,655
Segment profit (loss)	(116,634)	73,088	231,913	641,649	830,015
Provision for income Tax	168	985	27,342	117,324	145,819
Net Income (loss)	(116,802)	72,103	204,570	524,325	684,196
Total segment assets	4,332,650	8,055,568	14,520,147	14,886,308	41,794,672
Total segment liabilities	26,171,425	74,799	2,448,606	8,529,059	37,223,888

The Retail Banking Segment's (RBS) is in investment mode this year. Operating expenses grew by 14% this year as key personnel were hired and investments were made in the IT infrastructure of the branches to improve operations. New personnel were hired as consumer banking initiatives were launched in July 2012. Net interest income were lower compared to last year due to general market conditions.

14. There are no changes in the composition of the bank in terms of business combinations, acquisition or disposal of subsidiaries, restructurings and discontinuing operations. 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 Thousand):

	June 2012	December 2011
Trust department accounts	5,437,338	5,672,863
Standby LC	496,494	468,089
Spot exchange:		
Sold	232,210	131,890
Bought	232,075	131,890
Sight import LC outstanding	252,793	118,148
Usance import LC outstanding	109,341	34,554
Deficiency claims receivable	33,984	33,984
Domestic LC outstanding	36,468	16,580
Inward bills for collection	7,175	10,722
Outstanding shipping guarantees	20,394	10,428
Late deposits/ payment received	3,942	3,919
Outward bills for collection	71,261	3,606
Items held for safekeeping	9	8
Items held as collateral	2	3
Other contingent	4,000	2,500

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

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

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

PBCom posted a net income of P684M for the first half of the year 2012 or 237% growth compared to same period last year of P203M. The increase in net profits came mainly from securities trading gains and gain from asset sold. The Bank registered trading income of P592M, up by 1,550% from P36M due to higher trading gains from both proprietary and PDIC GS collateral switch that was implemented in February 2012 while gain from asset sold increased to P109M from P37M earned in 2011 mainly from sale of ROPA located in Bukidnon.

Total operating expense slightly increased by 2% from P744M in 2011 to P760M this year. The increase in operating expenses is mainly due to the introduction of new talent in the management team offset by a decrease in provision for credit and impairment losses by 98% from P88M to 1M in 2012 due to adequate provisioning last year.

Although the Bank's net interest margin dropped by 9% to P639M or by P65M compared to the same period last year, net income before tax improved to P830M due to better trading performance and successful ROPA sales.

The Bank's capital base stood at P4.57B, a 33% growth from the P3.433B level as of year-end due to the P1.15B additional deposit for stock subscription from the Groups of ISM, Chung, Nubla and LFM Properties and current period net income of P684M. On the other hand, Other Comprehensive Income (OCI) decreased by P596M mainly coming from the decline in Net Unrealized Gains of P641M from the mark-to-market valuation on Available-for-Sale Securities (AFS) as of report date. The Bank's Risk Based Capital Adequacy Ratio of 28.57% as reported to BSP covering credit, market and operational risk for the first half of 2012 is well above the 10% minimum requirement.

The Bank's total assets stood at P41.79B, P373M more from December 2011 level due to the combination of additional capital infusion and decrease in deposits and borrowed funds during the period. NPL ratio improved to 1.15% from 4.79% in December 2011 due to a decreased in NPL by P376M as prescribed by BSP on its Circular 351.

2. Discussion of top 5 key performance indicators:

Ratio	June 2012	December 2011	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>	91.19%	92.97%	The dip in liquidity ratio is due to the effect of the decrease in liquid assets by P1.1B and deposit by P616M in the comparable period
Debt Ratio (Total Liability to Total Equity) <i>Debt refers to the total liabilities while equity is the total capital</i>	89.1%	91.7%	Lower risk on debt ratio was due to the P764M decline in total liabilities while total asset grew by P374M
Asset to Equity Ratio (Total Asset to Total Equity)	914.4%	1,206.5%	The Company's leverage improved due to lower asset to equity ratio as a result of a decline in total liability by P764M coupled with increased equity by P1.1B.
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	275.02%	173.68%	Bank improved its interest rate coverage due to higher earnings and lower interest expense for the six-month period.
Net Interest Margin Net interest income over Average Earning assets	3.74%	3.81%	Slight decrease in net interest margin ratio is due lower annualized income and earning asset compared to previous year.

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 30,2012, the Bank has outstanding purchase orders and contracts totaling P54.95M for various projects related to IT infrastructure, software licenses and desktop upgrades.
- 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 were no recorded significant income or losses during the quarter that did not arise from the Bank's regular operations.

- f. Interest income on non-discounted loans are recognized based on the accrual method of accounting while unearned discounts are amortized to income over the terms of the loans. As such, there is no seasonal aspect that has materially 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.
- g. On July 24,2012, the board of Directors of the Bank approved the appointment of Ms. Nina D. Aguas as the new President and CEO of the Bank from August 1, 2012. Mr. Henry Y. Uy was appointed as Co- Vice Chairman.

Statement of Condition: June 2012 vs. December 2011

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(24,037)	-6.51%	Lower cash balance pursuant to policy on effective cash management .
Due from BSP	(1,206,889)	-19.98%	Lower balance maintained due to the decrease in reserve requirements from 21% to 18% in the comparable period.
Due from Other Banks	178,087	34.59%	Higher balance in Foreign Banks is due to expected LC negotiations as of reporting date.
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	(1,407,574)	-49.74%	Lower balance due to transfer of funds from investment in SPURA to other high yielding securities and lending activities in the period.
Available-for-Sale Investments	1,400,880	8.68%	Purchase of additional proprietary securities.
Loans and Receivables	1,403,447	13.34%	Increased lending activities of the bank that resulted in higher receivable from customers and customers' liab. on acceptance, import bills and TR .
Investment in an Associate	204	1.74%	Bank's share of PBCom Finance Corporation income for the period.
Property and Equipment	33,441	3.51%	Increased acquisition of various furniture and equipment during the period.
Investment Properties	(21,491)	-0.55%	Decrease due to ROPA sold during the period.
Other Assets	17,570	12.69%	Mainly attributed to prepaid expenses and creditable tax withheld booked during the period.
Demand Deposits	(15,635)	-0.32%	Decreases in demand, savings and time deposits were attributed to withdrawals for working capital requirements of clients as of report date.
Savings Deposits	(175,248)	-7.23%	
Time Deposits	(425,514)	-2.07%	
Bills Payable	230,119	3.13%	Net effect of the increases in deposit substitutes, accretion on borrowing from PDIC and the decline in foreign currency inter-bank borrowings in the comparable period.
Outstanding Acceptances	(11,200)	-19.65%	Decrease in bills of exchange accepted by the Bank
Manager's Checks	49,505	146.46%	Increase in un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	(72,437)	-26.33%	Decrease is due to payment to the retirement fund of the 2011 accrued liability during the period and reclassification of PDIC insurance premium from accruals to other liabilities.
Other Liabilities	(343,507)	-17.01%	Net effect of decrease in unearned income due to accretion on borrowing from PDIC and increase in other liabilities due to reclassification of PDIC insurance from accruals.

Statement of Income and Expense: Jan-June 2012 vs Jan-June 2011

	Increase (Decrease)	Percentage	Remarks
Interest Income on Trading and investment securities	29,821	4.69%	Attributed to the P4B increase in year-on-year average volume of securities holdings and higher interest rates by an average of 2.71% in the comparable period.
Interest Income on Loans and receivable	(96,132)	-18.91%	The decrease in interest income is due to maturity of PEACE bonds in October 2011 and the decline in PDO interest collection. Interest income from PEACE bonds in the comparable period in 2011 totaled P104M. This was partly offset by higher interest income from current loans that posted year-on-year average volume increase of P38M and yield of 5.25% comparing same period last year.
Interest Income on IBCL & SPURA	11,633	102.05%	Higher year-on-year average volume of investment in SPURA.
Interest Income on Deposit with other Banks	(3,319)	-21.24%	Decline in Interest income from BSP and Other banks is due to implementation of BSP Circular 753. This Circular provides, under Subsection X253 "that deposits maintained by banks with BSP in compliance with the reserve requirements shall no longer be paid interest" effective reserve week starting April 6, 2012
Interest Expense on Deposit Liabilities	10,710	2.75%	Combined effect of the P754M decrease in year-on-year average volume of term placements and the increase in interest rates on time deposits by an average of 2.95%.
Interest Expense on Bills payable, borrowings and others	(3,226)	-4.14%	Net effect of the decline in year-on-year average volume on inter-bank borrowings and deposit substitutes by P603M and increase in interest rates by an average of 3.23% in the comparable period.
Trading and Securities Gain – net	556,554	1,549.77%	Favorable interest rate movement in the bond market provided opportunities for trading gains in 1H12. PDIC GS collateral switch that was implemented in February 2012 also contributed significantly to trading gains.
Service Charges, Fees & Commissions	5,081	7.07%	The increase is due to recognition of P15M front-end fee representing 15% share from intermediation services but partly offset by the decline in fees/ commission from trade transactions.
Income from Trust Operations	(873)	-9.36%	Attributed to lower trust fees due to the competitive environment in the Trust industry.
Rent Income	8,154	5.91%	Mainly attributed to higher revenues from the PBCom Tower due to higher occupancy and increase in re-negotiated rental rates during the period. It was partly offset by the decrease in Rent income-ROPA due to expired lease contracts and sale of various leased ROPA in the comparable period.
Profit/(Loss) from Assets Sold/Exchanged	72,173	193.42%	Increase due to recognition of gain of P113.5M from sale of ROPA properties majority located in Bukidnon.
Foreign Exchange Gain (Loss) - Net	(41,062)	-76.75%	Combination of higher revaluation loss and lower actual/realized gain from foreign exchange trading this year.
Miscellaneous Other Income	(13,114)	-72.91%	Lower revenues from penalty charges on loans this year.
Compensation and Fringe Benefits	38,928	13.58%	Current year's accruals of Banks contribution to the retirement and cost of newly hired officers and staff.
Depreciation & Amortization	(30,892)	-50.63%	Decrease in Depreciation-ROPA is due to the change in accounting policy from Cost to Fair Value adopted from December 2011.
Occupancy and other equipment-related costs	4,397	10.96%	Decrease in consumption costs is due to higher reimbursements from PBCom Tower tenants on utility costs but not enough to mitigate the increase in rent expense and repairs and maintenance in the comparable period.
Taxes and Licenses	38,932	27.12%	Combined effect of the increase in revenues subject to gross receipt tax and higher documentary stamp tax expense due to increase in year-on-year average volume of term placements.
Miscellaneous	51,855	41.76%	Mainly attributed to the increase in Management & Professional fees and higher litigation expenses related to foreclosure and consolidation of ROPA property
Provision for impairment losses	(87,437)	-98.92%	Less provision was booked this year, as the Bank has provided sufficient provision in 2011.
Provision for Income Tax	24,739	20.43%	Higher final taxes paid due to increase in year-on-year volume of tax-paid investments.