



December 20, 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 September 30, 2012 of the Bank, incorporating the additional disclosure as required by the Securities and Exchange Commission on its letter dated November 28, 2012.

For easy reference of the changes, please refer to page 15 on additional ratios on key indicators.

Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Rodolfo M.A. Ponferrada', is written over a horizontal line.

RODOLFO M.A. PONFERRADA
Corporate Information Officer

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)

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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, 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

Postal Code

PBCOM Tower 6795 Ayala Ave., Cor. V.A. Rufino St., Makati City 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

PBCom Common Shares

52,598,965 shares

PBCom Preferred Shares

120,000,000 shares

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

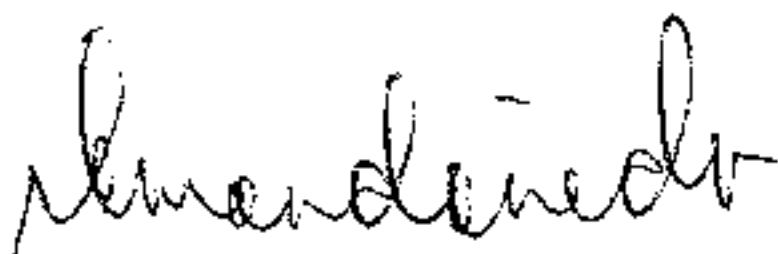
The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such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


ALEXIE H. ARIOLA, SM
Financial Systems and Reports Division

December 19, 2012

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CONDITION
(In Thousands)

	<i>Unaudited</i> SEPTEMBER 2012	<i>Audited</i> DECEMBER 2011
ASSETS		
Cash and Other Cash Items	316,030	369,164
Due from Bangko Sentral ng Pilipinas	5,084,776	6,040,783
Due from Other Banks	770,575	514,812
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	1,787,615	2,830,082
Financial Assets at FVTL		
Available-For-Sale Investments	17,096,497	16,143,745
Loans and Receivables	12,921,619	10,521,538
Investment in an Associate	12,036	11,710
Property and Equipment	1,009,532	952,068
Investment Properties		
Condominium units for lease	3,473,608	3,466,408
Foreclosed properties	387,893	432,234
Other Assets	211,362	138,490
	43,071,542	41,421,034
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities		
Demand	5,237,452	4,883,897
Savings	2,370,809	2,424,175
Time	20,679,120	20,509,819
	28,287,380	27,817,892
Bills Payable	7,728,576	7,355,846
Outstanding Acceptances	31,740	57,006
Manager's checks	42,539	33,800
Accrued Interest, Taxes and Other Expenses	273,075	275,087
Deferred Tax Liabilities - Net	428,223	428,223
Other Liabilities	1,421,743	2,019,950
	38,213,276	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	(8,831,175)	(9,655,255)
Net unrealized gain on available-for-sale investments	1,158,371	1,723,163
Revaluation increment on land	173,261	173,261
Gain/(Loss) on FV adj of Hedging Instrument	845	-
Cumulative translation adjustment	(7,314)	(22,653)
	4,858,266	3,433,229
	43,071,542	41,421,034

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

	<i>Unaudited</i> FOR THE PERIOD ENDED SEPTEMBER 30		<i>Unaudited</i> FOR THE QUARTER ENDED SEPTEMBER 30	
	2012	2011	2012	2011
INTEREST INCOME				
Trading and investment securities	972,917	949,552	307,239	313,695
Loans and receivables	720,050	735,194	307,928	226,940
Interbank loans receivable and securities purchased under resale agreements	35,169	27,471	12,137	16,072
Deposits with other banks and others	14,806	25,124	2,499	9,498
	1,742,943	1,737,340	629,803	566,205
INTEREST AND FINANCE CHARGES				
Deposit liabilities	593,959	601,853	194,372	212,976
Bills payable, borrowings and others	114,352	114,839	39,687	36,948
	708,312	716,692	234,059	249,924
NET INTEREST INCOME	1,034,631	1,020,648	395,744	316,281
Trading and securities gain - net	692,506	121,953	100,040	86,041
Rent Income	227,900	206,557	81,781	68,591
Service charges, fees and commissions	115,865	100,993	38,917	29,126
Foreign exchange gain (loss) - net	18,268	46,429	5,830	(7,072)
Profit/(Loss) from Assets Sold/Exchanged	109,003	90,285	(485)	52,971
Income from Trust Operations	11,877	14,697	3,426	5,374
Miscellaneous	9,479	111,434	4,606	93,448
TOTAL OPERATING INCOME	2,219,528	1,712,996	629,858	644,760
Compensation and fringe benefits	534,144	430,870	208,562	144,216
Taxes and licenses	253,891	219,696	71,422	76,159
Depreciation and amortization	49,027	90,568	18,899	29,548
Occupancy and other equipment - related costs	70,219	71,509	25,720	31,407
Provision for impairment losses	953	58,059	-	(30,331)
Miscellaneous	267,230	200,757	91,206	76,588
TOTAL OPERATING EXPENSES	1,175,463	1,071,459	415,809	327,588
NET INCOME BEFORE TAX	1,044,065	641,536	214,050	317,172
PROVISION FOR INCOME TAX	219,985	183,568	74,166	62,488
NET INCOME (a)	824,080	457,968	139,883	254,684
Basic/ Diluted Earnings Per Share (a/b or c)	4.77	2.65	0.81	1.48
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 SEPTEMBER 30		FOR THE QUARTER ENDED SEPTEMBER 30	
	2012	2011	2012	2011
NET INCOME	824,080	457,968	139,883	254,684
OTHER COMPREHENSIVE INCOME:				
Changes in net unrealized gain (loss) on available-for-sale investments	(564,792)	38,787	124,162	1,952,802
Net movement in revaluation increment	-	-	-	-
Net movement in cumulative translation adjustment	15,339	(48,751)	22,677	2,857
Net movement of Gain/(Loss) on FV adjustment of Hedging Instrument	845	-	760	-
OTHER COMPREHENSIVE INCOME (LOSS)	(548,608)	(9,964)	147,599	1,955,659
TOTAL COMPREHENSIVE INCOME (LOSS)	275,471	448,004	287,482	2,210,343

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

Unaudited
FOR THE PERIOD ENDED
SEPTEMBER 30
2012 **2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	1,044,065	641,536
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:		
Accretion of interest on bills payable	15,038	-
Depreciation and amortization	49,027	90,568
Provision for impairment losses	953	58,059
Profit from asset sold or exchange	109,003	90,285
Securities gains from sale of available-for sale investments	107,034	45,005
Equity in net loss (earnings) of an associates	(326)	(233)
Changes in operating assets and liabilities		
Decrease (increase) in the amounts of:		
Loans and Receivable	(2,400,081)	568,169
Other Assets	(77,413)	(15,097)
Increase (decrease) in the amounts of:		
Deposit liabilities	469,488	(290,933)
Manager's checks	8,739	14,503
Accrued interest, taxes and other expenses	(2,012)	14,282
Other liabilities	(598,207)	(540,534)
Net cash generated from (used in) operations	(1,274,692)	675,610
Income taxes paid	(219,985)	(183,568)
Net cash provided by (used in) operating activities	(1,494,677)	492,042
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease (increase) in:		
Financial Assets at FVTL	-	1,605
Available-for-sale securities	(1,624,686)	912,503
Held to maturity	-	(2,919)
Property and equipment	(102,201)	(23,538)
Investment properties	(71,610)	(74,674)
Net cash provided by (used in) investing activities	(1,798,497)	812,977
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from deposit for future stock subscription	1,149,566	-
Net increase (decrease) in:		
Bills payable	357,692	(580,619)
Outstanding acceptance	(25,266)	(29,114)
Net cash provided by (used in) financing activities	1,481,991	(609,733)
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	15,339	(48,751)
NET INCREASE (DECREASE)		
IN CASH AND CASH EQUIVALENTS	(1,795,845)	646,535
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
Cash and Other Cash Items	369,164	379,604
Due from Bangko Sentral ng Pilipinas	6,040,783	2,439,554
Due from Other Banks	514,812	556,587
Interbank Loans Receivable and Securities		
Purchased Under Resale Agreements	2,830,082	1,149,282
	9,754,841	4,525,027
CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD		
Cash and Other Cash Items	316,030	306,090
Due from Bangko Sentral ng Pilipinas	5,084,776	2,731,151
Due from Other Banks	770,575	443,198
Interbank Loans Receivable and Securities		
Purchased Under Resale Agreements	1,787,615	1,691,124
	7,958,996	5,171,562

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						824,080	(564,792)		845	15,339	275,471
Balance at September 30, 2012	3,000,000	5,259,897	3,522,598	476,012	105,772	(8,831,175)	1,158,371	173,261	845	(7,314)	4,868,266
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						(807,415)	0				(807,415)
Balance at January 1, 2012, as restated	3,000,000	5,259,897	-	476,012	105,772	(6,191,155)	(100,329)	192,512	-	24,797	2,767,506
Proceeds from deposit for future stock subscription											0
Total Comprehensive income (loss) for the year						457,968	38,787		-	(48,751)	448,004
Balance at September 30, 2011	3,000,000	5,259,897	-	476,012	105,772	(5,733,187)	(61,542)	192,512	-	(23,953)	3,215,510

PHILIPPINE BANK OF COMMUNICATIONS
AGING OF LOANS & SELECTED RECEIVABLES
As of September 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	980,113,495	980,113,495	-	-	-	-
Loans and Discounts	6,655,220,502	6,319,434,674	37,969,289	1,989,609	755,000	295,071,931
Agrarian Reform/Other Agricultural Credit Loans	758,354,490	709,853,793	-	-	-	48,500,697
Bills Purchased	779,862,695	778,731,134	-	-	-	1,131,562
Customers' Liability on Drafts under LC/TR	1,899,981,805	1,423,910,337	-	-	-	476,071,468
Customers' Liab. for this Bank's Acceptances	31,739,648	31,739,648	-	-	-	-
Gov't Sec purchase under Rev repurchase agreement w/ B	500,000,000	500,000,000	-	-	-	-
Restructured Loans	240,761,721	229,159,288	-	-	5,536	11,596,896
Items in Litigation	432,658,115	-	-	-	-	432,658,115
S U B T O T A L	12,278,692,472	10,972,942,369	37,969,289	1,989,609	760,536	1,265,030,669
Accounts Receivable	915,854,378	580,624,860	13,815	7,513,859	119,154	327,582,690
Accrued Interest Receivable	1,035,702,394	115,808,576	155,091	431	1,137	919,737,159
G R A N D T O T A L	14,230,249,244	11,669,375,805	38,138,195	9,503,899	880,827	2,512,350,518

PHILIPPINE BANK OF COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 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 and October 4, 2012, the LFM Properties Group invested P719M and P30M, respectively as advances for stock subscription to the Bank's capital.

4. **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 since the same contain detailed risk disclosure. As of September 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 September 30, 2012, the Bank used level 1 and level 2 measurements of financial assets amounting to P17.1B (AFS) and P1.5M (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. As of September 30, 2012 and 2011, carrying values of AFS investments are P17.1B and P13.3B, respectively, while unrealized gains (loss) amounted to P1.2B and (P61M), respectively.
8. The Bank evaluates and classifies financial instruments whether it is quoted or not in an active market. Quoted prices in an active market are readily and regularly available and represent actual and regularly occurring market transactions on arm's length basis.
9. The Bank has no investment in foreign securities as of the reporting period.
10. There are no other items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.
11. There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that had a material effect in the current interim period.
12. There were no dividends paid as of September 30, 2012.

13. Financial Information by Segment (In Thousand)

AS OF SEPTEMBER 30, 2012

Particulars	Retail Banking Segment	Institutional Banking Segment	Treasury Segment	Leasing & Shared cost	Total
Segment results					
Net Interest Income	258,158	100,398	111,770	564,306	1,034,631
Trading and securities gain-net	0	-	408,199	284,307	692,506
Rent income				227,900	227,900
Service charges, fees and commissions	30,448	75,816	35	9,567	115,865
Foreign Exchange gain (loss) - net	1,519	1,949	(3,490)	18,289	18,268
Profit /loss) from Asset Sold/Exchange	-	187	-	108,816	109,003
Income from Trust Operations	2,656	180	-	9,040	11,877
Miscellaneous	8,755	265	10	448	9,479
Total Operating Income	301,536	178,795	516,524	1,222,673	2,219,528
Compensation and Fringe benefits	192,948	32,369	13,483	295,343	534,144
Taxes and licenses	61,896	24,557	120,273	47,166	253,891
Occupancy and Other equipment-related costs	84,044	2,056	1,121	(17,002)	70,219
Depreciation and amortization	26,513	2,307	865	19,342	49,027
Other operating expense	115,965	7,603	29,846	114,769	268,183
Total Operating Expense	481,365	68,891	165,589	459,618	1,175,463
Segment profit (loss)	(179,829)	109,904	350,935	763,055	1,044,065
Provision for income Tax	-	1,524	61,477	156,984	219,985
Net Income (loss)	(179,829)	108,380	289,458	606,071	824,080
Total segment assets	4,453,422	9,183,364	16,289,965	13,144,792	43,071,542
Total segment liabilities	27,190,083	32,104	2,472,872	8,518,217	38,213,276

AS OF SEPTEMBER 30, 2011

Particulars	Retail Banking Segment	Institutional Banking Segment	Treasury Segment	Leasing & Shared cost	Total
Segment results					
Net Interest Income	390,843	71,609	115,365	442,830	1,020,648
Trading and securities gain-net	0	-	121,621	332	121,953
Rent income				206,557	206,557
Service charges, fees and commissions	33,040	62,771	28	5,154	100,993
Foreign Exchange gain (loss) - net	1,312	2,336	(3,604)	46,384	46,429
Profit /loss) from Asset Sold/Exchange	-			90,285	90,285
Income from Trust Operations	3,016	145	-	11,536	14,697
Miscellaneous	(5,833)	20,130	-	97,137	111,434
Total Operating Income	422,380	156,991	233,411	900,214	1,712,996
Compensation and Fringe benefits	180,877	25,682	17,506	206,805	430,870
Taxes and licenses	60,230	294	5,794	153,378	219,696
Occupancy and Other equipment-related costs	79,239	1,471	1,119	(10,320)	71,509
Depreciation and amortization	23,363	1,672	995	64,539	90,568
Bad Debts					
Other operating expense	92,729	27,638	42,237	96,212	258,815
Total Operating Expense	436,437	56,757	67,651	510,615	1,071,459
Segment profit (loss)	(14,057)	100,234	165,760	389,599	641,536
Provision for income Tax	23,245	2,537	45,150	112,636	183,568
Net Income (loss)	(37,302)	97,697	120,610	276,963	457,968
Total segment assets	4,965,173	5,711,319	12,425,658	16,785,142	39,887,292
Total segment liabilities	26,280,108	53,944	2,073,028	8,264,703	36,671,782

The Retail Banking Segment's (RBS) is in investment mode this year. Operating expenses grew by 10% 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.

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):

	September 2012	December 2011
Trust department accounts	5,074,640	5,672,863
Standby LC	446,033	468,089
Spot exchange:		
Sold	973,315	131,890
Bought	973,162	131,890
Sight import LC outstanding	272,050	118,148
Usance import LC outstanding	541,819	34,554
Deficiency claims receivable	27,498	33,984
Domestic LC outstanding	51,359	16,580
Inward bills for collection	4,276	10,722
Outstanding shipping guarantees	52,674	10,428
Late deposits/ payment received	4,628	3,919
Outward bills for collection	35,252	3,606
Items held for safekeeping	8	8
Items held as collateral	2	3
Other contingent	4,300	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 registered a net income of P824M for the first three quarters of 2012, almost double the P457M income recorded on the same period last year or 80% growth. The increase in net profits attributed mainly from better market conditions resulting to higher trading gains. The Bank recorded trading income of P692M, up by 468% from last year's P121M.

Total operating expense increased by 10% from P1.07B in 2011 to P1.17B this year. The increase in operating expenses is mainly due to the introduction of new talent in the management team and additional depreciation on IT infrastructure and various hardware upgrades. This was offset by a decrease in provision for credit and impairment losses by 98% from P58M to 1M in 2012 due to adequate provisioning last year.

Interest Income growth resulted to increased Net Interest Margin by 1.37% to P1.03B or up by P13M compared to same period last year. These results together with the growth of 71% from Non-Interest Income due to high trading gains improved the Bank's Net Income before Tax to P1.04B from P641M last year.

Total Capital base of the Bank is at P4.86B from P3.43B level as of year-end or a 42% growth due to the P1.15B additional deposit for stock subscription from the Groups of ISM, Chung, Nubla and LFM Properties and current period's net income of P824M. The Bank's Risk Based Capital Adequacy Ratio stood firmly at 27.37%, well above the 10% minimum requirement. The ratio covers credit, market and operational risk for the first three quarters of 2012.

The Bank's total assets grew by P1.65B from P41.42B to P43.07B as of September 2012. Investments for the year in various operating Bank assets have amounted to P140M. As a result of additional capital infusion, increased deposits intake and borrowed funds, the Bank's lending business grew by 23% as well as securities placement by 6%. NPL ratio improved to 1.08% from 4.79% in December 2011 due to a decrease in NPL by P366M as prescribed by BSP on its Circular 351.

2. Discussion of various key indicators:

A. Financial Soundness

Ratio	September 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>	88.53%	92.97%	The Bank's lending business grew by P2.4B this year, which resulted to lower liquidity ratio, compared to December level.
Debt Ratio (Total Liability to Total Equity) <i>Debt refers to the total liabilities while equity is the total capital</i>	88.7%	91.7%	The improved risk on debt ratio of the Bank was due to the increase in deposit of stock subscriptions from various stockholders of the Bank.
Asset to Equity Ratio (Total Asset to Total Equity)	886.6%	1,206.5%	The Bank has lower leverage this period compared to last year due to increase in stock subscriptions from various stockholders of the Bank.
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	247.40%	173.68%	Interest rate coverage improved for the period due to higher earnings from securities and loans and lower interest expense.
Net Interest Margin (Net interest income over Average Earning assets)	3.98%	3.81%	Net interest margin ratio improved this year compared to previous year due to higher annualized income and earning assets.

B. Financial Performance

Ratio	September 2012	December 2011	Remarks
Profit Margin	20.80%	14.99%	Ratio increased by 5.81% due to profitable operations during the year.
Return on Average Asset	2.60%	1.99%	Growth in net income outpaced by the increase in Average Assets
Return on Average Equity	26.50%	41.84%	Decreased in ratio by 15.34% is due to higher average equity as a result of capital infusion during the year.
Capital Adequacy Ratio	27.37%	25.98%	The improvement in CAR ratio (as submitted to BSP) was due to increase in qualifying capital by P568M on additional capital infusion as of Sep 2012. The ratio covering credit, market and operational risk remains well above the 10% minimum required by the BSP.
Basic Earnings per share	4.77	4.61	An improved earnings per share by 0.61 is accounted on higher bottom line figure.

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, 2012, the Bank has outstanding purchase orders and contracts totaling P34.9M for various projects related to IT infrastructure, software licenses, equipment 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.
- h. On September 1, 2012, the Bank appointed Mr. Horatio S. Aycardo as Executive Vice President and Chief Operating Officer.

Statement of Condition: September 2012 vs. December 2011

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(53,134)	-14.39%	Prudent cash management resulted to lower cash balance for the period.
Due from BSP	(956,008)	-15.83%	BSP rules on lower reserve requirements from 21% to 18% resulted to lower amount maintained on Due from BSP account.
Due from Other Banks	255,763	49.68%	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)	(1,042,467)	-36.84%	Transfer of funds from investment in SPURA to other high yielding securities and lending activities in the period.
Available-for-Sale Investments	952,752	5.90%	Purchase of additional proprietary securities during the period.
Loans and Receivables	2,400,081	22.81%	More lending activities this year that resulted to higher receivable from customers and customers' liab. on acceptance, import bills and TR.
Investment in an Associate	326	2.78%	Bank's share of PBCom Finance Corporation income for the period.
Property and Equipment	57,464	6.04%	Purchase of various furniture, IT infrastructures and desktop upgrade during the period.
Investment Properties	(37,142)	-0.95%	Sale of ROPA properties during the period.
Other Assets	72,872	52.62%	Purchase of software licenses and creditable tax withheld booked during the year.
Demand Deposits	353,554	7.24%	Increase in demand and time deposits were due to reinforced strategies of the Retail Banking Segment to generate more deposits across all branches.
Savings Deposits	(53,366)	-2.20%	
Time Deposits	169,300	0.83%	
Bills Payable	373,729	5.07%	The net effect of increased accretion on borrowing from PDIC by P524M and decline in deposit substitutes (P4.9M) and foreign currency inter-bank borrowings (P145M) in the comparable period.
Outstanding Acceptances	(25,266)	-44.32%	Lower bills of exchange accepted by the Bank
Manager's Checks	8,739	25.85%	Increase in un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	(2,012)	-0.73%	Decrease is due to payment of retirement fund and reclass of PDIC insurance to other liabilities during the period
Other Liabilities	(598,207)	-29.61%	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 Expenses: Jan-September 2012 vs Jan-September 2011

	Favorable (Unfavorable)	Percentage	Remarks
Interest Income on Trading and investment securities	23,365	2.46%	Attributed to the P4B increase in year-on-year average volume of securities holdings this year
Interest Income on Loans and receivable	(15,143)	-2.06%	Maturity of PEACE bonds last Oct 2011 and the decline in PDO interest collection resulted to decline in interest on loans and receivable. Interest income from PEACE bonds in the comparable period in 2011 totaled P159M. This was partially offset by higher interest income from current loans on a year-on-year increased average volume by P484M.
Interest Income on IBCL & SPURA	7,699	28.02%	Higher year-on-year average volume by P306M of investment in SPURA.
Interest Income on Deposit with other Banks and others	(10,318)	-41.07%	Due to implementation of BSP Circular 753 where deposits in compliance with the reserve requirements is no longer interest bearing effective April 6, 2012.
Interest Expense on Deposit Liabilities	(7,894)	-1.31%	Lower deposit rates for CASA and Time deposits in the comparable period by 0.09% and 0.10%, respectively despite increased year-on-year average volumes.
Interest Expense on Bills payable, borrowings and others	(487)	-0.42%	Decline in year-on-year average volume on inter-bank borrowings and deposit substitutes by P483M as the Bank concentrate on low cost deposits.
Trading and Securities Gain – net	570,553	467.85%	Favorable interest rate movement in the bond market resulted more trading gains this year.
Service Charges, Fees & Commissions	14,872	14.73%	Recognition of front-end fees related to higher loan volumes of the Bank.
Income from Trust Operations	(2,821)	-19.19%	Competitive environment in the Trust resulted to lower fees for this year
Rent Income	21,343	10.33%	Higher occupancy ratio at the PBCom Tower property and increased rental rates during the year.
Profit/(Loss) from Assets Sold/Exchanged	18,718	20.73%	Better sales and marketing program for ROPA properties resulted to higher gains on sale recognized this year.
Foreign Exchange Gain (Loss) –Net	(28,161)	-60.65%	Combination of higher revaluation loss and lower actual/realized gain from foreign exchange trading this year.
Miscellaneous Other Income	(101,956)	-91.19%	Reversal of provision for tax assessment due to favorable ruling last year by P93M contributed to the decline of miscellaneous income this year.
Compensation and Fringe Benefits	(103,274)	-23.97%	Hiring of additional key officers and staff and current year's monthly accrual of retirement
Depreciation & Amortization	41,542	45.87%	Change in accounting policy from Cost to Fair Value method in December 2011 resulted to lower recognition of depreciation expense in investment properties.
Occupancy and other equipment- related costs	1,290	1.80%	Higher reimbursements received from tenant of PBCom Tower on utilities and repairs this year
Taxes and Licenses	(34,195)	-15.56%	Combined effect of the increased revenues subject to gross receipt tax and higher documentary stamp tax expense on increased volume of term placements.
Miscellaneous	(66,473)	-33.11%	Higher management & professional fees and litigation expenses related to foreclosure and consolidation of ROPA property
Provision for impairment losses	57,106	98.36%	Sufficient provision on loans last year resulted to lower booking this year
Provision for Income Tax	(36,417)	-19.84%	Higher final taxes due to increased investment in securities and government bonds.