

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

PHILIPPINE BANK OF COMMUNICATIONS
(Company's Full Name)

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

830-7000
(Company's Telephone Number)

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

3rd Tuesday of June
Annual Meeting

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

N/A
Amendment Designation (If Applicable)

None
(Secondary License Type. If any)

Atty. 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 June 30, 2013
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>299,564,556 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

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

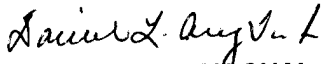
The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such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


DANIEL ANG TAM CHAI
EVP/ Chief Finance Officer


ARLENE M. DATU
SVP/ Controller

August 13, 2013

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CONDITION
(In Thousands)

	Consolidated		Parent	
	JUNE	DECEMBER	JUNE	DECEMBER
	2013	2012	2013	2012
	<i>Unaudited</i>			<i>Restated*</i>
ASSETS				
Cash and Other Cash Items	493,205	551,098	493,205	551,098
Due from Bangko Sentral ng Pilipinas	5,680,585	5,511,067	5,680,585	5,511,067
Due from Other Banks	543,757	887,143	543,757	887,143
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	176,862	993,804	176,862	993,804
Financial Assets at FVTPL	61,810	149	56,903	-
Available-For-Sale Investments	18,086,685	16,778,813	18,086,685	16,778,803
Loans and Receivables	17,594,150	15,974,696	17,576,793	15,957,495
Investment in an Associate	-	-	12,342	12,168
Property and Equipment	1,382,998	1,337,845	1,382,961	1,337,829
Investment Properties				
Condominium units for lease	3,221,984	3,220,308	3,221,984	3,220,308
Foreclosed properties	365,829	376,987	364,656	375,813
Other Assets	476,785	208,045	474,319	205,639
	48,084,651	45,839,954	48,071,053	45,831,167
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities				
Demand	6,698,660	5,780,128	6,703,174	5,788,177
Savings	2,693,357	2,751,041	2,693,357	2,751,041
Time	23,936,616	22,817,097	23,936,616	22,817,097
	33,328,633	31,348,266	33,333,147	31,356,315
Bills Payable	8,684,735	7,823,513	8,684,735	7,823,513
Outstanding Acceptances	343,879	32,322	343,879	32,322
Manager's checks	108,870	67,050	108,870	67,050
Accrued Interest, Taxes and Other Expenses	369,879	275,411	369,466	275,180
Deferred Tax Liabilities - Net	432,716	432,716	432,716	432,716
Other Liabilities	1,107,833	1,453,397	1,106,886	1,453,234
	44,376,544	41,432,676	44,379,697	41,440,331
Equity				
Equity Attributable to Equity Holders of the Parent Company				
Preferred Stock	-	3,000,000	-	3,000,000
Common stock	7,489,114	5,259,897	7,489,114	5,259,897
Deposit for future stock subscription	-	3,552,598	-	3,552,598
Additional paid-in capital	4,758,523	476,012	4,758,523	476,012
Surplus reserves	105,772	105,772	105,772	105,772
Deficit	(7,489,440)	(8,670,713)	(7,489,440)	(8,670,713)
Net unrealized gain on available-for-sale investments	(1,171,647)	672,789	(1,171,647)	672,789
Cumulative amount of actuarial loss	(187,521)	(187,521)	(187,521)	(187,521)
Revaluation increment on land	186,889	186,889	186,889	186,889
Cumulative translation adjustment	(334)	(4,886)	(334)	(4,886)
	3,691,356	4,390,837	3,691,356	4,390,837
Non-controlling interest	16,751	16,442	-	-
	3,708,106	4,407,278	3,691,356	4,390,837
	48,084,651	45,839,954	48,071,053	45,831,167

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

	Consolidated				Parent			
	UNAUDITED FOR THE PERIOD ENDED		UNAUDITED FOR THE QUARTER		UNAUDITED FOR THE PERIOD ENDED		UNAUDITED FOR THE QUARTER	
	JUNE 30, 2013	JUNE 30, 2012	JUNE 30, 2013	JUNE 30, 2012	JUNE 30, 2013	JUNE 30, 2012	JUNE 30, 2013	JUNE 30, 2012
INTEREST INCOME								
Trading and investment securities	625,134	665,700	304,151	317,735	625,097	665,678	304,120	317,735
Loans and receivables	537,490	413,829	275,827	213,151	535,816	412,122	275,116	212,265
Interbank loans receivable and securities purchased under resale agreements	7,911	23,033	2,034	10,109	7,911	23,033	2,034	10,109
Deposits with other banks and others	12,488	12,307	8,688	(5,487)	12,488	12,307	8,688	(5,370)
	1,183,023	1,114,869	590,700	535,508	1,181,312	1,113,140	589,957	534,739
INTEREST AND FINANCE CHARGES								
Deposit liabilities	332,135	399,587	149,543	191,219	332,135	399,587	149,591	191,215
Bills payable, borrowings and others	74,446	74,666	37,266	40,374	74,446	74,666	37,266	40,374
	406,580	474,253	186,808	231,593	406,580	474,253	186,856	231,588
NET INTEREST INCOME	776,443	640,616	403,891	303,915	774,732	638,887	403,101	303,151
Trading and securities gain - net	1,507,173	592,466	559,333	103,435	1,507,157	592,466	559,317	103,435
Rent Income	113,008	146,089	58,705	76,980	113,038	146,119	58,720	76,995
Service charges, fees and commissions	83,611	77,019	43,023	46,586	83,559	76,948	42,997	46,550
Foreign exchange gain (loss) - net	(23,543)	12,438	(15,369)	3,866	(23,543)	12,438	(15,369)	3,866
Profit/(Loss) from Assets Sold/Exchanged	3,216	109,488	2,441	108,863	3,216	109,488	2,441	108,863
Income from Trust Operations	13,385	8,450	9,708	4,029	13,385	8,450	9,708	4,029
Miscellaneous	2,084	4,990	1,434	4,548	2,083	4,873	1,433	4,431
TOTAL OPERATING INCOME	2,475,376	1,591,557	1,063,166	652,221	2,473,627	1,589,670	1,062,349	651,320
Compensation and fringe benefits	504,272	326,238	247,235	172,614	503,558	325,582	246,877	172,286
Taxes and licenses	234,287	182,506	86,688	79,604	234,245	182,469	86,667	79,585
Depreciation and amortization	55,751	30,133	29,208	15,211	55,742	30,128	29,203	15,208
Occupancy and other equipment - related costs	74,808	44,606	31,018	25,079	74,740	44,499	30,985	25,043
Provision for impairment losses	-	953	-	953	-	953	-	953
Miscellaneous	278,453	176,305	129,552	95,781	278,245	176,023	129,408	95,650
TOTAL OPERATING EXPENSES	1,147,571	760,740	523,701	389,242	1,146,530	759,655	523,141	388,726
NET INCOME BEFORE TAX	1,327,805	830,817	539,466	262,979	1,327,097	830,015	539,208	262,594
PROVISION FOR INCOME TAX	146,018	145,998	72,798	71,516	145,824	145,819	72,737	71,430
NET INCOME (a)	1,181,787	684,819	466,667	191,463	1,181,273	684,196	466,471	191,164
Attributable to:								
Equity holders of the Parent Company	1,181,478	684,445	466,589	191,344				
Non-controlling interest	309	374	78	120				
	1,181,787	684,819	466,667	191,463				

Basic/ Diluted Earnings Per Share

Attributed to Equity holders of the Parent Company (a/b)

4.59 3.96 1.56 1.11

No. of Weighted Average Shares (b)

257,243 172,599 299,565 172,599

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

	Consolidated				Parent			
	UNAUDITED FOR THE PERIOD ENDED		UNAUDITED FOR THE QUARTER		UNAUDITED FOR THE PERIOD ENDED		UNAUDITED FOR THE QUARTER	
	JUNE 30, 2013	JUNE 30, 2012	JUNE 30, 2013	JUNE 30, 2012	JUNE 30, 2013	JUNE 30, 2012	JUNE 30, 2013	JUNE 30, 2012
NET INCOME	1,181,787	684,819	466,667	191,463	1,181,273	684,196	466,471	191,164
OTHER COMPREHENSIVE INCOME:								
Changes in net unrealized gain (loss) on available-for-sale investments	(1,844,436)	(688,959)	(2,426,534)	(170,454)	(1,844,436)	(688,954)	(2,426,534)	(170,450)
Changes in actuarial gains/losses	-	-	-	-	-	-	-	-
Net movement in cumulative translation adjustment	4,552	(7,338)	(6,889)	(2,439)	4,552	(7,338)	(6,889)	(2,439)
Net movement of Gain/(Loss) on FV adjustment of Hedging Instrument	-	-	-	(449)	-	85	0	(364)
OTHER COMPREHENSIVE INCOME (LOSS)	(1,839,884)	(696,297)	(2,433,423)	(173,342)	(1,839,884)	(696,207)	(2,433,423)	(173,253)
TOTAL COMPREHENSIVE INCOME (LOSS)	(658,097)	(11,478)	(1,966,756)	18,121	(658,612)	(12,011)	(1,966,952)	17,912
Attributable to:								
Equity holders of the Parent Company	(658,406)	(11,851)	(1,966,834)	18,001				
Non-controlling interest	309	374	78	120				
	(658,097)	(11,478)	(1,966,756)	18,121				

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

	Consolidated		Parent	
	UNAUDITED FOR THE PERIOD ENDED			
	JUNE 30, 2013	JUNE 30, 2012	JUNE 30, 2013	JUNE 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	1,327,805	830,817	1,327,097	830,015
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Accretion of interest on bills payable	13,908	8,342	13,908	8,342
Depreciation and amortization	55,751	30,133	55,742	30,128
Profit from asset sold or exchange	3,216	109,488	3,216	109,488
Securities gains from sale of available-for sale investments	11,977	57,766	11,977	57,766
Equity in net earnings of an associates			(173)	(204)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Loans and Receivable	(1,619,454)	(1,404,322)	(1,619,299)	(1,404,400)
Other Assets	(276,060)	(20,586)	(275,815)	(19,858)
Increase (decrease) in the amounts of:				
Deposit liabilities	1,980,367	(615,892)	1,976,831	(616,396)
Manager's checks	41,819	49,505	41,819	49,505
Accrued interest, taxes and other expenses	94,468	(72,337)	94,285	(72,437)
Other liabilities	(345,564)	(342,091)	(346,348)	(343,507)
Net cash generated (used) from operations	1,288,232	(1,369,179)	1,283,240	(1,370,607)
Income taxes paid	(146,018)	(145,998)	(145,824)	(145,819)
Net cash provided (used) by operating activities	1,142,214	(1,515,177)	1,137,416	(1,516,426)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in:				
Financial Assets at FVTL	(61,661)	(1,249)	(56,903)	-
Available-for-sale securities	(3,164,306)	(2,147,514)	(3,164,296)	(2,147,514)
Property and equipment	(96,986)	(170,769)	(96,955)	(170,769)
Investment properties	9,482	21,491	9,482	21,491
Net cash used in investing activities	(3,313,470)	(2,298,042)	(3,308,672)	(2,296,792)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds (cost) from issuance of new shares	(40,869)	1,149,566	(40,869)	1,149,566
Net increase (decrease) in:				
Bills payable	847,314	221,778	847,314	221,778
Outstanding acceptance	311,557	(11,200)	311,557	(11,200)
Net cash provided by financing activities	1,118,002	1,360,143	1,118,002	1,360,143
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	4,552	(7,338)	4,552	(7,338)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,048,703)	(2,460,413)	(1,048,702)	(2,460,413)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD				
Cash and Other Cash Items	551,098	369,164	551,098	369,164
Due from Bangko Sentral ng Pilipinas	5,511,067	6,040,783	5,511,067	6,040,783
Due from Other Banks	887,143	514,812	887,143	514,812
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	993,804	2,830,082	993,804	2,830,082
	7,943,112	9,754,841	7,943,112	9,754,841
CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD				
Cash and Other Cash Items	493,205	345,126	493,205	345,126
Due from Bangko Sentral ng Pilipinas	5,680,585	4,833,894	5,680,585	4,833,894
Due from Other Banks	543,757	692,899	543,757	692,899
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	176,862	1,422,509	176,862	1,422,509
	6,894,409	7,294,428	6,894,409	7,294,428

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	Cumulative amount of actuarial losses	Revaluation increment on land	Gain/(Loss) on FV adj of Hedging Instrument	Cumulative translation adjustment	Minority Interest	Total Equity
Consolidated													
Balance at January 1, 2013	3,000,000	5,259,897	3,552,598	476,012	105,772	(8,670,713)	672,789	(187,521)	186,889		(4,886)	16,442	4,407,278
Reclassify 120M preferred shares to 120M common shares	(3,000,000)	3,000,000											0
Reduction of common share par value from 100 to 25		(3,944,922)		3,944,922									0
Issuance of 126.6M common shares, net of transaction cost		3,174,140	(3,552,598)	337,589									(40,869)
Total comprehensive income (loss) for the period						1,181,273	(1,844,436)				4,552	309	(658,303)
Balance at June 30, 2013	-	7,489,114	-	4,758,523	105,772	(7,489,440)	(1,171,647)	(187,521)	186,889	-	(334)	16,751	3,708,106
Balance at January 1, 2012	3,000,000	5,259,897	2,373,033	476,012	105,772	(9,655,255)	1,723,168		173,261		(22,653)	15,694	3,448,928
Proceeds from deposit for future stock subscription			1,149,566										1,149,566
Total comprehensive income (loss) for the period						684,196	(688,959)			85	(7,338)	374	(11,641)
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)	16,068	4,586,853
Parent													
Balance at January 1, 2013	3,000,000	5,259,897	3,552,598	476,012	105,772	(8,670,713)	672,789	(187,521)	186,889	-	(4,886)		4,390,837
Reclassify 120M preferred shares to 120M common shares	(3,000,000)	3,000,000											-
Reduction of common share par value from 100 to 25		(3,944,922)		3,944,922									-
Issuance of 126.6M common shares, net of transaction cost		3,174,140	(3,552,598)	337,589									(40,869)
Total comprehensive income (loss) for the period						1,181,273	(1,844,436)			0	4,552		(658,612)
Balance at June 30, 2013	-	7,489,114	-	4,758,523	105,772	(7,489,440)	(1,171,647)	(187,521)	186,889	0	(334)		3,691,356
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
Proceeds from deposit for future stock subscription			1,149,566										1,149,566
Total comprehensive income (loss) for the period						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

PHILIPPINE BANK OF COMMUNICATIONS
AGING OF LOANS & SELECTED RECEIVABLES
As of June 30, 2013

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	176,862,126	176,862,126				
Loans and Discounts	9,523,652,930	9,308,106,092	2,843,374	121,377	1,526,074	211,056,014
Agrarian Reform/Other Agricultural Credit Loans	899,828,720	875,291,220	-	-	-	24,537,500
Bills Purchased	1,134,774,606	1,128,651,409	-	-	4,709,081	1,414,117
Customers' Liability on Drafts under LC/TR	1,496,306,971	1,244,064,632	-	-	-	252,242,338
Customers' Liab. for this Bank's Acceptances	343,879,020	343,879,020	-	-	-	-
Restructured Loans	87,122,068	58,899,843	-	16,972,224	11,250,000	1
Items in Litigation	770,202,491	-	-	-	-	770,202,491
SUB TOTAL	14,432,628,932	13,135,754,342	2,843,374	17,093,601	17,485,154	1,259,452,461
Accounts Receivable	816,540,302	435,987,135	24,260,028	2,247,600	145,368	353,900,172
Accrued Interest Receivable	851,609,221	359,923,740	80,528	169,151	107,864	491,327,938
GRAND TOTAL	16,100,778,456	13,931,665,217	27,183,931	19,510,352	17,738,386	2,104,680,571

PHILIPPINE BANK OF COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2013

1. The Bank's Interim Financial Statements have been prepared on a historical cost basis except for derivatives instruments, available-for-sale (AFS) investments, financial assets at fair value through profit or loss 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 had reinvested ₱2.4 Billion as deposits for future subscription to PBCom shares of stock. Another ₱0.4 Billion was deposited in March 2012 and additional P22 Million in April 2012 to complete their commitment of approximately P2.8 billion.

On May 31, 2012, the LFM Properties Group deposited ₱0.72 Billion for future subscription to PBCom shares of stock. Another ₱30 Million was deposited by the LFM Properties Group on October 24, 2012.

On February 8, 2013, BSP issued Certificate of Authority to register its Amended Articles of Incorporation and Amended By-Laws with SEC. On March 8, 2012, the Bank obtained approval from SEC for quasi-reorganization and increased in authorized capital stock. Thus the Articles of Incorporation are now amended with the following:

- a. Reclassification of Bank's existing 120,000,000 preferred shares to common shares;
- b. Reduction of the par value of all its common shares from ₱100 per share to ₱25 per share; and
- c. Increase in authorized capital stock to ₱19,000,000,000 divided into 760,000 common shares with a par value of ₱25 per share.

As agreed upon with the PSE, the Bank respectfully requested for a voluntary trading suspension of its common (PBC) and preferred (PBCP) shares.

Given the foregoing request of the Bank, PSE implemented a trading suspension on PBC and PBCP shares effective March 12, 2013. The trading of the Bank's common shares under the stock symbol PBC was lifted on March 19, 2013 upon the effectivity of 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 April 3, 2013, PBCom launched a personal loan package to assist clients with finance needs that may fall beyond their day-to-day expenses. The new product is in line with the bank's efforts to offer one-stop banking products and services that meet the needs of the clients. Currently, the Bank has Auto and Home Loan solutions for consumers, as well as a menu of corporate loans for business needs.

On May 14, 2013, the Bank commemorated its 25th listing anniversary in the Philippine Stock Exchange with the ringing of the bell to open the trading activity. During the ceremony, the Bank reiterates its commitment to serve the best interests of stakeholders, investors, customers, employees, the public at large, and regulators, as it put to heart the dream to transform to next level banking.

On May 28, 2013, Financial Supervision Research and Consumer Protection Sub-section of the BSP approved the Bank's request for authority to establish ten (10) additional branches on top of existing sixty four (64) on the following cities:

- A. Luzon
 1. Fort Bonifacio
 2. Sta. Rosa, Laguna
 3. Calamba, Laguna
 4. Cabanatuan, Nueva Ecija
 5. Naga, Camarines Sur
 6. Cauyan, Isabela
 7. Baguio, Benguet
 - B. Visayas
 1. Dumaguete, Negros Oriental
 2. Jaro, Iloilo
 3. Cebu City, Cebu
4. As a result of assessment based on PFRS 10 and PAS 19(R) which became effective January 1, 2013, the Bank restated its 2012 Audited Financial Statements and consolidates PBCom Finance Corporation in its financial statements that were previously accounted as Investment in Associates.

The effects in the Statements of Condition of the new accounting standards as of June 30, 2013 are as follows:

PAS 19(R)		PFRS 10	
Increase in retirement liability	P171,062	Decrease in investment in associates	(P12,342)
Increase in cumulative amount of actuarial loss	187,521	Increase in total asset	13,598
Decrease in deficit	(16,459)	Increase in total equity	16,751

5. Except for PFRS 10, *Consolidated Financial statements*, and PAS 19, *Employee Benefits (Revised)*, the Bank has evaluated the impact of the other Philippine Reporting Standards that became effective starting January 1, 2013 based on the audited figures as of December 31, 2012. The following are the results of the assessment.

Title	Subject	Effects to the June 30, 2013 interim financial statements
PFRS 1	Government loans	Applicable and immaterial
PAS 27 (Amended)	Separate Financial Statements	Not applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Not applicable
Amendments to PFRS 7	Disclosure - Offsetting financial assets and financial liabilities	Applicable and immaterial
PFRS 11	Joint Arrangements	Not applicable
PFRS 12	Disclosure of interest in Other Entities	Not applicable
PFRS 13	Fair Value Measurement	Applicable and immaterial

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 since the same contain detailed risk disclosure. As of June 30, 2013, there are no changes in the Bank's risk management policies.

7. PFRS 9, Financial Instruments

The Bank opted not to early adopt PFRS 9 on its 2012 audited financial statements. As a result of the issued Exposure Draft by IASB last Nov 2012 on proposed changes and on-going clarification and amendments to this standard, the Bank did not conduct an evaluation of possible impact to its 2012 AFS.

8. 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, 2013, the Bank used level 1 measurements of financial assets in AFS amounting to ₱18.09B and level 2 measurements used in AFS and Other assets amounting to ₱ 23.1M and ₱2.7M, respectively. There are no transfers between levels.

9. The interim financial statement is consistent with the most recent Annual Financial Statement on its fair value measurement. As of June 30, 2013 and 2012, carrying values of AFS and FVTPL securities are ₱18.1B and ₱17.5B, respectively, while unrealized gains (losses) amounted to (P1.17B) and P1.03B, respectively.

10. 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.

11. The Bank has no investment in foreign securities as of the reporting period.

12. There are no other items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.

13. 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.

14. There were no dividends paid as of June 30, 2013.

15. Financial Information by Segment (In Thousand)

AS OF JUNE 30, 2013 (Parent)

Particulars	Prosperity Banking Segment	Enterprise Banking Segment	Treasury Segment	Leasing & Shared cost	Total
Segment results					
Net Interest Income	185,208	115,541	36,322	437,661	774,732
Trading and securities gain-net	-	-	1,512,026	(4,868)	1,507,157
Rent income				113,038	113,038
Service charges, fees and commissions	20,339	57,789	13	5,417	83,559
Foreign Exchange gain (loss) - net	1,929	850	(3,182)	(23,140)	(23,543)
Profit /loss) from Asset Sold/Exchange	-	-	-	3,216	3,216
Income from Trust Operations	2,266	626	-	10,493	13,385
Miscellaneous	3,568	292	-	(1,777)	2,083
Total Operating Income	213,310	175,099	1,545,179	540,039	2,473,627
Compensation and Fringe benefits	129,179	37,266	8,796	328,318	503,558
Taxes and licenses	47,189	19,658	145,462	21,936	234,245
Occupancy and Other equipment-related costs	48,983	368	101	25,288	74,740
Depreciation and amortization	22,631	2,221	993	29,898	55,742
Other operating expense	79,039	13,673	27,430	158,103	278,245
Total Operating Expense	327,021	73,186	182,783	563,541	1,146,530
Segment profit (loss)	(113,711)	101,913	1,362,397	(23,502)	1,327,097
Provision for income Tax	34	1,099	38,956	105,735	145,824
Net Income (loss)	(113,745)	100,813	1,323,441	(129,237)	1,181,273
Total segment assets	5,645,417	13,782,387	15,575,625	13,067,623	48,071,053
Total segment liabilities	32,062,004	344,524	3,073,794	8,899,375	44,379,697

AS OF JUNE 30, 2012 (Parent)

Particulars	Retail Banking Segment	Institutional Banking Segment	Treasury Segment	Leasing & Shared cost	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	30,129
Bad Debts	-	-	-	-	-
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	830,016
Provision for income Tax	168	985	27,342	117,324	145,819
Net Income (loss)	(116,802)	72,103	204,570	524,325	684,197
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 Shared cost increased significantly this year compared to same period last year as the Bank hired key personnel to support its growth. Operating expenses of the group grew by 107% mainly on compensation and other operating expenses.

16. 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.
17. The following is a comparative summary of the Bank's commitments and contingent liabilities at their equivalent peso amounts (In thousand):

	June 2013	December 2012
Trust department accounts	4,656,489	4,781,725
Standby LC	387,441	479,011
Spot exchange:		
Sold	876,712	451,575
Bought	386,767	451,690
Sight import LC outstanding	691,467	216,903
Usance import LC outstanding	68,465	99,556
Deficiency claims receivable	27,498	27,498
Inward bills for collection	7,690	4,641
Outstanding shipping guarantees	113,936	16,219
Late deposits/ payment received	7,129	20,111
Outward bills for collection	36,729	13,484
Items held for safekeeping	19	9
Items held as collateral	3	3
Other contingent	88,278	7,000

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

18. 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

Total assets stood at ₱48.07 Billion as of 30 June 2013 while total liabilities and equity amounted to ₱44.38 Billion and ₱3.69 Billion, respectively. Cash and Due from Banks decreased by ₱401.285 Million from year-end level of ₱1.44 Billion. Trading and investment securities went up by 8.13% or ₱1.36 Billion while Loans and Receivable went up by 10.15% or ₱1.62 Billion as result of renewed sales efforts during the year, although NPL ratio for the quarter did rise from - 0.06% to 0.38%. Interbank Loans and Receivable declined by ₱816.94 Million due to the decline in reverse repurchase agreements (RRPs) with the BSP that were directly matched with certain borrowings. Other assets slightly increased by 5.91% or ₱304.50 Million mainly on higher prepaid expense that included payments of software maintenance and business licenses for the year and various investment projects capitalized as miscellaneous assets. On the liability side, the Bank's Deposit Liabilities improved by ₱1.98 Billion compared to year-end level of ₱31.36 Billion. Likewise, Bills Payable went up by ₱861 Million due to higher deposit substitutes placements and amortization of discount on bills payable for the period. Accrued interest, taxes and other expenses increased by ₱94.29 Million or 34.26%. Outstanding acceptances and Manager's Checks issued also went up by ₱311.56 Million and ₱41.82 Million, respectively. On the other hand, Miscellaneous liabilities decreased by ₱346.53 Million due to reversal of unearned income which was brought about by the accretion on borrowing from PDIC. The Bank's capital base went down by ₱699.48 Million from last year's level of ₱4.39 Billion mainly due to the decrease in unrealized gains from the mark-to-market valuation on its Available-for-Sale Financial Assets by ₱1.84 Billion. Bank's deficit improved by ₱1.18 Billion from last year's level of ₱8.67 Billion. The Bank's Risk-Based Capital Adequacy Ratio of 22.32% is well above the 10% minimum requirement. The ratio covers credit, market and operational risk for the second half of year 2013.

In terms of profitability, the Bank posted a net income of ₱1.18 Billion which is 72.65% higher than the same period last year of ₱684.20 Million. Interest income improved by ₱68.17 Million mainly due to higher income from loans and receivable. Trading gains are up by 154.392% to ₱914.69 Million as the Bank took advantage of favorable market conditions while service charges, fees and commission likewise posted higher by 8.59% or ₱6.61 Million from same period last year. The Bank has embarked on a transformation strategy by upgrading its branches to become more efficient and customer friendly. The Bank has started to put up the ten (10) additional branches after the BSP approved its application recently. Along with this came the hiring of key personnel and staff to properly man the branches, coupled with strengthening of the management team. All these contributed to the increase in Bank's operating expenses by ₱386.88 Million. On a quarter to quarter basis, the Bank posted a net income of ₱466.47 Million as compared to previous year's ₱191.16 Million.

On a period-to-period basis, the Bank's total assets increased by ₱6.28 Billion from last year's level of ₱41.79 Billion. Liquid assets went down by 5.48% or ₱400.02 Million. Investment securities were up by ₱598.964 Million as Loans and Receivable increased by ₱5.652 Billion from last year's level of ₱11.92 Billion. This was supported by the increase in Deposit Liabilities by ₱6.13 Billion from last year's level of ₱27.20 Billion. Bills payable also went up from last year's same period level of ₱7.59 Billion to ₱8.68 Billion due to higher deposit substitutes placements and amortization of discount on bills payable. Outstanding acceptances and Manager's Checks were also up by ₱323.66 Million. Accrued interest, taxes and other expenses likewise increased by 82.32% or ₱166.82 Million due to accrual of expenses such as interest on deposits and employee related expenses. Meanwhile, Miscellaneous Liabilities went down by ₱569.56 Million brought about by the reversal of unearned income on the accretion on borrowings from PDIC.

2. Discussion of various key indicators:

A. Key Financial Performance

Ratio	June 2013	December 2012	Remarks
Net Profit Margin <i>(Net income divided by Gross income)</i>	41.01%	33.15%*	Ratio improved by 7.86% from period to period as the Bank earned significantly from various operations.
Return on Average Asset <i>(Net income divided by Average assets)</i>	5.03%	2.22%	Growth in net income for the period outpaced the increase in Average Assets
Return on Average Equity <i>(Net income divided by Average equity)</i>	56.09%	24.22%	Both net income and average equity increased significantly as a result of implementing the bank's strategy for the year
Capital Adequacy Ratio <i>(Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)</i>	22.32%	20.45%	CAR ratio improved for the first half of 2012 (as submitted to BSP) due profitable year that contributed to higher qualifying capital of P1.16B. The ratio covering credit, market and operational risk remains well above the 10% minimum required by the BSP.
Basic Earnings per share <i>(Net income divided by average no. of common shares)</i>	4.59	3.96*	Higher earnings per share is a result of better performance for the first half of this year.

* As of June 2012

B. Financial Soundness

Ratio	June 2013	December 2012	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>	75.01%	78.73%	Liquidity ratio decreased by 3.72% as more deposits were channeled into loans. Demand and Time Deposit grows by P2.3B or 0.75% for the first half of 2013.
Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	91.97%	90.05%	Total liabilities increased by P2.9B as a result of higher deposits which outpaced the growth of total asset by P699M.
Asset to Equity Ratio (Total Asset to Total Equity)	1,244.58%	1,004.65%	The Bank has higher leverage this period compared to last year. Total assets improved while equity slightly declined due to unrealized loss from mark-to-market valuation on the available-for-sale investment for the period.
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	426.40%	177.58%	Interest rate coverage improved by 249% as a result of higher earnings from securities and loans and lower interest expense.
Net Interest Margin Net interest income over Average Earning assets	4.46%	4.37%	Higher net interest income of P31 Million along with increased in average earning asset of P11M for the period.

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, 2013, unspent amount of capital expenditures amounting to ₱155.97M from the last years approved budget and additional projects this quarter. The projects included are for technology upgrade, computer and communication upgrade and renovation of certain business centers and branches.
- 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.

Statement of Condition (Parent): June 2013 vs. December 2012

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(57,893)	-10.50%	Prudent cash management resulted to lower cash balance for the period.
Due from BSP	169,508	3.08%	Higher BSP balance to fund various payments of Bank's obligations.
Due from Other Banks	(343,386)	-38.71%	Decrease in balance brought about by transfer of funds to BSP demand deposit account to fund Bank's cash requirements.
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	(816,942)	-82.20%	Transfer of funds from investment in SPURA to other high yielding securities and lending activities for the period.
Financial Assets at FVTL	56,903		Investment in held for trading securities for the period
Available-for-Sale Investments	1,307,883	7.79%	Purchase of additional proprietary securities.
Loans and Receivables	1,619,299	10.15%	Increased in volume of loans and discounts by P825M and higher unquoted debt securities by P824M for the period.
Investment in an Associate	173	1.42%	Bank's share of PBCom Finance Corporation income for the period.
Property and Equipment	45,132	3.37%	Branch renovation and IT infrastructure upgrades during the period.
Investment Properties	(9,482)	-0.26%	Sale of ROPA properties during the period.
Other Assets	268,680	130.66%	Higher miscellaneous asset due to capitalized cost of various projects for the year.
Demand Deposits	914,997	15.81%	Increase in demand and time deposits due to efforts of the Retail Banking Segment to generate more deposits across all branches.
Savings Deposits	(57,685)	-2.10%	
Time Deposits	1,119,519	4.91%	
Bills Payable	861,222	11.01%	The effect of increase in accretion of borrowings from PDIC by P372M and deposit substitutes P345M in the comparable period.
Outstanding Acceptances	311,557	963.91%	Increase in bills of exchange accepted by the Bank
Manager's Checks	41,819	62.37%	Increase in un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	94,285	34.26%	The increase is due to accrual of various expenses of the Bank.
Other Liabilities	(346,348)	-23.83%	Net effect of decrease in unearned income due to accretion on borrowing from PDIC and increase in other liabilities such as advance rentals.

Statement of Income and Expenses (Parent): January-June 2013 vs January-June 2012

	Increase (Decrease)	Percentage	Remarks
Interest Income on Trading and investment securities	(40,581)	-6.10%	Lower interest income from PDIC GS substituted collateral due to lower yields compared to 12.37% coupon rate of old collateral last year. Initial tranche of GS collateral substitution started last Feb 2012.
Interest Income on Loans and receivable	123,694	30.01%	Higher interest income from current loans on increased average volume and accretion of interest income from MRT bonds by P60.5M.
Interest Income on IBCL & SPURA	(15,122)	-65.65%	Lower year-on-year average volume of investment in SPURA by P646M.
Interest Income on Deposit with other Banks and others	181	1.47%	Higher interest income from Due from BSP by P475T as a result of various placements to SDA for the period.
Interest Expense on Deposit Liabilities	(67,452)	-16.88%	Lower deposit rates from Time deposits by P59.3M despite a year-on-year increase in average volumes by P3.08B.
Trading and Securities Gain – net	914,691	154.39%	Favorable interest rate movement in the bond market resulted to more trading activities and gains this year.
Service Charges, Fees & Commissions	6,611	8.59%	Higher participation fees and bank commissions collected
Income from Trust Operations	4,935	58.40%	More trust activities that resulted to higher fees this year
Rent Income	(33,081)	-22.64	Lower occupancy ratio at the PBCom Tower property brought about by the utilization of some floors as PBCom offices.
Profit/(Loss) from Assets Sold/Exchanged	(106,272)	-97.06%	Last year's one time recognition of gain from sale of Bukidnon properties of the Bank amounting to P113M.
Foreign Exchange Gain (Loss) –Net	(35,981)	-289.28%	Combination of higher revaluation loss and lower actual/realized gain from foreign exchange trading.
Miscellaneous Other Income	(2,790)	-57.25%	Lower auxiliary income generated for the period
Compensation and Fringe Benefits	177,976	54.66%	Hiring of additional manpower for the period
Depreciation & Amortization	25,614	85.02%	Higher depreciation as a result of upgrades of various furniture and equipment of the Bank.
Occupancy and other equipment- related costs	30,240	67.96%	Lower reimbursements received from tenants of PBCom Tower on utilities and repairs this year as certain floors previously leased out became bank premises
Taxes and Licenses	51,776	28.38%	Higher documentary stamp tax as a result of significant increase in placements of time deposits and Gross Receipts Tax on more trading income during the period
Miscellaneous	102,221	58.07%	Higher management & professional fees by P48M and representation expenses by P26M during the period