

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)

-----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 March 31, 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 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
<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 TAN CHAI
EVP/ Chief Finance Officer


ARLENE M. DATU
SVP/ Controller

May 14, 2013

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CONDITION
(In Thousands)

	Consolidated	Parent	
	MARCH	MARCH	DECEMBER
	2013	2013	2012
	<i>Unaudited</i>		<i>Audited</i>
ASSETS			
Cash and Other Cash Items	465,149	465,149	551,098
Due from Bangko Sentral ng Pilipinas	6,653,052	6,653,052	5,511,067
Due from Other Banks	755,624	755,624	887,143
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	550,312	550,312	993,804
Financial Assets at FVTPL	62,289	57,691	-
Available-For-Sale Investments	19,350,477	19,350,477	16,778,803
Loans and Receivables	14,759,000	14,740,729	15,957,495
Investment in an Associate	-	12,239	12,168
Property and Equipment	1,370,214	1,370,172	1,337,829
Investment Properties			
Condominium units for lease	3,220,308	3,220,308	3,220,308
Foreclosed properties	367,708	366,499	375,813
Other Assets	346,300	343,895	205,639
	47,900,433	47,886,148	45,831,167
LIABILITIES AND EQUITY			
Liabilities			
Deposit Liabilities			
Demand	5,589,343	5,592,890	5,788,177
Savings	2,907,570	2,907,570	2,751,041
Time	23,090,515	23,090,515	22,817,097
	31,587,429	31,590,976	31,356,315
Bills Payable	8,350,196	8,350,196	7,823,513
Outstanding Acceptances	34,849	34,849	32,322
Manager's checks	85,646	85,646	67,050
Accrued Interest, Taxes and Other Expenses	399,100	398,489	275,180
Deferred Tax Liabilities - Net	432,716	432,716	432,716
Other Liabilities	1,123,945	1,123,037	1,282,171
	42,013,882	42,015,909	41,269,268
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Preferred Stock	-	-	3,000,000
Common stock	7,489,114	7,489,114	5,259,897
Deposit for future stock subscription	-	-	3,552,598
Additional paid-in capital	4,799,392	4,799,392	476,012
Surplus reserves	105,772	105,772	105,772
Deficit	(7,972,243)	(7,972,370)	(8,687,172)
Net unrealized gain on available-for-sale investments	1,254,887	1,254,887	672,789
Revaluation increment on land	186,889	186,889	186,889
Cumulative translation adjustment	6,555	6,555	(4,886)
	5,870,366	5,870,239	4,561,899
Non-controlling interest	16,185	-	-
	5,886,551	5,870,239	4,561,899
	47,900,433	47,886,148	45,831,167

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

	Consolidated	Parent	
	UNAUDITED FOR THE QUARTER ENDED		
	MARCH 31, 2013	MARCH 31, 2013	MARCH 31, 2012
INTEREST INCOME			
Trading and investment securities	320,983	320,976	347,943
Loans and receivables	261,663	260,701	199,857
Interbank loans receivable and securities purchased under resale agreements	5,877	5,877	12,923
Deposits with other banks and others	3,801	3,801	17,677
	592,324	591,355	578,400
INTEREST AND FINANCE CHARGES			
Deposit liabilities	182,592	182,544	208,372
Bills payable, borrowings and others	37,180	37,180	34,292
	219,772	219,724	242,664
NET INTEREST INCOME	372,552	371,631	335,736
Trading and securities gain - net	947,840	947,840	489,031
Rent Income	54,304	54,319	69,124
Service charges, fees and commissions	40,588	40,562	30,398
Foreign exchange gain (loss) - net	(8,174)	(8,174)	8,572
Profit/(Loss) from Assets Sold/Exchanged	774	774	625
Income from Trust Operations	3,677	3,677	4,421
Miscellaneous	650	650	442
TOTAL OPERATING INCOME	1,412,210	1,411,278	938,350
Compensation and fringe benefits	257,037	256,681	153,296
Taxes and licenses	147,599	147,578	102,883
Depreciation and amortization	26,543	26,539	14,920
Occupancy and other equipment - related costs	43,791	43,755	19,456
Provision for impairment losses	-	-	-
Miscellaneous	148,901	148,837	80,373
TOTAL OPERATING EXPENSES	623,870	623,390	370,928
NET INCOME BEFORE TAX	788,340	787,889	567,422
PROVISION FOR INCOME TAX	73,220	73,087	74,390
NET INCOME (a)	715,120	714,801	493,032
Attributable to:			
Equity holders of the Parent Company	714,929		
Non-controlling interest	191		
	715,120		

Basic/ Diluted Earnings Per Share

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

3.33

2.86

No. of Weighted Average Shares (b)

214,920,829

172,598,965

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

	Consolidated	Parent	
	UNAUDITED FOR THE QUARTER ENDED		
	MARCH 31, 2013	MARCH 31, 2013	MARCH 31, 2012
NET INCOME	715,120	714,801	493,032
OTHER COMPREHENSIVE INCOME:			
Changes in net unrealized gain (loss) on available-for-sale investments	582,098	582,098	(518,504)
Net movement in cumulative translation adjustment	11,441	11,441	(4,899)
Net movement of Gain/(Loss) on FV adjustment of Hedging Instrument	-	-	449
OTHER COMPREHENSIVE INCOME (LOSS)	593,539	593,539	(522,954)
TOTAL COMPREHENSIVE INCOME (LOSS)	1,308,658	1,308,340	(29,922)

Attributable to:

Equity holders of the Parent Company	1,308,467
Non-controlling interest	191
	<u>1,308,658</u>

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

	Parent	
	UNAUDITED FOR THE QUARTER ENDED	
	MAR 31, 2013	MAR 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	787,889	567,422
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:		
Accretion of interest on bills payable	6,954	(6,946)
Depreciation and amortization	26,539	14,920
Profit from asset sold or exchange	774	625
Securities gains from sale of available-for sale investments	3,126	47,646
Equity in net loss (earnings) of an associates	(71)	(96)
Changes in operating assets and liabilities		
Decrease (increase) in the amounts of:		
Loans and Receivable	1,216,766	166,164
Other Assets	(141,311)	(21,103)
Increase (decrease) in the amounts of:		
Deposit liabilities	234,661	163,597
Manager's checks	18,596	45,480
Accrued interest, taxes and other expenses	123,308	(29,870)
Other liabilities	(159,134)	(166,708)
Net cash generated from operations	2,118,097	781,130
Income taxes paid	(73,087)	(74,390)
Net cash provided by operating activities	2,045,009	706,740
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease (increase) in:		
Financial Assets at FVTL	(57,691)	-
Available-for-sale securities	(1,992,703)	(2,915,803)
Property and equipment	(56,601)	(22,843)
Investment properties	9,314	(4,297)
Net cash used in investing activities	(2,097,681)	(2,942,942)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from deposit for future stock subscription	0	407,844
Net increase (decrease) in:		
Bills payable	519,729	179,527
Outstanding acceptance	2,527	(16,210)
Net cash provided by financing activities	522,256	571,161
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	11,441	(4,899)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	481,025	(1,669,940)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		
Cash and Other Cash Items	551,098	369,164
Due from Bangko Sentral ng Pilipinas	5,511,067	6,040,783
Due from Other Banks	887,143	514,812
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	993,804	2,830,082
	7,943,112	9,754,841
CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD		
Cash and Other Cash Items	465,149	365,982
Due from Bangko Sentral ng Pilipinas	6,653,052	3,993,386
Due from Other Banks	755,624	797,992
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	550,312	2,927,541
	8,424,137	8,084,901

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

Parent

	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, 2013	3,000,000	5,259,897	3,552,598	476,012	105,772	(8,687,172)	672,789	186,889	-	(4,886)	4,561,899
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		3,174,140	(3,552,598)	378,458							-
Total comprehensive income for the period						714,801	582,098	186,889	0	11,441	1,308,340
Balance at March 31, 2013	-	7,489,114	0	4,799,392	105,772	(7,972,370)	1,254,887	186,889	0	6,555	5,870,239
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			407,844								407,844
Total comprehensive income (loss) for the period						493,032	(518,504)	173,261	449	(4,899)	(29,922)
Balance at March 31, 2012	3,000,000	5,259,897	2,780,876	476,012	105,772	(9,162,223)	1,204,659	173,261	449	(27,552)	3,811,151

PHILIPPINE BANK OF COMMUNICATIONS
AGING OF LOANS & SELECTED RECEIVABLES
As of March 31, 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	550,312,193	550,312,193					
Loans and Discounts	7,672,186,436	7,356,119,050	10,233,675	4,268,203	1,772,199	299,793,309	
Agrarian Reform/Other Agricultural Credit Loans	810,848,746	762,093,049	255,000	-	-	48,500,697	
Bills Purchased	1,033,016,776	1,025,401,615	-	6,571,135	-	1,044,026	
Customers' Liability on Drafts under LC/TR	1,635,991,692	1,161,554,345	-	-	-	474,437,347	
Customers' Liab. for this Bank's Acceptances	34,849,463	34,849,463	-	-	-	-	
Restructured Loans	209,685,641	181,457,880	9,356,215	-	11,250,000	7,621,546	
Items in Litigation	438,803,828	-	-	-	-	438,803,828	
S U B T O T A L	12,385,694,775	11,071,787,594	19,844,891	10,839,338	13,022,199	1,270,200,753	
Accounts Receivable	822,721,491	454,530,837	9,129,418	1,681,319	95,326	357,284,591	
Accrued Interest Receivable	636,894,063	146,209,021	95,584	15,897	93,470	490,480,090	
GRAND TOTAL	13,845,310,328	11,672,527,452	29,069,893	12,536,555	13,210,994	2,117,965,434	

PHILIPPINE BANK OF COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 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 ₱100.00 per share to ₱25.00 per share; and
- c. Increase in authorized capital stock to ₱19,000,000,000.00 divided into 760,000 common shares with a par value of ₱25.00 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.

As a result of assessment based on PFRS 10 which became effective January 1, 2013, the Bank consolidates PBCom Finance Corporation in its financial statements that were previously accounted as Investment in Associates.

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 March 31, 2013, 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 audited financial statements. Last year, 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 March 31, 2013, the Bank used level 1 measurements of financial assets in AFS amounting to ₱19.37B and level 2 measurements used in AFS and Other assets amounting to ₱ 23.1M and ₱1.7M, 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 March 31, 2013 and 2012, carrying values of AFS and FVTPL securities are ₱19.4B and ₱18.5B, respectively, while unrealized gains amounted to P1.25B and P1.2B, 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 March 31, 2013.
13. Except for PFRS 10, *Consolidated Financial statements*, and PFRS 1, *Government loans*, the Bank is currently evaluating the impact of the new Philippine Reporting Standards that became effective starting January 1, 2013 based on audited figures as of December 31, 2012.

Title	Subject	Applicable or Not
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
PFRS 11	Joint Arrangements	Not applicable
PFRS 12	Disclosure of interest in Other Entities	Not applicable
PFRS 13	Fair Value Measurement	Applicable

14. Financial Information by Segment (In Thousand)

AS OF MARCH 31, 2013

Particulars	Retail Banking Segment	Institutional Banking Segment	Treasury Segment	Leasing & Shared cost	Total
Segment results					
Net Interest Income	97,110	43,850	31,539	199,132	371,631
Trading and securities gain-net	-	-	947,840	0	947,840
Rent income				54,319	54,319
Service charges, fees and commissions	10,246	28,807	2	1,507	40,562
Foreign Exchange gain (loss) - net	503	345	666	(9,689)	(8,174)
Profit (loss) from Asset Sold/Exchange	21	-	-	754	774
Income from Trust Operations	1,152	207	-	2,318	3,677
Miscellaneous	1,832	106	-	(1,288)	650
Total Operating Income	110,864	73,316	980,047	247,052	1,411,278
Compensation and Fringe benefits	61,310	16,465	3,782	175,124	256,681
Taxes and licenses	24,814	9,905	85,355	27,504	147,578
Occupancy and Other equipment-related costs	24,013	176	21	19,545	43,755
Depreciation and amortization	10,931	992	390	14,226	26,539
Other operating expense	40,212	5,356	12,564	90,705	148,837
Total Operating Expense	161,279	32,894	102,111	327,105	623,390
Segment profit (loss)	(50,415)	40,422	877,936	(80,053)	787,889
Provision for income Tax	13	816	22,722	49,736	73,087
Net income (loss)	(50,428)	39,805	855,214	(129,790)	714,801
Total segment assets	5,299,308	10,691,538	19,544,810	12,350,493	47,886,148
Total segment liabilities	30,263,522	34,849	2,987,946	8,729,592	42,015,909

AS OF MARCH 31, 2012

Particulars	Retail Banking Segment	Institutional Banking Segment	Treasury Segment	Leasing & Shared cost	Total
Segment results					
Net Interest Income	89,818	31,054	10,263	204,602	335,736
Trading and securities gain-net	-	-	295,166	193,866	489,031
Rent income				69,124	69,124
Service charges, fees and commissions	9,829	19,206	6	1,358	30,398
Foreign Exchange gain (loss) - net	571	1,181	(1,837)	8,658	8,572
Profit /loss) from Asset Sold/Exchange	94	657	-	(126)	625
Income from Trust Operations	943	13	-	3,466	4,421
Miscellaneous	1,758	(294)	-	(1,022)	442
Total Operating Income	103,013	51,817	303,598	479,926	938,350
Compensation and Fringe benefits	59,838	10,532	5,237	77,669	153,296
Taxes and licenses	23,248	7,292	59,480	12,863	102,884
Occupancy and Other equipment-related costs	26,438	686	362	(8,031)	19,456
Depreciation and amortization	8,668	770	252	5,230	14,920
Bad Debts					
Other operating expense	34,592	1,887	11,155	32,739	80,373
Total Operating Expense	152,784	21,167	76,486	120,490	370,928
Segment profit (loss)	(49,771)	30,650	227,112	359,436	567,422
Provision for income Tax	119	585	21,032	52,653	74,390
Net Income (loss)	(49,890)	30,065	206,080	306,783	493,032
Total segment assets	5,030,365	6,783,249	14,286,726	15,867,495	41,967,825
Total segment liabilities	27,034,858	71,907	2,486,672	8,564,237	38,156,674

The Shared cost increased significantly this year compared to same period last year as the Bank hired key personnel to support the rapid growth of its business segments. Operating expenses of the group grew by 171% mainly on compensation and other operating expenses.

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

	March 2013	December 2012
Trust department accounts	4,523,678	4,781,725
Standby LC	457,233	479,011
Spot exchange:		
Sold	1,142,400	451,575
Bought	204,000	451,690
Sight import LC outstanding	341,835	216,903
Usance import LC outstanding	85,354	99,556
Deficiency claims receivable	27,498	27,498
Inward bills for collection	2,995	4,641
Outstanding shipping guarantees	119,286	16,219
Late deposits/ payment received	4,426	20,111
Outward bills for collection	14,102	13,484
Items held for safekeeping	8	9
Items held as collateral	2	3
Other contingent	22,790	7,000

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

17. 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 ₱47.89 Billion as of 31 March 2013 while total liabilities and equity amounted to ₱42.02 Billion and ₱5.87 Billion, respectively. Cash and Due from Banks increased by ₱924.5 Million from year-end level of ₱6.95 Billion. Likewise trading and investment securities went up by 15.67% or ₱2.63 Billion. On the other hand, Interbank and Loans and Receivable decreased by 9.79% or ₱1.66 Billion due to the aggressive collection effort of the Bank and partly to the decline in reverse repurchase agreements (RRPs) with the BSP that were directly matched with certain borrowings. With the adoption of BSP Circular 772 in 2013, the Bank's NPL ratio is -0.06% as of the quarter. Other assets increased by 67.23% or ₱138.26 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, through the Bank's prudent marketing strategy, its Deposit Liabilities compared to year-end level increased by ₱234.66 Million from the year-end level of ₱31.36 Billion. Likewise, Bills Payable increased by ₱527 Million due to higher deposit substitutes placements and amortization of discount on bills payable for the quarter. Accrued interest, taxes and other expenses increased by ₱123.3 Million or 44.8% due to accrual of expenses such as employee benefits and bonuses. Miscellaneous liabilities decrease by ₱159.13 Million mainly because of the reversal of unearned income brought about by accretion on borrowing from PDIC. Meanwhile, the Bank's capital base went up by ₱1.31 Billion from last year's level of ₱4.56 Billion due to the increase in unrealized gains from the mark-to-market valuation on its Available-for-Sale Financial Assets by ₱582.10 Million and net income for the period. The Bank's Risk-Based Capital Adequacy Ratio of 22.73% is well above the 10% minimum requirement. The ratio covers credit, market and operational risk for the first quarter of 2013.

The Bank's earning capacity has improved year on year because of the new business focus and overall increase in business generating consciousness. Interest income rose by ₱12.96 Million mainly due to income on loans and receivable brought by more aggressive marketing strategies of the Bank. Trading gains are up by 93.82% to ₱958.8 Million due to the continued decline in interest rates while service charges, fees and commission likewise improved by 33.44% or ₱10.16 Million from same period last year. The Bank has embarked on creating a new image through renovating its branches to become more efficient and customer friendly. Along with this was the hiring of key personnel and staff to properly man the branches, coupled with new talents in the management team. All these contributed to the increase in Bank's operating expenses by ₱252.46 Million. The Bank posted a net income of ₱714.80 Million which is 44.98% higher than the same period last year of ₱493.03 Million.

2. Discussion of various key indicators:

A. Financial Soundness

Ratio	March 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>	87.99%	78.73%	The increase in liquidity ratio was brought about by the increase in Bank's demand deposit level with BSP and in trading and investment securities
Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	87.74%	90.05%	Although total assets increased by P2.05 Billion, this was offset by the increase in total liabilities of P746 Million resulting to a lower debt ratio of the Bank.
Asset to Equity Ratio (Total Asset to Total Equity)	815.74%	1,004.65%	The Bank has lower leverage this period compared to last year. Although there is an improvement in Bank's total assets, total equity likewise improved because of the increase in unrealized gain from mark-to-market valuation on the available-for-sale investment along with increase in Bank's profitability.
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	458.58%	333.83%	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)	4.33%	3.87%	Higher net interest income of P143 Million despite decline of P382 Million in average earning assets of the Bank for the period.

B. Financial Performance

Ratio	March 2013	December 2012	Remarks
Profit Margin	43.83%	41.75%	Ratio improved by 2.08% due to more profitable operations during the year.
Return on Average Asset	6.10%	4.52%	Growth in net income outpaced by the increase in Average Assets
Return on Average Equity	54.82%	49.33%	Favorable increase is due to higher average equity coupled with favorable increase in Bank's profitability.
Capital Adequacy Ratio	22.73%	20.45%	The improvement in CAR ratio (as submitted to BSP) was due to increase in qualifying capital by P718M. The ratio covering credit, market and operational risk remains well above the 10% minimum required by the BSP.
Basic Earnings per share	3.33	2.86*	Improved earnings per share as a result of better performance this period.

* For the 1st quarter ending March 2012

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 March 31, 2013, unspent amount of capital expenditures amounting to ₱192.5M 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: March 2013 vs. December 2012

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(85,949)	-15.60%	Prudent cash management resulted to lower cash balance for the period.
Due from BSP	1,141,985	20.72%	Higher BSP balance to fund various payments of Bank obligations.
Due from Other Banks	(131,519)	-14.82%	Decrease in balance brought about by transfer of funds to BSP demand deposit account for funding of Bank's various obligations.
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	(443,492)	-44.63%	Transfer of funds from investment in SPURA to other high yielding securities and lending activities in the period.
Financial Assets at FVTL	57,691		Investment in held for trading securities for the period
Available-for-Sale Investments	2,571,675	15.33%	Purchase of additional proprietary securities during the period.
Loans and Receivables	(1,216,766)	-7.63%	Decrease in volume of loans and discounts consequent to the Bank's selective and cautious credit strategy.
Investment in an Associate	71	0.58%	Bank's share of PBCom Finance Corporation income for the period.
Property and Equipment	32,342	2.42%	Purchase of various furniture, IT infrastructures and desktop upgrade during the period.
Investment Properties	(9,314)	-0.26%	Sale of ROPA properties during the period.
Other Assets	138,256	67.23%	Higher prepaid expense and miscellaneous asset that includes payment of software maintenance, business licenses and benefits received by employee for the year and capitalized cost of various projects.
Demand Deposits	(195,287)	-3.37%	Increase in savings and time deposits due to more aggressive strategies of the Retail Banking Segment to generate more deposits across all branches.
Savings Deposits	156,529	5.69%	
Time Deposits	273,418	1.20%	
Bills Payable	526,683	6.73%	The effect of increased accretion on borrowing from PDIC by P182M and deposit substitutes (P337M) in the comparable period.
Outstanding Acceptances	2,527	7.82%	Increase in bills of exchange accepted by the Bank
Manager's Checks	18,596	27.73%	Increase in un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	123,308	44.81%	Increase is due to accrual of various expenses of the Bank such employees benefits and bonuses for the quarter.
Other Liabilities	(159,134)	-12.41%	Net effect of decrease in unearned income due to accretion on borrowing from PDIC and increase in other liabilities such as Due from PDIC and BSP.

Statement of Income and Expenses: January-March 2013 vs January-March 2012

	Increase (Decrease)	Percentage	Remarks
Interest Income on Trading and investment securities	(26,967)	-7.75%	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	60,844	30.44%	Higher interest income from current loans by P46M on increased average volume and accretion of interest income from MRT bonds by P9.7M.
Interest Income on IBCL & SPURA	(7,046)	-54.52%	Lower year-on-year average volume of investment in SPURA by P527M.
Interest Income on Deposit with other Banks and others	(13,876)	-78.50%	Lower interest income by P6.8M as a result of BSP Circular 753 where deposits in compliance with the reserve requirements no longer earn interest effective April 6, 2012.
Interest Expense on Deposit Liabilities	(25,829)	-12.40%	Lower deposit rates from Time deposits by P22.4M despite increased year-on-year average volumes by P2.3B.
Interest Expense on Bills payable, borrowings and others	2,888	8.42%	Net effect of higher amortization of unamortized discount from PDIC loans and lower interest from deposit substitutes as the Bank concentrate on low cost funding.
Trading and Securities Gain – net	458,809	93.82%	Favorable interest rate movement in the bond market resulted more trading gains this year.
Service Charges, Fees & Commissions	10,164	33.44%	Higher participation fees and bank commissions collected
Income from Trust Operations	(745)	-16.85%	Competitive environment in the Trust resulted to lower fees for this year
Rent Income	(14,806)	-21.42%	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	150	23.95%	Slightly better recognition of gains from sale of ROPA properties for the period.
Foreign Exchange Gain (Loss) –Net	(16,747)	-195.35%	Combination of higher revaluation loss and lower actual/realized gain from foreign exchange trading.
Miscellaneous Other Income	208	46.99%	More auxiliary income generated for the period
Compensation and Fringe Benefits	103,385	67.44%	Hiring of additional manpower and accrual of additional employees benefits for the quarter
Depreciation & Amortization	11,619	77.88%	Higher depreciation as a result of upgrades of various furniture and equipment of the Bank.
Occupancy and other equipment- related costs	24,299	124.89%	Lower reimbursements received from tenant of PBCom Tower on utilities and repairs this year as certain floors previously leased out are classified as bank premises
Taxes and Licenses	44,694	43.44%	Higher documentary stamp tax expense as a result of issuance of new shares as a result of quasi reorganization and increase in gross receipts tax on improved and trading gains for the quarter.
Miscellaneous	68,464	85.18%	Higher management & professional fees and filing fees paid to regulators for the increased in capitalization of the Bank
Provision for Income Tax	(1,302)	-1.75%	Lower final taxes due to decreased investment in securities and government bonds.