

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 September 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

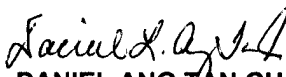
The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such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


ARLENE M. DATU
SVP/ Controller

November 11, 2013

PHILIPPINE BANK OF COMMUNICATIONS
STATEMENTS OF CONDITION
(In Thousands)

	Consolidated		Parent	
	SEPTEMBER 2013	DECEMBER 2012	SEPTEMBER 2013	DECEMBER 2012
	<i>Unaudited</i>		<i>Restated</i>	
ASSETS				
Cash and Other Cash Items	530,895	551,098	530,895	551,098
Due from Bangko Sentral ng Pilipinas	8,318,983	5,511,067	8,318,983	5,511,067
Due from Other Banks	849,457	887,143	849,457	887,143
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	482,946	993,804	482,946	993,804
Financial Assets at FVTPL	61,586	149	56,696	-
Available-For-Sale Investments	19,661,674	16,778,813	19,661,674	16,778,803
Loans and Receivables	21,868,207	15,974,696	21,851,323	15,957,495
Investment in an Associate	-	-	12,402	12,168
Property and Equipment	1,401,688	1,337,845	1,401,646	1,337,829
Investment Properties				
Condominium units for lease	3,225,517	3,220,308	3,225,517	3,220,308
Foreclosed properties	347,237	376,987	346,063	375,813
Other Assets	734,162	208,045	731,698	205,639
	57,482,351	45,839,954	57,469,300	45,831,167
LIABILITIES AND EQUITY				
Liabilities				
Deposit Liabilities				
Demand	7,859,774	5,780,128	7,864,888	5,788,177
Savings	2,829,350	2,751,041	2,829,350	2,751,041
Time	30,989,112	22,817,097	30,989,112	22,817,097
	41,678,236	31,348,266	41,683,350	31,356,315
Bills Payable	9,303,865	7,823,513	9,303,865	7,823,513
Outstanding Acceptances	232,174	32,322	232,174	32,322
Manager's checks	126,918	67,050	126,918	67,050
Accrued Interest, Taxes and Other Expenses	362,786	275,411	362,230	275,180
Deferred Tax Liabilities - Net	432,716	432,716	432,716	432,716
Other Liabilities	1,010,475	1,453,397	1,009,679	1,453,234
	53,147,171	41,432,676	53,150,932	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	(7,272,359)	(8,670,713)	(7,272,359)	(8,670,713)
Net unrealized gain on available-for-sale investments	(732,947)	672,789	(732,947)	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	(29,104)	(4,886)	(29,104)	(4,886)
	4,318,368	4,390,837	4,318,368	4,390,837
Non-controlling interest	16,812	16,442	-	-
	4,335,180	4,407,278	4,318,368	4,390,837
	57,482,351	45,839,954	57,469,300	45,831,167

**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	
	SEP 30, 2013	SEP 30, 2012	SEP 30, 2013	SEP 30, 2012	SEP 30, 2013	SEP 30, 2012	SEP 30, 2013	SEP 30, 2012
NET INCOME	1,398,725	824,608	216,937	139,789	1,398,354	824,080	217,082	139,883
OTHER COMPREHENSIVE INCOME:								
Changes in net unrealized gain (loss) on available-for-sale investments	(1,405,736)	(564,797)	438,700	124,162	(1,405,736)	(564,792)	438,700	124,162
Changes in actuarial gains/losses	-	-	-	-	-	-	-	-
Net movement in cumulative translation adjustment	(24,218)	15,339	(28,770)	22,677	(24,218)	15,339	(28,770)	22,677
Net movement of Gain/(Loss) on FV adjustment of Hedging Instrument	-	-	-	-	-	845	0	760
OTHER COMPREHENSIVE INCOME (LOSS)	(1,429,954)	(549,458)	409,930	146,839	(1,429,954)	(548,608)	409,930	147,599
TOTAL COMPREHENSIVE INCOME (LOSS)	(31,229)	275,150	626,868	286,628	(31,600)	275,471	627,012	287,482

Attributable to:				
Equity holders of the Parent Company	(31,600)	274,622	626,827	286,525
Non-controlling interest	370	528	41	103
	(31,229)	275,150	626,868	286,628

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

	Consolidated		Parent	
	UNAUDITED FOR THE PERIOD ENDED			
	SEP 30, 2013	SEP 30, 2012	SEP 30, 2013	SEP 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	1,627,330	1,044,881	1,626,716	1,044,065
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:				
Accretion of interest on bills payable	20,861	15,038	20,861	15,038
Depreciation and amortization	90,653	49,034	90,640	49,027
Provision for impairment losses	79,907	(953)	79,907	(953)
Profit from asset sold or exchange	2,651	109,003	2,651	109,003
Securities gains from sale of available-for sale investments	16,213	57,766	16,213	57,766
Equity in net earnings of an associates			(234)	(326)
Changes in operating assets and liabilities				
Decrease (increase) in the amounts of:				
Loans and Receivable	(5,973,418)	(2,399,845)	(5,973,736)	(2,399,128)
Other Assets	(526,117)	(73,340)	(540,191)	(77,413)
Increase (decrease) in the amounts of:				
Deposit liabilities	10,329,970	469,688	10,327,035	469,488
Manager's checks	59,868	8,739	59,868	8,739
Accrued interest, taxes and other expenses	87,375	(1,735)	87,049	(2,012)
Other liabilities	(442,922)	(597,100)	(443,554)	(598,207)
Net cash generated (used) from operations	5,372,372	(1,318,826)	5,353,224	(1,324,913)
Income taxes paid	(228,606)	(220,273)	(228,361)	(219,985)
Net cash provided (used) by operating activities	5,143,766	(1,539,099)	5,124,863	(1,544,899)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in:				
Financial Assets at FVTL	(61,437)	(1,249)	(56,696)	-
Available-for-sale securities	(4,304,810)	(1,574,439)	(4,304,820)	(1,574,465)
Property and equipment	(157,147)	(215,494)	(142,974)	(210,953)
Investment properties	24,542	37,107	24,542	37,142
Net cash used in investing activities	(4,498,852)	(1,754,076)	(4,479,948)	(1,748,276)
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	1,459,491	357,692	1,459,491	357,692
Outstanding acceptance	199,851	(25,266)	199,851	(25,266)
Net cash provided by financing activities	1,618,473	1,481,991	1,618,473	1,481,991
EFFECTS OF FXCY TRANSLATION ADJUSTMENTS	(24,218)	15,339	(24,218)	15,339
NET DECREASE IN CASH AND CASH EQUIVALENTS	2,239,169	(1,795,845)	2,239,169	(1,795,845)
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	530,895	316,030	530,895	316,030
Due from Bangko Sentral ng Pilipinas	8,318,983	5,084,776	8,318,983	5,084,776
Due from Other Banks	849,457	770,575	849,457	770,575
Interbank Loans Receivable and Securities				
Purchased Under Resale Agreements	482,946	1,787,615	482,946	1,787,615
	10,182,281	7,958,996	10,182,281	7,958,996

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 126.8M common shares, net of transaction cost		3,174,140	(3,552,598)	337,589									(40,869)
Total comprehensive income (loss) for the period						1,398,354	(1,405,736)				(24,218)	370	(31,229)
Balance at September 30, 2013	-	7,489,114	-	4,758,523	105,772	(7,272,359)	(732,947)	(187,521)	186,889	-	(29,104)	16,812	4,335,180
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						824,080	(564,797)			845	15,339	528	275,995
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)	16,223	4,874,489
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 126.8M common shares, net of transaction cost		3,174,140	(3,552,598)	337,589									(40,869)
Total comprehensive income (loss) for the period						1,398,354	(1,405,736)				(24,218)		(31,800)
Balance at September 30, 2013	-	7,489,114	-	4,758,523	105,772	(7,272,359)	(732,947)	(187,521)	186,889	0	(29,104)	0	4,318,368
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						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)	15,339	4,886,266

PHILIPPINE BANK OF COMMUNICATIONS
AGING OF LOANS & SELECTED RECEIVABLES
As of September 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	217,970,813	217,970,813				
Loans and Discounts	10,759,936,172	10,511,841,172	73,721,960	8,195,252	5,535,453	160,642,334
Agrarian Reform/Other Agricultural Credit Loans	1,192,123,725	1,166,256,685	1,329,540	-	-	24,537,500
Bills Purchased	1,205,881,449	1,200,419,899	547,643	370,091	3,986,641	557,175
Customers' Liability on Drafts under LC/TR	1,734,623,432	1,482,653,447	-	-	-	251,969,985
Customers' Liab. for this Bank's Acceptances	232,173,577	232,173,577	-	-	-	-
Restructured Loans	84,422,861	73,167,324	-	-	-	11,255,537
Items in Litigation	819,436,190	-	-	-	-	819,436,190
S U B T O T A L	16,246,568,220	14,884,482,917	75,599,143	8,565,343	9,522,094	1,268,398,722
Accounts Receivable	832,992,993	517,739,804	11,362,855	1,946,443	6,473,850	295,470,041
Accrued Interest Receivable	687,700,631	195,595,805	698,955	87,051	32,341	491,286,479
G R A N D T O T A L	17,767,261,844	15,597,818,526	87,660,953	10,598,837	16,028,285	2,055,155,242

PHILIPPINE BANK OF COMMUNICATIONS
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 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 reinvested ₱2.4 Billion as deposits for future subscription to PBCom shares of stock. Another ₱0.4 Billion was deposited in March 2012 and an 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 a Certificate of Authority to the Bank to enable it to register its Amended Articles of Incorporation and Amended By-Laws with the SEC.

On March 8, 2012, the Bank obtained approval from SEC for quasi-reorganization and an increase in authorized capital stock. The Articles of Incorporation were amended to implement 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.

The reclassification of the said PBCP shares to PBC shares took effect on March 19, 2013.

On April 3, 2013, PBCom launched its Personal Loan product 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 its clients. The Bank also offers 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 reiterated its commitment to serve the best interests of its stakeholders, investors, customers, employees, the public at large, and regulators, as it embarks on its journey of transformation to next level banking.

On May 28, 2013, the Financial Supervision Research and Consumer Protection Sub-section of the BSP approved the Bank's request for authority to establish ten (10) additional branches to expand its current network of sixty four (64) branches in 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

On July 1, 2013, the Sta. Rosa Branch opened for business while the F1 Bonifacio Global City Branch opened on August 6, 2013

- 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 September 30, 2013 are as follows (in thousands):

PAS 19(R)		PFRS 10	
Increase in retirement liability	P171,062	Decrease in investment in associates	(P12,402)
Increase in cumulative amount of actuarial loss	187,521	Increase in total asset	13,051
Decrease in deficit	(16,459)	Increase in total equity	16,812

- 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 September 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 a 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, 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 September 30, 2013, the Bank used level 1 measurements of financial assets in AFS amounting to ₱19.7B and level 2 measurements used in AFS amounting to ₱ 23.1M. 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 September 30, 2013 and 2012, carrying values of AFS and FVTPL securities are ₱19.72B and ₱17.1B, respectively, while unrealized gains (losses) amounted to (₱732M) and ₱1.16B, respectively.
10. The Bank evaluates and classifies financial instruments depending on 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 September 30, 2013.

15. Financial Information by Segment (in thousands)

AS OF SEPTEMBER 30, 2013 (Parent)

Particulars	Prosperity Banking Segment	Enterprise Banking Segment	Treasury Segment	Leasing & Shared cost	Total
Segment results					
Net Interest Income	318,020	191,609	106,630	567,605	1,183,864
Trading and securities gain-net	-	-	1,744,961	(8,659)	1,736,302
Rent income				185,125	185,125
Service charges, fees and commissions	37,137	105,416	15	10,563	153,130
Foreign Exchange gain (loss) - net	2,634	1,618	(3,437)	(17,916)	(17,102)
Profit /loss) from Asset Sold/Exchange	68	-	-	2,582	2,651
Income from Trust Operations	4,002	1,550	-	12,396	17,947
Miscellaneous	5,725	377	-	77,644	83,746
Total Operating Income	367,585	300,569	1,848,169	829,341	3,345,663
Compensation and Fringe benefits	199,821	59,982	13,775	501,225	774,803
Taxes and licenses	88,609	32,280	182,695	53,583	357,166
Occupancy and Other equipment-related costs	75,763	544	139	22,637	99,083
Depreciation and amortization	36,810	3,631	1,501	48,698	90,640
Other operating expense	81,896	22,299	39,413	253,647	397,256
Total Operating Expense	482,898	118,737	237,523	879,789	1,718,948
Segment profit (loss)	(115,313)	181,832	1,610,645	(50,448)	1,626,715
Provision for income Tax	-	1,691	58,890	167,780	228,361
Net Income (loss)	(115,313)	180,141	1,551,755	(218,228)	1,398,354
Total segment assets	7,307,785	17,519,353	18,039,236	14,602,925	57,469,300
Total segment liabilities	40,296,351	232,857	3,617,616	9,004,108	53,150,932

AS OF SEPTEMBER 30, 2012 (Parent)

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
Bad Debts	-	-	-	-	-
Other operating expense	115,965	7,603	29,846	115,722	268,183
Total Operating Expense	481,365	68,891	165,589	460,571	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

The Shared cost increased significantly this year compared to the same period last year as the Bank hired key personnel to enable the growth of the its business. Operating expenses

grew by 91% mainly on compensation.

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 in 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 thousands):

	September 2013	December 2012
Trust department accounts	5,357,781	4,781,725
Standby LC	961,075	479,011
Spot exchange:		
Sold	536,856	451,575
Bought	544,729	451,690
Sight import LC outstanding	506,402	216,903
Usance import LC outstanding	277,137	99,556
Deficiency claims receivable	27,498	27,498
Inward bills for collection	17,722	4,641
Outstanding shipping guarantees	571,804	16,219
Late deposits/ payment received	7,184	20,111
Outward bills for collection	31,249	13,484
Items held for safekeeping	18	9
Items held as collateral	3	3
Other contingent	285,132	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 the best of our knowledge or for the current interim period.

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

PBCom's earnings improved year on year because of its renewed business focus. The Bank posted a net income of ₱1.398 Billion in the first three quarters of 2013 which is 69.69% higher than last year's level of ₱0.824 Billion. The increase was brought about by an increase in interest income on loans and receivable by 22.48% or ₱0.162 Billion and Deposit with other banks and others by ₱0.003 Billion or 23.10%. At the same time, interest expense dropped by 15.01% or ₱0.106 Billion from last year's level of ₱0.708 Billion to ₱0.602 Billion due to a conscious effort to align deposit rates to the market. Overall operating income rose by ₱1.127 Billion from the same period last year's level of ₱2.219 Billion. The improvement is attributable to higher income from trading and securities due to favorable market conditions, higher income from trust operations, service charges, fees and commission as well as the reversal of excess provisions. Meanwhile, rental income decreased by ₱0.43 Billion as 2 floors were converted to Bank premises. The Bank has started to refresh its brand through relocating its branches to more visible areas and renovating them to become more efficient and customer friendly. This, along with the hiring of key personnel and staff to properly man the branches, increased total operating expenses by 46.35% or ₱0.544 Billion from last year's level of ₱1.174 Billion.

On a quarter-to-quarter basis, the Bank's net income improved by 55.19% or ₱0.077 Billion from last year's level of ₱0.140 Billion to ₱0.217 Billion. Net interest income slightly improved due to higher interest income from loans receivable and deposits with other banks, coupled with lower interest on deposits. Operating income went up by 38.45% due to an increase in treasury income, service charges, fees and commission. On the other hand, operating expenses increased by 37.66% or ₱0.157 Billion mainly due to higher taxes and licenses, depreciation and amortization.

Total assets stood at ₱57.47 Billion as of 30 September 2013 while total liabilities and equity amounted to ₱53.15 Billion and ₱4.32 Billion, respectively. Comparing 2012 year-end level against September 2013, the Bank's total asset improved by ₱11.638 Billion. Liquid assets were up by 20.98% from year-end level of ₱24.69 Billion. Trading and investment securities went up by ₱2.940 Billion while Loans and Receivable were up by ₱5.89 Billion as result of continuing sales efforts during the year. Other assets went up by ₱0.53 Billion mainly due to work-in-progress projects and higher prepaid expense that included payments of software maintenance and business licenses for the year capitalized as miscellaneous assets. On the liability side, the Bank's Deposit Liabilities improved significantly by ₱10.33 Billion compared to year-end level of ₱31.36 Billion. Likewise, Bills Payable went up by ₱1.48 Billion due to higher deposit substitutes placements, repurchase agreement and amortization of discount on bills payable for the period. Accrued interest, taxes and other expenses similarly increased by ₱0.09 Billion or 31.63%. Outstanding acceptances and Manager's Checks issued also went up by ₱0.20 Billion and ₱0.06 Billion, respectively. On the other hand, Miscellaneous liabilities decreased by ₱0.44 Billion due to the reversal of unearned income which was brought about by the accretion on the borrowing from PDIC. The Bank's capital base slightly went down by ₱0.07 Billion from last year's level of ₱4.39 Billion to ₱4.32 Billion mainly due to the decrease in unrealized gains from the mark-to-market valuation of its Available-for-Sale Financial Assets by ₱1.41 Billion. The Bank's deficit improved by ₱1.40 Billion from last year's level of ₱8.67 Billion. The Bank's Risk-Based Capital Adequacy Ratio of 17.80% is well above the 10% minimum regulatory requirement.

On a period-to-period basis, the Bank's total assets increased by ₱14.40 Billion from the same period last year's level of ₱43.07 Billion. Liquid assets were up by 19.36% or ₱4.84 Billion as Investment securities rose by ₱2.62 Billion. With the continuing sales efforts of the Bank, Loans and Receivable increased by ₱8.93 Billion from last year's level of ₱12.92 Billion to ₱21.85 Billion. Property and equipment likewise went up by 38.84% or ₱0.39 Billion. On the liabilities side, deposit liabilities almost doubled from the same period last year's level of ₱28.29 Billion to ₱41.68 Billion of this year. Bills payable, likewise, went up by 20.38% or ₱1.58 Billion. Outstanding

acceptances and Manager's Checks increased by ₱0.20 Billion and ₱0.08 Billion, respectively. On the other hand, Miscellaneous Liabilities went down by ₱0.41 Billion 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	September 2013	December 2012	Remarks
Net Profit Margin <i>(Net income divided by Gross income)</i>	35.42%	20.80%*	Ratio improved by 14.62% due to the significant improvement of the Bank's earnings.
Return on Average Asset <i>(Net income divided by Average assets)</i>	2.71%	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>	30.90%	24.22%	Both net income and average equity increased significantly as a result of implementing the bank's transformation strategy
Capital Adequacy Ratio <i>(Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)</i>	17.80%	20.45%	CAR ratio dropped by 2.65% due material increase in loans and receivable that contributed to higher credit risk weighted assets. 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>	5.15	4.77*	Higher earnings per share resulted from better performance for the third quarter of this year.

* As of September 2012

B. Financial Soundness

Ratio	September 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>	71.65%	78.73%	Liquidity ratio decreased by 7.08% as more deposits were channeled into loans. Total Deposit liabilities grew by P10.3B or 32.93% for the third quarter of 2013.
Debt Ratio (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	92.19%	90.05%	Minimal increase in ratio was brought about by P11.7B increase in total liabilities that were offset by an P11.6B increase in total assets.
Asset to Equity Ratio (Total Asset to Total Equity)	1,280.10%	1,004.65%	The Bank is more highly leveraged this period compared to last year. Total assets improved while equity slightly declined due to unrealized loss from mark-to-market valuation on its available-for-sale portfolio.
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	370.23%	177.58%	Interest rate coverage improved by 192.65% as a result of higher earnings from securities and loans and lower interest expense.
Net Interest Margin Net interest income over Average Earning assets	4.16%	4.37%	Higher net interest income of P60 Million along with an increase in average earning asset of P3.267B 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 September 30, 2013, unspent amount of capital expenditures amounted to P396.94M from the last year's 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): September 2013 vs. December 2012

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(20,203)	-3.67%	Lower cash balance due to strict observance of the Bank's policy on effective cash management.
Due from BSP	2,807,916	50.95%	Higher BSP balance to fund various payments of Bank's obligations.
Due from Other Banks	(37,686)	-4.25%	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)	(510,858)	-51.40%	Transfer of funds from investment in SPURA to other high yielding securities and lending activities for the period.
Financial Assets at FVTL	56,696		Investment in held for trading securities for the period
Available-for-Sale Investments	2,882,871	17.18%	Purchase of additional proprietary securities.
Loans and Receivables	5,893,829	36.93%	Increased volume of loans and discounts by P2.5B and higher unquoted debt securities by P3.4B for the period.
Investment in an Associate	234	1.92%	Bank's share of PBCom Finance Corporation income for the period.
Property and Equipment	63,816	4.77%	Purchase of various furniture, IT infrastructures, branch renovation and desktop upgrade during the period.
Investment Properties	(24,542)	-0.68%	Sale of ROPA properties during the period.
Other Assets	526,059	255.82%	Higher miscellaneous asset due to capitalized cost of various projects for the year.
Demand Deposits	2,076,711	35.88%	Increase in demand and time deposits due to more aggressive efforts of the Retail Banking Segment to generate more deposits from all branches.
Savings Deposits	78,309	2.85%	
Time Deposits	8,172,015	35.82%	
Bills Payable	1,480,352	18.92%	The effect of increase in accretion of borrowings from PDIC by P0.6B, repurchase agreement by P0.4B and deposit substitutes by P0.5B in the comparable period.
Outstanding Acceptances	199,851	618.31%	Increase in bills of exchange accepted by the Bank
Manager's Checks	59,868	89.29%	Increase in un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	87,049	31.63%	The increase is due to accrual of various expenses of the Bank such employees benefits and bonuses for the quarter.
Other Liabilities	(443,554)	-30.52%	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): Jan-Sep 2013 vs. Jan-Sep 2012

	Increase (Decrease)	Percentage	Remarks
Interest Income on Trading and investment securities	(97,124)	-9.98%	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	161,898	22.48%	Higher interest income from current loans due to increased average volume and accretion of interest income from MRT bonds by P69.7M.
Interest Income on IBCL & SPURA	(25,298)	-71.93%	Lower year-on-year average volume of investment in SPURA by P842M.
Interest Income on Deposit with other Banks and others	3,420	23.10%	Higher interest income from Due from BSP by P3.7M as a result of various placements to SDA for the period.
Interest Expense on Deposit Liabilities	(103,376)	-17.40%	Lower deposit rates from Time deposits by P83.9M despite increase on year-on-year average volumes by P4.5B.
Trading and Securities Gain – net	1,043,796	150.73%	Favorable interest rate movement in the bond market resulted to more trading activities and gains this year.
Service Charges, Fees & Commissions	37,265	32.16%	Higher participation fees and bank commissions collected
Income from Trust Operations	6,071	51.11%	More trust activities that resulted to higher fees this year
Rent Income	(42,775)	-18.77%	Utilization of some floors as PBCom offices that were previously rented out
Profit/(Loss) from Assets Sold/Exchanged	(106,352)	-97.57%	Last year's one time recognition of gain from sale of Bukidnon properties of the Bank amounting to P113M.
Reversal of (provision for) credit losses	80,860	-8,485.64%	Reversal of allowance as a result of improved loan portfolio for the period.
Foreign Exchange Gain (Loss) –Net	(35,370)	-193.62%	Combination of higher revaluation loss and lower actual/realized gain from foreign exchange trading.
Miscellaneous Other Income	(5,640)	-59.50%	Lower ancillary income generated for the period
Compensation and Fringe Benefits	240,660	45.06%	Hiring of additional manpower and accrual of additional employees benefits for the period
Depreciation & Amortization	41,613	84.88%	Higher depreciation as a result of infrastructure upgrades by the Bank.
Occupancy and other equipment- related costs	28,864	41.10%	Lower reimbursements received from tenant of PBCom Tower on utilities and repairs this year as certain floors previously leased out were classified as bank premises
Taxes and Licenses	103,275	40.68%	Higher documentary stamp tax as a result of significant increase in placements of time deposits and higher Gross Receipts Tax on more trading income during the period
Miscellaneous	130,026	48.66%	Higher management & professional fees by P61M and representation expenses by P34M during the period